

The era of consumer A.R.T.

Acquisition | Retention | Transaction

India's Media &
Entertainment sector

March 2020

Dear Reader,

The exceptional circumstances brought about by the coronavirus have led to the suspension of FICCI Frames which was to be held in March 2020.

This report and the forewords were written before this development took place. Accordingly, estimates for calendar 2020 provided in the report have not been updated for the impact of the coronavirus.

We will come back to the community when we are in a better position to articulate the impact with updated future forecasts.

Till such time, do enjoy the report and its analysis of 2019 as well as our view of key trends which will define the future.

Regards,

FICCI & EY India



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Fore word



Priyanka Chopra Jonas

The world is our stage.

If content is queen (yes...it's 2020), then technology is the golden chariot that is carrying her treasures far and wide. While stories from India have always had an audience globally, the advent of new distribution channels like streaming platforms and a shift in the kind of stories we're telling, is a very positive sign for the Indian entertainment industry.

The advances in technology are blurring global borders for entertainment. And enabling India's media and entertainment industry to be one of the pivots that could help achieve India's goal of becoming a \$5 trillion economy.

Storytelling is decidedly one of India's key soft powers and the creation of these stories has taken many forms. While India's VFX and technical work have been growing from strength to strength, we are now seeing international recognition for Indian talent being expanded to include actors, writers, directors, musicians and other key contributors to our art and craft.

Technology has revolutionized the way we think of content and has allowed us to cater to a wider audience base in a more niche funnel which includes varied languages and genres. It's no longer a situation of 'one for all'. The Indian entertainment industry has responded to this in a positive, creative manner, investing in all forms of content which today is witnessing a surge in interest even from global audiences.

The world is indeed our stage. And it's showtime folks.



Karan Johar

The Indian media and entertainment sector is the biggest global brand ambassador for India.

The creativity of this sector across multiple media is unmatched and Bollywood is something that most people on this planet recognise. Indian content has left an indelible mark on everyone that has had the opportunity to witness it. Indian actors and content are getting recognized across the globe today. The rise of global OTT platforms has opened up new vistas for Indian content to increase its reach. This could be a potential game-changer for India.

This trend for growth in demand for Indian content is only going to rise further. It is now time for India to play a larger role in the global media and entertainment. Our content is being consumed in over 150 countries across television, film and digital originals. Our music resonates across the world. Our events are becoming global IPs. India's animation, VFX and post production facilities have moved up the value chain and the world has recognized their potential as high-quality service providers, with a cost advantage.

It is only a matter of time now before India truly reaches its potential and the world sits up to take note.

Our journey to entertain the world has just begun!

Foreword



Uday Shankar
Senior Vice President, FICCI

A Tectonic Shift Underway

The landscape of India's Media & Entertainment (M&E) industry has been transforming rapidly. Riding the wave of exponential progress made towards digital accessibility and adoption, the M&E industry has been a harbinger of a dynamic and aspirational India. Times may be challenging, but they have seldom been more exciting.

So exciting is the proposition of digital entertainment, that industry players now include not only traditional and new-age media companies, but also platforms which were previously focused on other services. While the country's economic growth has been lukewarm, the M&E industry has grown at nine percent last year. Amidst concerns of a slowdown in consumption, the number of digital consumers tripled last year. Digital media, online gaming, and animation are likely to clock impressive double-digit growth in the near future. Unlike many countries, the TV industry in India is still massive and continues to grow. TV remains the largest revenue generator for the industry. I am optimistic that India will see a billion screens in the next five years.

Tremendous growth notwithstanding, many untapped opportunities remain. New products and business models are being imagined to capitalize on the rise in media consumption. Global players are recognizing the need to build India-centric offerings-with localized products and localized pricing models. The opportunities presented by the emergence of smart television sets and digital connectivity can improve the engagement between creators of content and consumers. We are on the verge of an exponential increase in engagement through the fomentation of the nascent online gaming industry. The coming years are likely to usher in greater innovation in content formats, means of dissemination, and business models.

Going forward, macroeconomic turbulence and softening advertisement revenue are tangible risks. Industry stakeholders must look for creative ways of monetization and deliver superior value propositions for advertisers. During these times of transformative change, it is imperative that the industry and regulators work closely together to introduce enabling policy and legislative frameworks. Greater regulatory certainty and a conducive business environment are the need of the hour to ensure that the M&E sector can achieve its full potential.

I would like to thank everyone who worked hard to put together this report. I hope you find it useful and insightful.



Ashish Pherwani
M&E Sector Leader
EY India

How will the M&E sector navigate the era of consumer A.R.T.?

Welcome to the 2020 edition of the FICCI-EY report on the Indian media and entertainment (M&E) sector.

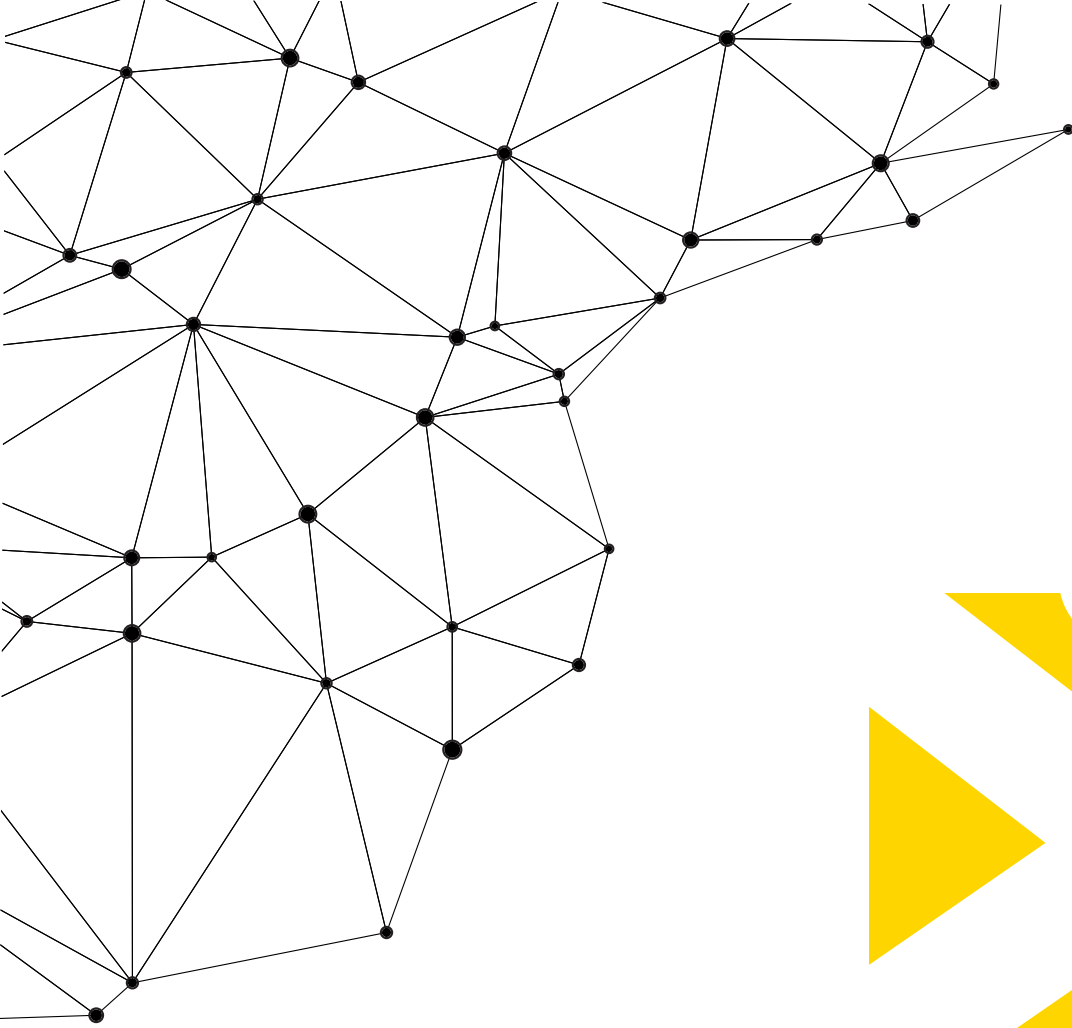
The M&E sector witnessed a surge in content consumption as digital infrastructure, quantum of content produced and per-capita income all increased in 2019. Consequently, driven by the ability to create direct-to-customer relationships, the sector firmly pivoted towards a B2C operating model, changing the way it measured itself. Digital advertising continued to outpace traditional ad spends during the year, while certain traditional segments witnessed a fall in ad revenues.

While the economy felt the effects of a slowdown during the second half of 2019, the M&E sector continued to grow at a faster pace than India's GDP, driven primarily by growth in subscription revenues.

The current situation around the coronavirus will, unfortunately, impact the 2020 estimates we have provided in this report, and we will update the same as soon as we can reasonably estimate its impact.

As entertainment and information options grew and choice increased for consumer, success was increasingly driven by abilities around consumer Acquisition, Retention and Transaction (ART). Technology was increasingly applied to support and monetize creativity better, at a global level.

In this report we have analysed the sector's performance in 2019, identifying key trends which we believe will drive the future. As we move into a new decade, we have also tried to bring out the imperatives of consumer ART which we feel will be relevant across each segment of the M&E sector. We are certain you would find this report to be insightful.



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Disclaimer:

The exceptional circumstances brought about by coronavirus have led to the suspension of FICCI Frames. This report and the forewords were written before this development took place. We are not yet in a position to accurately quantify the deep impact which the coronavirus will have on the media ecosystem and we will come back to the community when we are in a better position to articulate the impact with updated future forecasts.

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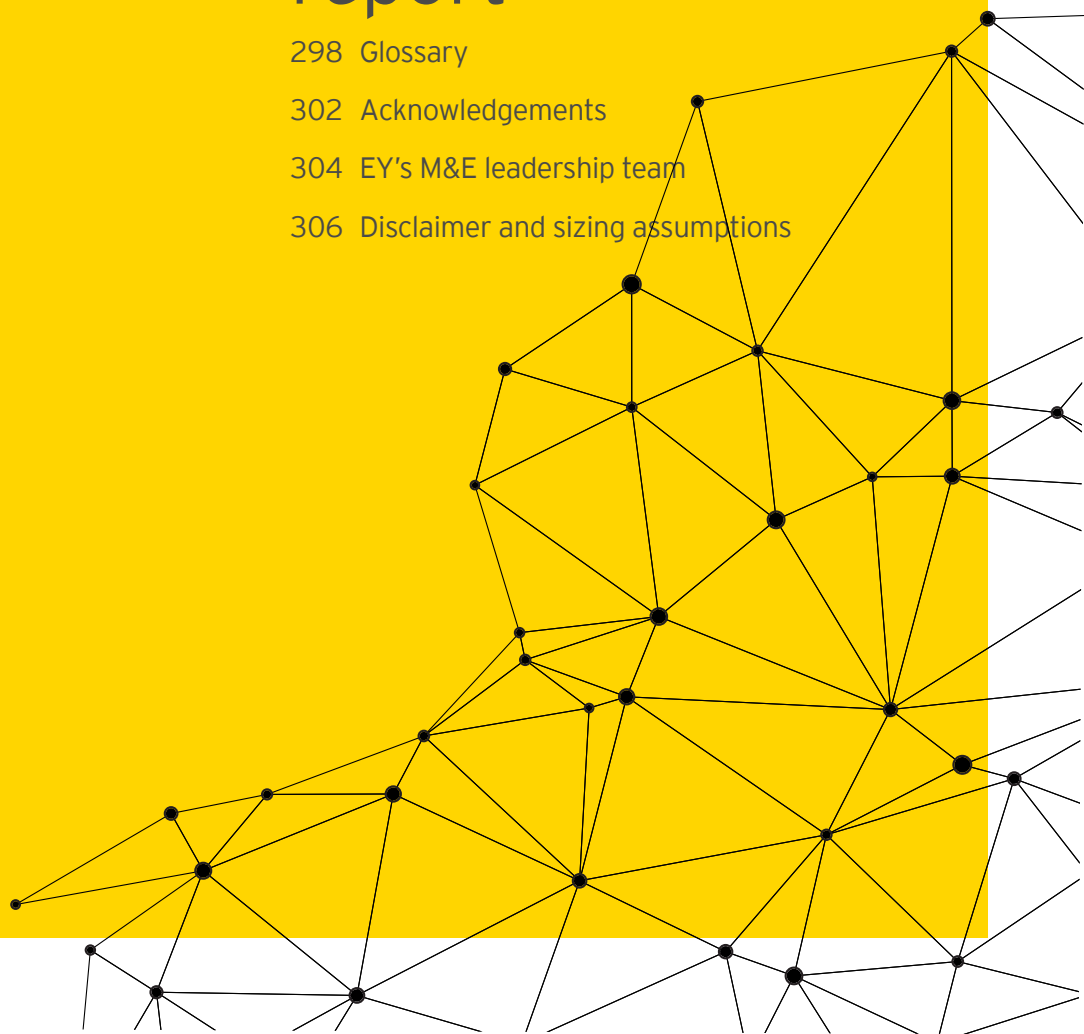
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M&E sector
overview 2019:

Key trends

The M&E sector grew 9% in 2019 to reach INR1.82 trillion

	2018	2019	2020E	2022E	CAGR 2019-22
Television	740	787	790	882	4%
Print	305	296	301	309	1%
Digital media	169	221	279	414	23%
Filmed entertainment	175	191	207	244	8%
Animation and VFX	79	95	112	156	18%
Live events	75	83	94	122	14%
Online gaming	46	65	91	187	43%
Out of Home media	37	39	41	46	5%
Radio	34	31	33	36	5%
Music	14	15	17	20	10%
Total	1,674	1,822	1,965	2,416	10%

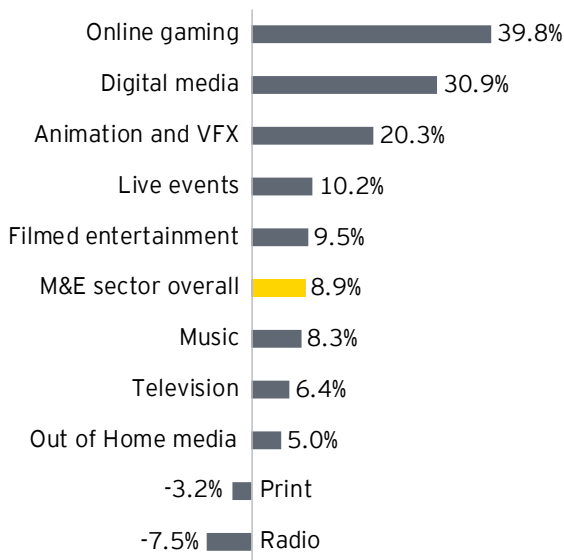
All figures are gross of taxes (INR in billion) for calendar years | EY estimates

- ▶ The Indian M&E sector reached INR1.82 trillion (US\$25.7 billion), a growth of 9% over 2018
- ▶ We expect it to reach INR2.42 trillion (US\$34 billion) by 2022 at a CAGR of 10%
- ▶ Digital media overtook filmed entertainment in 2019 to become the third largest segment of the M&E sector; we expect it to overtake print by 2021

2020 estimates have been created prior to the advent of the coronavirus and we will update the same once we are in a position to quantify its impact.

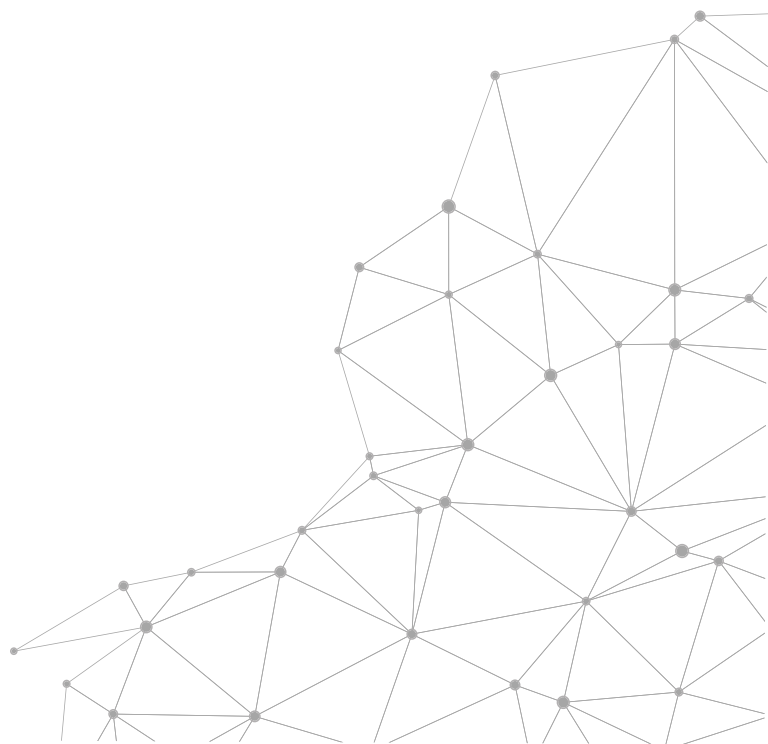
Key trends in 2019

Growth was driven by direct-to-customer segments



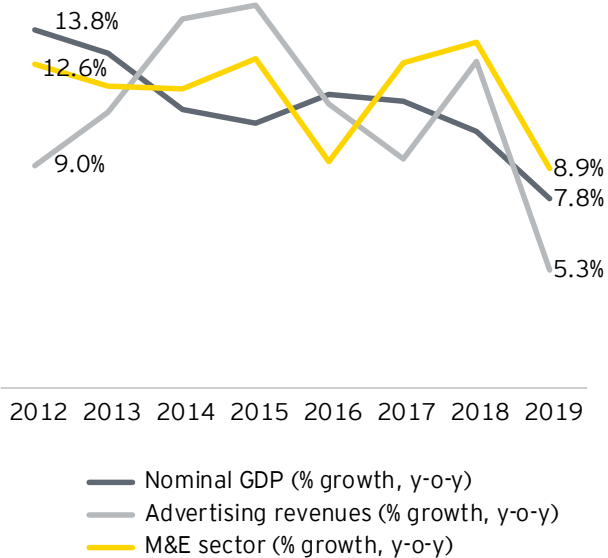
Growth in percentage over 2018 | EY estimates

- ▶ **Online gaming** continued as the fastest growing segment on the back of transaction-based games, mainly fantasy sports, and a 31% growth in online gamers
- ▶ **Digital advertising** aggregated the largest share of marketers' incremental and performance-driven advertising investments, growing 24% in 2019 to command a highest-ever share of 24% of total advertising revenues, up from 20% in 2018
- ▶ **Digital subscription** grew over 100% in 2019 as sports and quality video content went behind a paywall and telcos paid more to bundle content with their data packs; it now comprises 13% of total digital segment revenues
- ▶ **Animation and VFX** segment benefited due to increased demand from domestic content companies (which produced over 1,600 hours of original OTT content, 1,800+ films and over 200,000 hours of entertainment television) as well as international content companies producing ever larger amounts of content for both developed and growth markets
- ▶ **Live events** continued to entertain India in 2019, with a growth in the number of event IPs launched, international formats coming into India, growth in ticketed events and digital activation
- ▶ **Filmed entertainment** segment saw its best ever domestic theatrical revenues (a record 17 Bollywood films crossed INR100 crore) and growth in value of digital rights, though overseas revenues fell slightly
- ▶ **Music** grew on the back of digital streamers reaching around 200 million due to the launch of a number of audio streaming platforms in 2019 and better implementation of performance rights collection mechanisms
- ▶ **Television** advertising saw 5% growth in 2019 due to large impact properties like the ICC World Cup and the general elections, while subscription grew 7.5% due to increase in end-customer prices
- ▶ **OOH** growth in 2019, was led by airport advertising, metro station naming rights and Indian Railways' push to increase non-fare revenues
- ▶ **Print** readership fell marginally in 2019 and consequently witnessed 3% revenue degrowth, with advertising revenues falling 5% but subscription revenues increasing 2%
- ▶ **Radio** segment witnessed 7.5% decline in revenue on account of the slowdown in economic activity, which impacted ad spends from retail advertisers in the second half of 2019, though we expect revenues to grow once economic growth revives



M&E sector outperformed the Indian economy

M&E sector growth vs. nominal GDP growth



Growth (Basic data): First Revised Estimates, NAS dated 31 Jan 2020 and Advance Estimates, NAS dated 7 January 2020, CSO, MoSPI

Note: While advertising revenues are estimated for a calendar year, GDP estimates are for a fiscal year, i.e., April to March

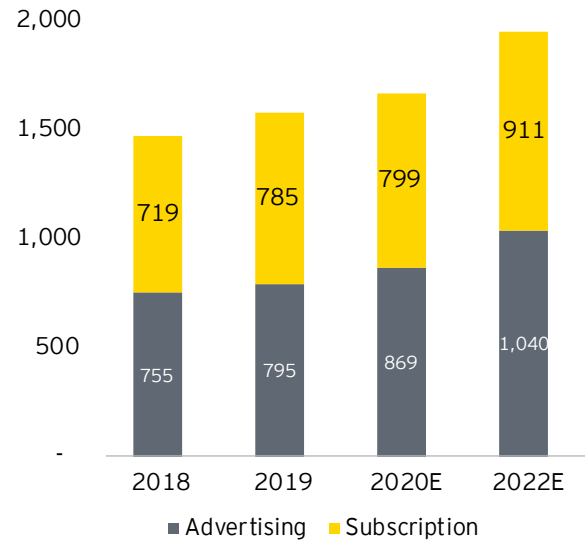
- ▶ India's nominal GDP grew at 7.8% in 2019, an eight-year low in growth terms
- ▶ Advertising, correspondingly, grew at just 5.3% though the M&E sector grew at a higher rate than the economy, demonstrating the relative power of subscription-based business models and India's attractiveness as a content production and post production destination

2019 saw robust M&E deal activity

- ▶ There were 64 deals in 2019 compared to 41 deals in 2018 yet the overall deal value was much lower at INR101 billion as compared to INR192 billion in the previous year
- ▶ 84% of deals were in the new media space while just 16% of deals were for traditional media
- ▶ Private equity and venture capital provided over 60% of funding

Subscription outpaced advertising growth

Advertising and subscription revenues



INR billion (gross of taxes) | EY estimates

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

- ▶ Advertising grew 5.3% while subscription grew 9.3% in 2019
- ▶ Advertising growth was muted due to overall economic slowdown in the second half of calendar 2019 which also impacted festive ad spending and resulted in a polarization of spends towards impact properties
- ▶ The net increase of INR40 billion in ad spends was because of an INR37 billion growth in digital and an INR15 billion growth in television, reduced by a fall of INR12 billion across local traditional media (print, radio, OOH)
- ▶ Traditional segments like print and radio ended the year with a degrowth in ad revenues, despite being relatively flat for the first seven to eight months of 2019
- ▶ Subscription growth was driven by OTT video consumption (111%), film (10%) and television (7.5%)
- ▶ We expect advertising to grow at a 9% CAGR over the next three years

The SME digital advertising market grew 25%

- ▶ Small and medium enterprises (SMEs) comprise over 45% of India's industrial output and 40% of India's exports¹
- ▶ We estimate that SMEs spent around INR87.5 billion on digital advertising, primarily on search, social and e-commerce platforms
- ▶ SME advertisers on digital number over 350,000² and are predominantly focused on regional, performance advertising
- ▶ We are unable to size this segment accurately due to lack of verifiable data and have therefore excluded it from advertising sizing

Digital subscription continued its robust growth trajectory

- ▶ Streaming video revenues grew over 100% from 2018 as sports and premium content went behind the paywall, leading platforms launched sachet-priced packages and the number of consumers consuming content on telco bundles crossed 260 million
- ▶ Audio streaming revenues grew as well, though the growth was relatively muted at 18% due to an abundance of free streaming services
- ▶ Many newspaper companies put digital versions of their print products behind a paywall, though monetization of the same remained nascent

The NTO changed television as we knew it

- ▶ The New Tariff Order (NTO) implemented during February 2019 increased end-customer prices for television content, reduced the reach of certain genres of channels and resulted in a 6% reduction in time spent watching television during the second half of calendar 2019
- ▶ While subscription revenues increased in 2019, certain customer categories ended-up cutting the cord and moving to digital, while others reduced spends or switched-off their second and third television sets in the home
- ▶ Free television grew in 2019
- ▶ We estimate that unidirectional television (pay + free) reached 171 million households and that there were over 4 million connected smart televisions at the end of 2019

1. https://www.business-standard.com/content/specials/sme-landscape-in-india-growth-challenges-and-opportunities-119062100357_1.html

2. Industry discussions

Future outlook

Growth in video consumption will provide opportunity across all customer segments

Customer segment	2018	2019	2022
Digital only	2.5	8	14
Tactical digital	12	34	91
Bundled digital	218	262	363
Mass consumers	426	316	176
Free consumers	180	190	220

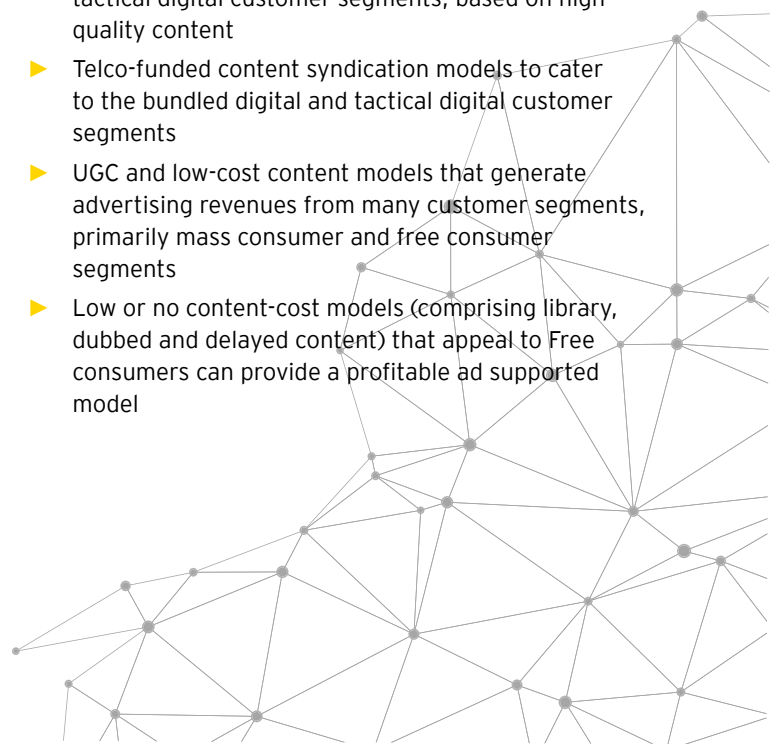
Millions of consumers | EY estimates

Customer segment definitions:

- ▶ 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, usually free
- ▶ Free consumers: do not pay for content

Growth in video consumption can be monetized in several ways:

- ▶ Premium SVOD models for the digital only and tactical digital customer segments, based on high quality content
- ▶ Telco-funded content syndication models to cater to the bundled digital and tactical digital customer segments
- ▶ UGC and low-cost content models that generate advertising revenues from many customer segments, primarily mass consumer and free consumer segments
- ▶ Low or no content-cost models (comprising library, dubbed and delayed content) that appeal to Free consumers can provide a profitable ad supported model



Screen count could touch 1 billion by 2025

- ▶ From around 550 million television and smart phone consumers today, we expect a billion screens by 2025, of which 250 million screens would be television-sized while 750 million would be smart phones³
- ▶ This could result in a continued growth in demand for content - both long form, episodic and short form - as well as provide significant opportunities for content creators and UGC platforms

Connected TVs will provide a whole new content opportunity

- ▶ We expect connected television sets to grow to around 40 to 50 million by 2025, from around 4 million sets today⁴, on the back of increased wireless and wired broadband connections and proliferation of low-cost smart television sets
- ▶ This will provide an opportunity to existing and new content creators to produce content for these screens and reach customers directly, without passing through aggregators
- ▶ The unified interface on television sets or set-top boxes will be of prime importance for content discovery, marketing and customer experience

The regional story will strengthen

- ▶ Consumption of regional content (i.e., content in languages other than Hindi) grew across all media
- ▶ It comprised over 50% of television viewership, 44% of films released in theatres, 43% of newspaper circulation and around 30% of OTT consumption⁵
- ▶ We expect the trend to consume content in regional languages to keep growing over the next few years, particularly on digital media as growth in internet users continues to be led by non-metro audiences

Online gaming segment will drive enormous engagement

- ▶ The addition of another 100 million smart phones and continued conversion of 2G and 3G connections to 4G will drive a 3x growth in this segment by 2022
- ▶ Phy-gital and Digi-cal models will emerge; a digital layer will be added over physical activity tracked by the IoT / wearables ecosystem on one hand, while game-led events (like eSports) will bring the physical touch to the online gaming world
- ▶ User generated gaming (UGG) could also emerge as a significant opportunity to combine content creation and gaming

Traditional media will embrace platformmatic advertising sales

- ▶ Traditional regional media has the power of feet on the street today and will capitalize that to reach SME and long-tail advertisers across the country, offering traditional plus digital bundles and integrated sales
- ▶ Ad platforms will enable them to reach a larger set of advertisers, and earn revenues through simple, self-serve models

A Hindi-mass film product is needed

- ▶ To grow the around 100 million theatre audience in India⁶ and bring forward the next 50 million theatre-goers, the industry will need to create more Hindi-mass content that will appeal to a wider audience
- ▶ This content will need to be released at low cost non-metro venues with affordable pricing below INR100 per person including F&B
- ▶ This will counter the closure of single screens in the Hindi heartland and create a segmented theatrical offering for cinema-goers

3. EY estimates

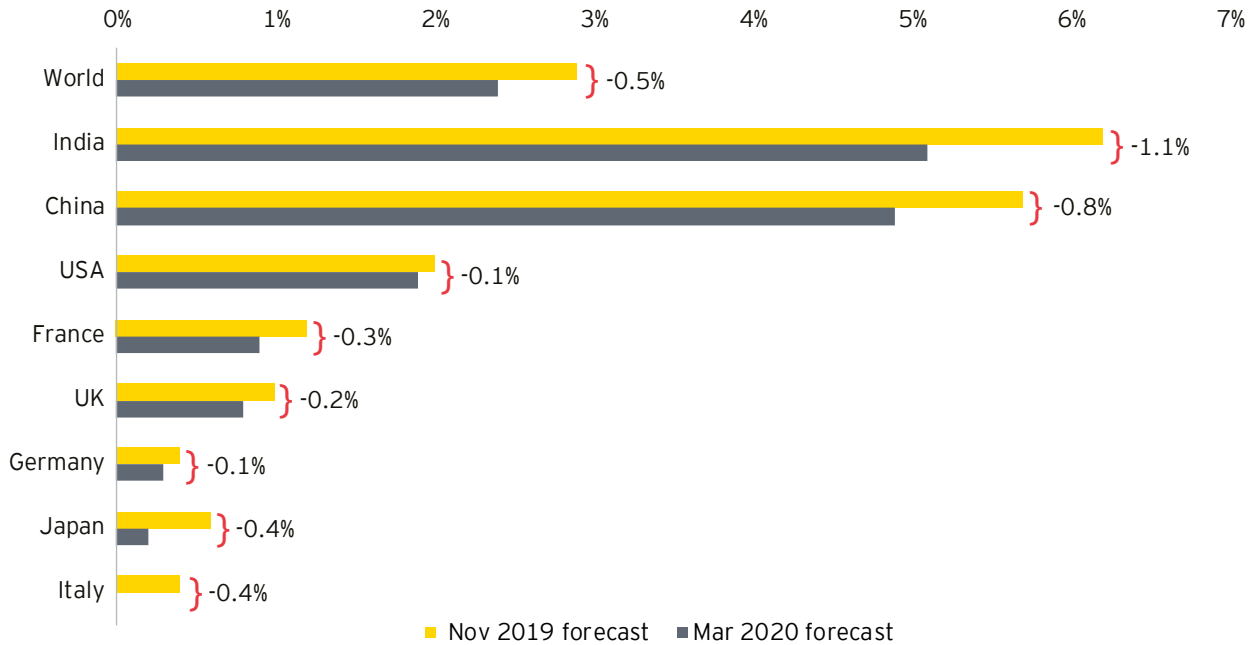
4. EY estimates

5. BARC, IRS, UFO Moviez, EY estimates

6. Industry discussions, Box Office India, Comscore, EY analysis

Coronavirus is expected to impact India's economy

OECD's GDP growth forecast for the world's largest economies in 2020



While it is too early to gauge the economic impact of the coronavirus outbreak, the OECD reduced its growth forecast for India by 1.1% for 2020, though still showing India as the fastest growing major economy in the world. This could impact the advertising revenues we have forecasted for 2020.

The coronavirus' impact on various segments of M&E could include postponement / cancellation of events, impact on theatrical revenues due to loss of weekends, stoppage of print production / circulation in impacted areas, newsprint import blockage, stoppage / delay of content production and post production, etc. Positives could include increased time spent with media in the home.



Indian economy and its impact on M&E



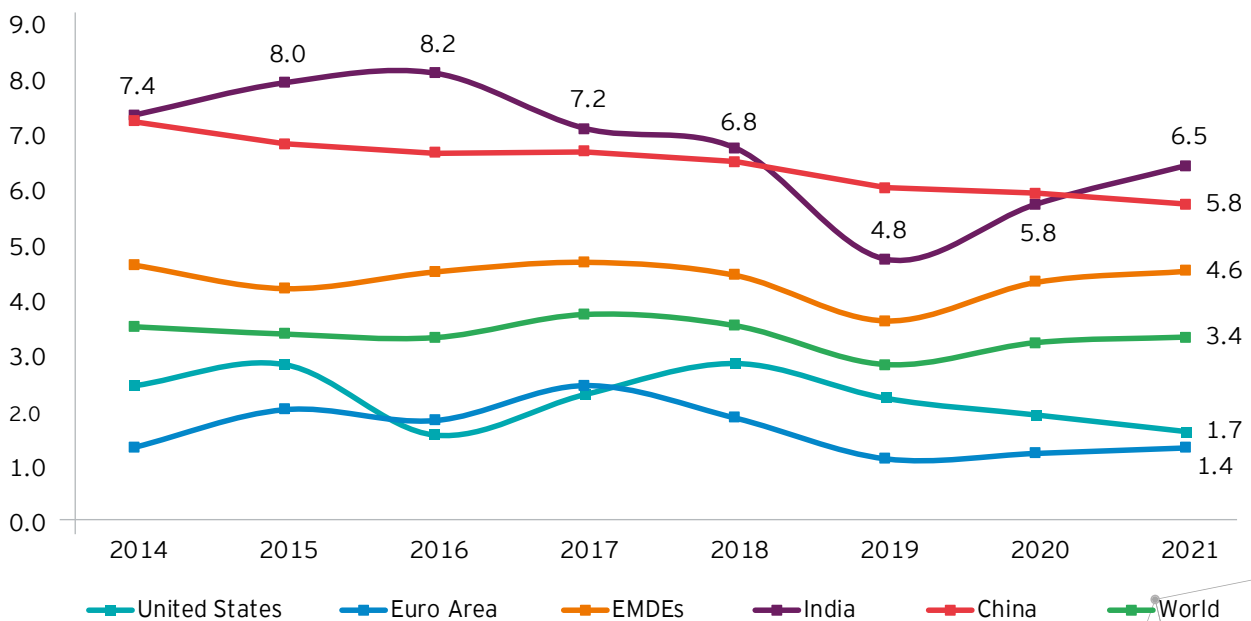
To view more by the artist, click on the picture

S Yousuf Ali | Untitled | Aura Art 601

Despite a growth slowdown in 2019 and 2020, India is expected to regain its position as a global growth leader

India has been the growth leader amongst major economies including Emerging Markets and Developing Economies (EMDEs) over the last five years (Chart 1)¹. It surpassed China in terms of real GDP growth in 2014 and has remained above since. However, the recently released first revised estimates for FY19 combined with the advanced estimates for FY20 indicate a fall in the real GDP growth in 2019-20 to a level below that of China. Growth in the Indian economy is expected to pick-up thereafter¹.

Chart 1: GDP growth: Cross-country comparison



Source: IMF World Economic Outlook October 2019; IMF World Economic Outlook January 2020 update; CSO, MoSPI

1. IMF World Economic Outlook October 2019; CSO, MoSPI

India remained the fifth largest economy in 2019

India shares 17.7% of the total world population and 2.4% of the world's surface area. According to International Monetary Fund World Economic Outlook (October-2019), India's nominal GDP is estimated at US\$2,936 billion in 2019, making it the fifth largest economy in the world. India contributed 3.39% of the world's GDP measured in nominal US\$ exchange rate basis. When measured on the basis of purchasing power parity (PPP), India is estimated to be the third largest economy at PPP\$11,326 in 2019.

Table 1: Nominal GDP in US\$ and PPP dollar terms: Cross-country comparison

Country	GDP 2019 (US\$ billion)			
	Nominal	Rank	PPP	Rank
United States	21,439	1	21,439	2
China	14,140	2	27,309	1
Japan	5,154	3	5,747	4
Germany	3,863	4	4,444	5
India	2,936	5	11,326	3
United Kingdom	2,744	6	3,131	9
France	2,707	7	3,061	10

Source: IMF

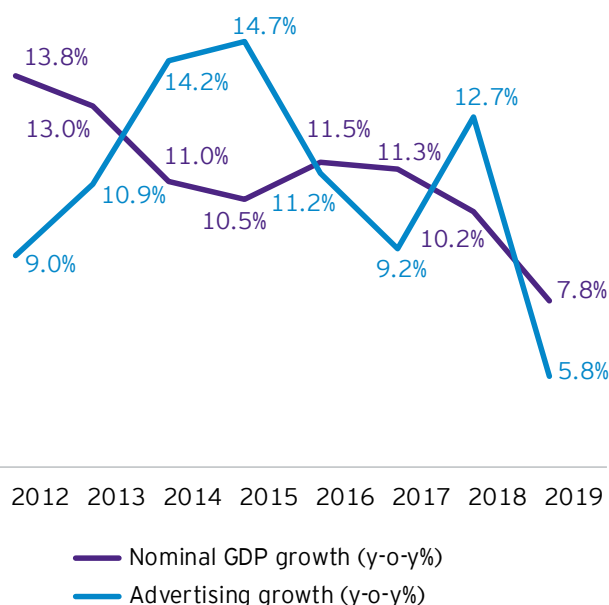
Per capita nominal GDP grew by 8.5% in 2019¹

India's per capita nominal GDP is estimated to have grown by 8.5% in 2019 to INR154,600, as compared to a growth of 7.6% in China in the same year. Growth in India's per capita nominal GDP is projected to increase to 9.8% in 2020 and further to 10.2% in 2021 and remain stable thereafter. Higher per capita income drives consumption growth including that in the media and entertainment sector.

Advertising growth fell below nominal GDP growth in 2019

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 recovered to a level higher than nominal GDP growth in 2018. In 2019, it fell to 5.8%, trailing nominal GDP growth by 2%. Advertising remained at around 0.4% of GDP in 2019.

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 2020 and Advance Estimates, NAS dated 07 January 2020, CSO, MoSPI

Note: While advertising revenues are estimated for a calendar year, GDP estimates are for a fiscal year i.e., April to March.

1. IMF World Economic Outlook October 2019; CSO, MoSPI

Recent policy initiatives strive to stimulate economic growth

Pre-Budget initiatives

One of the most important policy reforms aimed at attracting investment was rolled out between the FY20 and FY21 union budgets in the form of an overhaul of the corporate tax rate (CIT) structure along with the related exemptions and deductions. Investment by companies may pick up gradually as capacity utilization improves. Until then, the additional corporate savings may be used for additional dividend distribution, price reduction, reduction in corporate debt and financing buybacks which may increase consumption demand.

Another demand enhancing policy initiative relates to the proposed National Infrastructure Pipeline (NIP). The NIP is a six-year investment plan to augment infrastructure in different sectors of the Indian economy. The financing of the proposed cumulated investment of INR102 trillion is to be done by the central government including central public sector enterprises (CPSEs), state governments including state public sector enterprises (SPSEs), and the private sector in the ratio 39:39:22. The center's budgetary support to the NIP is meant to serve a pivotal role in bringing together the states and the private sector to play a complementary role.

Budget 2021: Providing a consumption-based push

The Union Budget 2021 has prescribed a consumption-based push to the economy. To push up demand, the government relaxed the fiscal deficit targets from 3.3% of GDP to 3.8% in FY20 (revised estimate) and from 3% to 3.5% in FY21 (budget estimate). Most of the additional borrowing is proposed to be spent on augmenting revenue expenditure. Additional stimulus has also been introduced by providing an optional personal income tax rate structure and by abolishing the dividend distribution tax. The estimated magnitude of stimulus provided through these two reforms amounts to INR400 billion and INR250 billion respectively. These initiatives are likely to add to the private disposable incomes, potentially raising consumption demand in the economy.

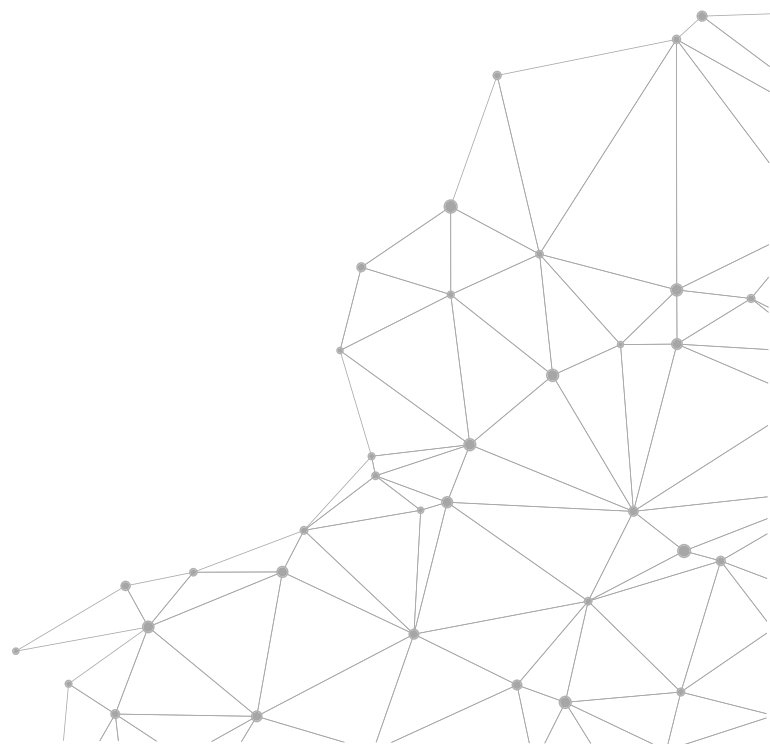
Inflation is expected to remain elevated in the short run

Consumer Price Index (CPI)-based inflation has risen from a 19-month low of 2.0% in January 2019 to a 68-month high of 7.6% in January 2020 (Chart 3) as inflation in food has increased from (-) 2.2% to 13.6% over the same period. Recently, there has also been an increase in input costs for services such as telecommunication which has imparted cost-push pressures to core CPI inflation (excluding food and fuel). However, other factors such as the correction in energy prices may limit the pass-through to selling prices. Going forward, as per the RBI's February 2020 Monetary Policy Statement, CPI inflation is expected to ease from 6.5% in 4QFY20 to 5.4-5.0% in 1HFY21 and further to 3.2% in 3QFY21.

Chart 3: Trends in CPI-based inflation



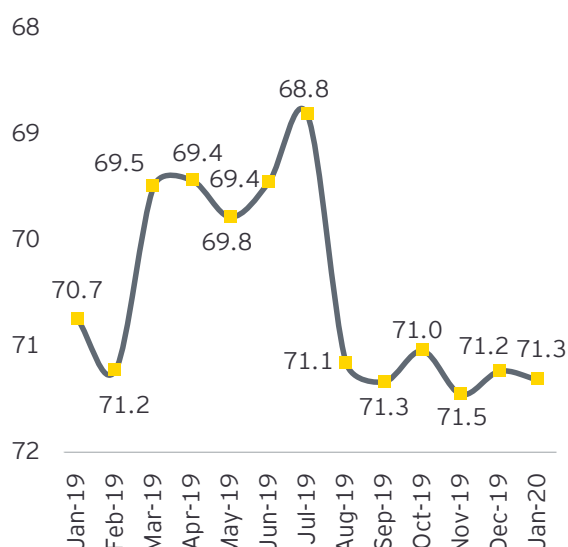
Source: MoSPI



Exchange rate fluctuations are expected to be muted

Starting February 2019, India's exchange rate appreciated continuously reaching a 12-month high of INR68.8/US\$ in July 2019 partly due to foreign portfolio inflows (Chart 4). However, it fell to INR71.1/US\$ in August 2019 on account of domestic growth concerns and global trade tension. It has remained close to this level since then and averaged INR71.3/US\$ in January 2020. Though the rupee depreciated to INR75/US\$ due to the impact of coronavirus, it is projected to stabilise at an average of INR72.6/US\$ in 2020².

Chart 4: Exchange rate movement



Source: RBI

Note: exchange rate is depicted on an inverted scale

Government initiatives in the telecom and media and entertainment space

The government has played an active role in supporting the media and entertainment sector, especially through various policies aimed at increasing digitization including development of digital communication infrastructure. With the objective of bringing in the next generation technology, the government intends to hold 5G spectrum auctions in 2020-21³. According to the government⁴, 5G based technology would help in the achievement of its Digital India vision. The economic impact of introducing 5G technology is estimated to reach US\$1trillion by 2035. Some of the other important initiatives undertaken by the government are given below.

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) catered towards the establishment of a "ubiquitous, resilient and affordable digital communications infrastructure and services". Its key objectives include: (1) providing universal broadband connectivity at 50 Mbps to every citizen, (2) providing 1 Gbps connectivity to all gram panchayats by 2020 and 10 Gbps by 2022, (3) ensuring connectivity to all uncovered areas, (4) attract investments of US\$100 billion in the digital communications sector, (5) training one million manpower for building new age skills, (6) expanding the Internet of Things (IoT) ecosystem to five billion connected devices and (7) facilitating India's effective participation in the global digital economy.

Investment under NIP

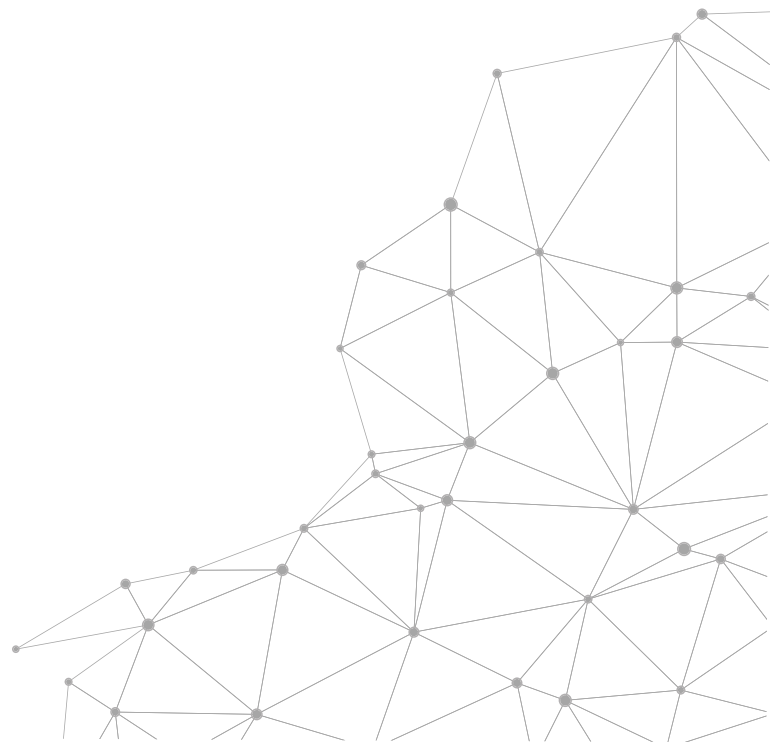
The government has targeted an investment of close to INR3.2 trillion in digital infrastructure over the next six years from FY20 to FY25 as part of the recently proposed NIP, of which the private sector is expected to contribute 71%. The NIP has set a goal of digital services access for all along with a two-fold strategy to achieve this goal, namely: a) 100% population coverage for telecom and high-quality broadband services for socio-economic empowerment of every citizen; b) digital payments and e-governance infrastructure for delivery of banking and public services. Further the NIP lays down Vision 2025 for development of digital infrastructure as given in Table 2.

- As per exchange rate derived using data from IMF World Economic Outlook October 2019
- As per exchange rate derived using data from IMF World Economic Outlook October 2019
- <https://www.indiatoday.in/technology/news/story/5g-rollout-in-india-may-face-potential-delay-due-to-coronavirus-1646430-2020-02-14>

Table 2: Digital infrastructure vision as per National Infrastructure Pipeline

#	Target	Current status
1	India ranks first in terms of mobile phones with 100% tele-density, even in rural areas	India ranks second in terms of mobile phones and has 89% tele-density
2	Higher internet penetration of more than 80% providing seamless connectivity of rural and remote through schemes such as Bharat Net	Internet penetration is around 40%
3	Availability of government services in real time on mobile – access to quality education, healthcare facilities and financial inclusion	Issues such as poor connectivity and data speeds prevail due to poor operation and maintenance
4	5G technology to fuel industry growth and innovation, harnessing the power of emerging digital technologies, such as IoT, cloud, AI, big data, payment gateways, FinTech	4G technology has enabled India to move towards a digital economy by providing faster internet connectivity at affordable prices
5	India to emerge as data-center hub fuelling growth of FinTech, ecommerce, OTT sectors	Private business focusing to build massive data centers on the back of data localization, uptake of cloud computing and growing e-governance

Source: National Infrastructure Pipeline, Ministry of Finance, GoI, TRAI



FDI policy initiatives

The 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 2013⁵ while those for the media and entertainment sector were eased in 2015 and 2016. In June 2016, FDI limits in teleports, DTH, cable networks, mobile TV, head-in-the sky broadcasting service and cable networks were completely lifted, allowing 100% FDI through the automatic route. Further, there were no express provisions in relation to digital media in the FDI policy until 2019. However, in December 2019, FDI up to 26% has been permitted under the government approval route for uploading/streaming of news and current affairs, through digital media.

Table 3: FDI limits for the telecom and media and entertainment sector

Services	FDI limit	Approval condition
Telecommunications		
Telecommunication services (basic, cellular, internet, national, international long distance, unified license, commercial V-Sat, Public Mobile Radio Trunked Services (PMRTS), Global Mobile Personal Communication Services (GMPCS), all types of ISP licenses, voice mail/ Audiotext/ UMS, Resale of IPLC, Mobile Number Portability services, etc.)	100%	<ul style="list-style-type: none"> ▶ FDI up to 49%: automatic route ▶ FDI beyond 49% and up to 100%: Government route, i.e., prior approval from concerned ministry/department of Government of India, i.e., Department of Telecommunications (DoT) is required
Infrastructure providers Category-I (providing dark fiber, right of way, duct space, tower) except other service providers		
Telecom equipment manufacturers	100%	▶ Automatic route

5. Making India 5G Ready-Report of the 5G High Level Forum (23 August 2018), Department of Telecommunications, Gol; <https://dot.gov.in/sites/default/files/5G%20Steering%20Committee%20report%20v%2026.pdf>

Services	FDI limit	Approval condition
Media and entertainment		
Teleports, DTH, cable networks, mobile TV and head-end-in-the-sky broadcasting service	100%	<ul style="list-style-type: none"> ▶ Automatic route ▶ However, infusion of fresh foreign investment, beyond 49% in a company not seeking license/permission from sectoral ministry, resulting in change in the ownership pattern or transfer of stake by existing investor to new foreign investor, will require government approval
Cable networks (other MSOs not undertaking up-gradation of networks towards digitalization and addressability and Local Cable Operators (LCOs))	100%	<ul style="list-style-type: none"> ▶ Automatic route ▶ However, infusion of fresh foreign investment, beyond 49% in a company not seeking license/permission from sectoral ministry, resulting in change in the ownership pattern or transfer of stake by existing investor to new foreign investor, will require government approval
FM (radio) and the up-linking of news and current affairs TV channels	49%	▶ Government route
Uploading/Streaming of news and current affairs through digital media	26%	▶ Government route
Up-linking of non-news and current affairs TV channels/ downlinking of TV Channels	100%	▶ Automatic route
Print media: Publishing of newspaper and periodicals or Indian editions of foreign magazines dealing with news and current affairs	26%	▶ Government route
Publishing or printing of scientific and technical magazine or specialty journals or periodicals	100%	▶ Government route
Publication of facsimile edition of foreign newspapers	100%	▶ Government route

Source: Foreign Exchange Management (Non-debt Instruments) Rules, 2019 dated 17th October, 2019 read with Foreign Exchange Management (Non-debt Instruments) (Amendment) Rules, 2019 dated 5th December 2019, issued by the Ministry of Finance (Department of Economic Affairs)



Charts 5 and 6 show the trends in FDI inflows into the information and broadcasting sector and the telecommunications sector since 2011-12. FDI inflows in both sectors display volatility though in the recent years, there has been a significant upward trend especially in the information and broadcasting sector post liberalization of FDI norms.

Chart 5: FDI inflows in Information and Broadcasting sector (US\$ billion)

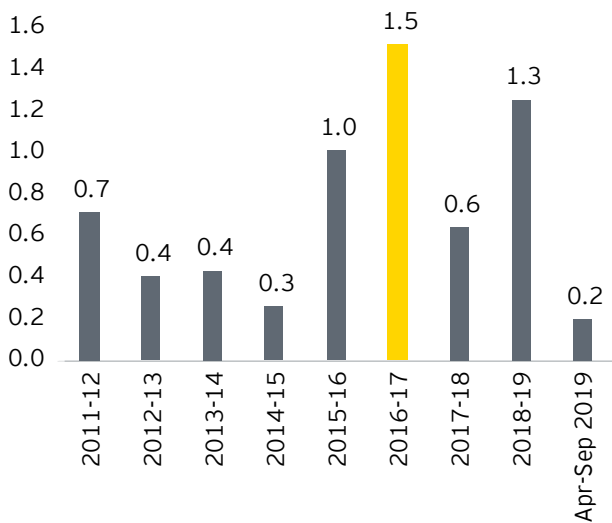
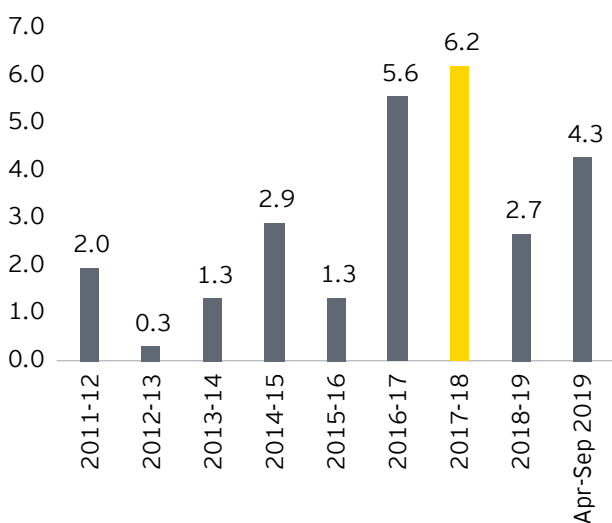


Chart 6: FDI inflows in Telecommunications sector (US\$ billion)



Source: DIPP

6. <https://www.livemint.com/Politics/hxnn13jx9kaCHnKgsk9oQK/Govt-relaxes-foreign-investment-rules-to-revive-growth.html>

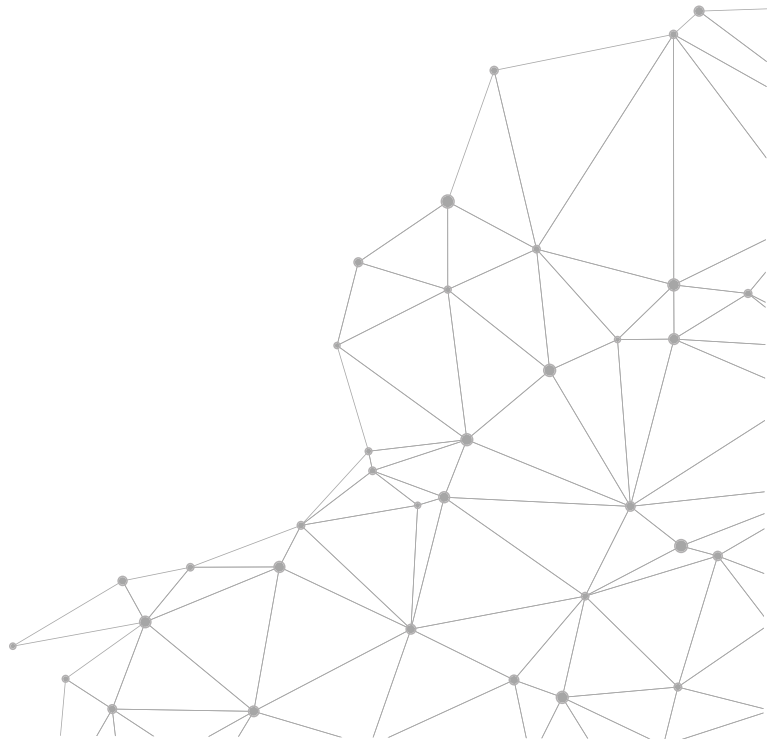
7. DIPP

8. <https://www.bloombergquint.com/business/agr-dues-issue-nobody-wants-to-kill-the-telecom-sector-sbis-rajnish-kumar-says>

The share of information and broadcasting sector in total FDI inflows into India peaked at 3.5% in 2016-17 but has fallen to 2.9% in 2018-19⁶. In terms of magnitude, FDI flows in media and entertainment sector improved to US\$1.3 billion in 2018-19 from US\$0.6 billion in 2017-18. FDI inflows into the telecommunication sectors fell to US\$2.7 billion from US\$6.2 billion over the same period. In April-September they significantly improved to US\$4.3 billion. However, firms in the telecom sector have recently been under a certain amount of stress after being directed by the Supreme Court to pay adjusted gross revenue dues amounting to approximately US\$20.7 billion to the Department of Telecommunications⁷.



DK Srivastava
Chief Policy Advisor, EY India



Global point of view



To view more by the artist, click on the picture

Umakant Kanade | Nature | Aura Art 2040

Media and entertainment in India - digitally empowered!

The media and entertainment industry in India continues to undergo significant transformation. The rapid proliferation of mobile access is enabling on-demand, anytime-anywhere content consumption nationwide. For global players across the media and entertainment value chain looking for scale and a vibrant growth market, the Indian media and entertainment industry provides an exciting opportunity to reach and engage with digitally empowered consumers.

Mobile leading the platform race

With a population of 1.3 billion, a tele-density approaching 89% of households, 723 million internet subscribers and nearly 400 million smartphone users, India's telecom industry is poised to become the primary platform for content distribution and consumption. Entertainment apps are driving significant consumer engagement – India ranks as one of the fastest-growing app markets globally¹. The thriving mobile environment in India is creating exciting new avenues for media and entertainment companies to reach a significantly larger addressable market that now extends across the country. To capitalize on this opportunity, industry participants also recognize the importance of finding unique ways to appeal to the diverse Indian consumer base, as well as designing packages and pricing plans for services that align with local demand characteristics.

Local flavor creates a winning edge

India's many regional and local language markets offer exciting growth fundamentals for global and domestic media companies alike. However, to succeed in these regional markets, customization is critical.

Global media companies recognize this imperative and many are already producing their programming in multiple Indian languages to increase reach. Along with localizing content, international streaming service providers are also exploring various pricing options for price sensitive consumers.

Foreign studios are collaborating with Indian companies to co-produce, distribute and market content geared to appeal to distinct Indian audiences. They are releasing trailers in a variety of languages, hiring Bollywood stars to dub local versions as well as to promote content on social media.

We expect localization and the focus on regional markets to be a significant priority for global media companies in the coming years.

Sports industry gaining steam

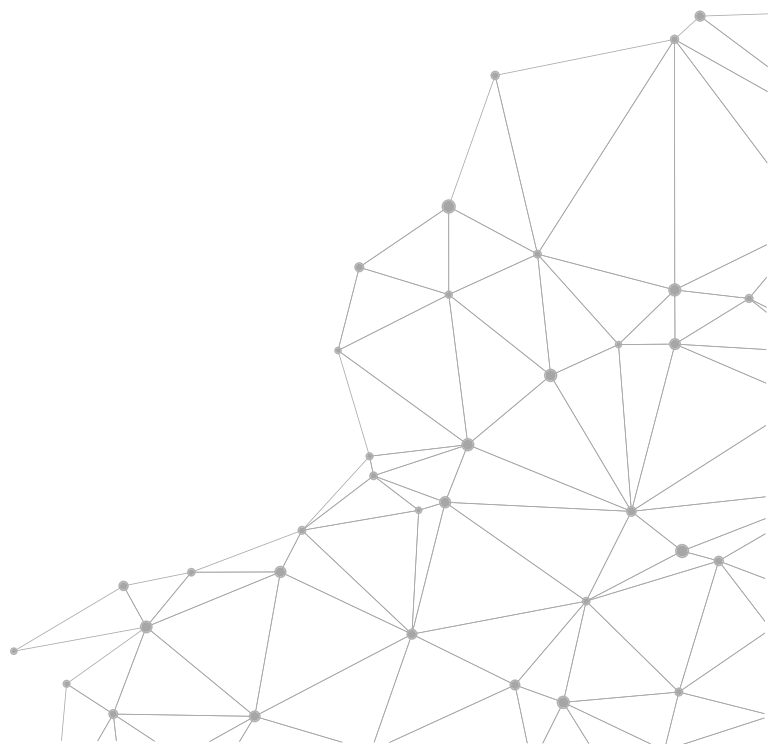
The sports segment in India is flourishing with the help of several government initiatives focused on building sporting infrastructure/facilities and encouraging the development of sporting talent in the country. The segment also offers global media companies with several attractive opportunities for investment, including broadcast rights across platforms, marketing and sponsorship opportunities and investments in sporting franchises. Beyond cricket, other sports leagues including badminton, field hockey and kabaddi are undergoing significant growth and offer relatively new and interesting areas for investment for international companies looking to tap into the Indian sports market.

To underscore the value global media companies see in this segment in India, the battle for sports streaming rights continues to be red hot with global OTT providers and social networks competing with domestic companies for rights to stream live sporting events.

eSports transforming the future of gaming

Though currently nascent, eSports in India is witnessing levels of interest and excitement seen in other markets around the world. A huge millennial fanbase, coupled with the affordability of eSports streaming services and improved internet bandwidth is driving this growth. A range of start-ups have entered the Indian online gaming and eSports space, establishing eSports as an emerging sector for investment. As eSports viewership continues to grow we expect more global interest in this segment.

1. State of Mobile 2020 report by App Annie



A conducive regulatory environment for foreign investors

India generally offers a conducive regulatory environment for global investors.

There have been a few recent developments that global companies need to be aware of:

- ▶ The Government of India recently introduced the Personal Data Protection Bill which regulates the processing of citizens' personal data by the government, companies incorporated in India and foreign companies dealing with personal data of customers in India². Global companies processing the personal data of Indians will need to ensure they take appropriate steps to comply with the bill
- ▶ Separately, the recent budget proposals are likely to reduce the compliance burden for foreign companies earning income through license fees in India. The withholding tax rate for technical fees as well as withholding tax provisions for e-commerce operators are also expected to be reduced³
- ▶ Finally, for global studios and production houses, the establishment of the Film Facilitation Office to support single window clearance is expected to make India an even more attractive destination for film making

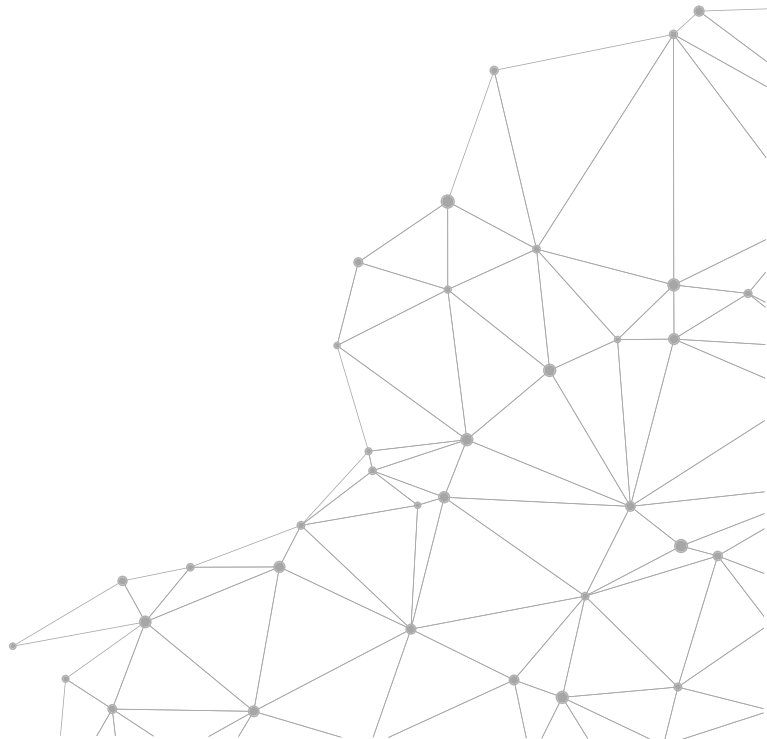
Conclusion

The Indian media and entertainment industry offers a compelling opportunity for global media players looking to tap into a vast, vibrant and diverse market – a market that is now being cast wide open with the rapid proliferation of mobile connectivity and streaming consumption. While the potential upside is significant, the sheer complexity and diversity of the Indian market demands that global players focus on localizing their content and/or services. Whether the chosen strategy is to build, buy or partner, understanding the many nuances of the Indian market is now more crucial than ever before.



John Harrison
Global M&E leader, EY

2. "All You Need to Know About India's First Data Protection Bill," Cisomag, <https://www.cisomag.com/all-you-need-to-know-about-indias-first-data-protection-bill/>, accessed 4 Feb 2020
3. EY analysis



M&E, made in India



To view more by the artist, click on the picture

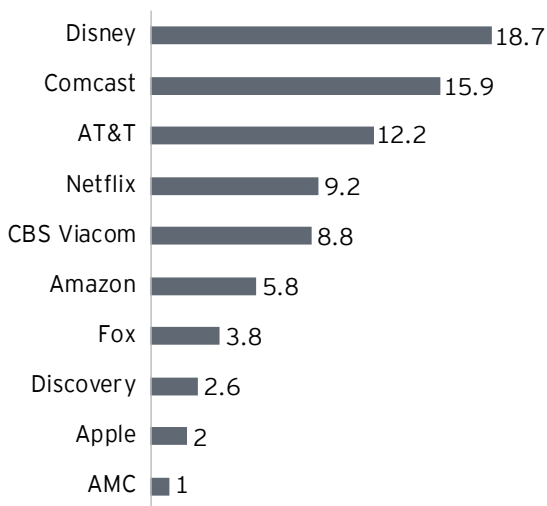
S Yousuf Ali | Untitled | Aura Art 604

While we expect the Indian M&E sector to grow at a CAGR of around 10-11% till 2025, there are various opportunities for it to serve global audiences and international media companies to increase its rate of growth and contribute more toward India's aspiration of becoming a US\$5 trillion economy.

Produce content with global appeal

The top media companies in the USA spent over US\$70 billion on content in 2019 and that figure is expected to grow further. In comparison, the entire Indian M&E sector stands at less than US\$30 billion!

Estimated non-sports video programming expense of selected companies in 2019 (US\$ billion)*



*All expenses are on a profit and loss basis, i.e. As recognised in the income statement

Sources: Statista, MoffettNathanson, Company reports

Indian content production companies so far garner around US\$250 to US\$350 million from this pot but can try for more by telling stories that resonate across the world and not just in India. We believe this could be an opportunity of up to US\$4 billion.

As per our estimates India could be between 40% and 60% less expensive for the same quality of content. However, achieving this objective would require increased teaming with global talent, easing filming permissions, providing easier access to locations and simplifying and speeding up tax procedures.

1. Counterpoint Research
2. Industry discussions

Experience content, made in India. Click the pictures above to view some samples on public video platforms.

Back office to the global M&E sector

As content goes global, the need for content services increases significantly. Content services include behind the camera operations like editing, cleaning, coloring, post production, VFX, animation, etc. as well as revenue / distribution enablement services like uplink, content analytics, tagging, titling, dubbing, formatting, etc. In addition, AR, VR and gaming services can be another opportunity, as well as e-commerce related media support for education apps, shopping apps, utility apps and the like. We believe this could be a US\$2.5 to US\$3 billion opportunity by 2025.

Access to international markets

Chinese companies have an almost unlimited access to Indian markets and have, for example, a 72% share of smartphone sales in 2019¹. Indian films are accorded a very limited number of releases in China, but most films have done well. Enabling less restricted access to Indian films could provide a boost of up to US\$0.5 billion.

International events and film tourism

The events segment is usually recession-proof and while it is expected to grow, India's share of global events is currently miniscule. Apart from the Jaipur Literature Festival, the Kumbh Mela and a few others, Indian events do not generate interest from international visitors. In comparison, the US, the UK, Germany, Singapore and Dubai have in excess of 100 events of global stature each².

The need of the hour is to globalize Indian themes like yoga, culture and travel, dance, information technology, the Himalayas, Bollywood, etc. and build a national events policy to invest in infrastructure, enable permissions through a central single window mechanism, simplify customs and tax aspects and enable a slew of events focusing on the SAARC region to start with and Asia thereafter. We believe this could be a US\$3 billion opportunity by 2025, including ancillary income like ticketing, stay and local expenses.



Made in India, enjoyed globally



Mighty little Bheem

Since its April 2019 release, Mighty Little Bheem has been watched by 27 million households; it is the most watched pre-school series on Netflix globally.

Sacred Games Season 1

Two of three viewers of Sacred Games Season 1 were from outside India.



Village food channels

Village food channels on YouTube are generating viewership across the globe, taking the most elementary Indian content to global audiences.

Film Facilitation Office

The Film Facilitation Office (www.ffo.gov.in) enabled 29 international productions from 13 countries in India during 2019. Its single window mechanism is now also connected to the Archaeological Society of India and Indian Railways.





Toonz Animation

Toonz has done more than 100 international projects which have got distributed to over 150 plus countries.

Breathe

Amazon Original Breathe Season 1 saw over a third of its viewership from international geographies. Overall, 1 of 5 customers enjoying Indian Amazon Originals are from outside India, and these numbers continue to grow.



Inside Edge Season 1

Amazon Original Inside Edge Season 1 was nominated for the 2018 International Emmy Awards in the "Best Drama Series" category.



The Remix

The Remix, an unscripted music show, was nominated for 'Best Non-Scripted Television Series' in 2019.



Technicolor and its brands

Technicolor and its family of brands supported over 20 international films' VFX in 2019 out of India. Two were nominated for Oscars.

The era of consumer A.R.T.



To view more by the artist, click on the picture

Neena Singh | Untitled | Aura Art 4987

The era of consumer ART-acquisition, retention and transaction

The era of consumer ART is defined by a segment-agnostic media landscape, focus on direct-to-consumer (D2C) products and differential techniques for acquiring, retaining and transacting / monetizing the D2C relationship.

Segment-agnostic media landscape

Media was always verticalized in terms of segments (TV, radio, print, film, digital) with each producing content, editing, packaging and distributing with distinct ecosystems. In a digitalized world, the media of today is defined by five horizontal (i.e., segment-agnostic) sections:

Content producer or IP owner: Entity which owns the license to the content (e.g., Disney, Balaji, Applause Entertainment)

Aggregator: Entity which aggregates different pieces of content and often repurposes it (e.g., Sony, Hungama)

Distributor: Entity which builds and operates the network to distribute the content or service (e.g., telcos or ISPs like Jio, Airtel, TataSky)

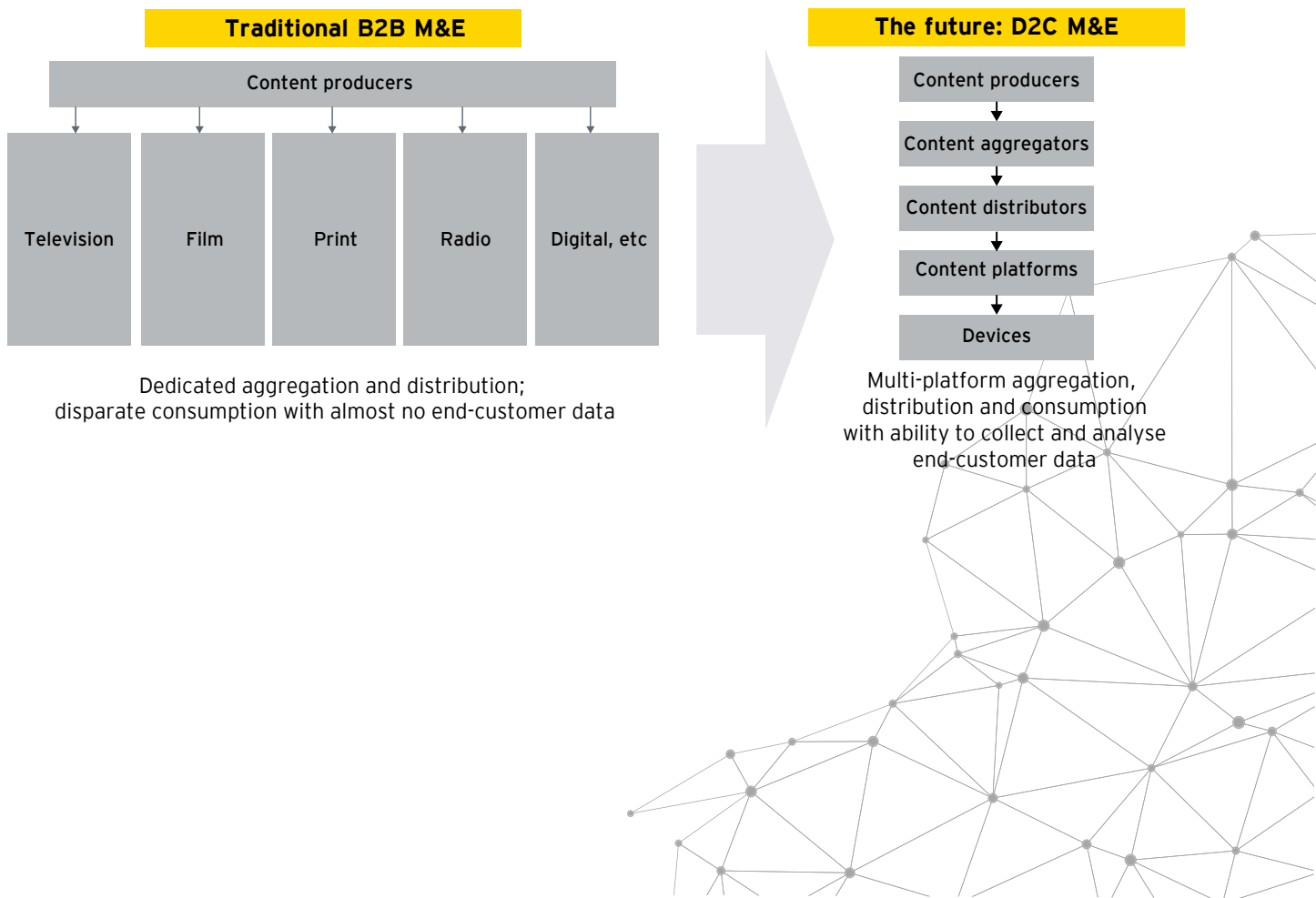
Platform: Entity which operates a content-based service and builds its brand - a brand which the end consumer recognizes (e.g., YouTube, Netflix, Zee5, Radio Mirchi)

Device: The device/ operating system / firmware on which the service or content is consumed (e.g., Apple OS, Android, Kai, Samsung) including smart mirrors, speakers and anything with a screen, microphone and/or a speaker

Media entities can be present in one or more of the above sections.

Each of the above sections has a different metric of success. For the content owner the metric is IP licenses owned multiplied by number of platforms/ aggregators it is distributed to. For a platform it is active users multiplied by ARPU, giving rise to completely different business models and operating skills required by each of them.

The segment-agnostic media landscape



This segment-agnostic landscape has hence forced traditional media companies to redefine themselves into one or multiple of these sections. For example, many traditional broadcasters in the new media landscape are redefining themselves as content producers, while some are aggregating and yet others are placing their bet on building end-consumer platforms. Newspaper companies are creating audio and video content, building digital destinations and serving more needs of their communities through transactions and classifieds. Content production houses have launched D2C platforms and invested in theatrical distribution. Telcos have launched D2C platforms and invested in content production.

D2C: The new value metric

Traditionally media companies relied on distributors or resellers (e.g., print and TV used vendors and DPOs respectively to distribute their content) to reach their end-consumers - their audiences. In a digitalized world every media segment can directly connect with the consumer and stronger the direct relationship, the better the engagement and monetization. Hence in the horizontal media landscape, greater value is attributed to D2C relationships and D2C has emerged as the new metric to evaluate a media company.

D2C is not merely visitors on a web page or number of app downloads but is defined as that set of customers for whom the company has depth of data and can be uniquely presented to the advertiser / sponsor. B2B businesses have hence gone B2C and D2C relationships are dominated by new media and non-media companies. This is reflected in the top 10 companies by unique visitor rankings in India as of January 2020.

	Property	Total unique visitors/viewers (000)	% Reach
1	Google sites	395,765	97.5%
2	Facebook	383,629	94.5%
3	Amazon sites	325,898	80.3%
4	Times Internet Limited	282,432	69.6%
5	Flipkart sites	235,964	58.1%
6	PayTM.com	215,411	53.1%
7	Truecaller.com	199,774	49.2%
8	Bytedance Inc.	196,142	48.3%
9	Network 18	194,099	47.8%
10	Reliance Jio Digital Services	192,592	47.5%

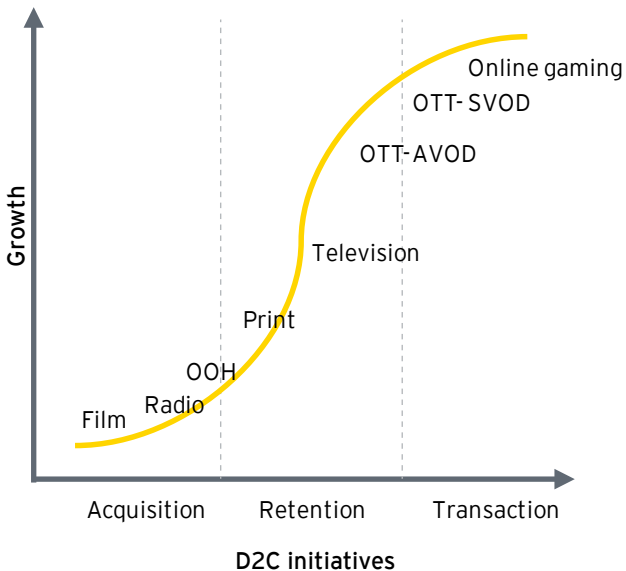
Rankings - Top Companies by UV (Comscore, Inc.)

Therefore, to successfully build D2C relationships and stay at the top, media companies must learn the art of how to acquire, retain and transact with the consumer.

ART defines evolution of a media company

Media segments are in different stages of the ART cycle.

The ART curve



While different companies are in different stages of this evolution, most large broadcasters and print companies have begun to build direct-to-consumer relationships by ensuring that they have access to end-customer data. Digital media companies (digital news, music, video) are slowly transitioning to the retain phase to engage better with their acquired consumers through interactivity and premium services. Gaming and social media services on the other hand have evolved well into the transact phase with multiple monetization models (advertising, subscription, micro-transactions and e-commerce) for their already acquired and engaged D2C relationships.

The successful evolution at each stage needs certain skills like the ability to achieve scale with low customer acquisition costs (CAC) in the acquisition phase, managing churn through high engagement time in the retention phase and delivering experiences and services which enable consumer monetization in the transact phase. These skills define the evolution of a media company from a traditional setup to a digitally transformed direct-to-consumer service.

Consumer ART in the M&E value chain

The era of consumer ART has redefined the media value chain leading to the emergence of many new trends and strategies across content, distribution, consumption and monetization. We highlight certain key strategies below.

A.R.T. of content

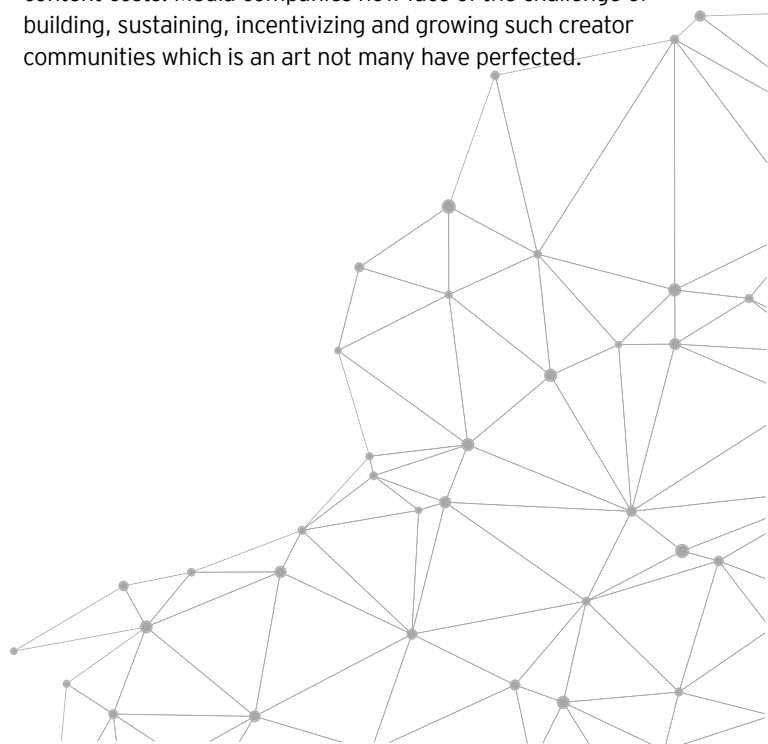
Content becomes ephemeral

Content used to be defined as that piece of creative programming which enduringly engaged the consumer. In the age of short video where the average video length is 15 to 30 seconds, content has become ephemeral. Media companies are today challenged to find techniques to produce transient yet engaging content, and perform that consistently to acquire consumers with reduced attention spans. In the music segment, songs are beginning with their chorus, as many believe that part is the most attractive in a song.

Consumer is the new creator

Many short video services (e.g., TikTok, YouTube) have addressed this challenge by encouraging the consumer to be producer. The consumer is the new content creator and the creator community hence is the greatest asset of the platform. The community not only produces content but also acts as influencers whom advertisers tap into. YouTube claims over 1,200 creators with a following of over a million each today, while TikTok claims several hundred such creators¹ and we expect over 10,000 such creators by 2025. This has led to increased advertising at low content costs. Media companies now face of the challenge of building, sustaining, incentivizing and growing such creator communities which is an art not many have perfected.

1. Industry discussions; <http://www.businessworld.in/article/YouTube-India-2020-Will-See-Further-Rise-In-Regional-Content-Gaming/08-01-2020-181715/>

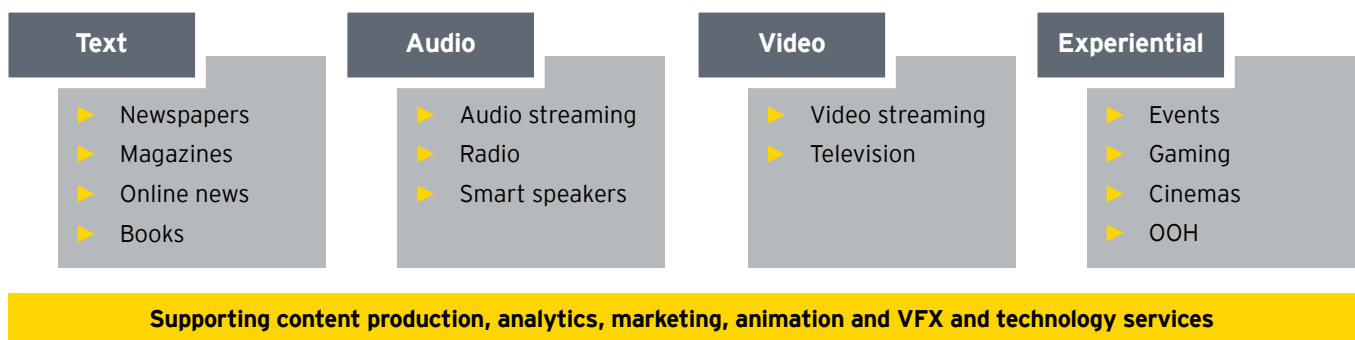


Passive consumption to participative consumption

Content is no longer defined by form or format (video, audio, long/short form) but by depth of experience. The consumer no longer wants to just consume content passively but wants to participate (like in the KBC play-along game), indulge (like in social media / news on Twitter) or be at the center of the experience (like in multi-player gaming). This will only be accentuated with the growth of immersive technologies like AR, VR, etc. The growth of VFX led movies, networked gaming and interactive game shows are all pointing towards the path to immersive content where acquiring, engaging and transacting with the consumer will be a totally different art.

Content redefines itself

The consequence of a segment-agnostic media landscape is that the M&E sector can be re-imagined as per content formats and how they are progressing to immersive. The sector has moved towards text, audio, video and experiential products. We imagine the new normal as:



Resizing the Indian M&E sector across the above four buckets would provide some very interesting numbers. Video would account for 55% of revenues, audio for 4%, text for 19% and experiential about 22%².

2. EY analysis, includes 70% of data revenues paid by consumers to telcos, apportioned to content based on time spent

A.R.T. of distribution

Partnerships and collaborations

D2C relationships need new skills to market the service to the consumer, get them to download apps, share personal data, consume content, bill for the service and keep them from churning away. These skills are invested in different sets of companies. For example, telcos are good at billing and collections, devices / OS can distribute embedded apps effectively (e.g., YouTube is the most widely distributed video service partly due to android integration) and media companies can curate content and sell ads efficiently.

In a traditional media ecosystem these skills mostly rested with a distributor (e.g., DPO, ISP, telcos). In the age of D2C media, partnerships between telcos, content producers, devices, payment wallets, etc. fulfil these skills. Partnerships and collaborations are a key piece of the art which media companies need to develop and learn to work through, rather than work with.

Reach vs. depth of data

Collaboration will be critical for success in future. Media services are today bundled with payment wallets (e.g., PayTM First), taxi services (e.g., Ola Play), telco bundles (e.g., Vodafone Red), TV subscriptions (e.g., TataSky TV Everywhere), e-commerce platforms (e.g., Amazon Prime, food ordering apps like Zomato), etc. Further, many apps aggregate different media content (like news aggregator apps) into one service. Media services earn syndication income from many of these aggregator apps but often do not get end-customer data. This trade-off between revenue and depth of data is a difficult balance between scale and value creation. Building D2C relationships in a bundled ecosystem is a new art form which media companies need to develop.

A.R.T. of consumption and monetization

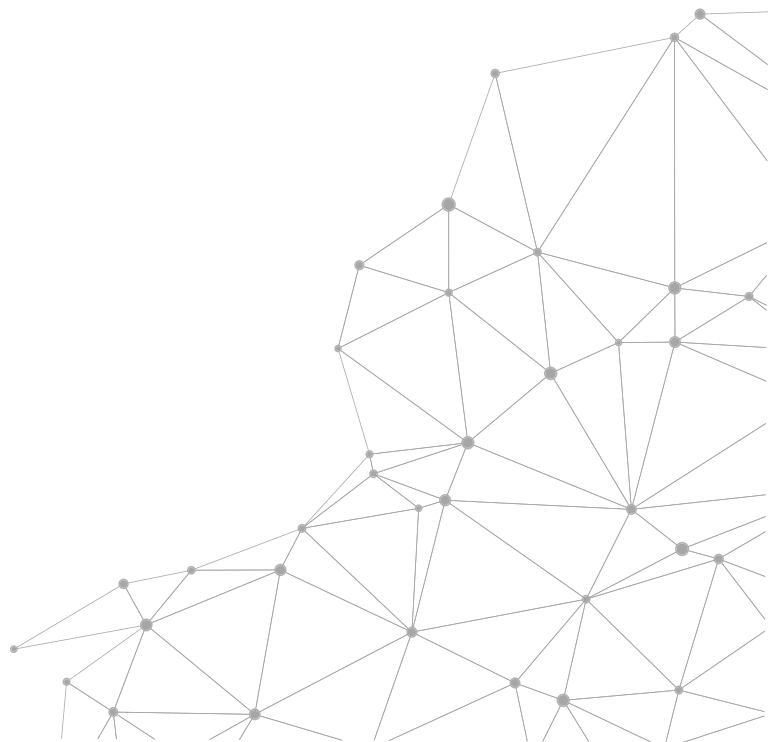
Broadcast to narrowcast to unicast

Consumption today is redefined by channels and video streams customized for an individual. Whether it is streaming audio, news, gaming or video, content is tuned to consumer preferences. From broadcasting a few pieces of content to millions of people to narrow casting many pieces of content to niche audiences to unicasting millions of pieces of content tailored to one unique consumer, media has come a long way. Media companies which are used to mass consumption are now having to learn the art of individual consumption, relying heavily on technology for the same.

Combining technology with the human creative

Consumption and monetization are driven by analytics. Engagement requires churn management tools and recommendation engines. Monetization needs programmatic platforms, ad servers, etc. AI is increasingly used to recognize images and understand consumption patterns, machine learning is used for faster tagging and curation of content, robotics / blockchain can make release order processing efficient, etc.

Technology is now a core part of any media operation and its importance will continue to grow. Technology is still not the panacea for success and cannot replace the creative elements in the content pipeline. The art of determining right mix of technology while retaining the human creative will decide success for many media companies.



Tools are critical for monetization

Making money for media companies used to be equivalent to selling advertising or subscription packages using a rate card. Today media services are differentiated by whether they are advertising driven (AVOD), subscription driven (SVOD), micro-transaction driven or e-commerce driven. Each monetization model is enabled by a set of tools, some of which are:

- ▶ Acquisition: Marketing automation and targeting tools, CRM
- ▶ Retention: Churn management, recommendation engines, consumption analytics
- ▶ Advertising: Ad networks, programmatic DSP, SSP
- ▶ Subscription: Life time value (LTV) management tools for engaging consumers, subscription management software (SMS)
- ▶ Transaction: Wallet-driven content malls for micro transactions, video-tagging tools for content commerce, bundling and dynamic pricing, etc.

These tools are accessed by consumers, media services and advertisers simultaneously to transact in a D2C ecosystem. The tools are mere instruments and the subtle art of using them in an integrated manner will help to effectively monetize the consumer relationship.

Unified data and measurement

More than ever, particularly for ad supported offerings, the need for a single customer view has emerged. Sale of space and sponsorships is moving towards performance-led advertising, irrespective of where the consumer is spending time, so long as the message reaches the desired audience. This will result in the need for unified measurement of media consumption (not just viewership) across video, audio, text and experiential. Technologies like passive listening, deep-links, image recognition, geo-tagging, big data, etc. will come together to provide solutions to increase advertising efficiency.

Future outlook

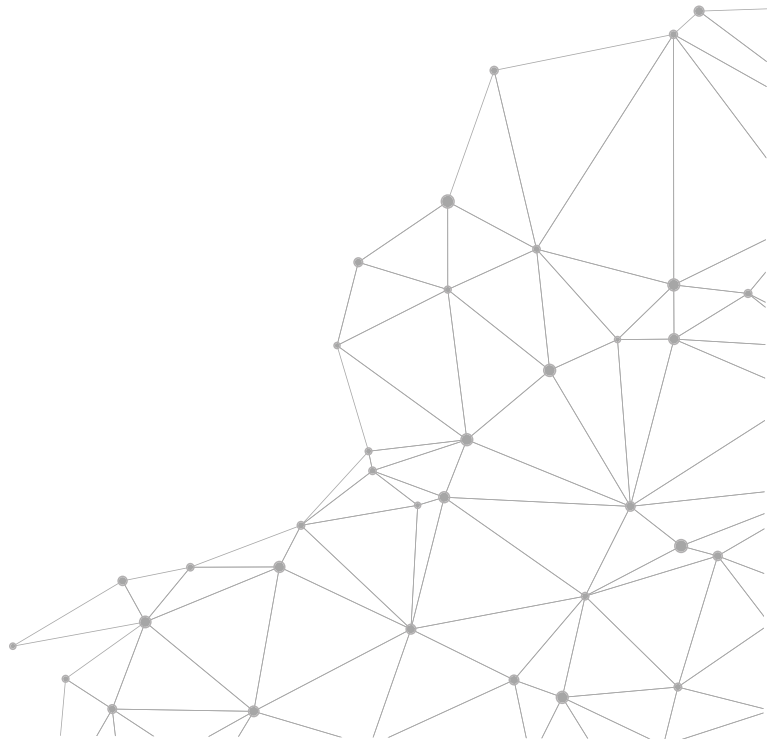
In the initial digital years, media companies were valued on customer acquisition with active users (MAU, DAU) being key metrics. As they further evolved, customer engagement and retention became more valued with engagement depth (watch time, minutes per usage, repeat consumption, etc.) being key metrics. Once the digital ecosystem matures, transactions defined by Life Time Value of the consumer become important.

While western economies have evolved towards a predominantly transaction phase with media services focusing on Life Time Value of consumers, India, given its population and relatively small digital penetration, is often largely in the acquisition phase evolving towards retention and engagement.

Indian media companies will be constantly challenged on what they should prioritize in the horizontal world – how to acquire customers, strategies to engage them, new models of monetization, which technologies to adopt, how to get audiences to create content, how to manage communities and how to transform through all these aspects in an agile manner. Answers to these questions in the backdrop of a segment-agnostic media landscape leading to D2C relationships will define the new era and the next decade.



Raghav Anand
Digital Media Leader, EY India







Segmental trends

Television



To view more by the artist; click on the picture



Television segment grew 6.4% in 2019

	2018	2019	2020E	2022E
Advertising	305	320	341	388
Distribution	435	468	449	495
Total	740	788	790	883

INR billion (gross of taxes) | EY estimates

- ▶ Television advertising grew by 5% in 2019, mainly on the back of sports (IPL and the ICC world cup), marquee events like Bigg Boss, KBC, Saregamapa, etc. and general elections for news channels
- ▶ TV adex volumes fell 4% in 2019, though five of the top ten ad sectors grew their ad insertions
- ▶ Advertising volumes grew 4% on regional channels
- ▶ Subscription growth of 7.5% was mainly driven by a growth in end-customer pricing on account of the implementation of the NTO in February 2019, while the number of active pay television subscriptions fell
- ▶ DD FreeDish added 24 channels and increased its reach
- ▶ Overall time spent on TV reduced 6% post the NTO (July-Dec 2018 vs 2019)
- ▶ If strictly implemented, NTO 2.0 could reduce subscription income in 2020

Number of television channels reached 918

	2018	2019
News	380	386
Non-news	505	532
Total channels	885	918

MIB website

- ▶ The number of channels grew by 33 in 2019, 27 of which were from the non-news category
- ▶ News channels comprised 42% of total registered channels in India
- ▶ 63% of channels were free to air

The number of distribution platforms grew

	December 2018	January 2020
MSO	1,471	1,632
DTH	5	4
HITS	1	1

MIB website

- ▶ MSO registrations increased by 11% during 2019, mainly due to the implementation of the NTO
- ▶ One DTH operator ceased transmissions during the year; the operating platforms include Dish + VideoconD2H+, TataSky, Airtel, Sun NXT and FreeDish
- ▶ NXT Digital continues to operate the lone HITS service

DD FreeDish added 24 channels in 2019

Period	Channels
December 2018	80
December 2019	104

Prasar Bharti

- ▶ FreeDish grew to 104 channels, of which 24 were operated by Prasar Bharti, the national broadcaster
- ▶ While large broadcasters' extremely popular catch-up GEC and film channels were removed during the year, FreeDish's channel strength increased by 24 during 2019
- ▶ The FreeDish service also delivers All India Radio's audio programming content

Advertising

TV advertising grew 5%

Increases were led by sports and marquee properties

- ▶ TV advertising grew well in the first half of 2019 on the back of sports and the general elections, but witnessed a degrowth in the second half to end the year at INR320 billion, up 5% from 2018
- ▶ Clear polarization was witnessed as marquee properties and sports saw interest continue to increase, while other genres saw stagnant or even falling interest

Ad volumes fell 4%

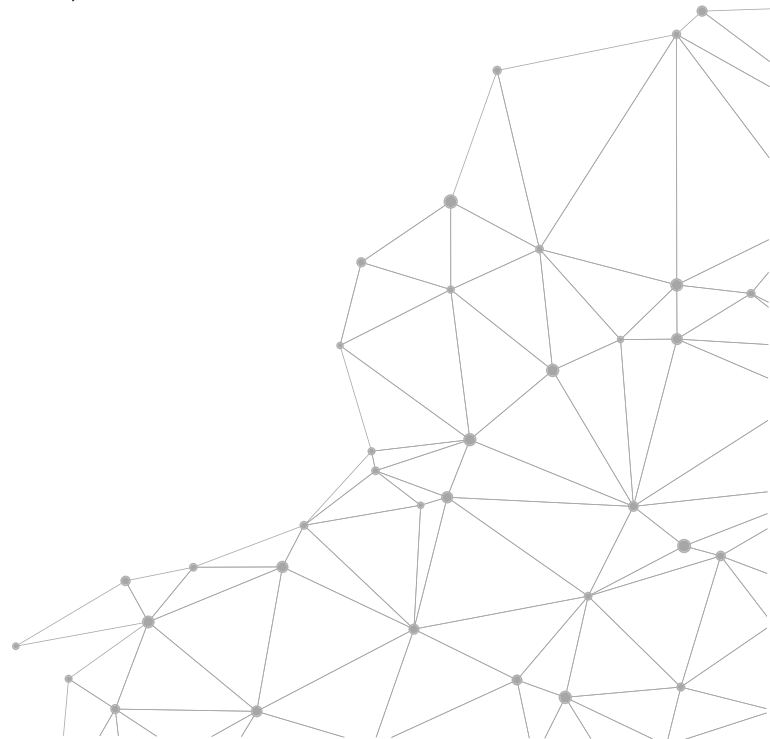
- ▶ As per TAM AdEX, ad volumes fell 4% in 2019
- ▶ The main fall was witnessed in the fourth quarter of calendar year 2019, because of fears of an economic slowdown
- ▶ The fall in reach due to implementation of the NTO also impacted ad volumes in February and March 2019
- ▶ In addition, large broadcasters pulled out their GEC and film channels from FreeDish and made many of them pay channels, which also impacted ad volumes

Top 10 channel genres contributed 46% of ad volumes

Rank	Channel genre	Percentage share	
		2018	2019
1	Hindi movies	9%	10%
2	Hindi news	5%	6%
3	Hindi GEC	5%	5%
4	Music	4%	5%
5	Tamil GEC	4%	4%
6	Bengali GEC	2%	4%
7	Bengali news	4%	3%
8	Hindi regional news	5%	3%
9	Malayalam GEC	2%	3%
10	Telugu GEC	3%	3%
	Others (68)	56%	54%

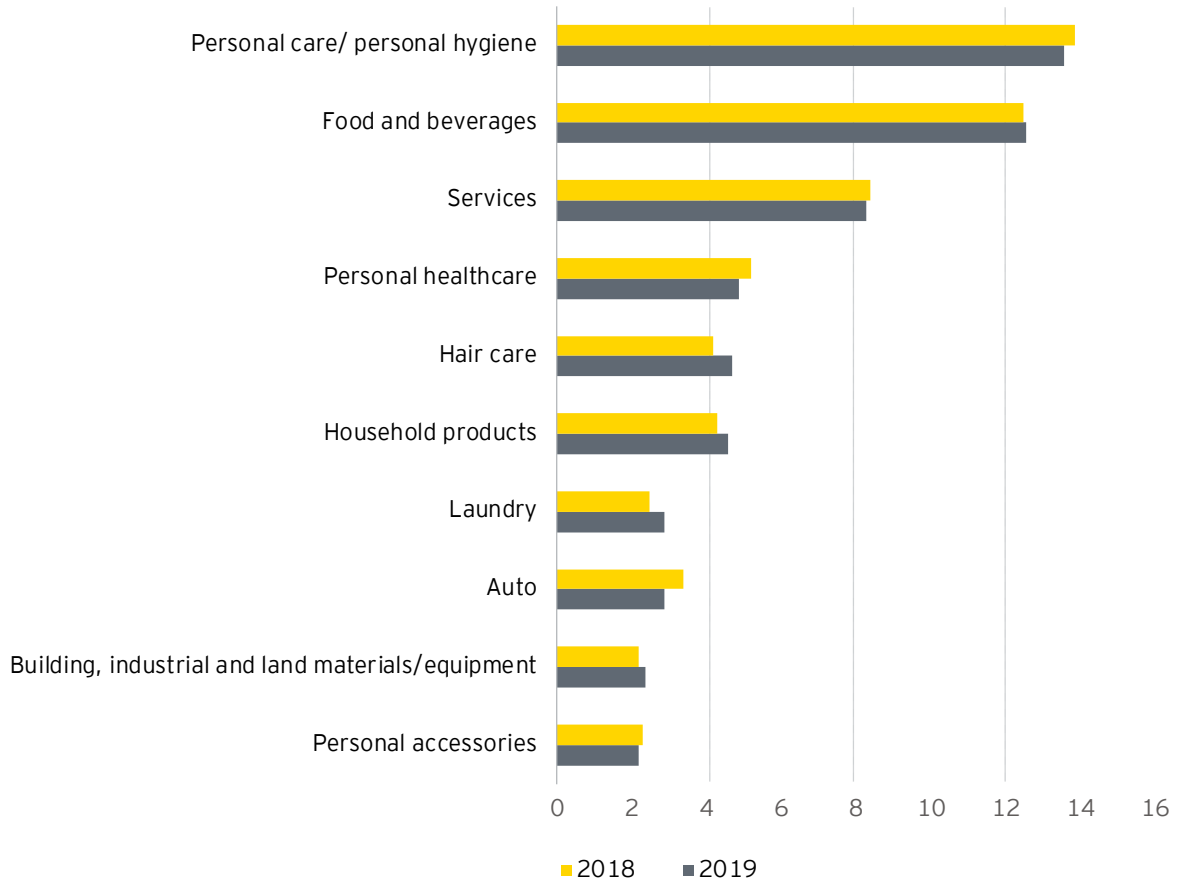
TAM AdEX

- ▶ Hindi movies remained the top genre for ad volumes and grew their share of ad volumes
- ▶ General elections aided the growth in share of Hindi news channels
- ▶ Regional channels (615 hours / channel) received 13% more ad volumes than national channels (542 hours / channel) in 2019
- ▶ Ad volume share of regional GECs increased in most cases as better content, formatted shows and new products entered the market



5 of the top 10 sectors of 2018 grew ad insertions in 2019

Number of ad insertions (millions)



TAM AdEX

- ▶ Overall insertions across the top 10 sectors grew 0.4% in 2019, though 5 of the top 10 sectors reduced their insertions
- ▶ Overall ad insertions reduced by 2% in 2019

49% of ad spends were contributed by FMCG

Product category	Category contribution	Contribution to growth
FMCG	49%	40%
Telecom	12%	15%
Auto	7%	-4%
E-commerce	5%	12%
Household durables	5%	4%
Real estate and home improvement	3%	3%
Clothing, fashion jewellery	3%	-1%
Banking, financial services, insurance	2%	2%
Others	12%	31%
Total	100%	100%

Pitch Madison Advertising Report 2020

- ▶ 49% of ad spends on TV were contributed by FMCG, which also contributed to 40% of value growth
- ▶ Other large contributors to growth were telecom, education and e-commerce, which grew ad spends at over 10% each
- ▶ E-commerce overtook household durables in 2019 to become the fourth largest category

Ads became shorter

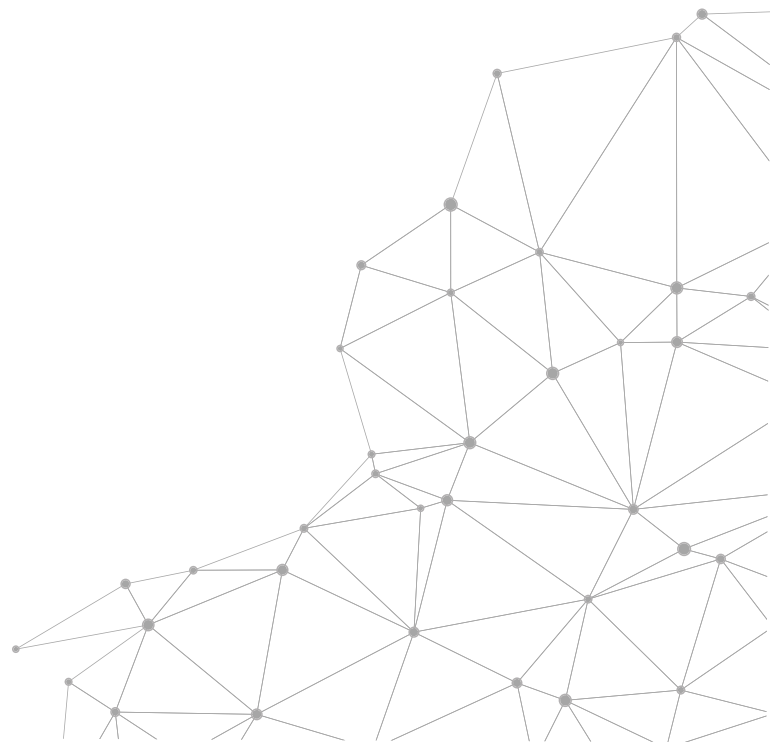
- ▶ As per TAM AdEX, 25% of ads on television in 2019 were 20 seconds or less, as compared to 23% of ads in 2018
- ▶ In prime time, sub-20 second ads were 27% in 2019 compared to 25% in 2018
- ▶ The share of ads 40 seconds or longer remained constant

27 channel genres saw an increase in the number of advertisers

Channel genre	Count of new advertisers
Hindi regional news	121
Malayalam GEC	91
Gujarati news	90
Sports	64
Punjabi religious	55

TAM AdEX

- ▶ 10,105 advertisers used television in 2019 as compared to 10,962 in 2018
- ▶ Hindi regional news genre saw the highest increase in new advertisers, aided by a general election and state elections in some HSM markets
- ▶ Sports saw 64 new advertisers as compared to 2018, as advertisers placed big bets on marquee sporting events



Impact of NTO on advertising

Regional channels benefited from the NTO¹

Channels type	Percentage growth/degrowth in ad volumes
All channels	0.2%
National channels	-6%
Regional channels	4%

TAM AdEX, Aug 18 to Mar19 (pre) vs Apr19 to Nov19 (post)

- ▶ There was no impact on total ad volumes (+0.2%) due to the implementation of the NTO
- ▶ Regional channels grew ad volumes by 4% while national channels witnessed a 6% fall in ad volumes, led by some popular channels being taken off from DD FreeDish
- ▶ Channel genres most positively impacted by the NTO included DTH home channels (+168%), Bhojpuri movies (+60%), Kannada movies (+58%), Punjabi music (+33%) and sports (+26%)
- ▶ Channel genres most negatively impacted were religious channels (-60%), English entertainment (-50%), English movies (-37%) and lifestyle (-36%) with the assumption being that English and lifestyle audiences moved away to relatively more affordable OTT products

FreeDish ad revenue plummeted with the pulling-out of popular GEC and film channels

- ▶ We estimate that approximately INR10 billion of advertising was pulled out from FreeDish when leading broadcasters removed their catch-up television channels from it
- ▶ Channels which remained on the FreeDish platform like Big Magic and Dangal TV saw a significant rise in viewership and advertising revenues

Platforms for SME advertising became more important

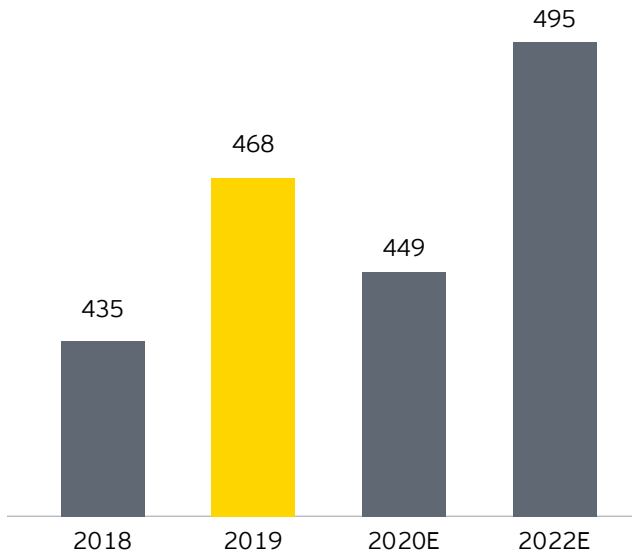
- ▶ While broadcasters cater to around 10,000 advertisers, digital web publishers cater to around 25,000 advertisers and e-commerce platforms are estimated to reach over 300,000 SME advertisers¹
- ▶ In order to benefit from ad spends of the SME segment, broadcasters like Zee and Star have launched / are planning to launch platforms where small ad agencies and SMEs can directly buy advertising space²

1. TAM AdEX
2. Industry discussions

Distribution

Distribution income grew 7.5% in 2019

Television subscription at end-customer prices



INR billion (gross of taxes) | EY estimates

- ▶ Total subscription paid for television in India by viewers increased 7.5% in 2019, despite a fall in active paid subscriptions, on account of higher ARPUs
- ▶ We expect the subscription base for traditional unidirectional television services (cable, DTH, HITS) to keep growing as penetration levels increase over the next few years
- ▶ Strict implementation of the NTO 2.0 from March 2020 could however, result in an up to 4% fall in subscription income at end customer prices in 2020; however, there would be a marginal growth of up to 2% in the event that bouquet size, pricing and channel mix change

Active paid subscriptions reduced by 26 million in 2019

NTO reset the pay TV universe

Channels type	2018	2019
Pay TV (Cable+DTH*+HITS)	161	133
Free TV	36	38+
Total unidirectional TV	197	171+
Connected TV	<2	4-5
Total TV	199	175+

Television subscriptions in millions | Industry discussions, billing reports, EY estimates for 2019; BARC's Broadcast India Survey for 2018

*Net of temporarily suspended subscribers

- ▶ In our 2018 report, we had used BARC's Broadcast India survey to size the TV universe, but for 2019, we have done a ground-up analysis as the BARC survey has not been performed post NTO
- ▶ This change in methodology has impacted the pay TV universe as 2019 numbers do not account for undeclared TV households
- ▶ Consequently, the number of active television subscriptions was significantly lower in 2019, driven by a fall in paid subscriptions
- ▶ We observed 133 million paid subscriptions for which broadcasters earned revenues in 2019, as compared to 161 million we had reported in 2018
- ▶ Free television, on the other hand, grew its base of subscribers on the back of less expensive television sets and more expensive content

Where have all the pay TV subscriptions gone?

- ▶ While it is still too early to accurately determine the real cause for the fall in active pay subscriptions, industry discussions indicate the following possibilities:
 - ▶ Households with **multiple television connections**, which used to benefit from much lower rates for the second and third television sets, rationalized their subscriptions as the NCF was charged at full rates for their additional television sets; we estimate this could have impacted up to three million connections
 - ▶ Viewers - particularly English language viewers - may have been provided with the **impetus to move to OTT platforms** which became relatively more affordable post the NTO and provided the additional benefit of anytime viewing without ads; we estimate this could have led to around 3-4 million subscribers
 - ▶ FreeDish grew its user base as price sensitive consumers **activated paid subscriptions only during events or holidays**, or watching key programs on low cost and free bundled OTT services; we estimate this could have been up to 5 million subscriptions
 - ▶ **Piracy of television** feeds has always been an issue in India and we believe the increase in end-customer prices could have given this a further boost, impacting up to 10 million pay subscriptions
 - ▶ Industry discussions indicate that **under-reporting** of pay TV homes post NTO continues in certain areas; however, we are unable to quantify this
 - ▶ Given that most distribution deals earlier were based on minimum guarantees and had been renegotiated annually based on unverified subscriber counts from an era of opacity, **previous subscriber counts** may have been overstated by 5%

Both Smart TV sets and FreeDish witnessed growth

- ▶ There has been growth both at the top end and bottom of the television viewer pyramid
- ▶ Substantial growth took place in smart television set sales due to price reductions; industry discussions indicate 4 to 5 million connected smart TVs in India, up from less than 2 million in 2018
- ▶ We expect connected smart TV sets to reach 14 million by 2022
- ▶ On the other hand, FreeDish continued to grow and has become a second set top box within the home, used when there are no large events on television in some cases
- ▶ We estimate FreeDish to have grown to 38 million homes in 2019

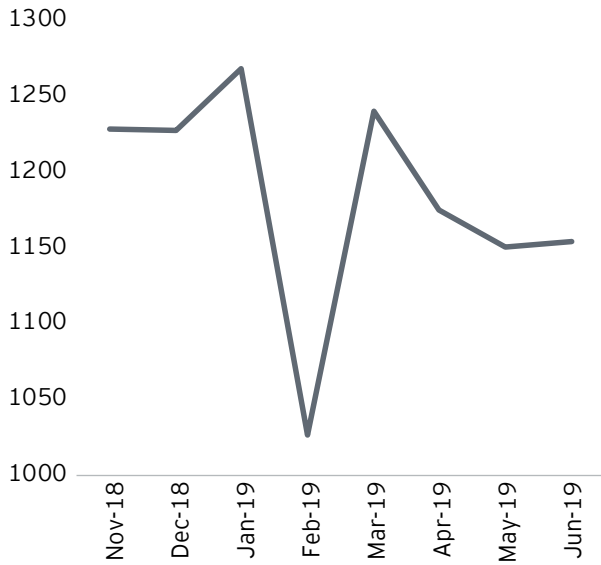
End-customer prices increased

- ▶ We estimate that end-customer prices grew by over 25% on average to cross INR225 net of taxes
- ▶ While packs were created by DPOs combining channels from different broadcasters, there was little scope for discounting
- ▶ Industry discussions indicate that over 85% of subscribers opted for DPO designed packages, but slowly this number is reducing as subscribers start to opt for channels they require and let go of channels they do not watch
- ▶ DPOs implemented different strategies for the NCF for additional TV subscriptions, with some charging it at full price while others provided a discounted rate

Reach was impacted by the NTO

Television recovered quickly from NTO implementation

Impressions in billion

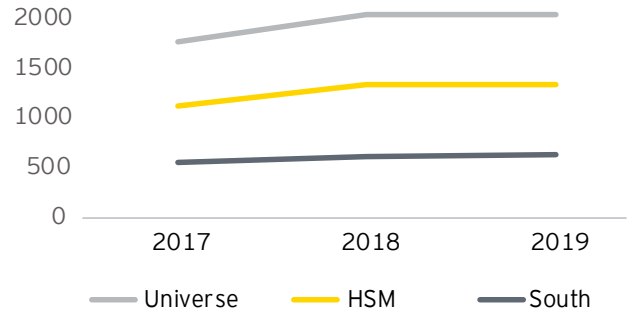


BARC impressions at program level (content + ads + promos), Universe 2+

- ▶ Television viewership was impacted in February 2019 during the transition period, but recovered quickly in March 2019 itself
- ▶ However, the recovery was at a new normal, which was around 5-6% lower than before

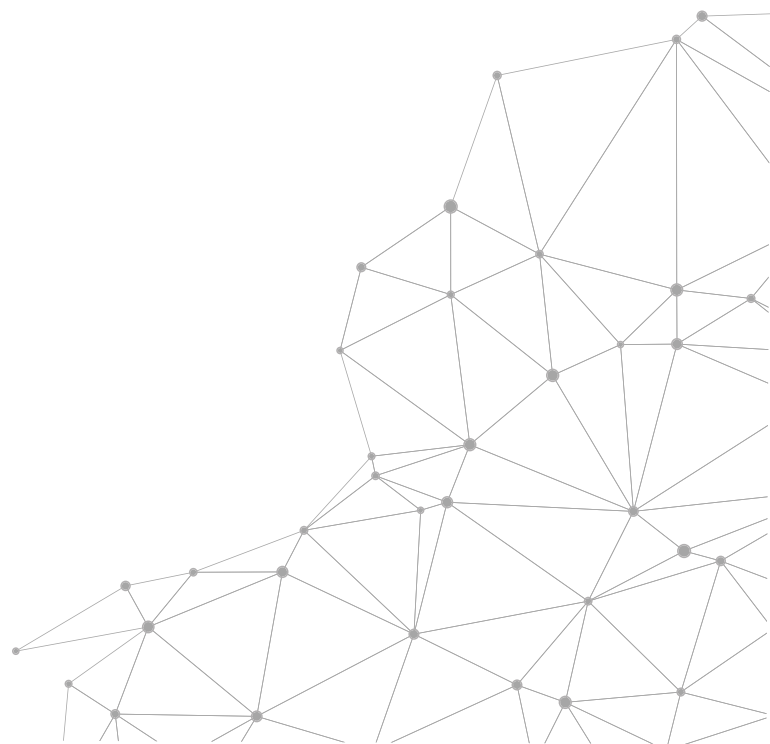
Overall, time spent on TV remained the same as in 2018

Impressions (In billions)



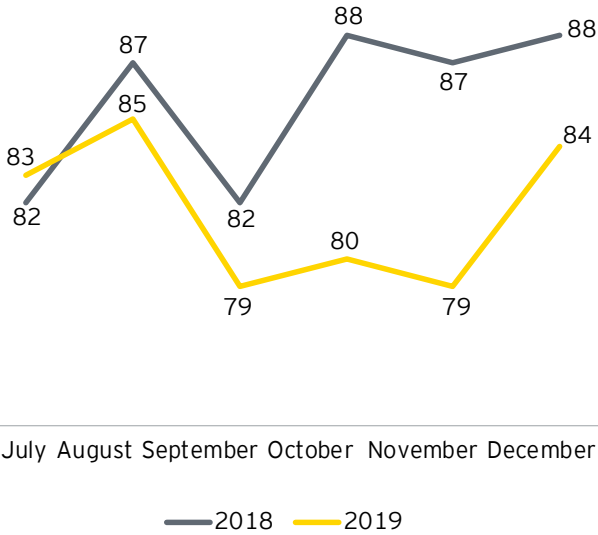
BARC, Impressions Wk1 to Wk52

- ▶ Overall impressions remained at 2018 levels
- ▶ HSM saw a marginal dip of 3 billion, while south markets grew 14 billion impressions



However, TV viewing minutes reduced 5% in the second half of 2019

Gross impressions

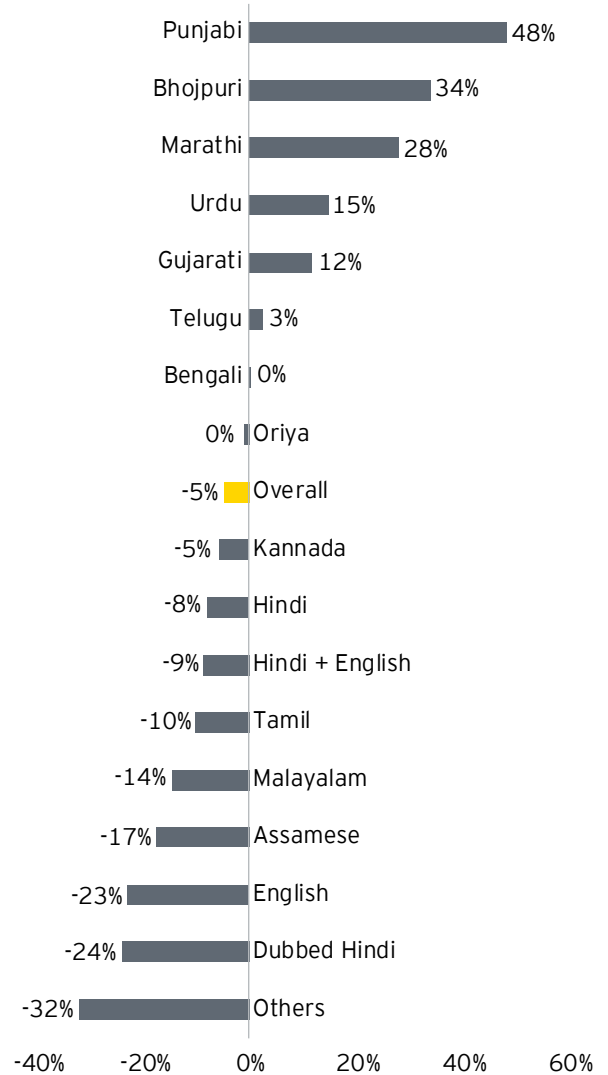


BARC, 2+, impressions in billions

▶ Number of minutes of viewing reduced 5% during the period July to December 2019 as against 2018 (we have used this period to negate the impact of the ICC World Cup and the general elections which took place during January to June 2019)

The two largest watched languages saw a fall in minutes of viewing

Language impact (change in impressions)



BARC, 2+, impressions, July to December 2018 and 2019

- ▶ Hindi and Tamil, the two largest languages by viewership, saw a fall in their total minutes of viewing
- ▶ English and dubbed Hindi were amongst the most impacted with a fall of over 20%
- ▶ Several languages like Punjabi, Marathi, Bhojpuri and Gujarati gained impressions post NTO

SEC A and HD viewership grew post NTO

Period	HD channels viewership (impressions in billion)
July - December 2018	5.67
July - December 2019	8.87

BARC, Impressions data

- ▶ The viewership of HD channels increased by 56% post NTO as compared to the pre-NTO period viewership
- ▶ Amongst this, the SEC A viewership also increased by 48% from 26.5 billion impressions in pre-NTO period to 39.4 billion impressions in the post NTO period

Escapism and entertainment led with 74% of viewership

Genre	Viewership share percentage	
	2018	2019
GEC	51.6%	49.9%
Movies	24.7%	23.9%
News	7.3%	8.9%
Music and youth	5.9%	6.4%
Kids	6.3%	6.4%
Sports	2.8%	3.2%
Others	1.2%	1.3%
Total	100%	100%

BARC impressions, All India, 2+

- ▶ General entertainment and movie channels generated three quarters of all viewing, remaining consistent with prior years
- ▶ Being an extremely news heavy year on the back of several initiatives by the central and state governments like Article 370 and the Citizenship Amendment Act, Pulwama and Balakot attacks and a general election, the news genre witnessed a growth to almost 9% of total viewership, up from 7% in 2018
- ▶ Sports, too, saw an increase in viewership on the back of more premium sports properties

Sport	2018	2019
Cricket	69%	79%
Kabaddi	8%	8%
Wrestling	12%	6%
Soccer	7%	3%
Others	4%	4%
Total	100%	100%

BARC viewership share

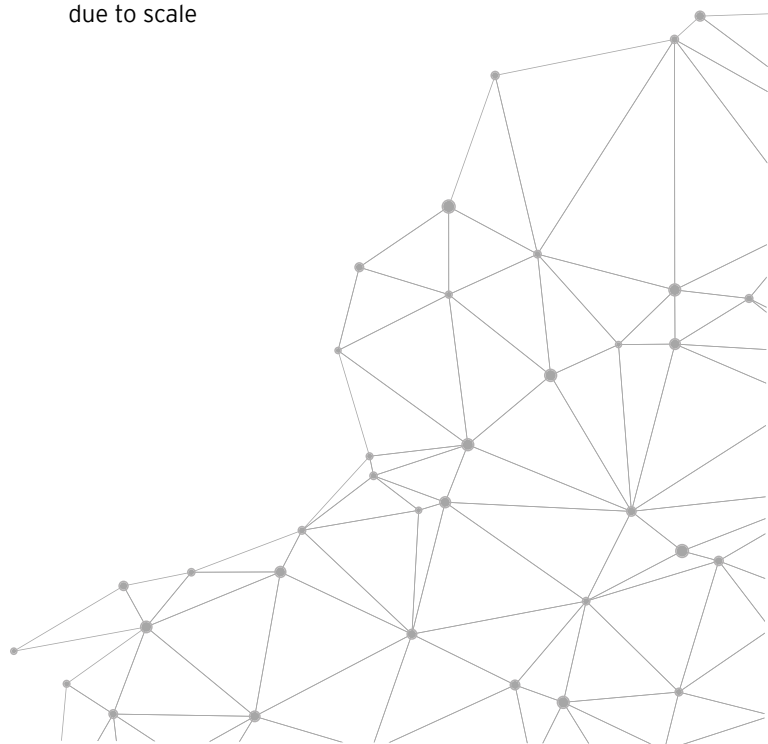
- ▶ Cricket emerged as the big winner in 2019 as it accounted for over 80% of the sports viewership, up from 70% last year, due to the ICC World Cup
- ▶ Kabaddi maintained its viewership share while soccer and wrestling lost significant viewership share

Broadcaster share of revenue increased⁴

- ▶ Broadcaster share of revenues grew 10-15% due to increased number of pay channels, higher ARPU and increased share of revenues from end customers
- ▶ Broadcasters share of total subscription income increased to approximately INR130 billion

Birth of the distribution services company

- ▶ The HITS platform has commenced being used as a white labelled TV distribution service
- ▶ This is akin to the tower companies in the telecom sector and can result in significant benefits including reducing capital expenditure and operational savings due to scale



NTO 2.0: What's in store?

Summary of key changes proposed

- ▶ While forming bouquets, broadcasters have to comply with the following twin conditions:
 - ▶ The sum of the a-la-carte rates of the pay channels forming part of a bouquet shall in no case exceed one and half times the rate of the bouquet of which such pay channels are a part; and
 - ▶ The a-la-carte rates of each pay channel, forming part of a bouquet, shall in no case exceed three times the average rate of a pay channel of the bouquet of which such pay channel is a part
- ▶ MRP of a channel should not be more than the MRP of any bouquet containing that channel
- ▶ Reduction of ceiling price of pay channel for inclusion in bouquet from INR19 to INR12
- ▶ Number of bouquets of pay channels not to be more than number of pay channels offered by a broadcaster
- ▶ Increasing the number of SD channels that can be provided within the NCF of INR130 per month from 100 to 200 and capping the NCF for more than 200 SD channels at INR160 per month
- ▶ Flexibility to DPOs to declare different NCFs for different geographical regions/areas within their service area
- ▶ Flexibility to DPOs to offer discounts on NCF and Distributor Retail Prices (DRP) on long term subscriptions with duration of 6 months and above
- ▶ DPOs shall not charge more than 40% of declared NCF per additional TV for 2nd TV connection and onwards in a multi TV home
- ▶ DPOs should allow multi TV home subscriber to choose different set of channels for each TV connection

Potential impact of the NTO 2.0:

We estimate that:

- (i) Reducing prices of channels that can form part of a bouquet could bring down end-customer bouquet prices and increase choice, but could have an impact of INR15 to INR20 billion on TV segment revenues in the event that demand does not increase
- (ii) Applying a cap on the discounting of prices could result in closure of weaker and niche channels and consequent loss of jobs
- (iii) Reduction of NCF in multiple TV homes is something that has already been implemented by some DPOs, though can impact revenues by INR5 billion as per our estimates
- (iv) Reduction in multiple TV NCF, bouquet prices and long-term package discounts can bring back some of the lost TV subscriptions

Future outlook

Smart connected TVs to cross 40 million by 2025

	2019	2025
Pay TV (cable + DTH + HITS)	133	140-145
Free TV	38	40-50
Unidirectional TV	171	180-195
Connected TV (bi-directional)	5	40+
Total TV subscriptions	176	220-235

EY estimates; millions of subscriptions

- ▶ While pay TV will continue to grow, more new users will enter the Free TV market, providing a low-cost advertising opportunity to marketers
- ▶ Growth of unidirectional TV will be far outstripped by the growth of connected TVs, which could cross 40 million connected sets by 2025, on the back of increased demand for HD content, replacement of obsolete set top boxes and 46 cities which already have a population of over a million each and a total population of 122 million which can be wired-up more easily for broadband⁵
- ▶ This will mean that overall TV (or shall we call it video?) will keep growing at a healthy pace of over 4% per year to cross 70% of Indian households by 2025

End of the broadcast walled garden

- ▶ Content viewed on smart TV sets will begin to reflect that consumed on mobile phones, providing a window for user generated content companies and other non-broadcasters to serve content on the connected television screen
- ▶ As more and more television sets get connected to the internet, content will flow from creator to viewer and back, and more interactive concepts will emerge

King of advertising, even in 2025

- ▶ We expect television to remain the largest earner of advertising revenues even in 2025, approaching INR570 billion
- ▶ However, the need for a common and accepted measurement metric to help marketers invest across digital and television is required, and it will enable enhanced monetization of both traditional and digital video inventory
- ▶ Programmatic advertising would result in platform-led purchasing of video inventory and drive up to 25% of ad volumes by 2025

Regional share of viewership to grow to 55% of total TV viewership

- ▶ Viewership of regional language channels will continue to grow and reach 55% of total viewership in India as their content quality improves further

5. <https://www.nriol.com/india-statistics/biggest-cities-india.asp>





Global trends

D2C and OTT is the next diversification frontier for TV revenue

- ▶ With the increasing competition from OTT players, many players in the TV value chain are reaching consumers directly. Content creators, traditional broadcasters, cable and MVPD companies are launching their own D2C offerings and making their content available across a much-expanded list of devices and platforms, including a growing number of virtual MVPDs, to remain relevant. In order to make their OTT offerings stand out, both new and traditional players are investing heavily in developing or acquiring new content/services, leveraging existing IP/content libraries and new ways of storytelling. D2C initiatives help extend their reach and monetization opportunities globally.

Industry players focus on scale

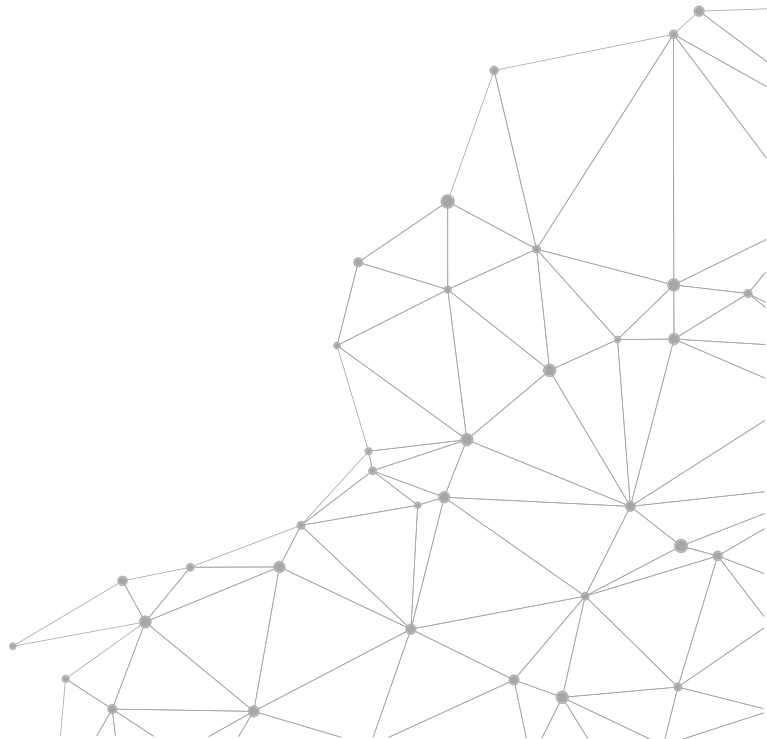
- ▶ With the growing pressure to deliver in the expanding OTT space, traditional TV players in the industry are forging strategic deals to compete effectively. M&A activities allow broadcast, cable networks and MVPD players to achieve scale, acquire technology, talent, new production capabilities or innovative startups. It also helps attain sector convergence and drive growth into adjacent business activity. According to the latest EY Global Capital Confidence Barometer, the lively deal market witnessed in recent months is expected to continue as 58% of TMT executives plan to actively pursue M&A in the next 12 months - up from 48% in October 2018. From 2014 to the first half of 2019, US\$1,019 billion was invested globally in media and entertainment acquisitions.

TV advertising remains strong

- ▶ Advertisers globally are strategizing on how to leverage both digital and traditional advertising effectively and reflect closely how their audiences consume media. That is part of a larger trend of convergence within the total advertising and marketing landscape. Demand for advanced TV advertising, including programmatic, addressable and connected TV continues to gain momentum with viewers migrating across multiple platforms and marketers focus on improving effectiveness of ads through precision targeting. While currently a small share, addressable and programmatic TV spend is rapidly increasing compared with flat ad spends on traditional TV. Concurrently, there is a requirement to standardize reporting and measurement across all video inventory types to accelerate advanced TV adoption.

More co-production, distribution partnerships, innovative alliances

- ▶ With the rise of streaming services, the spiralling cost of talent and TV production and a wave of consolidation – securing access to quality content will be more challenging in the coming years, making collaboration one of the key areas of focus for the TV industry. This will in turn lead to increased reliance on cross-border co-productions facilitating more partnerships between cable networks and distributors. The pursuit of high-quality yet affordable content will increasingly see buyers negotiating with partners including talent agents, brands and investors.



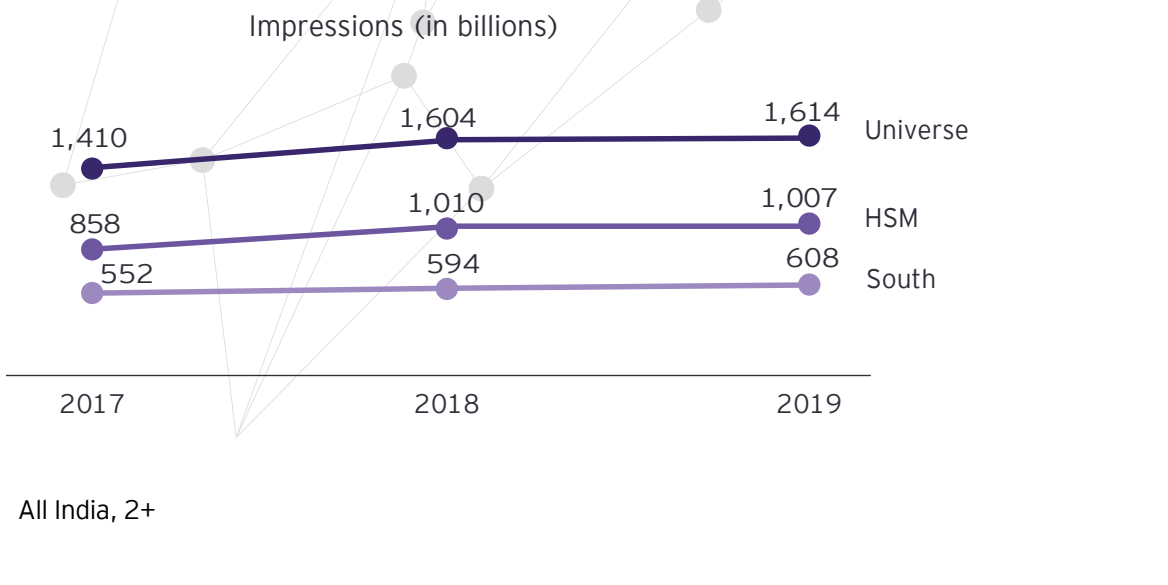
Television Trendbook

Powered by



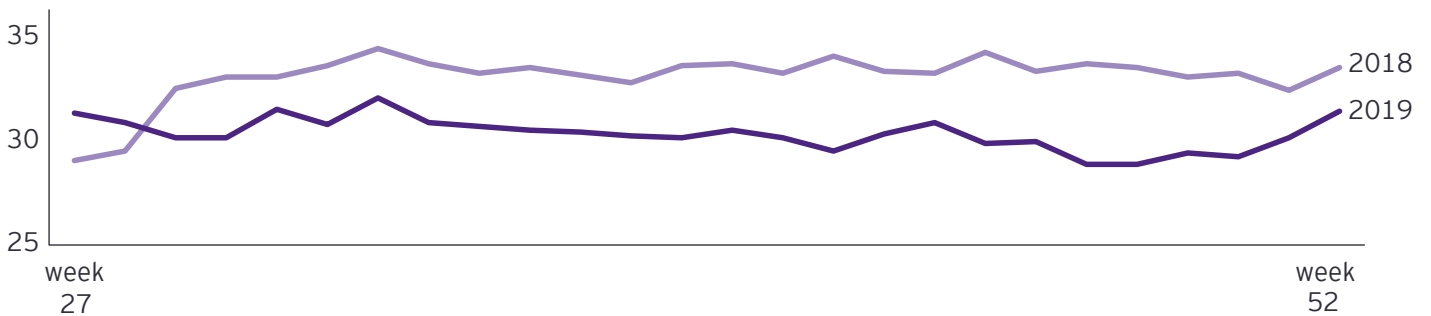
BROADCAST
AUDIENCE
RESEARCH
COUNCIL
INDIA

Overall viewership on TV remained stable in **2019...**



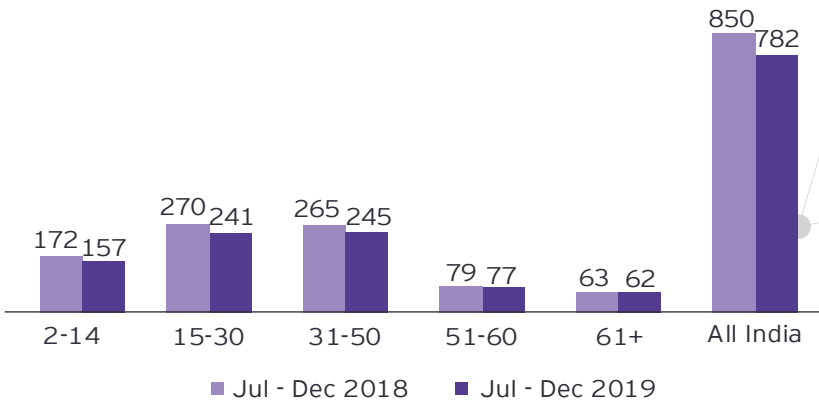
...however, a fall was witnessed in the **second half** of the year

Overall impressions fell by approx. 5% in H2



All India, 2+, Wk27 to Wk52 2018 & 2019, Impressions in billion

TV viewership (impressions in billion)

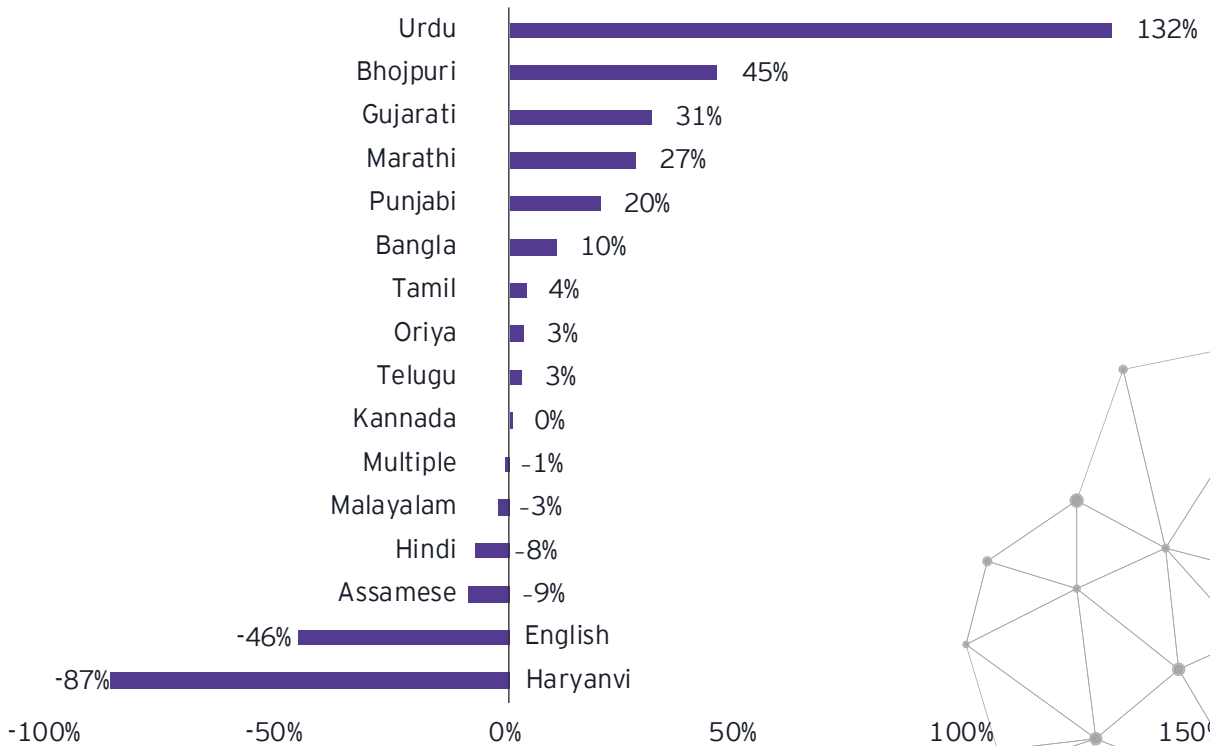


Viewership by age group

All India, 2+, Wk27 to Wk52 2018 & 2019

NTO benefited regional languages like Urdu, Punjabi, Bhojpuri, Marathi & Gujarati whose consumption increased over 20%

Viewership change by language



All India, 2+, Wk1 to Wk52 2018 & 2019, change in impressions

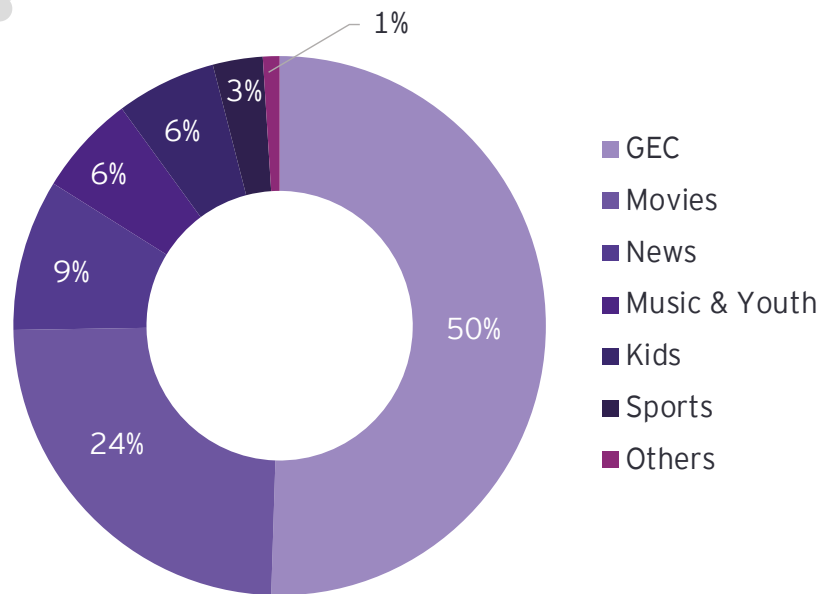
Three of four people in **south markets** watch TV every day

	Average time spent per viewer	Impressions (billion)	Weekly tune-ins (coverage)	Daily tune-ins (reach)
All India	03:42	30	91.5%	70.2%
HSM	03:27	19	90.7%	67.9%
South	04:12	11	93.4%	75.2%



74% of time spent watching TV was on **escapism**

News grew from 7% to 9% in 2019

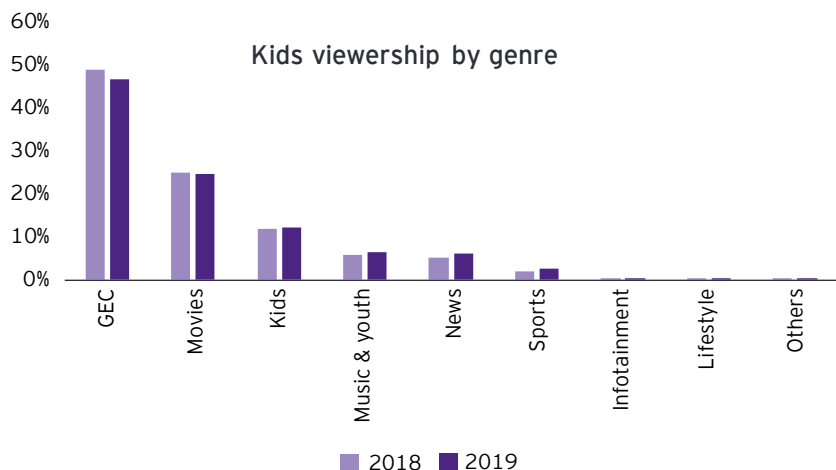


Source: All India 2+|Year 2019

*Note: Business News considered under News

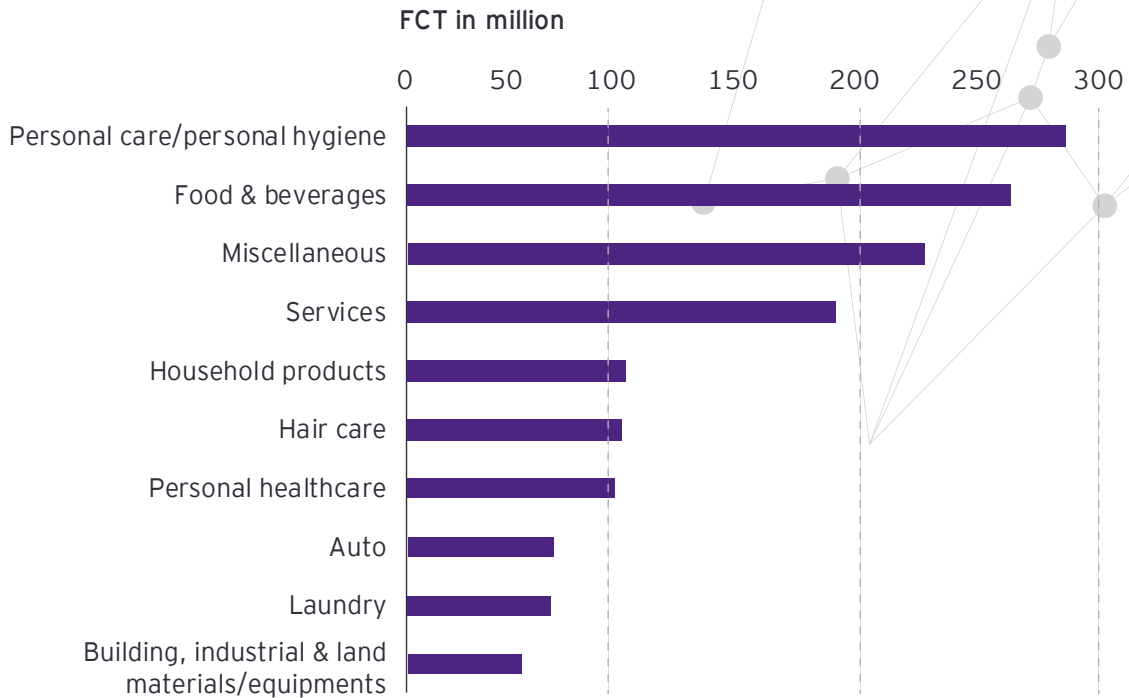
"Music" and "Youth" channels clubbed as "Music and Youth"

Kids watch a lot more than **kids channels**



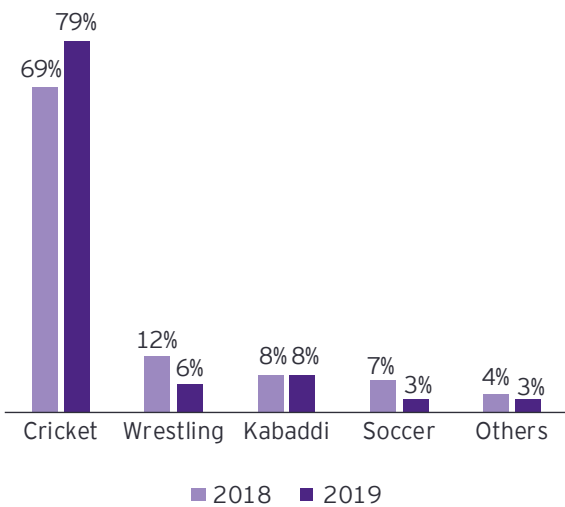
All India, 2-14, 2018 and 2019

Top 10 advertising sectors in 2019



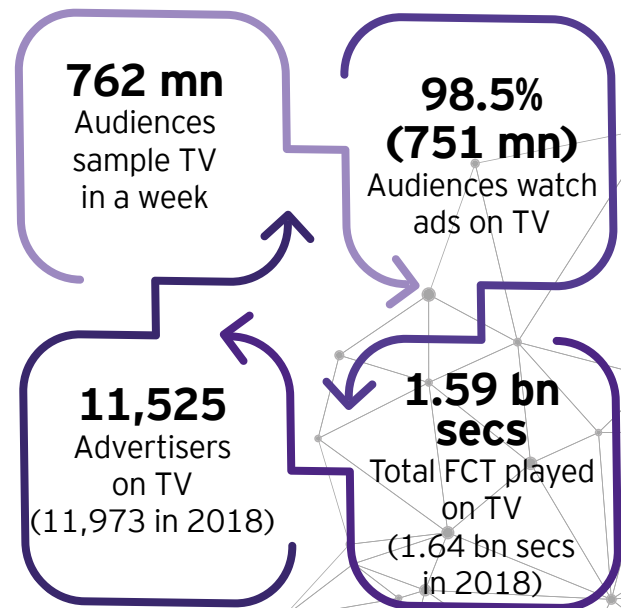
Cricket gained on the back of the IPL and the ICC World Cup in 2019

Percentage share of viewing minutes by sport



All India 2+, Year 2019

Advertising landscape in 2019

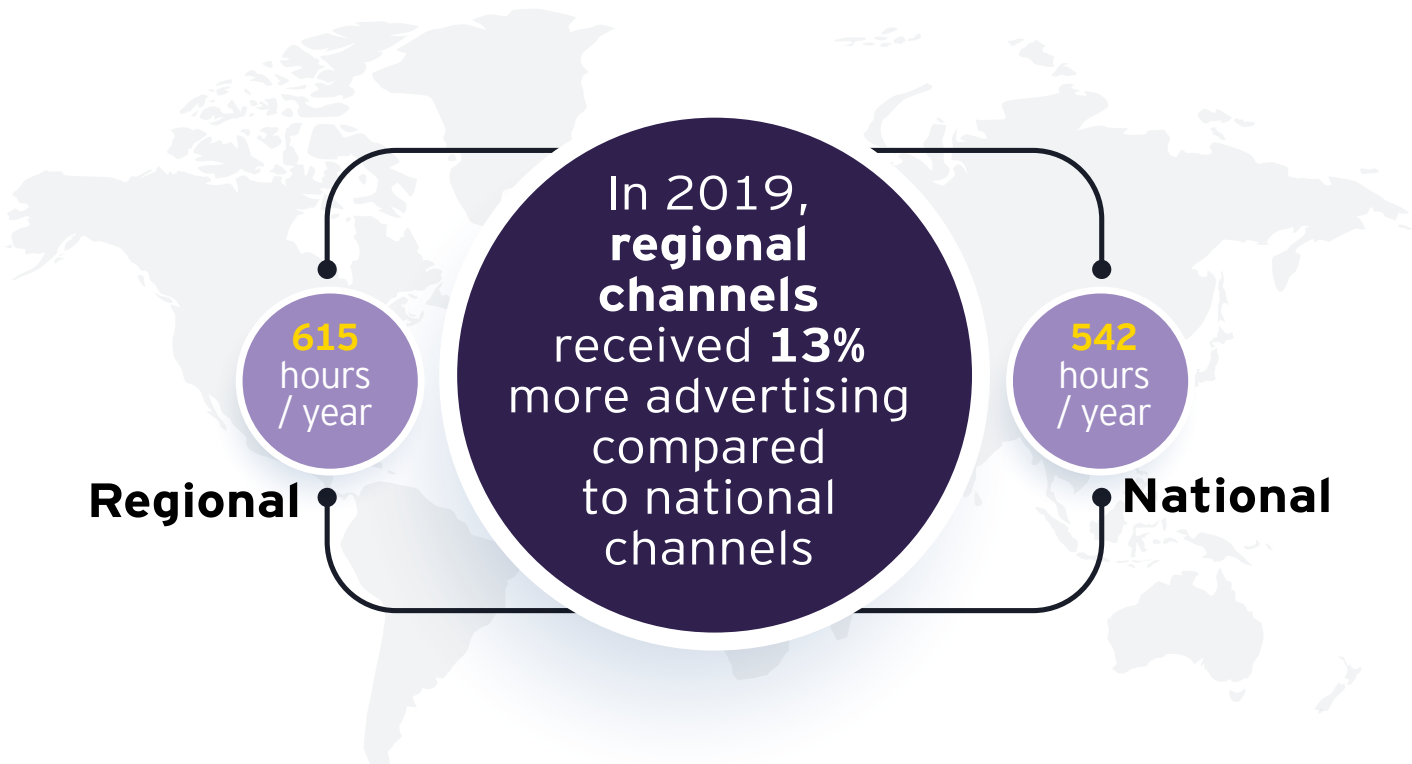
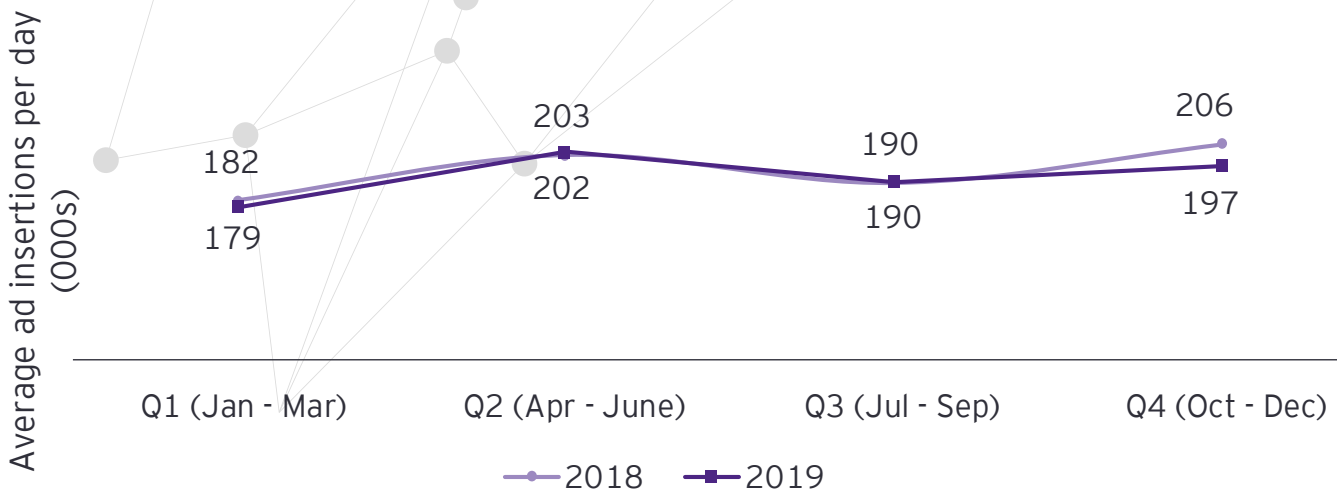


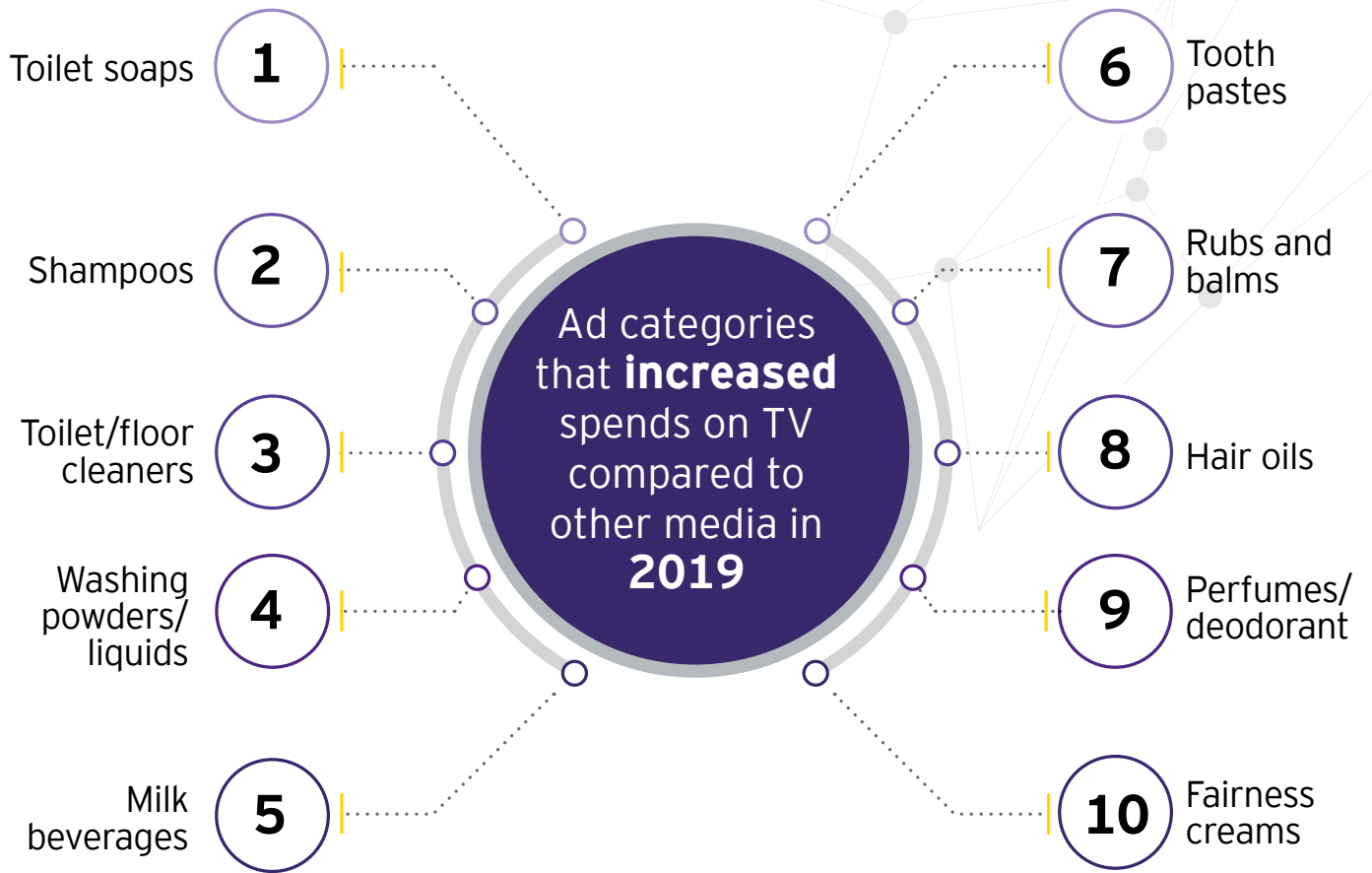
All India 2+, 2018 and 2019 full years considered

TV advertising Trendbook

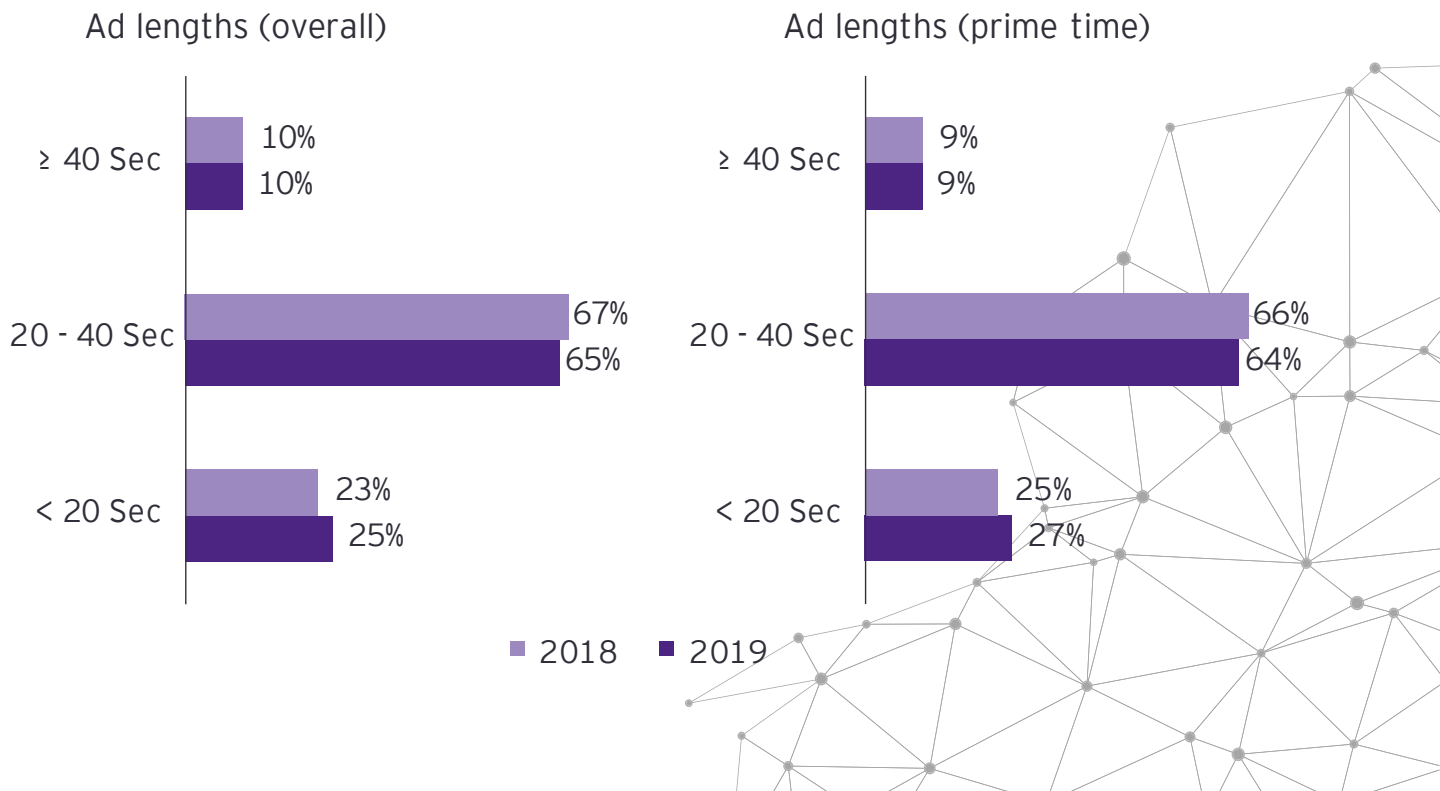
Powered by Tam AdEX
(A division of TAM Media Research)

TV ad volumes fell 4% in 2019, mainly due to economic slowdown fears in the last quarter





Ads became shorter



Top 10 **channel genres** contributed **46%** of total ad volumes

Rank	Channel genre	%Share	
		2018	2019
1	Hindi movies	9%	10%
2	Hindi news	5%	6%
3	Hindi GEC	5%	5%
4	Music	4%	5%
5	Tamil GEC	4%	4%
6	Bengali GEC	2%	4%
7	Bengali News	4%	3%
8	Hindi regional news	5%	3%
9	Malayalam GEC	2%	3%
10	Telugu GEC	3%	3%
	Others (68)	56%	54%

24% of all ads used celebrity endorsements and **Akshay Kumar** was on a mission

2018		2019	
Top 5 film celebrities in ads	%Share of celebrity ads	Top 5 film celebrities in ads	%Share of celebrity ads
Ranveer Singh	5%	Akshay Kumar	8%
Amitabh Bachchan	5%	Ranveer Singh	5%
Akshay Kumar	5%	Deepika Padukone	5%
Deepika Padukone	4%	Alia Bhatt	4%
Ajay Devgan	4%	Amitabh Bachchan	4%

Top five advertising **sectors** contributed **62%** of volumes

		2018		2019	
Rank	Top 5 sectors	%Share	Top 5 sectors	%Share	
1	Personal care/Personal hygiene	19%	Personal care/Personal hygiene	19%	
2	Food & beverages	17%	Food & beverages	18%	
3	Services	13%	Services	13%	
4	Personal healthcare	6%	Household products	6%	
5	Household products	6%	Hair care	6%	

The top five ad **categories** resonated with “Swacchata”

		2018		2019	
Rank	Top 5 categories	%Share	Top 5 categories	%Share	
1	Toilet soaps	6%	Toilet soaps	7%	
2	Toothpastes	3%	Shampoos	3%	
3	Shampoos	3%	Toilet/floor cleaners	3%	
4	Washing powders/liquids	3%	Washing powders/liquids	3%	
5	Toilet/floor cleaners	2%	Toothpastes	3%	

Expert speak



Punit Goenka
MD & CEO, ZEEL

The M&E industry at large is certainly at an interesting juncture, with rapidly changing content consumption patterns at one end and disruptions in technology at the other. It is extremely imperative to delve deeper into consumers' cultural nuances and deliver entertainment solutions respecting her beliefs and value system. The industry has certainly witnessed a transient slowdown phase, which should be soon behind us. It is an era of co-opetition and not competition, wherein extraordinary is possible if the required synergies are drawn, keeping consumers at the epicenter.



NP Singh
MD & CEO, Sony Pictures Networks India

I believe each industry goes through a journey of growth, consolidation and renewed growth. In the short to mid-term, I see consolidation as main-stay that will funnel growth in the long-term. The subsistence of the finest and fittest will take precedence. In addition, relatively stable business environment will encourage fresh investments in the sector.



Sunil Lulla
Chief Executive Officer,
BARC India

Television is the Screen of the Indian home, deeply engaging all individuals in the home, in terms of increased time spent over the last 4 years. It is the dominant medium for advertisers. With many homes to yet get a TV Set – growth is ahead of us.



Megha Tata
Managing Director - South Asia,
Discovery Communications India

We are in the middle of a transformational phase for the media industry as new ways of content consumption and engagement emerge across the world. This opens up innumerable opportunities for broadcasters and content creators, to expand and look at the business in a new light. The challenge is in being a profitable linear television company and yet being a digital growth company of the future!



Aditya Pittie
Managing Director,
IN10 Media

The Indian TV industry has mature cord cutters at one end while millions are purchasing their first TV sets at the other end of the spectrum! This last mile of television adopters and the close to 35 million on FreeDish offer unique and exciting opportunities for businesses in general, and to the M&E industry in particular. It will be a combination of creative application of content, marketing, and distribution with a conscious and sustained investment in digital that will forge the behemoths of the future.



Sudhanshu Vats
Group CEO and MD, Viacom18

Our industry will mature across three facets in the immediate future. The first will see data sciences evolve into a default evaluation lens for the industry across the value chain – from content feasibility to release strategy to advertising rates. The second change is more fundamental in nature – broadcast, the largest legacy sector, will have to adopt an agile direct to consumer business methodology. In the post NTO era, the need to make the consumer a direct stakeholder has never been so pronounced, definitely to stay relevant and sometimes to ward off unforeseen and unwarranted existential threats. Finally, partnerships of principle – both long term and short term, between apparent competitors will become more common.



Shashi Shekhar Vempati
Chief Executive Officer,
Prasar Bharati

Broadcasting is transforming with the advent of IT & cloud based technologies. Accordingly, the Public Service Broadcaster of India has started revamping its network capacities and capabilities to modernise the three Ps (Platforms, Processes, People), streamline its legacy assets (manpower, infrastructure), accelerate innovation (technology, content and funding) and build on its strengths with a vision to become a billion dollar enterprise by 2030.



Avinash Kaul
Chief Executive Officer,
Network18 Broadcast News

The socio-political climate around the world will provide tailwinds to television news viewership. Factors like the Coronavirus and resultant dip in economic sentiment, coupled with a sluggish local economy, will keep broadcasters on their toes to strategize ways in which they can bring in new viewers and limit costs while continuing to explore new avenues of growth in digital video.



Avinash Pandey
Chief Executive Officer,
ABP News Network Pvt. Ltd.

While TV still claims the largest market share in the M&E industry, digital and regional offerings came to the fore as major growth drivers of the sector. Brands that took the plunge and diversified into regional and digital are reaping its benefits.



MK Anand
MD & CEO,
Times Network

Indian M&E industry is on the cusp of a strong growth phase, backed by increasing digitization and resurgent economy. 2020 will continue to witness consolidation in M&E sector, which will have a positive impact on cost efficiencies and overall competitiveness of Broadcast industry.



Punit Misra
CEO, Domestic Broadcast
ZEEL

The debate is not about one platform vs another, but instead about consumer needs and expectations that are fulfilled by content on different platforms. TV is and will remain an integral part of Indian society and culture, bringing families together for a collective viewing experience.



Ashok Mansukhani

Managing Director,
NXT DIGITAL Limited

The digital dawn intended to balance the equities between broadcasters and distributors had barely settled down when a new round of litigation broke out on the promulgation of NTO 2. In all this, the customer is still not the centrepiece of either regulator or industry. No wonder, customers are shifting over to streaming services (OTT) and truly exercising the power of the remote and their purse.



Harit Nagpal

MD & CEO, Tata Sky Ltd.

The industry needs firm policy, pricing and packaging freedom and a level playing field. Else, a creative business will be reduced from being a commodity to becoming a utility, investor interest will decline and the customer will suffer.



Anil Dua

Executive Director & Group CEO,
DishTV India Ltd.

Cable & DTH Companies are launching a range of new age, tech-enabled products and services (including their own OTT services) for their subscribers, and will use this strategic approach to ensure that customer needs are served across linear TV or video on demand, on large screen or small screen, in the comfort of their homes or on the move.



Vynsley Fernandes

CEO, IndusInd Media &
Communications Ltd

As digital platform operators look to shore up their P&Ls, collaboration will play a pivotal role. Infrastructure sharing is easily one such avenue, helping companies pare operating costs whilst leveraging installed capacities. The entire pay television ecosystem, right down to the consumer, would benefit from a 'shared services' model.



Anil Malhotra

CEO
SITI Networks

Customer experience and choice have taken centerstage with implementation of NTO. The coming years will be focused on providing more value on the wire, be it broadband, add-on services or hybrid set-top boxes.



Anuj Gandhi

Group CEO, IndiaCast Media Distribution Private Ltd.

We are entering a world of several robust parallel ecosystems. DD Freedish, Traditional pay TV with real national and regional significance and OTT and Digital ecosystem (wired & wireless) with each finding a viable monetisation model.



Gurjeev Singh Kapoor

Distribution-India & International, Star India

The new tariff order implementation was a paradigm shift for the industry. By moving to an MRP based regime, it brought more transparency in the entire value chain and allowed consumers to exercise choice while selecting channels.



Atul Das

Chief Revenue Officer - Affiliate Sales, Zee Entertainment

We can expect more consolidation in the next few years. The New Tariff Order brought uniformity in consumer price across platforms. The power of content is now reflected in consumer choices with direct impact on pay revenues of channels. Going forward, a stable environment will greatly help in growth of the sector.



Rajesh Kaul

Chief Distribution Officer, Sony Pictures Networks India

ARPU's are likely to go up post NTO2.0 which would result in a further reduction of C&S households while OTT & FTA household numbers would go up.

Print



[To view more by the artist; click on the picture](#)



Print segment de-grew 3% in 2019

Advertising fell, while circulation grew

	2018	2019	2020E	2022E
Advertising	217.1	205.8	209.7	211.8
Circulation	88.3	89.9	91.7	96.8
Total	305.5	295.7	301.4	308.6

INR billion (gross of taxes) | EY estimates

Newspaper vs. magazine growth

	2018	2019	2020E	2022E
Newspaper	294.0	285.7	292.1	300.8
Magazine	11.5	10.0	9.3	7.8
Total	305.5	295.7	301.4	308.6

INR billion (gross of taxes) | EY estimates

- ▶ 38% of India reads news publications; 5% read magazines and two-third of all readers are NCCS ABC
- ▶ 86% of circulated copies were in Hindi and regional languages
- ▶ Advertising revenues fell 5% in 2019 as ad volumes fell by 8% and government business did not live up to expectations; it now comprises 26% of total advertising (gross of taxes)
- ▶ Digital news readership grew to over 300 million Indians
- ▶ We estimate print companies conducted over 3,000 events in 2019 which generated sponsorship and ticket sales revenues in addition to ad revenues
- ▶ Circulation revenues grew 2%
- ▶ Margins improved as newsprint costs rationalized and cost reduction measures were implemented

Advertising

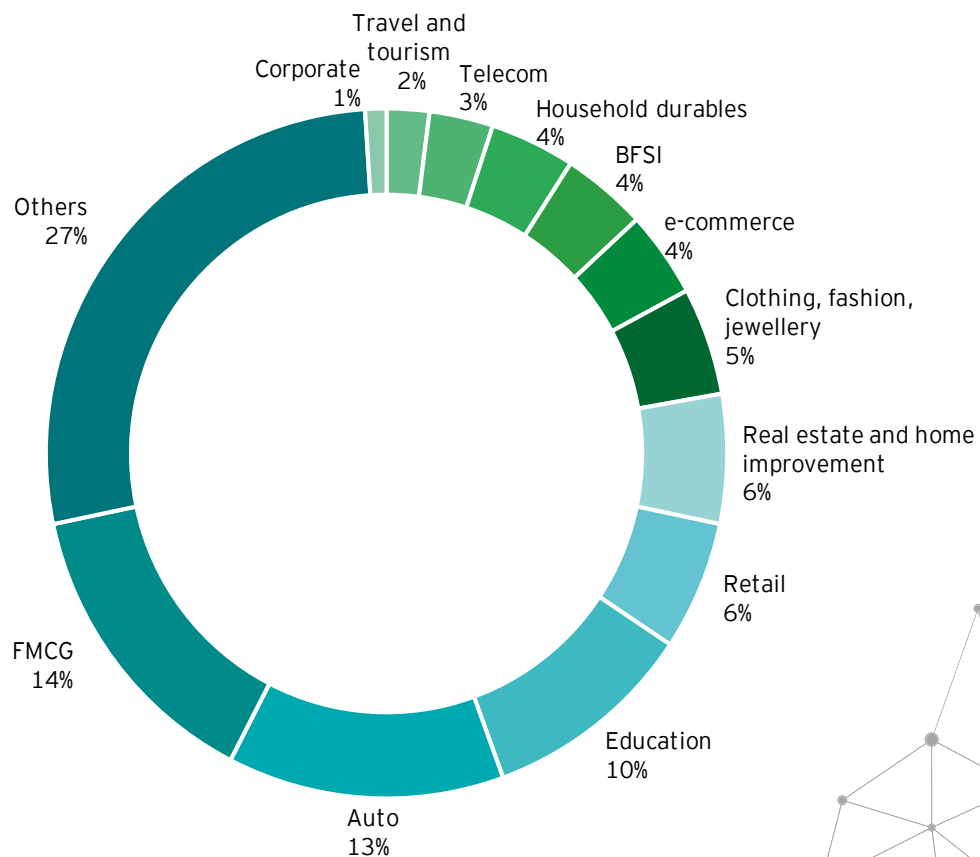
Advertising revenues fell 5% in 2019

- ▶ Advertising in English publications fell by 10%, while advertising in Hindi and regional language publications reduced around 3% due to fears of a weak economy, as per our estimates
- ▶ Share of advertising to total income stood at 70% and we expect it to be 69% by 2022

Ad revenue analysis

FMCG and auto led print ad revenues

Contribution to total ad spends

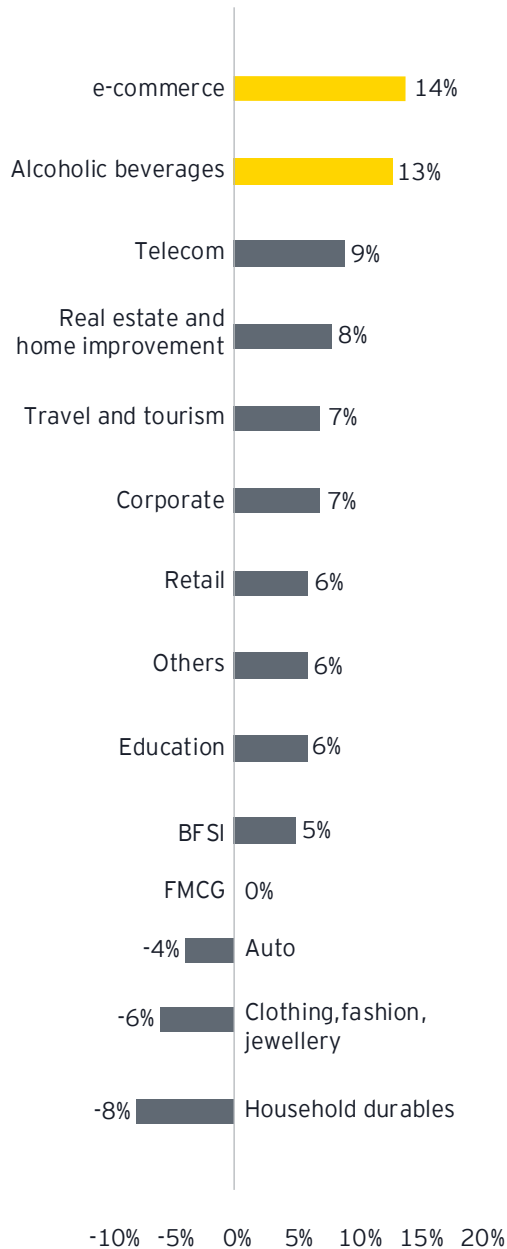


Pitch Madison Advertising Report 2020

- ▶ Top five categories of FMCG, auto, education, retail and real estate and home improvement contributed 50% of ad revenues

Largest falls were seen in durables, clothing / fashion / jewellery and auto

Ad spend change 2019 vs 2018



Pitch Madison Advertising Report 2020

- ▶ Several categories increased their spends on print in 2019
- ▶ However, a fall in 3 of the top 10 ad categories resulted in overall revenue degrowth

Government business didn't meet expectations

- ▶ Removal of government business and tender advertisements from print continued to impact revenues
- ▶ While a DAVP rate increase was provided to the print segment, lower than expected volumes of ads from government, particularly in an election year, resulted in minimal revenue impact

Importance of events increased¹

- ▶ Largest event companies in India are print players, producing over 3,000 events a year between them
- ▶ A clear move towards ticketed events was seen in 2019 to increase revenues of popular IPs

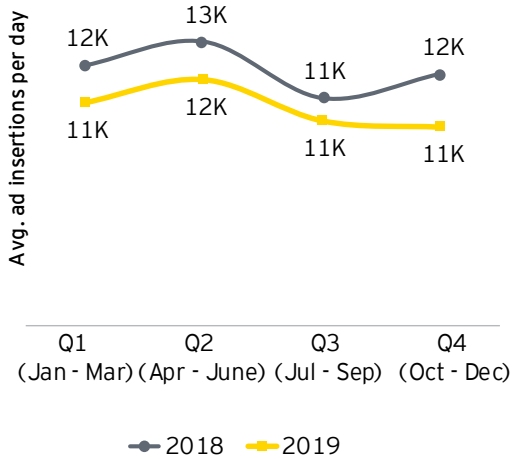
Digital ad sales grew significantly

- ▶ Most print companies had a defined digital business, with two companies crossing INR1 billion in revenues²
- ▶ We estimate the total size of this business to be in the range of INR9 billion, gross of taxes (this revenue has been included under the digital section of this report and not in this section)
- ▶ We observed more combined pitches of [Print + Digital] solutions in 2019, with enabling platforms to build business from the SME base and from small advertising agencies

1. Industry discussions
2. EY estimates

Ad volume movement

Overall AdEX volumes fell 8%



TAM AdEX (which covers around 900 publications), average ad insertions per day

- ▶ TAM AdEX data on ad volumes registered a fall of 8% for newspapers and 17% for magazines
- ▶ There were 170,000 advertisers and 210,000 brands on print during 2019, as compared to 180,000 advertisers and 230,000 brands in 2018
- ▶ This trend is based on AdEX covered publications and not all markets

Despite a tough year, auto remained the largest sector on print (by volume)

		Percentage share	
Rank	Advertising sectors	2018	2019
1	Auto	17%	16%
2	Services	17%	16%
3	Education	14%	14%
4	Retail	8%	9%
5	Banking and finance ('18) / Personal healthcare ('19)	5%	6%

TAM AdEX

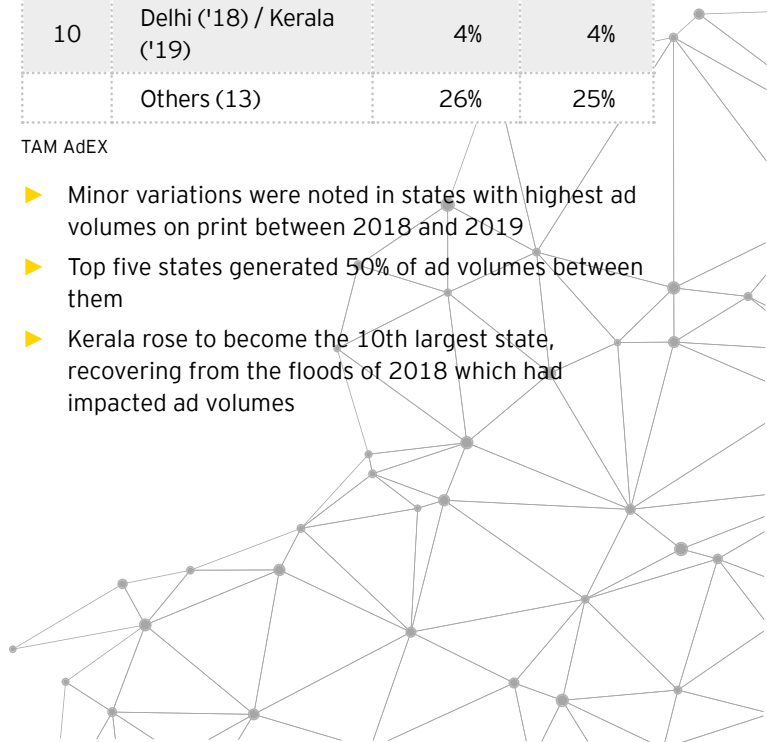
- ▶ Auto, services, education and retail remained the top four sectors in terms of volumes in print
- ▶ Personal healthcare replaced banking and finance as the fifth largest spender on print
- ▶ Top five sectors accounted for 60% share of advertising in print during 2019 and 2018
- ▶ There were 13 advertising categories who increased their ad volumes on print compared to TV, radio and digital, such as lotteries, frozen foods, health stimulants, geysers and heaters, marriage bureaus, etc.

Five states contributed to 50% of newspaper ad volumes

		Percentage share	
Rank	States	2018	2019
1	Maharashtra	16%	15%
2	Uttar Pradesh	11%	11%
3	Tamil Nadu	8%	9%
4	Karnataka	7%	8%
5	Andhra Pradesh	7%	7%
6	Rajasthan	6%	6%
7	Punjab / Chandigarh	5%	5%
8	Gujarat	5%	5%
9	Madhya Pradesh	4%	4%
10	Delhi ('18) / Kerala ('19)	4%	4%
	Others (13)	26%	25%

TAM AdEX

- ▶ Minor variations were noted in states with highest ad volumes on print between 2018 and 2019
- ▶ Top five states generated 50% of ad volumes between them
- ▶ Kerala rose to become the 10th largest state, recovering from the floods of 2018 which had impacted ad volumes



English and Hindi contributed over 60% of newspaper ad volumes

Rank	Publication language	Percentage share	
		2018	2019
1	Hindi	37%	37%
2	English	25%	24%
3	Marathi	9%	9%
4	Telugu	6%	6%
5	Tamil	5%	6%
6	Kannada	4%	5%
7	Gujarati	4%	4%
8	Malayalam	3%	3%
9	Oriya	3%	2%
10	Bengali	2%	1%
	Others (3)	2%	2%

TAM AdEX

- ▶ Hindi continued as the largest contributor to ad volumes, given it has the largest reach of any language in India
- ▶ English language publications generated a disproportionate amount of advertising volumes (24%) as compared to their readership share (8% as per IRS Q3 2019) due to the premium audiences these publications are believed to reach
- ▶ Most regional language markets maintained or grew their share of ad volumes

National magazines commanded over 50% of magazine ad volumes

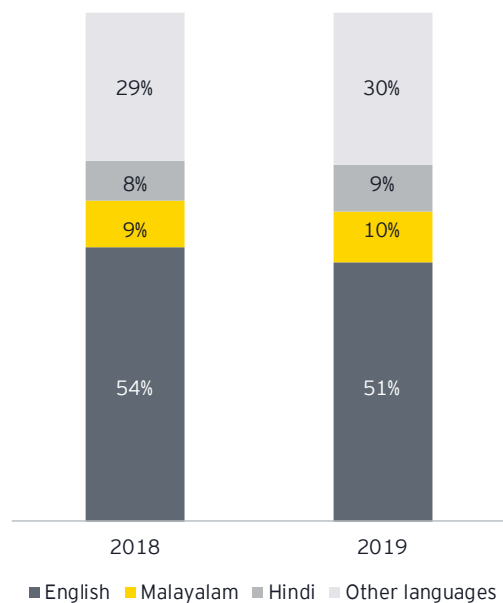
Rank	States	Percentage share	
		2018	2019
1	National	55%	52%
2	Kerala	9%	10%
3	Maharashtra	9%	9%
4	Tamil Nadu	6%	7%
5	West Bengal	7%	6%
	Others (6)	14%	16%

TAM AdEX

- ▶ National magazines continued to command over 50% of ad volumes, but regional magazines increased their share from 45% to 48%
- ▶ Kerala continued as the largest state for regional language ad volumes

Regional language magazine ads increased their share

Magazine ad volumes by language



TAM AdEX

- ▶ While the share of English advertising volumes reduced by 3%, most regional languages held or grew their share of ad volumes
- ▶ English magazines continue to command over 50% of all ad volumes

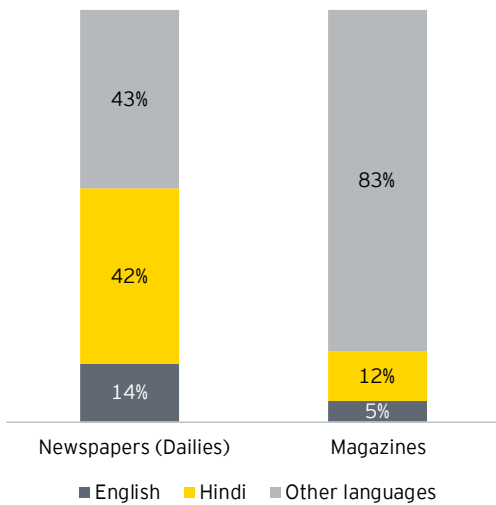
Circulation revenues

Circulation revenues grew 2%

- ▶ Circulation supply chain is the most important aspect for the growth of the Indian print segment - providing newspapers and magazines at readers' doorsteps ensures reading habits continue
- ▶ Circulation revenues increased by 2% as newspaper companies tactically increased prices in certain Hindi and regional markets³
- ▶ The scope for cover price increase is significant (and the need imminent when compared to the cost of production) but requires concerted action from all players in each market to enable the same

Regional languages commanded the highest share in circulated copies

Contribution to circulation (by language)



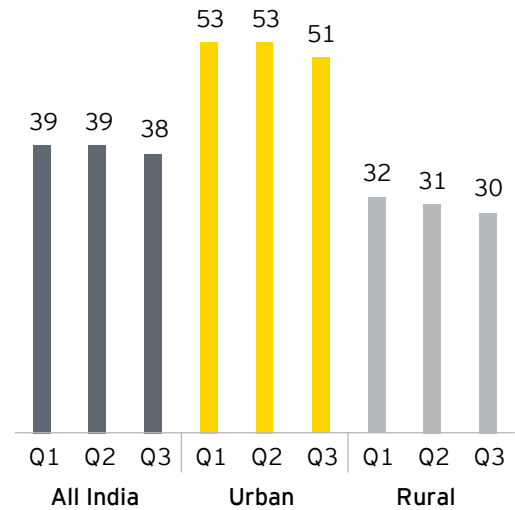
ABC Jan-Jun 2019; includes only certified publications / editions

- ▶ Hindi (42%) and regional languages (43%) comprised the majority (86%) of daily newspaper circulation
- ▶ However, 83% of magazine circulation was in regional languages

3. EY estimates

Reach fell marginally

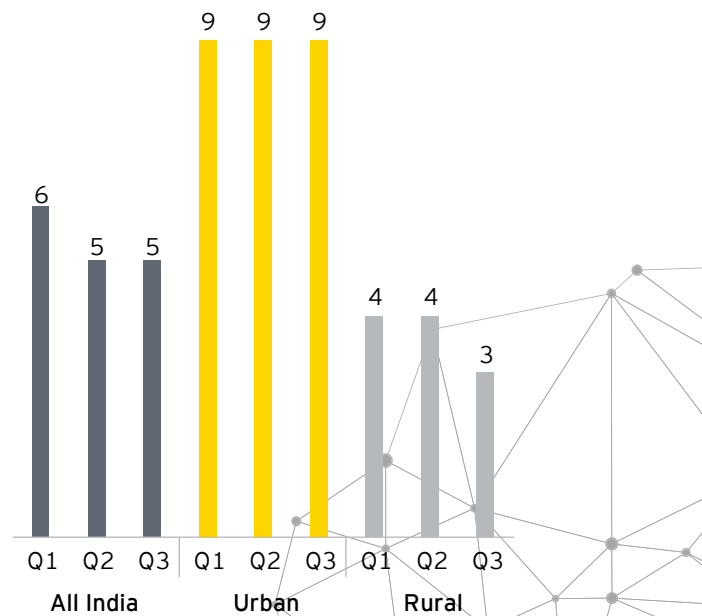
Newspaper reach percentage



IRS 2019, Reach 12+, Q3 is a rolling average of the last four IRS studies

- ▶ Newspaper reach fell marginally across urban and rural markets

Magazines reach percentage



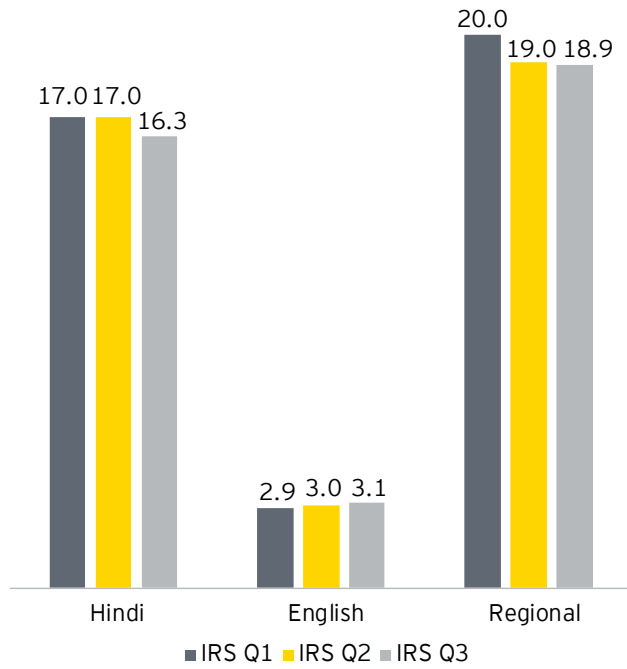
IRS 2019, Reach 12+, Q3 is a rolling average of the last four IRS studies

- ▶ Magazine reach fell by over 15% and increased its tilt towards urban markets

Readership

English gained while languages lost

Total readership percentage

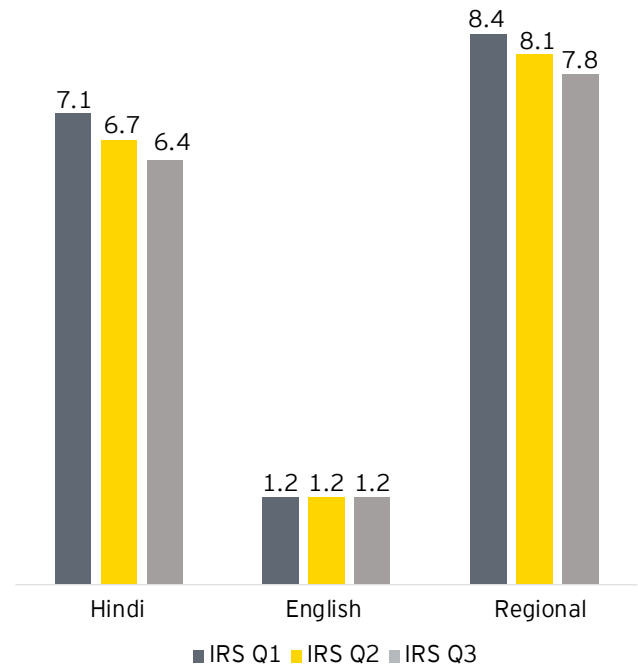


IRS 2019, Read in last 1 month %, Q3 is a rolling average of the last four IRS studies

- ▶ Total readership of English dailies shows an increasing trend, however, both Hindi and regional dailies show a marginal decline
- ▶ Regional readership continues to be the largest in India, followed by Hindi, while English comprises 8% of total readership all India, though it comprises 14% in urban markets

Average issue readership (AIR) fell

Average issue readership percentage



IRS 2019, Average Issue Readership %, Q3 is a rolling average of the last four IRS studies

- ▶ Average issue readership declined across all three language categories
- ▶ Share of Hindi readership declined 10% between IRSQ1 and IRSQ3, but its decline in rural markets was 14%
- ▶ Share of English readership declined overall by 2%, but grew in rural markets by 33%
- ▶ Regional publications declined just 5% in rural markets against a 7% decline overall

Share of NCCS ABC readers continued to rise

NCCS%	IRS Q1 2019	IRS Q2 2019	IRS Q3 2019
A1	2.3	2.4	2.5
A	15.4	16.2	16.8
B	20.0	20.6	21.5
C	26.9	27.8	28.5
DE	37.7	35.4	33.24

IRS Q3 presentation, 20 January 2020, A1 included in A

- ▶ Share of NCCS A1 and A readers increased to 16.8% from 15.4% across three IRS cycles
- ▶ NCCS ABC now accounts for two-thirds of all readers

Magazines held on to their readership in 2019

	All India			Urban			Rural		
	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
Total readership	8%	8%	8%	13%	13%	13%	5%	5%	5%
Average issue readership	4%	4%	4%	7%	7%	7%	3%	3%	3%

IRS, Total readership, Q3 is a rolling average of the last four IRS studies

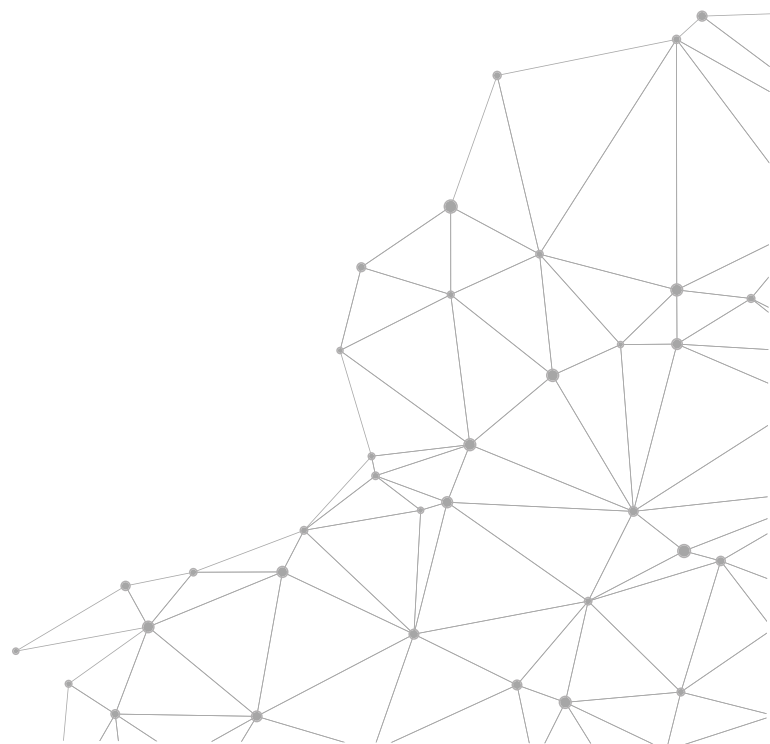
- ▶ 9 of the top 20 magazines increased their total readership across the last three IRS studies
- ▶ Overall, however, total readership of the top 20 magazines fell by 5%

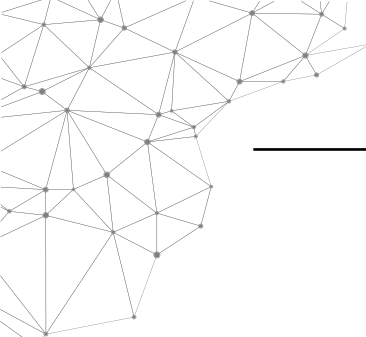
Digital subscription increased

- ▶ More publications have put digital products behind a paywall including Times Group, Indian Express, The Hindu, Hindustan Times, etc.
- ▶ Print companies are also experimenting with subscription products for communities like property classifieds, matrimonial services, financial advice, crosswords, etc.
- ▶ As on December 2019, industry discussions indicate that the number of paying subscribers (net of free trials) was under a million, but we expect that this revenue source will be critical for growth of dedicated, loyal communities

Margins improved in 2019

- ▶ Most newspaper companies benefited from the reduction of newsprint prices which had risen to high levels in 2018, but which reduced and stabilized in 2019
- ▶ Many of them had resorted to cost reduction measured in 2018, the benefits of which continued into 2019
- ▶ Further, customs duty which had been implemented on imported newsprint has been reduced from 10% to 5% in the budget for 2020, which will provide some welcome relief to newspaper companies, since majority of newsprint remains imported





Future outlook

Increased focus on subscription revenues

- ▶ Print will need to focus on growing its subscription revenues through a combination of identifying new markets which are underpenetrated as well as increasing cover prices, for which newspapers and magazines will need to reinvent themselves as purveyors of not just news and opinions, but of in-depth analysis
- ▶ Print brands, with years of heritage and trust, will broaden their scope to enable transactions and subscription models outside of pure content, to serve the wider needs of their reader communities

Publishers will grow their portfolio of monetizable [print + digital] communities

- ▶ All sections of the newspaper (e.g., the crossword, comics, opinion, classifieds, TV and film guide, etc.) will evolve into communities of loyal audiences and publishers will build multi-media relationships with them across not just their content needs but related requirements
- ▶ In doing so, publishers will gain deeper knowledge of their audiences and be able to better segment and monetize these audiences with marketers

Building video and audio production capability for syndication purposes

- ▶ News brands will become media agnostic and create content across video and audio for monetization across new customer touchpoints like smart devices, OTT platforms, social media destinations, podcasts, etc.
- ▶ Audio products will result in higher reach for print brands
- ▶ The new metric for print brands will change into gross reach, measured as the number of platforms on which content is available as well as the aggregate size of segmented audiences it can reach

Cross-industry centers of excellence will emerge

- ▶ We expect to see an increase in consolidation within the print supply chain, across not only printing facilities, but also newsprint management, news gathering and distribution
- ▶ Core competencies of brand, trust, editorial prowess, marketing and archives will remain segregated and differentiate the news experience for print companies

Platform-based approach to ad sales

- ▶ The SME advertiser base has been driving ad spend on digital media, but that has been made possible by enabling an ad sales platform and educating ad agencies
- ▶ We expect print companies to enable platforms for smaller agencies and SME advertisers in order to grow their reach and be able to handle larger number of advertisers, when coupled with their ad sales' feet on the street, the combination would in effect make print companies act like ad agencies for their customers
- ▶ Platforms will enable print companies to offer [print + radio + digital] products and enable performance monitoring through innovations like digital coupons / discount vouchers, classified transaction platforms as well as events and activations

Global trends

More content behind the paywall

- ▶ Publishers are seeing bright spots in digital and technology and gradually, the revenue gains from digital subscriptions are offsetting declines in print. Publishers sharpen focus on paywall content to increase their subscriber bases without cannibalizing print subscriptions. Placing more content behind paywalls also allows publishers to collect more data that they can use to improve audience understanding.

Continued adoption of digital technologies

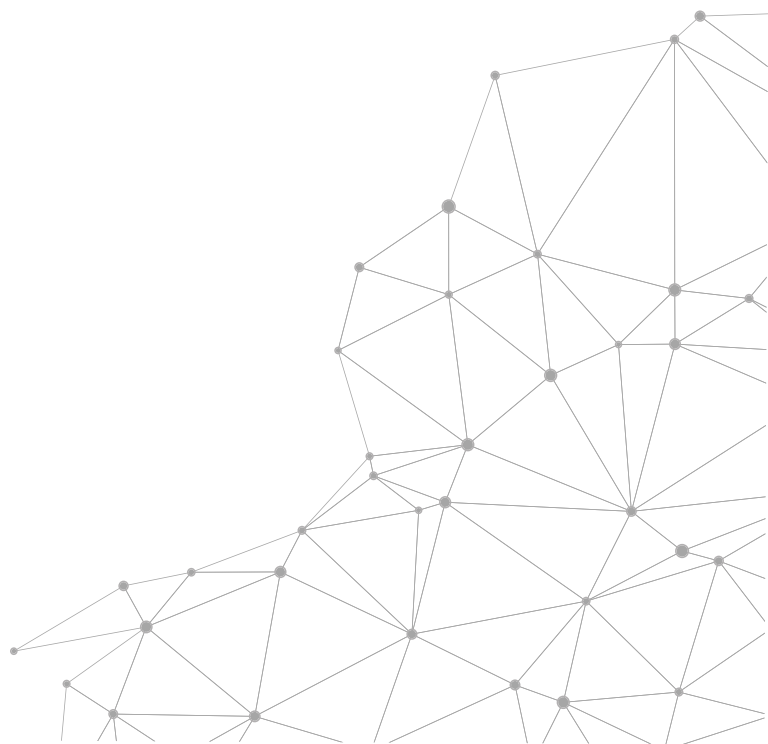
- ▶ To cater to shifting preferences, players are investing in new digital technologies, platforms and hubs for consumers and advertisers to strengthen portfolios and create new monetization avenues. Publishers are experimenting and presenting journalistic content in new formats and environments. They are also strengthening their core by experimenting with AI journalism and other technologies to enhance news production and delivery.

Though voice is still nascent, publishers are diving in

- ▶ Although voice isn't a major revenue driver yet, publishers understand the critical opportunity to reach new audiences and capture shifting consumption habits. Per research by Edison Research and NPR, 21% of adults in the US own a smart speaker, propelling publishers to develop a presence on voice platforms.
- ▶ For example, a US-based conglomerate launched Voice Network that bundles a portfolio of voice and audio experiences based on its premium editorial content and consumer utilities for advertisers. Another New York based leading publisher launched a slew of new audio products designed for Alexa-enabled devices, including a daily news briefing, a weekly quiz and audio content tied to coverage in its Sunday print edition.

Ongoing focus on restructuring and cost-cutting initiatives

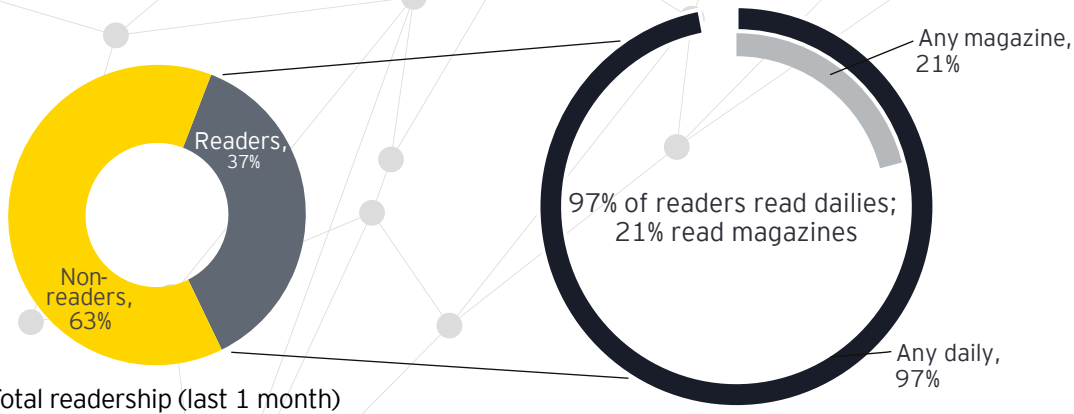
- ▶ Amidst declining advertising and circulation revenues, players are propelled to undertake cost-cutting measures for survival, including streamlining current operations, divesting of non-core assets, lay-offs and restructuring efforts to improve margins. Simultaneously, they are looking for alternate revenue sources by expanding non-core operations and investing in start-ups across sectors.



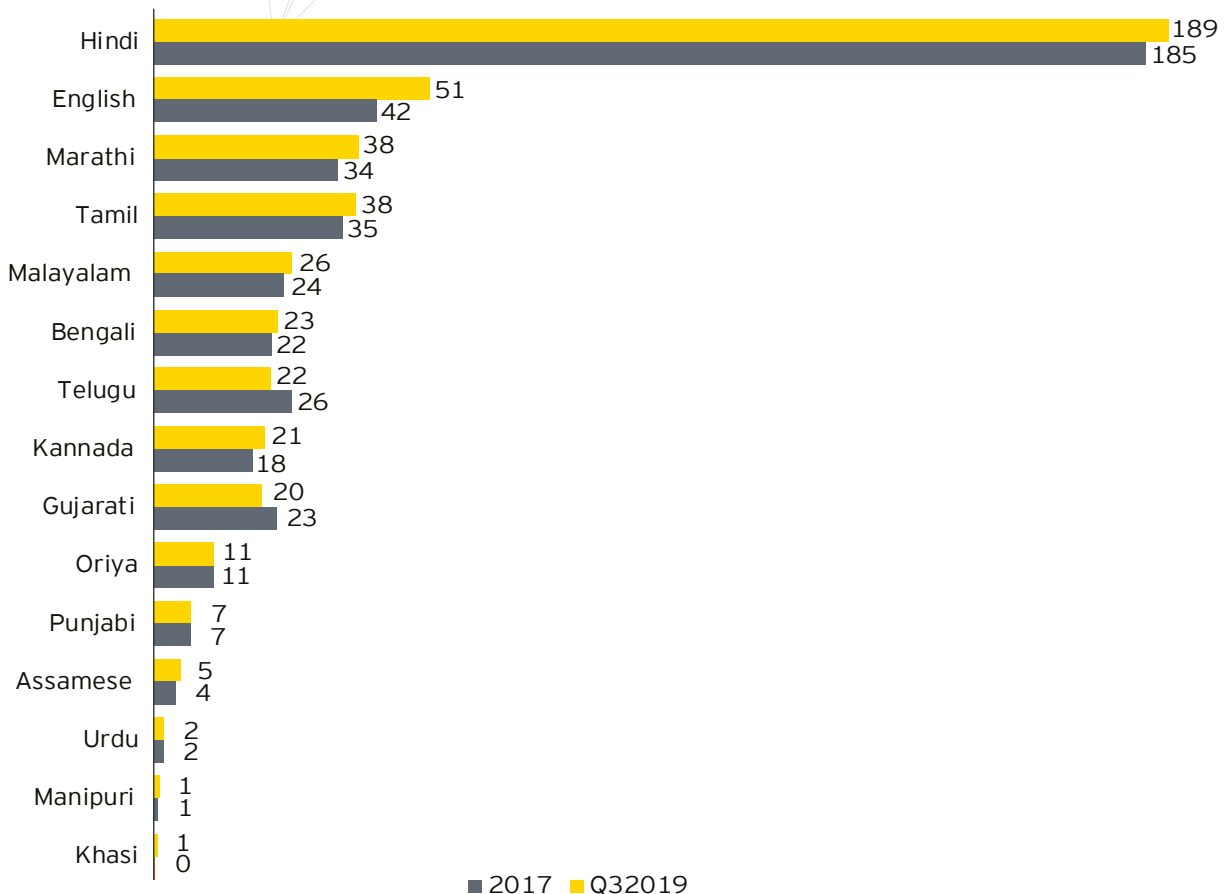
India readership Trendbook

Powered by Indian Readership Survey (IRS) 2019

Reader base is 403 million (up from 395 million in 2017)

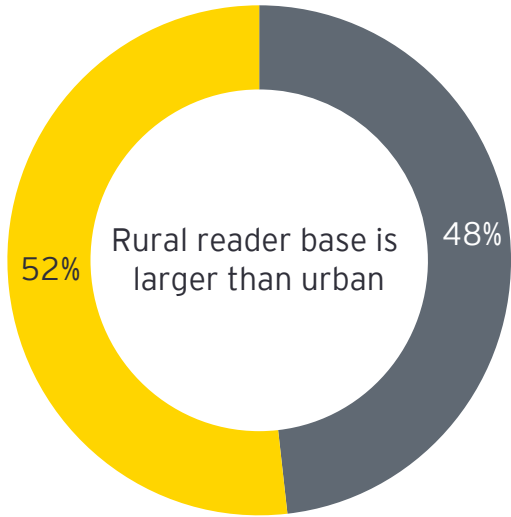


Hindi leads on total readership (TR in million)

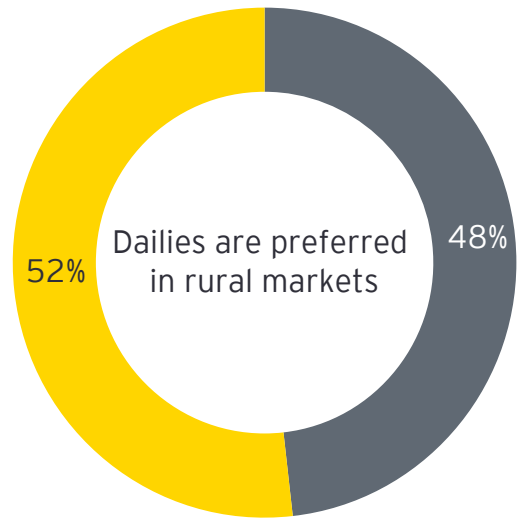


IRS Q3 2019 presentation and Media Research Users Council. IRS Q3 2019 values are a rolling average of the last 4 quarters of IRS fieldwork. The data has not been independently verified by EY and is presented in summary form for representative purposes only. Unless otherwise mentioned, analysis is based on Total Readership (last 1 month)

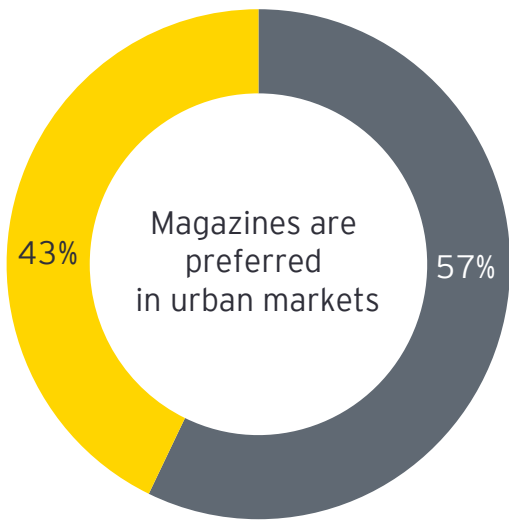
Urban rural readership divide



■ Rural ■ Urban

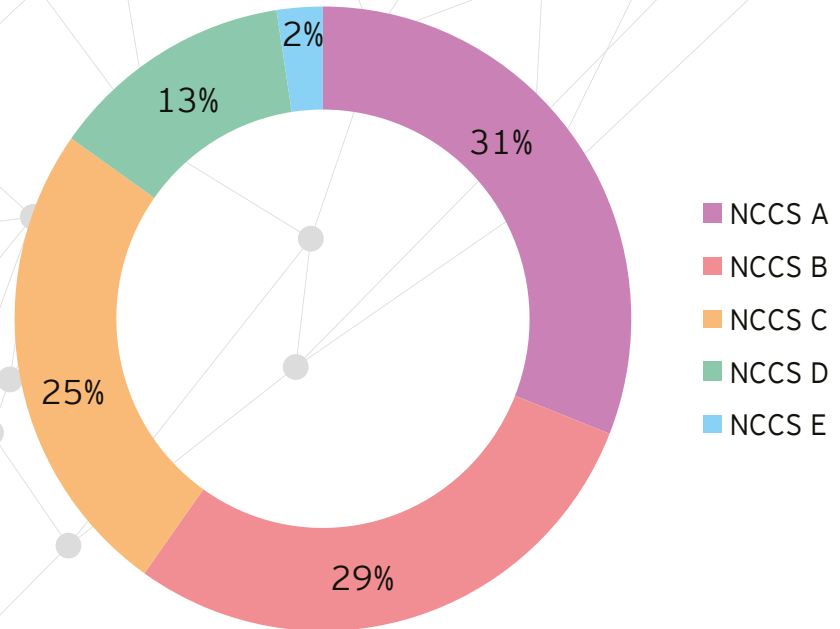


■ Rural ■ Urban

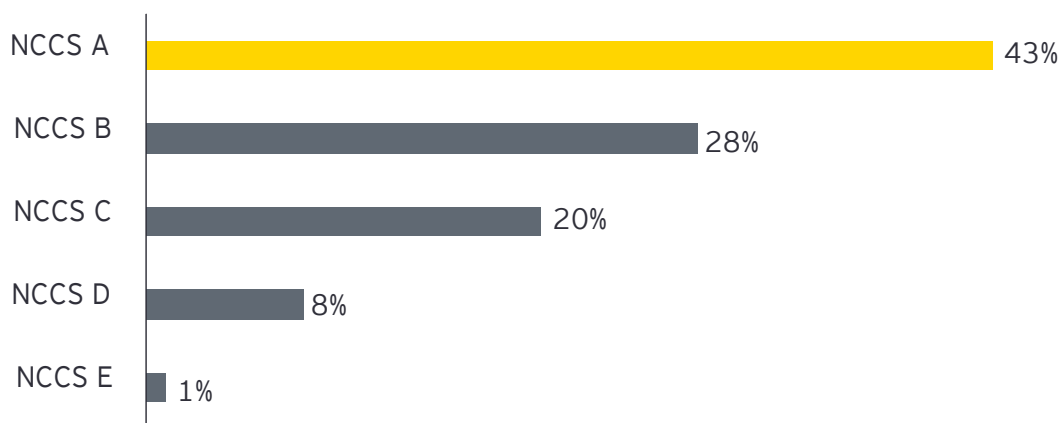


■ Rural ■ Urban

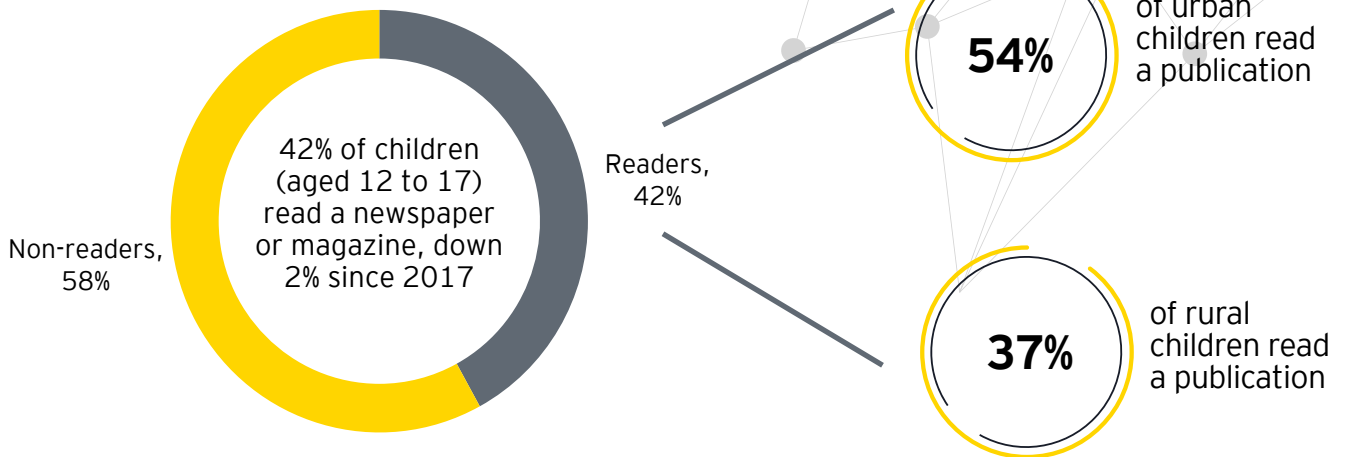
31% of readers are NCCS A



Magazines are read more by the affluent

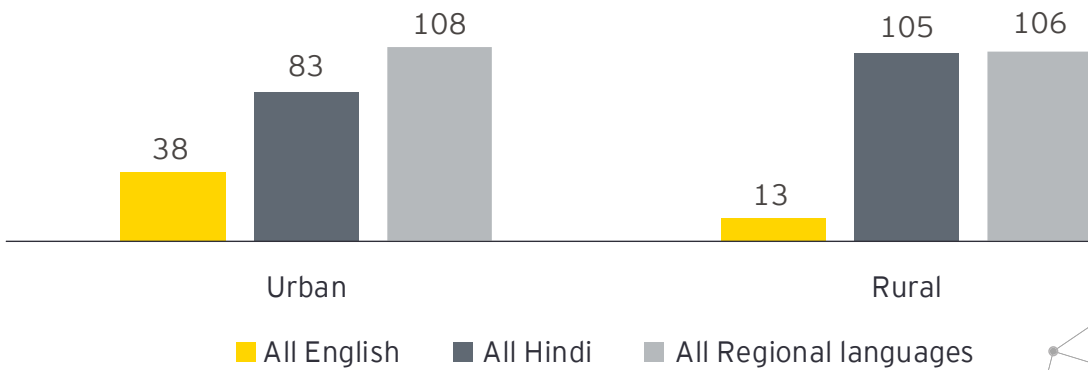


42% of children read publications



English has an urban skew, but vernacular products are read everywhere

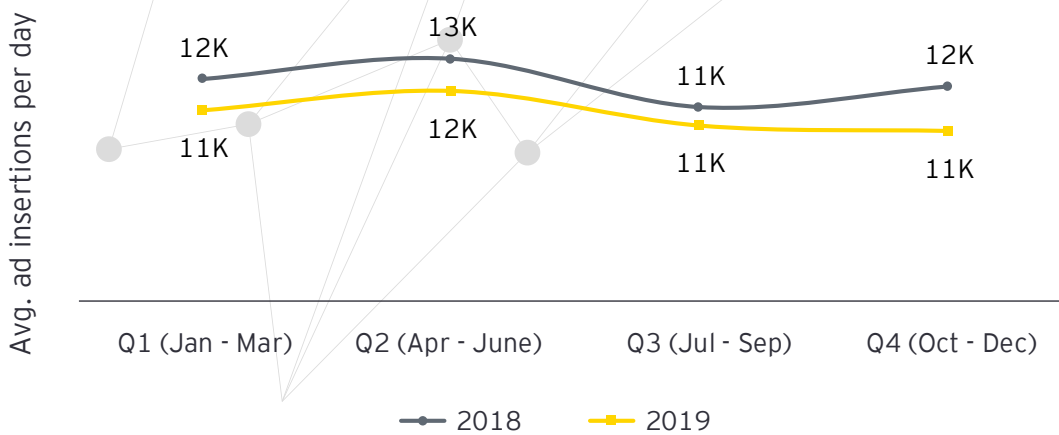
Total readership (million) by geography



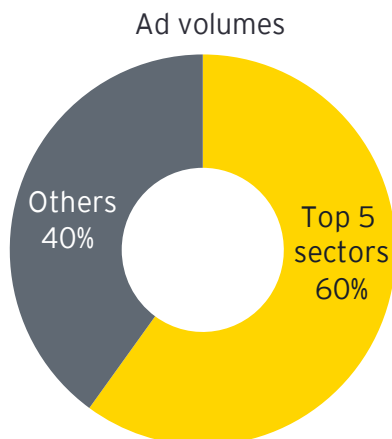
Print advertising Trendbook

Powered by *Tam AdEX*
(A division of TAM Media Research)

Overall print **ad volumes** reduced by 8%,
with the highest gap in the last quarter

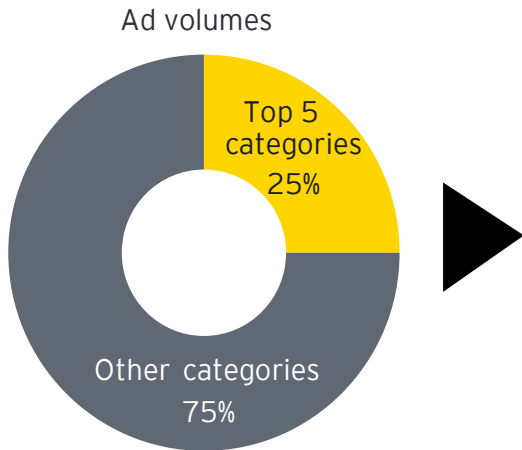


Auto and services continued to be the **top sectors**
using print



Rank	Top 5 sectors	%Share	
		2018	2019
1	Auto	17%	16%
2	Services	17%	16%
3	Education	14%	14%
4	Retail	8%	9%
5	Banking & finance/ Personal healthcare	5%	6%

Cars overtook two wheelers to be come the largest ad category by volume

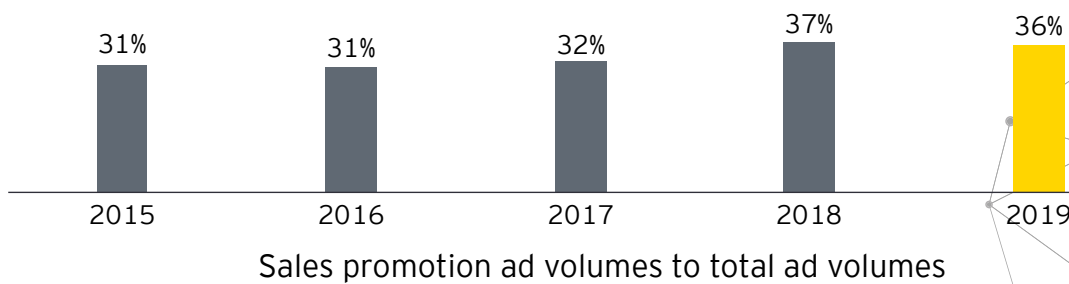


Rank	Top 5 categories	%Share
1	Cars	7%
2	Two wheelers	5%
3	Hospital/clinics	4%
4	Properties/real estate	4%
5	Coaching/Competitive exam centre	4%

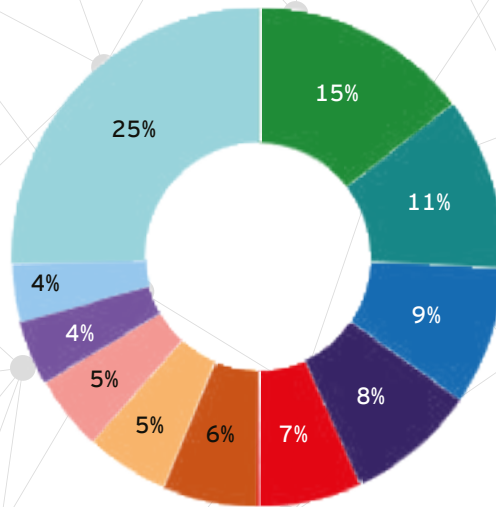
Diwali garnered the most festive ad volumes, while the top five festivals generated 60% of festival-themed ad volumes

Rank	Top 5 festivals
1	Diwali
2	Navratri
3	Durga Puja
4	Independence Day
5	Christmas

36% of print ads were **performance-based** i.e., they had some call to action to drive sales

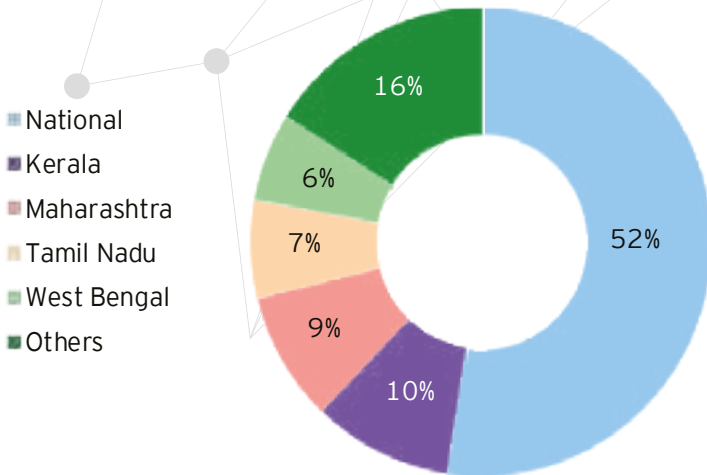


The top five **states** contributed 50% of newspaper ad volumes...



- Maharashtra
- Uttar Pradesh
- Tamil Nadu
- Karnataka
- Andhra Pradesh
- Rajasthan
- Punjab/Chandigarh
- Gujarat
- Madhya Pradesh
- Kerala
- Others (13)

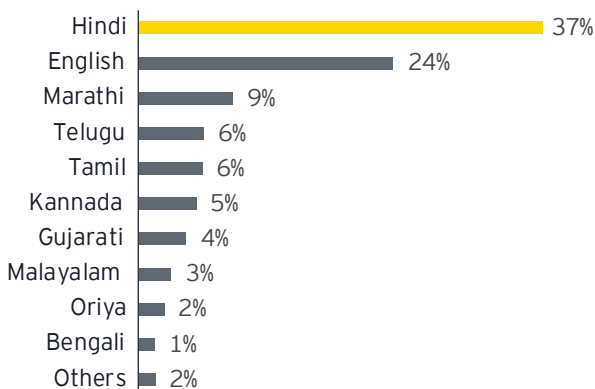
...while **national publications** garnered over 50% of magazine ad volumes



- National
- Kerala
- Maharashtra
- Tamil Nadu
- West Bengal
- Others

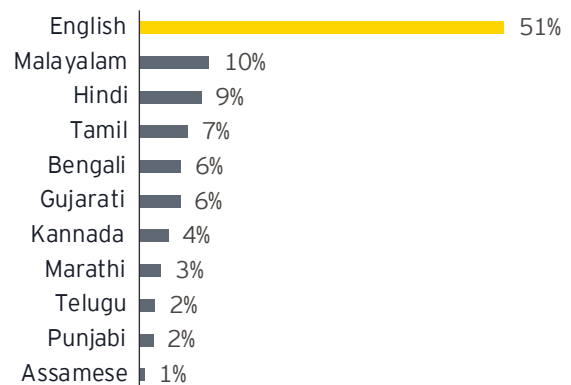
Hindi led the ad volumes for newspapers...

Ad volume by language (newspapers)

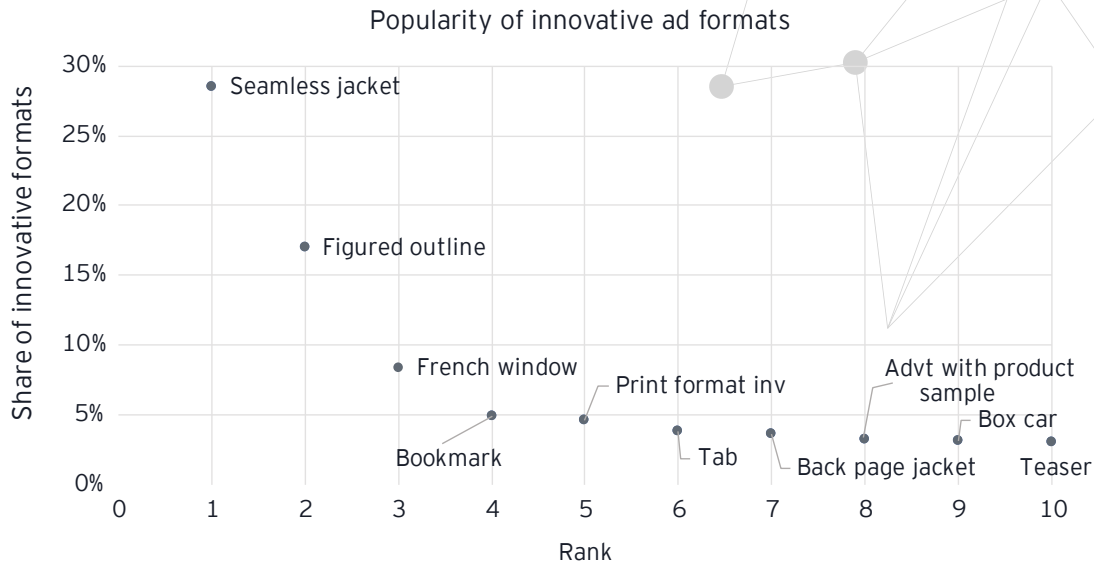


...while **English** garnered over 50% of magazine ad volumes

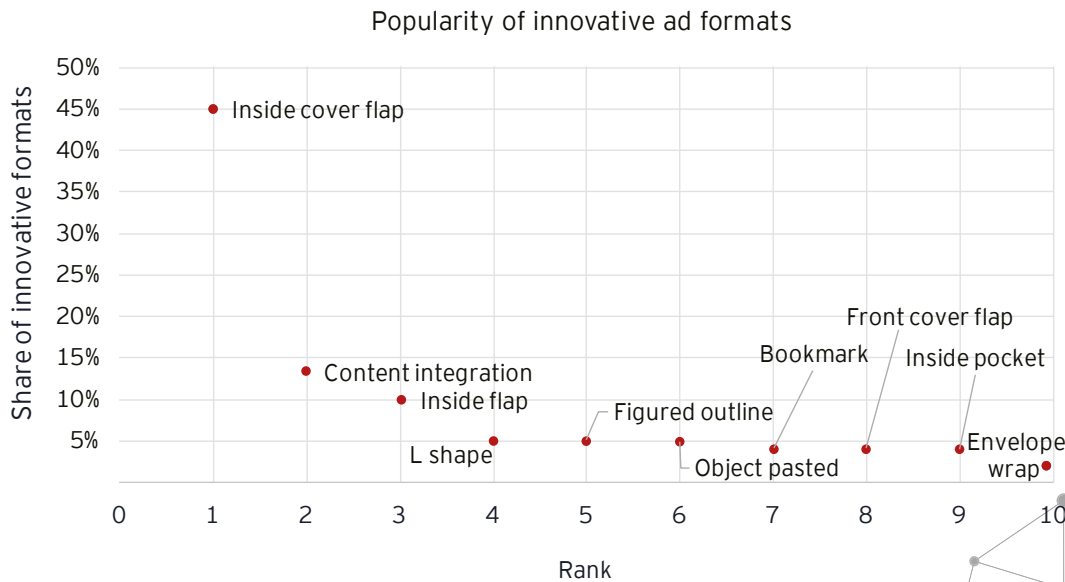
Ad volume by language (magazines)



A number of **innovative ad formats** were employed by newspapers in 2019...



...but the **inside cover flap** still ruled magazines



Innovative ad insertions **increased 6%** in 2019

Expert speak



Girish Agarwaal
Promoter Director
Dainik Bhaskar Group

I believe that India will bounce back and regain its buoyancy in the next few quarters. The negative impact of the disruptions are on the decline, if not over. It is time to look at the opportunities, assess the areas of growth and the affordable risks that can be taken. Overall I believe we will have reason to feel cheerful on the economic front in 2021.



D. D. Purkayastha
Managing Director & CEO
ABP Private Limited

Technology is catalysing competition from within and outside the industry and creating a tsunami of disruption. This is fostering innovation and productivity. This disruption is more of an opportunity than a threat.



Jayant Mamen Matthew
Executive Editor & Director
Malayala Manorama Co. Ltd.

Print continues to have extensive reach across the country, making it a powerful force to build brands. 2020 will be the year when Print players take steps to monetise and grow digital subscription.



Praveen Someshwar
MD & CEO
HT Media Ltd

The economy is slow and hard choices need to be made, but powered by digital adex, a double-digit industry growth for next 5 years is a certainty. Print will retain its attractiveness, as seen by the likes of digital behemoths like Amazon, Netflix, Flipkart, etc., advertising and testifying to the magic of print. Videos, voice and language content will drive digital growth. Technology and changing consumer habits will see print and radio growing through an integrated print-digital-radio play, offering custom-made solutions vs vanilla advertising.



Sanjay Gupta

CEO

Jagran Prakashan Ltd.

Till the time regional print publishes relevant, compelling and credible content for its local readers, the story of print will continue.



Anant Goenka

Executive Director

The Indian Express Group

All signs point towards some healthy consolidation in our industry. For instance, loss making news companies funded only by ego are looking at shutting. On the other hand, our industry is for the first time successfully building and monetizing direct relationships with the audience. This is the only healthy sustainable model that creates a thriving environment for content creators in both news, entertainment and sports.



Anant Nath

Executive Publisher

Delhi Press Magazines

The most dramatic shift in 2020 will be the increasing emphasis on reader revenues and lesser dependence on advertising. With the rise of paid OTT services and the new TV pricing regime, there is a behavioural change amongst consumers towards greater openness for paying for quality content. Newspapers and magazines are in a good position to adopt a similar model for their digital channels.



Raj Jain

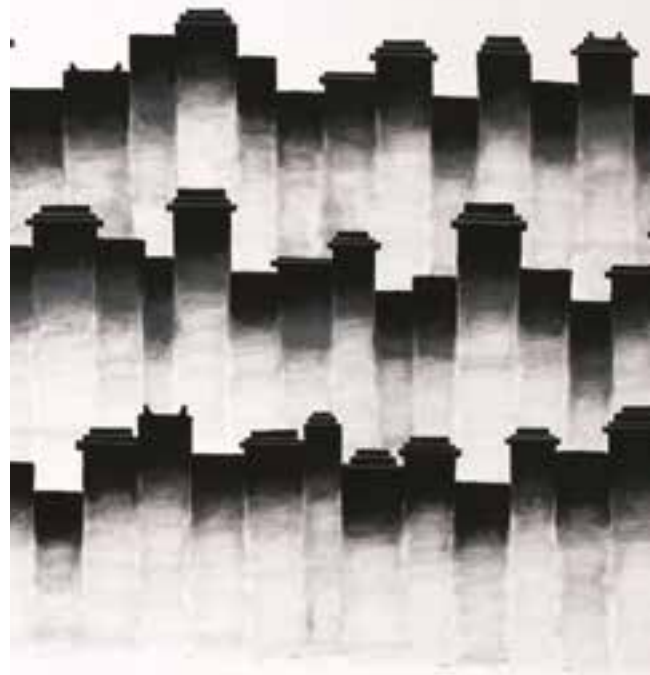
CEO,

Bennett Coleman & Co. Ltd.

(Times Group)

A tough economy has led to decline in revenues, while there was some relief on costs. Future will depend on improvement in economy and innovative brand building solutions to our customers.

Digital media



To view more by the artist; click on the picture



Digital media grew 31% in 2019

	2018	2019	2020E	2022E
Advertising	154.4	191.5	235.9	349.6
Subscription	14.2	29.2	42.8	64.4
Total	168.6	220.7	278.7	414.1

INR billion (gross of taxes) | EY estimates

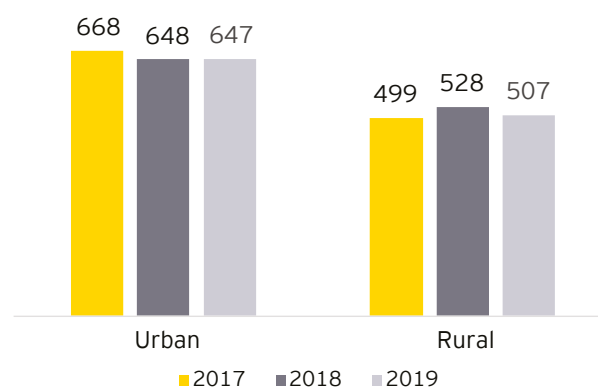
- ▶ Internet penetration grew 20% and broadband subscriptions reached 661 million
- ▶ India had 395 million smartphone users and around 4 million connected TVs
- ▶ Online video, audio, news and social media consumers all increased in 2019
- ▶ Digital advertising grew 24% driven by increased consumption of content on digital platforms and marketers' tilt towards measurability and performance
- ▶ Paid digital subscribers crossed 10 million and subscription revenue grew 106% as Indians paid for online quality content
- ▶ Subscription, which was 3.3% of the segment in 2017, increased to 13% in 2019

Digital infrastructure

A billion telecom subscriptions

While the mobile subscriber base reduced marginally...¹

Mobile subscriber base (million)



- ▶ Wireless subscriptions decreased 2% from 1,176 million in December 2018 to 1,154 million in November 2019
- ▶ While urban telephone subscriptions remained constant at 647 million, rural subscriptions fell 4% from 528 million to 507 million
- ▶ The fall in subscriptions is largely on account of rationalization and deactivation of multiple-sim consumers by some of the telecom operators
- ▶ The tele-density number in India is now 87%, but is heavily skewed to over 150% in urban areas and just 57% in rural areas of India²

...internet penetration continued to increase

	Dec 2017 ³	Dec 2018 ⁴	Dec 2019 ⁵
Total internet subscribers	446	604	723
Narrow band subscribers	83	79	61
Broadband subscribers	363	525	661
Urban internet subscribers	314	391	463
Rural internet subscribers	132	213	261

1. Press release by TRAI No. 13/2019, 23/2018 & 09/2020
2. The Indian Telecom Services Performance, TRAI report released on January 8, 2020
3. Yearly Performance indicators of the Indian Telecom Sector (second edition) 2017 released on May 4, 2018
4. The Indian Telecom Services Performance Indicators October - December 2018 released on 4 April 2019
5. Telecom Subscription Data as on 30th November, 2019, Press release 09/2020, EY analysis

- ▶ Internet subscriptions grew 20% between December 2018 and December 2019
- ▶ 91% of those accessing the internet used broadband
- ▶ While narrow band subscriptions fell 23%, broadband subscriptions grew 26% during that period
- ▶ Urban internet subscriptions grew 18% while rural internet subscriptions grew faster at 22%
- ▶ According to an IAMAI report India Internet 2019, released March 2019, 451 million people accessed the internet each month, and this could cross 650 million by 2023⁶

Broadband subscribers reached 661 million

Subscribers	Dec 2017 ⁷	Dec 2018 ⁸	Dec 2019 ⁹
Wired broadband	18	18	20
Wireless broadband	345	507	641
Total broadband	363	525	661

- ▶ At over 650 million broadband subscribers, India has the second largest broadband subscriber base in the world
- ▶ Wired broadband subscribers grew and we believe this trend will continue to support the increased sales of internet and smart television sets
- ▶ Around 58% of total mobile subscriptions were 3G and 4G¹⁰
- ▶ 3G and 4G data usage in total volume of wireless data usage was 5.7% and 93.6% respectively during the quarter ended September 2019

6. <https://www.emarketeducation.in/power-internet-penetration-online-india/>
 7. Yearly Performance indicators of the Indian Telecom Sector (Second edition) 2017 released on May 4, 2018
 8. Yearly Performance Indicators by TRAI (Third Edition) published on 25/9/19
 9. Press Release by TRAI No. 09/2020
 10. Ericsson Mobility Report, November 2019
 11. eMarketer, Analysis Mason Feb 2020
 12. EY analysis, World Bank, Analysis Mason
 13. Ericsson Mobility Report, November 2019
 14. Industry discussions; EY estimates
 15. Amazon.com

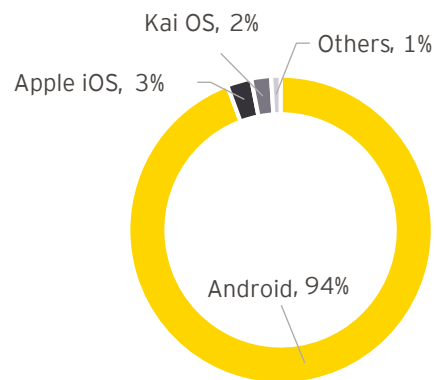
Device growth

Smartphone users reached 395 million in 2019

- ▶ Smartphone user base increased to 395 million in 2019 from 340 million in 2018¹¹ - this is a penetration of 40% of India's population¹² of 15 years and above
- ▶ Smartphone subscriptions increased from 590 to 660 million in 2019, and could reach 1.1 billion by 2025¹³

Android remained the most preferred operating system

Share of web-page requests originating from mobile handsets

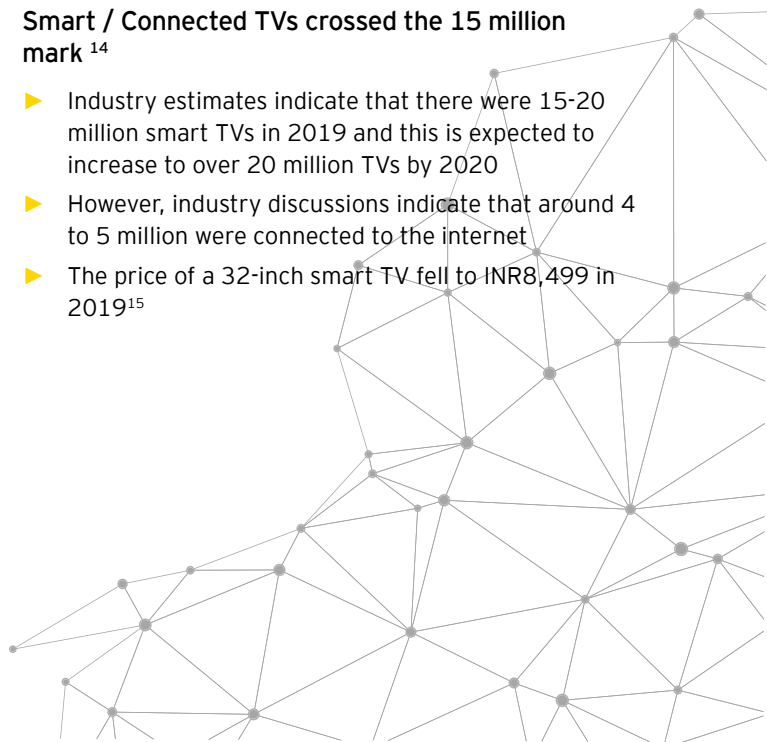


Statcounter, share of web-pages served to web browsers, December 2019

- ▶ Android grew its market share by 4% when compared with December 2018, while all other operating systems lost market share

Smart / Connected TVs crossed the 15 million mark ¹⁴

- ▶ Industry estimates indicate that there were 15-20 million smart TVs in 2019 and this is expected to increase to over 20 million TVs by 2020
- ▶ However, industry discussions indicate that around 4 to 5 million were connected to the internet
- ▶ The price of a 32-inch smart TV fell to INR8,499 in 2019¹⁵

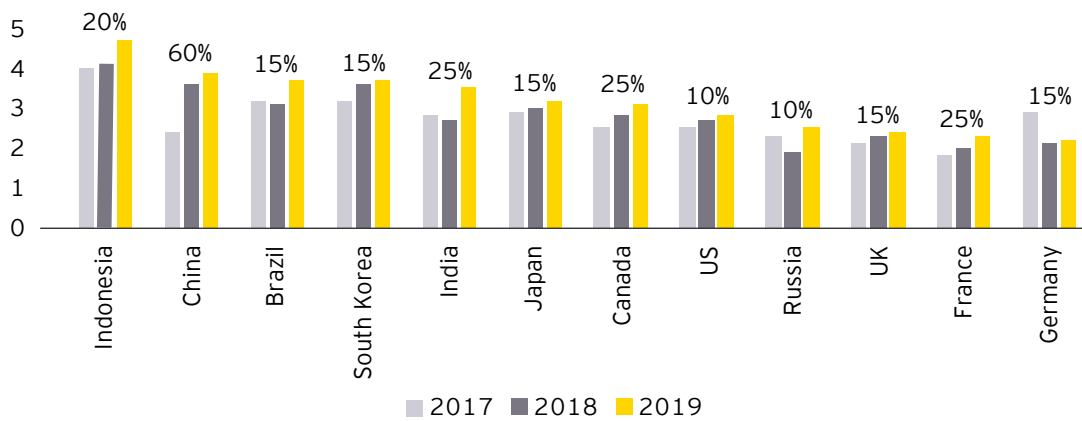


Content consumption

Overall consumption trends

Indians spent over 3.5 hours a day on their phones

Average daily hours spent per device on mobile (Android Phones)

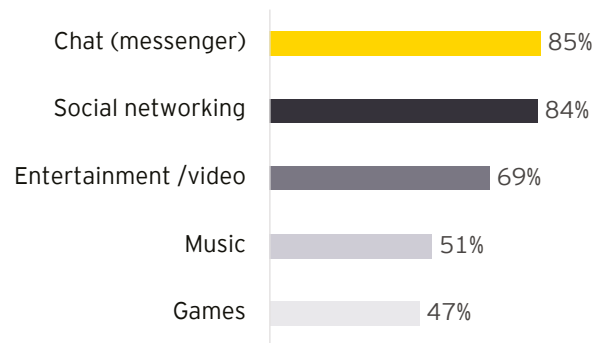


AppAnnie, State of Mobile 2020

- ▶ Indians spend amongst the most time on their phones in the world
- ▶ Time spent on average increased 25% over 2017

Four of the top-five app categories were related to M&E

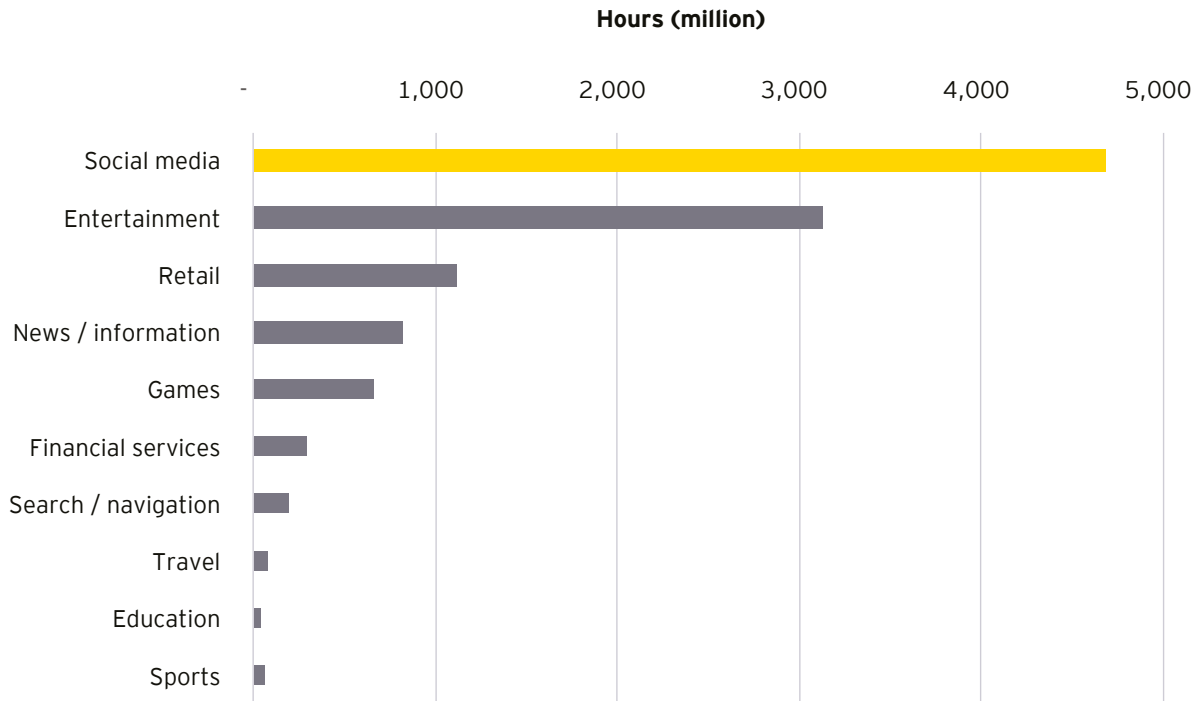
Usage of apps by category



Hootsuite's We are social report 2020; Percentage of internet users, 16-64 years reporting usage of app category each month (survey based)

- ▶ 69% of internet users had used one or more entertainment or video apps during the last one month
- ▶ Comparatively, 47% had played any game and 51% had streamed music

Indians spent over 80% of their phone time on social media, news and entertainment



Comscore, State of Mobile report 2019

- ▶ As per the report, consumers spent the most time (42%) on social media
- ▶ A further 28% of time was spent on entertainment, 7% on news and 6% on gaming, taking core media’s share of time spent to 41%

Average data consumption increased 40% in 2019¹⁶

- ▶ Indians consumed maximum data as compared to the rest of the world, at an average of 13.6GB per month which is set to increase over 75% to 24GB by 2025
- ▶ Globally, 63% of data consumed was driven by video, while 8% was on account of social media; expected to reach 76% and 10% respectively by 2025
- ▶ Media and entertainment, including news, books, music, video and gaming, contributed to over 70% of data consumption in India¹⁷

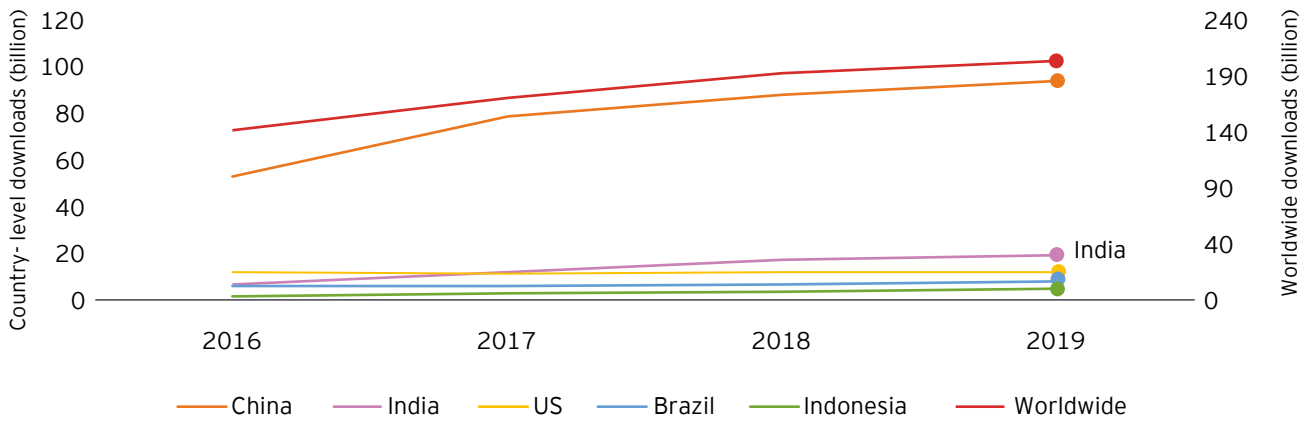
16. Ericsson Mobility Report, November 2019

17. Industry discussions; EY estimates



Indians downloaded more apps than ever before

Top countries by App Store downloads

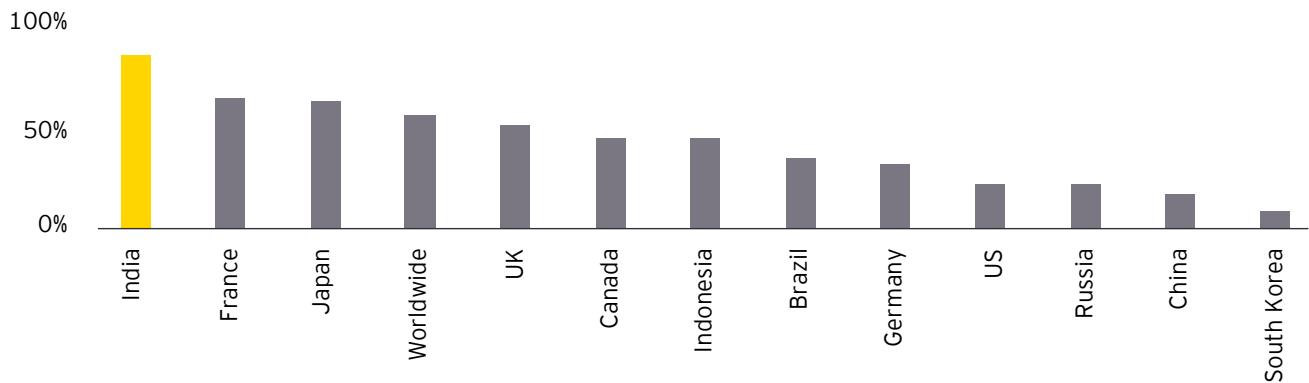


State of Mobile 2020, App Annie

- ▶ Indians downloaded almost 20 billion apps in 2019, a growth of 190% since 2016
- ▶ India is second in the digital consumption of services, following China

Indians increased their sessions on entertainment apps

Growth in sessions in entertainment apps, 2017-2019



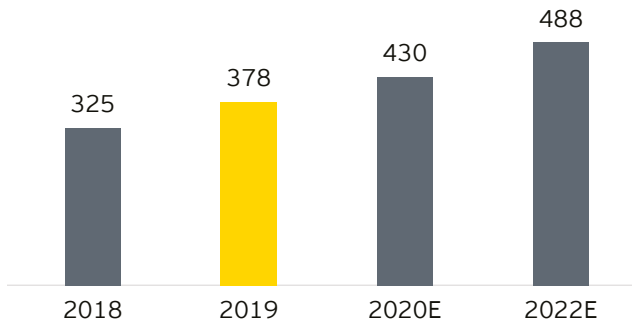
State of Mobile 2020, App Annie; China is 2018 to 2019 data

- ▶ Indians increased the number of sessions they spent on entertainment apps over 2017 by 80%
- ▶ The global average stood at 50% during the same period
- ▶ There are over 30 active entertainment and news streaming apps in India as per our estimates

Online video

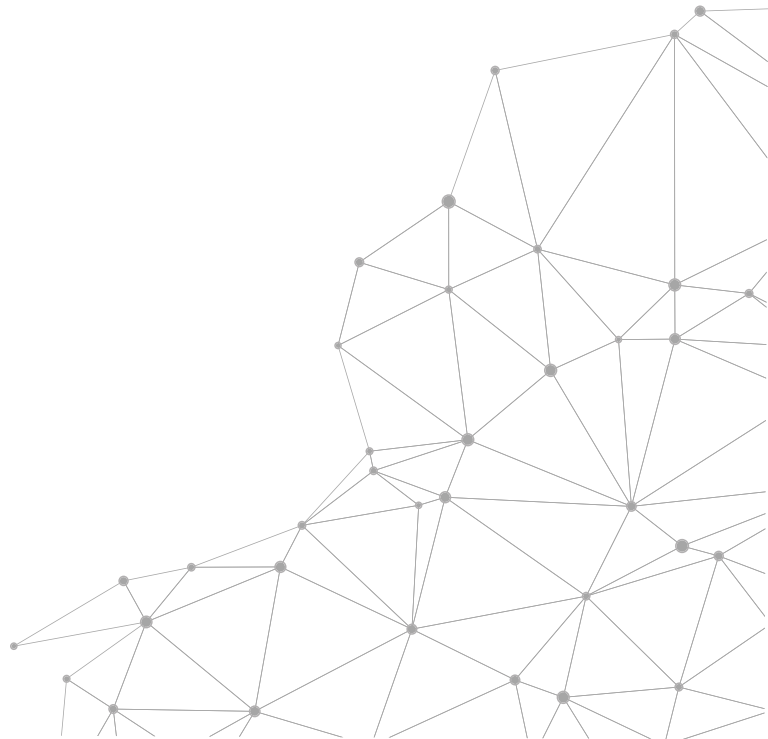
Video viewers continued to grow

Video viewers (million)



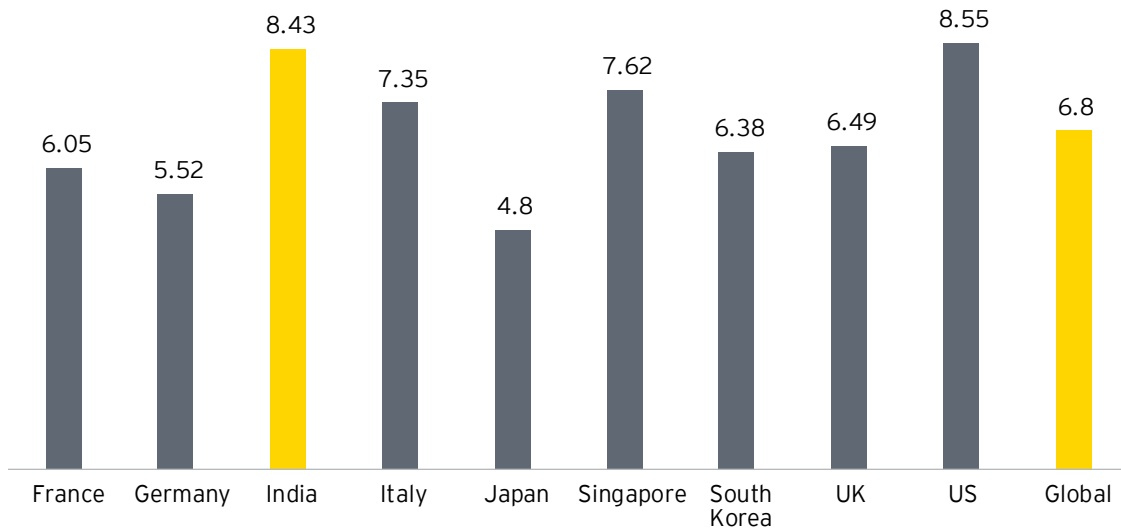
EY estimates

- ▶ Video viewers increased 16% to reach 378 million, which is around 96% of smartphone owners
- ▶ Video viewers are expected to grow to 488 million by 2022



India has amongst the highest consumption of online video in the world¹⁸

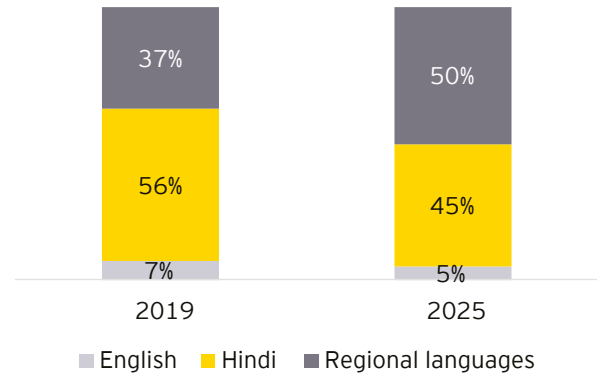
How many total hours of video content do you watch online each week (by country)



- ▶ Indian broadband internet subscribers consume around 8.4 hours per week of online video, far higher than the global average of 6.8 hours a week
- ▶ Time spent on entertainment apps increased 58% in 2019 and sessions on entertainment apps increased 10%¹⁹
- ▶ However, 94% of those who consumed content online also subscribed to linear television services

Consumption was led by Hindi²⁰

Video consumption by language



EY estimates, industry discussions, YouTube news articles

- ▶ We estimate that time spent on online video consumption is increasingly moving towards Hindi and regional languages, whose share should increase from 93% of consumption today to 95% by 2025
- ▶ 60% of YouTube watch time comes from outside the top six cities and 95% of vernacular content access comes from tier 2 and 3 cities²¹

18. Limelight Network’s State of Online Video 2019, a study of consumers who consume one hour or more of content each week, conducted in August 2019

19. App Annie, Average monthly time spent on top 20 apps by category MAU, Android phone

20. Industry discussions

21. <https://economictimes.indiatimes.com/tech/internet/how-regional-languages-are-fueling-you-tubes-growth-in-india/articleshow/70412710.cms?from=mdr>

Online audio

Audio streaming users grew over 30%

- ▶ The number of consumers using online streaming apps grew 33% to reach around 180-200 million in 2019, which is 50% of total smartphone owners²²
- ▶ Several platforms launched in 2019 including Spotify, Apple Music, YouTube Music and Resso, amongst others, leading to a 13% increase in download of music apps in 2019²³
- ▶ Uptake has been led by younger audiences as they have not been exposed to piracy
- ▶ Usage was not limited to metro cities, with some platforms claiming 50%-75% of their audiences came from non-metros and grew faster than metro audiences

The focus changed to building reach and engagement

- ▶ 2019 was about exclusive content and strength of curation to attract and retain audiences, including better recommendation engines
- ▶ Another trend of 2019 was to make the audio streaming product available across more platforms to ride on their subscriber base
- ▶ Average monthly time spent on audio apps fell 11% in 2019; however, total sessions increased by 81% over 2018 on the top 20 music apps²⁴
- ▶ All India Radio made its library of channels available online through the News On Air app and 17 of its on-air radio channels are available on Amazon's Alexa platform worldwide²⁵

Online news

Online news audience grew to over 300 million

- ▶ Online news subscribers grew between December 2018 and 2019 to reach around 300 million across mobile and desktop users of news sites, portals and aggregators²⁶; however daily regular users were much lower
- ▶ This is approximately 46% of internet users and 77% of smartphone users at the end of 2019²⁷
- ▶ Time spent per regular user per day remained under ten minutes as per industry discussions, though it grew 4% in 2019²⁸, but the frequency of visits were relatively high, between four and eight times a day, and online news sessions grew 40% over 2018²⁹
- ▶ Online news and magazine app downloads increased 12% in 2019³⁰

22. EY estimates

23. App Annie, India total downloads in select categories, combined iOS and Google Play

24. App Annie, Average monthly time spent and total sessions in top 20 apps by category MAU, India, Android phone

25. <http://allindiaradio.gov.in/streaming-services/>

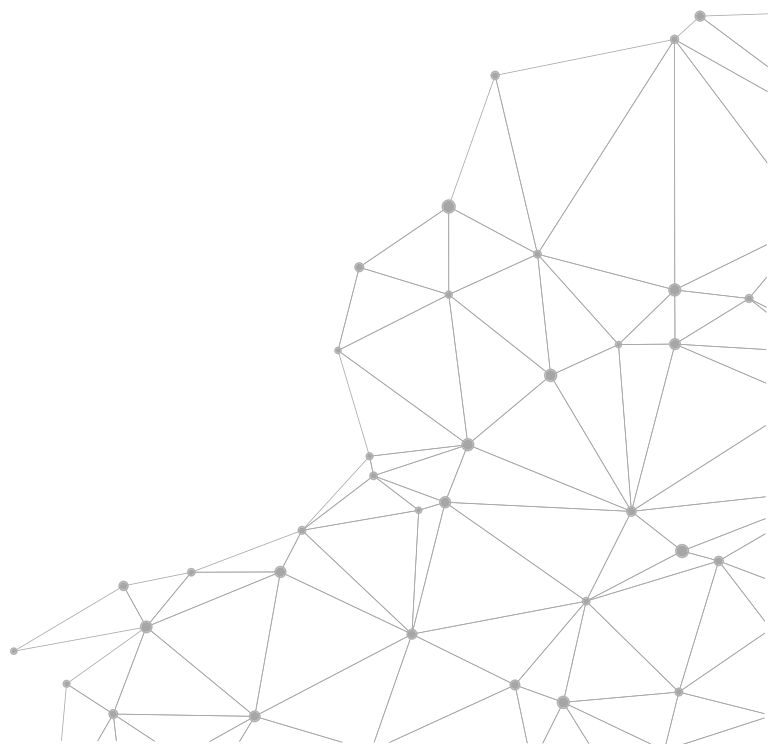
26. EY estimates; Comscore MMX Multi-platform, September 2019

27. EY analysis, ComScore, Analysis Mason

28. App Annie, Average monthly time spent

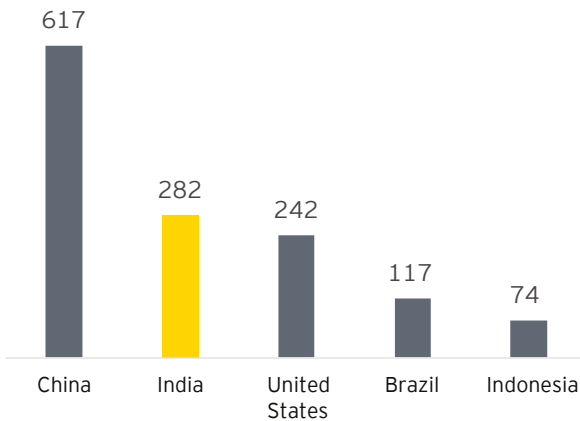
29. Industry discussions; AppAnnie, Total sessions in top 20 apps by category MAU, India, Android phone

30. App Annie, India total downloads in select categories, combined iOS and Google Play



India was the second largest online news consuming nation in the world

Unique visitors (million)

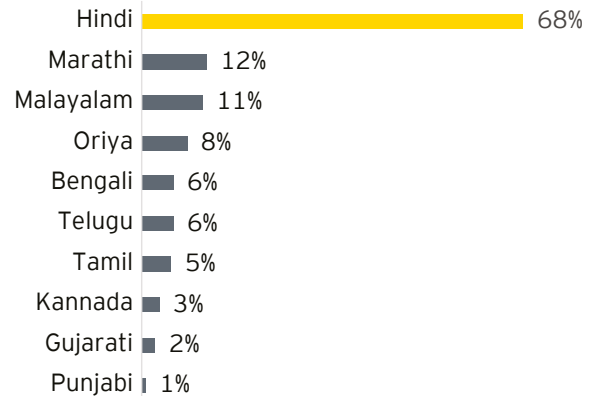


Trends in online news consumption by ComScore; unique visitors in million, September 2019

- ▶ General news was the most popular product with 97% of online news visitors, followed by business / finance news with 62% of online news visitors
- ▶ News aggregators attracted 56% of online news audiences; however, by the end of 2019 many large news companies like Times Group, Jagran Prakashan, Dainik Bhaskar, etc. stopped providing content to them
- ▶ 92% of the time spent on news was through mobile devices, but time spent on apps was much higher than time spent on web-pages, due to which many news companies developed app-like experiences on their mobile web pages
- ▶ Average minutes spent by a visitor on news sites per month in India was 191 minutes compared to 293 minutes worldwide

Hindi led online regional news consumption by a wide margin

Online news consumption by language



Trends in online news consumption by ComScore; News/information category; September 2019

- ▶ 68% of unique online news visitors consumed news in Hindi
- ▶ Compared to television news, there is scope for more news consumption in regional languages

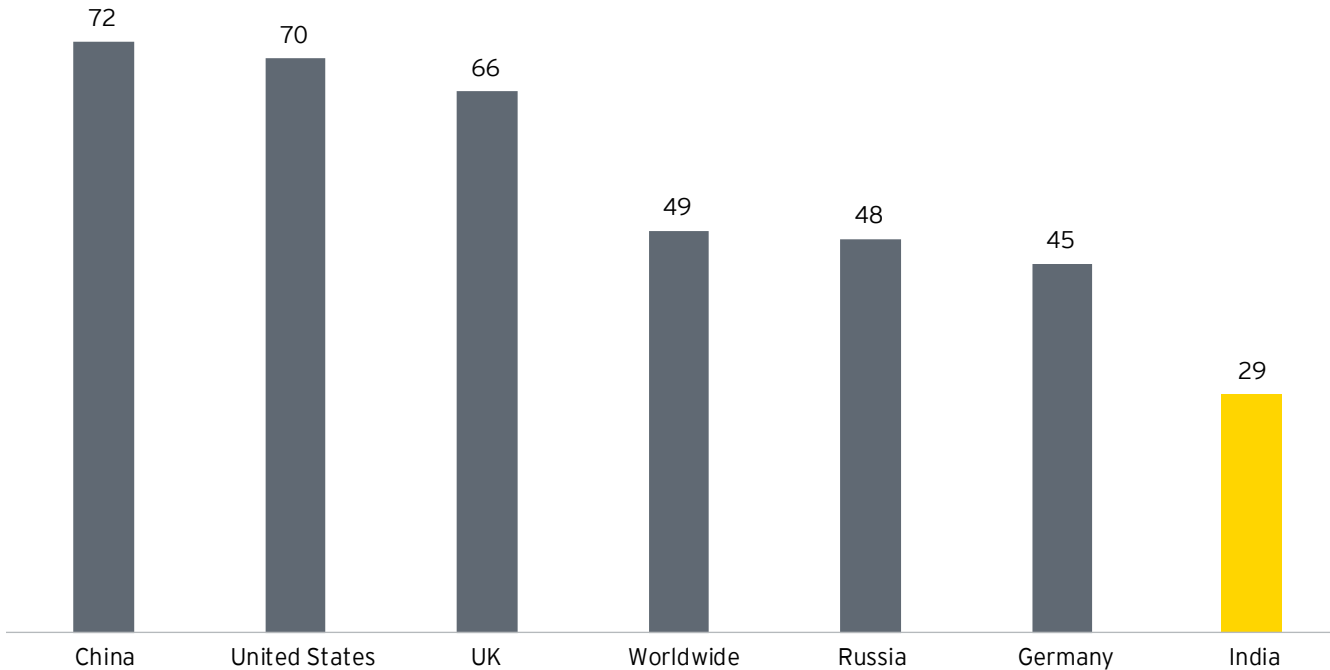
The need for subscription products increased

- ▶ Less than 1% of total news consumers were paid subscribers as per our analysis
- ▶ Most media houses launched subscription products, across the Times, Hindu, Mint, Television18, etc. and all CEOs we interviewed 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 paying customers
- ▶ Annual packs at heavy discounts could be the way forward, but this will only work if quality content is kept behind paywalls

Social media

Social media penetration reached 29% in 2019

Percentage of population on social media

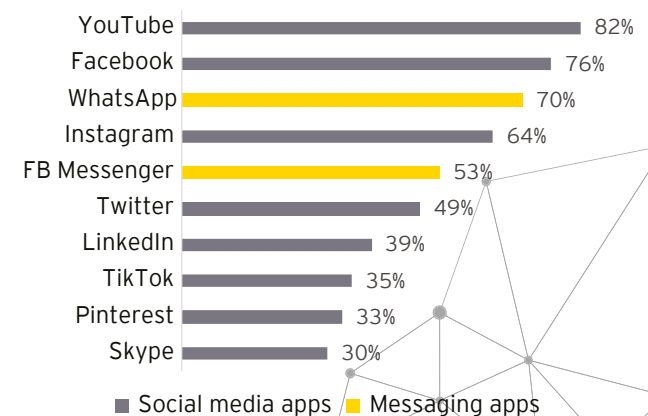


We Are Social; DataReportal; Hootsuite

- ▶ Around 375 to 400 million Indians (29%) were on social media in 2019
- ▶ Most social media users have subscribed to multiple platforms but did not use each platform daily

Top social media apps included YouTube, Facebook, WhatsApp, Instagram, etc.

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



Hootsuite, We are social report, January 2020

- ▶ 94% of respondents surveyed indicated using a social media platform during the last one month, of which 86% claimed to have actively engaged with the platforms
- ▶ 47% of respondents claimed to use social media for work purposes
- ▶ TikTok displaced Snapchat in the top 10 most used platforms in 2019

Digital advertising

Digital ad spends grew 24% in 2019

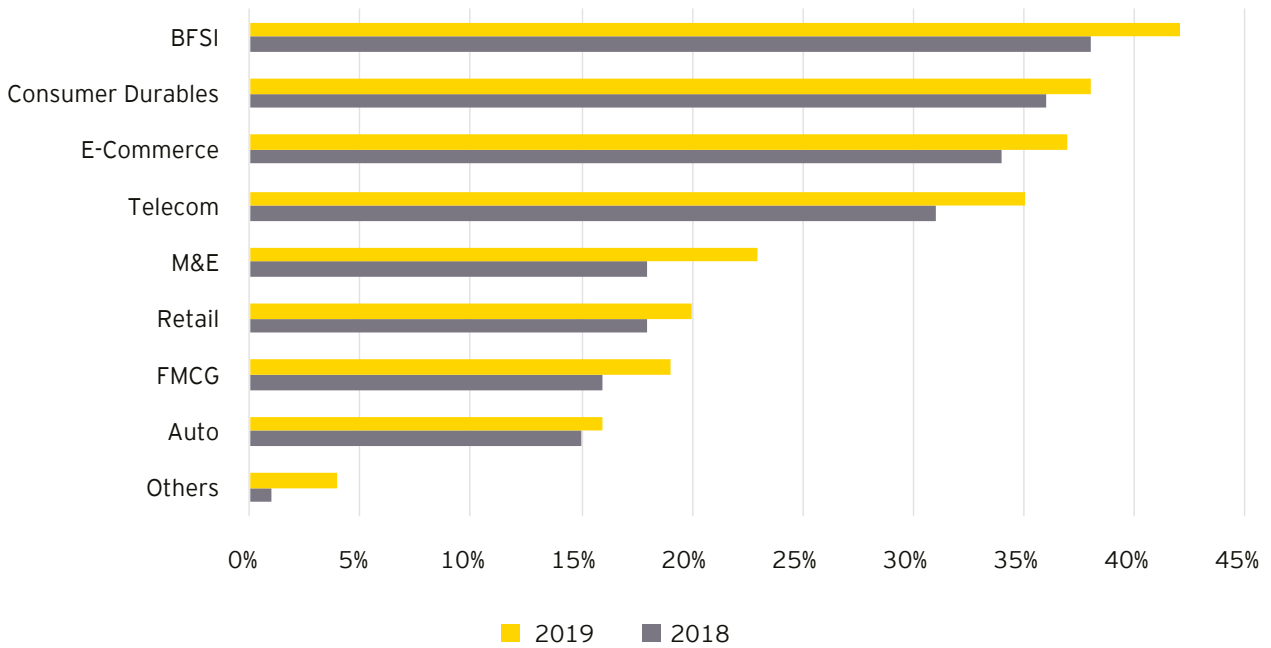
	2018	2019	2020E	2022E
Large advertisers	154.4	191.5	236.0	349.6
SME & long tail (not validated)	70.0	87.5	108.7	163.8
Total	224.4	279.0	344.7	513.4

INR billion (gross of taxes) | EY estimates

- ▶ Digital advertising grew to INR191.5 billion in 2019, 24% higher than 2018
- ▶ In addition, SME and long tail advertisers spent an estimated INR87.5 billion, primarily on performance advertising, which we are, however, unable to verify and have hence shown this amount separately and not included in our overall segment sizing
- ▶ Ad growth was driven by increased digital media consumption (across social media, news, gaming, sports and entertainment) leading to a growth in sellable inventory
- ▶ Growth was also driven by use of digital media by several large traditional advertisers to experiment with direct to consumer niche product launches and higher-priced variants, a tilt towards performance advertising due to a slight slowing down in the economic growth rates and heavy digital evangelism by ad agencies

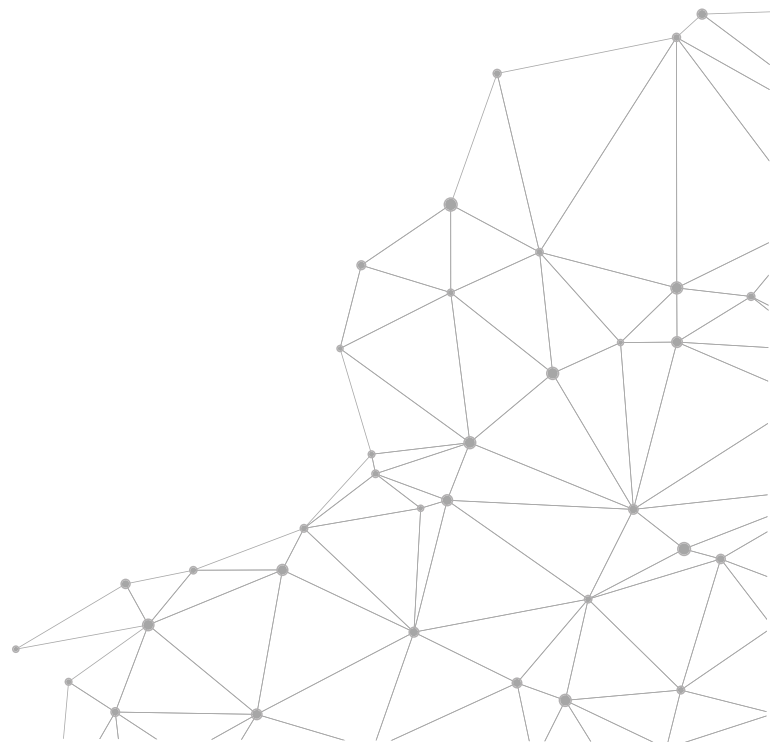
Four ad sectors spent over 30% of their total ad spends on digital

Percentage spends on digital by sector



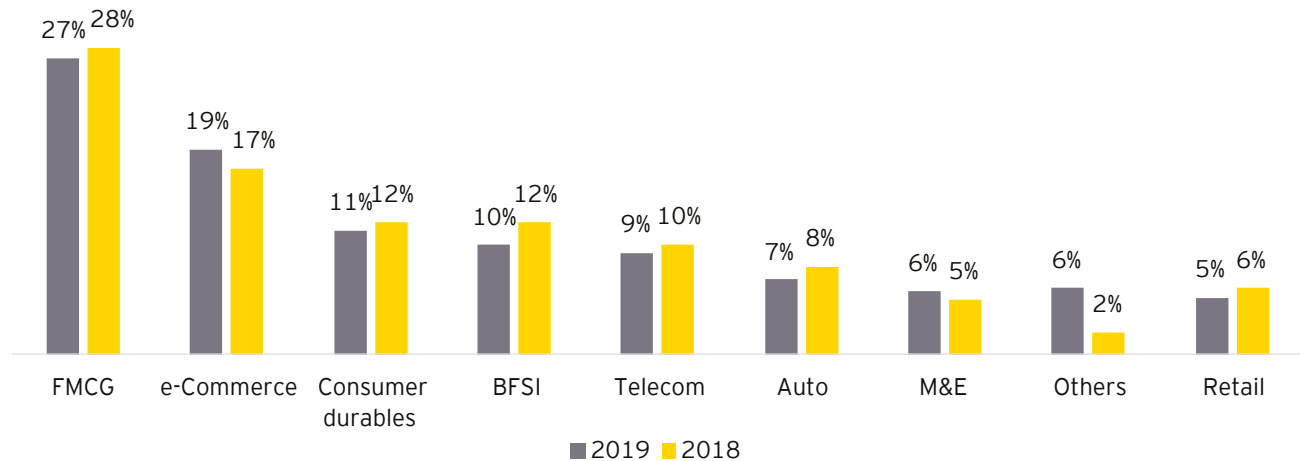
Dentsu Digital Advertising in India report 2019

- ▶ All sectors increased their share of spends on digital advertising in 2019
- ▶ Highest percentage growth was seen in BFSI, telecom, M&E and FMCG sectors



FMCG and e-commerce contributed almost half of digital ad spends

Category contribution to digital advertising



Dentsu Digital Advertising in India report 2020 and 2019

- ▶ The top five categories contributed 76% of total digital ad spends
- ▶ e-commerce and M&E were the two categories which increased their share over 2018
- ▶ Significant growth was noted in the share of others category, showing the medium attracted a wider base of advertisers
- ▶ Share of durables, BFSI, telecom, auto and retail categories reduced compared to 2018

Small and medium enterprise (SME) advertiser base grew

- ▶ SMEs account for 45% of industrial output and 40% of the total exports of India³¹
- ▶ Large ad platforms claim that there are now over 300,000 small and medium enterprises who advertise with them to generate business in India and abroad³²
- ▶ They expect that this number is growing significantly and could reach 500,000 advertisers within four to five years
- ▶ SME spends are focused on performance advertising - predominantly search, social and classifieds - on platforms like Google, Facebook, Flipkart, Amazon, Just Dial, etc.
- ▶ We estimate these advertisers spent INR87.5 billion in 2019

31. https://www.business-standard.com/content/specials/sme-landscape-in-india-growth-challenges-and-opportunities-119062100357_1.html

32. Industry discussions

33. Industry discussions

34. BARC, EY analysis

35. Industry discussions, EY Analysis

36. Industry discussions

Share of local language ads increased

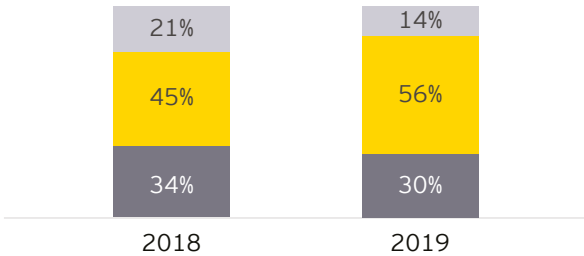
- ▶ The share of ads in local languages continued to increase in 2019 and we estimate that 65% to 75% of ads were in local languages³³
- ▶ While small businesses always preferred local ads to reach local audiences, larger advertising brands took to local language ads as well distributing spends across multiple states
- ▶ As the reach of the internet continues to be fuelled by regional subscribers, we expect that the share of language advertising will reflect that of TV, i.e., eventually, only 3-4% of ads will be in English, around 50% in Hindi and the balance in local languages³⁴

Share of programmatic advertising increased

- ▶ Our interviews have shown that share of programmatic advertising increased from 10% of total digital spends in 2017 to 30-40% in 2019³⁵
- ▶ Dentsu estimates the contribution of programmatic would continue to grow to reach 74% by 2023
- ▶ CPMs also reduced by up to 20% for non-premium ad inventory and for unsegmented audiences³⁶

Ad fraud was a serious concern

Is digital ad fraud worrisome to marketers?



- No
- Yes, but we still increase our spends
- Yes, and its preventing us from spending more on digital

EY Marketer Survey 2020 and 2019

- ▶ 86% of marketers we surveyed were worried about digital ad fraud
- ▶ 30% of marketers indicated that they would spend more on digital advertising if ad fraud issues were addressed and though this number has reduced slightly since our 2018 survey, it still represents almost one in three advertisers

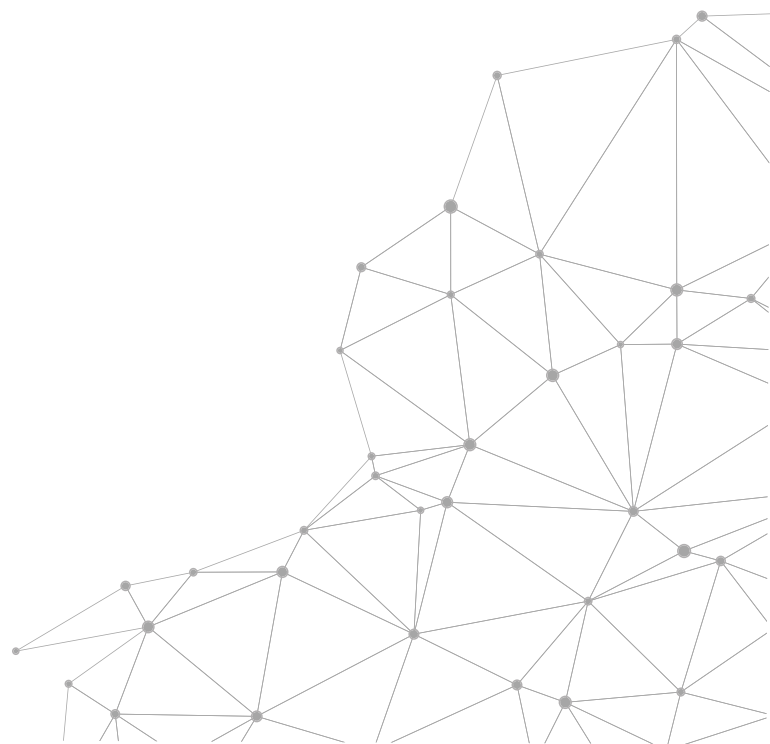
Digital subscription

In 2019, digital subscription grew over 100%

	2018	2019	2020E	2022E
Video	13.4	28.2	41.5	62.4
Audio	0.8	1.0	1.3	2.1
Total	14.2	29.2	42.8	64.5

INR billion (gross of taxes) | EY estimates

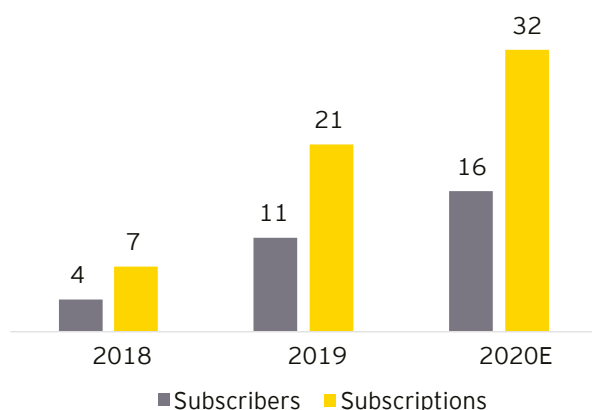
- ▶ Digital subscription grew 106% in 2019 to reach INR29.2 billion
- ▶ Video subscription revenues grew 111% in 2019 as premium content - originals and sports - went behind the paywall and amounts paid by telcos on behalf of their customers to content owners increased significantly
- ▶ Audio subscription grew comparatively slower at 18% in 2019 as the platforms are still in the customer acquisition phase and several free products are available
- ▶ The percentage of paying subscribers to total OTT consumers remained less than 5% and 1% for video and audio respectively
- ▶ We expect digital subscriptions to grow at a CAGR of 30% till 2022



Video subscription

Paid video subscribers crossed 10 million in 2019

Paying subscribers and subscriptions (mn)



EY estimates

- ▶ Over 10 million subscribers paid for 21 million OTT video subscriptions in 2019
- ▶ Key drivers for growth were a cricket heavy 2019, with Hotstar creating an annual sports pack at INR1 per day; industry discussions indicate that around 40% of IPL consumption was on Hotstar and 60% on television
- ▶ Increased television subscription prices due to the implementation of the NTO in February 2019 led to certain viewers - mainly English content viewers - preferring to subscribe to relatively more affordable OTT services
- ▶ Over 1,600 hours of original content were created for OTT platforms across films and episodic content, which led to increased demand
- ▶ Free / Trial access to leading OTT platforms was provided by telcos and MSOs, bundled with data or television subscriptions, of between one and six months

Sachet, annual and multi-year packs were launched

- ▶ In 2019, most large players like Amazon and Netflix introduced smaller value sachet packs, either monthly packs in addition to their annual packs, or mobile only / single device packs
- ▶ However, annual packs were the mainstay for platforms like Hotstar (due to continuous availability of sports content)
- ▶ Bengali platform Hoichoi introduced a three-year pack for loyal customers in addition to its monthly and annual packs

Telco bundling of content continued to drive high usage

- ▶ Over 260 million consumers consumed video content through data bundles³⁷
- ▶ Telcos provided live streaming of events like the IPL, ICC World Cup, the general elections, annual budget and other sports, movies, music, television and digital originals to consumers, for as little as INR150 per month
- ▶ Up to 80%³⁸ of viewership volumes of certain OTT platforms were generated by telcos
- ▶ The amount telcos paid for content was around INR10 billion in 2019 and is expected to continue to grow³⁹
- ▶ Though over 65% of telco-provided data is consumed for M&E purposes, 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 customer prices has been excluded

Production houses de-risked their OTT strategy

- ▶ Many production houses which had launched OTT platforms syndicated their content to other OTT platforms and went the route of non-exclusive syndication, in order to manage the cash burn across customer acquisition and content
- ▶ Some examples include Alt Balaji, which entered a deal with Zee5 to provide their original content to both platforms, while Hoichoi syndicated its originals to various telcos and OTT platforms and Arre! firmly became a production house

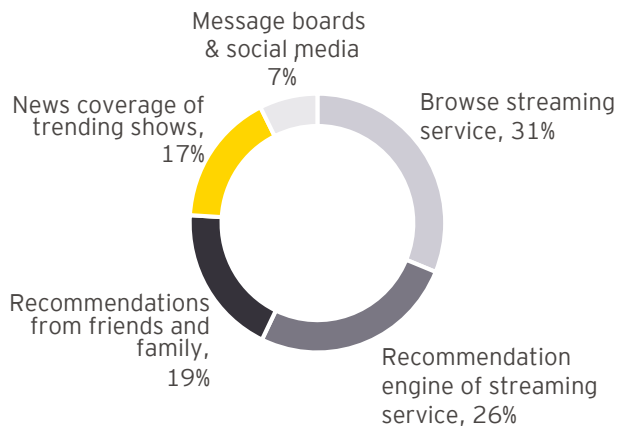
37. EY estimates

38. Industry discussions; EY analysis

39. EY analysis

Importance of unified search increased

Mode of content discovery

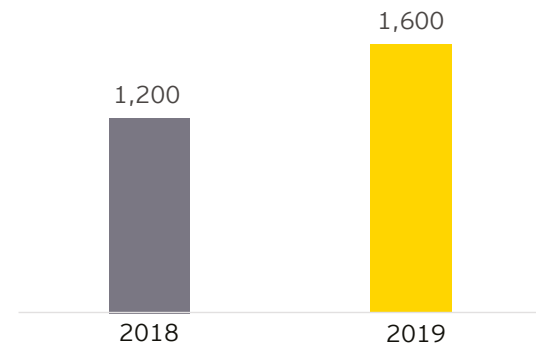


Limelight Network's State of Online Video 2019 report, India

- ▶ Most OTT platforms became available on up to 15 platforms
- ▶ Aggregation of content commenced not just on OTT platforms but also on devices (like smart TVs), set-top boxes, phones and device operating systems
- ▶ Unified search and micro-payment systems will become more critical as the number of subscription packs per user increases
- ▶ We believe that marketing of content will evolve over the next few years to enable discovery across unified interfaces with access to content from various OTT platforms and production houses

Demand for original content continued to grow

Original OTT content produced in India (hours)



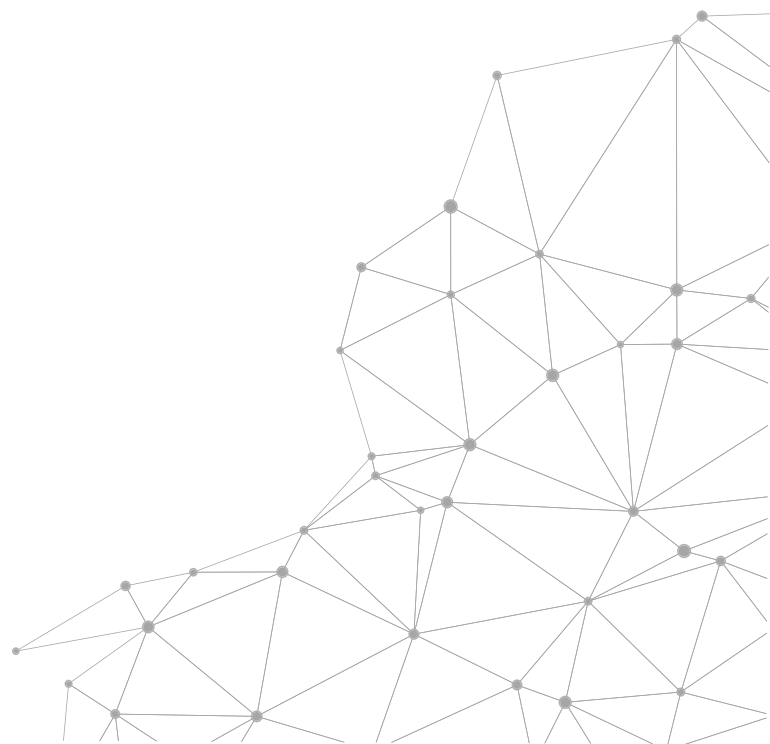
EY estimates

- ▶ The total amount of fresh original content created for OTT platforms in 2019 is estimated to be 1,600 hours⁴⁰
- ▶ Though viewership of live and catch-up television on broadcasters' platforms remains in excess of 80%⁴¹, originals are important in attracting new audiences and generating paid subscribers
- ▶ Growth in the demand for original content has led to growth in the content production segment
- ▶ The cost of this content is between 2x and 10x higher than that of TV content to meet the quality standards of international and OTT consumers⁴²

40. EY estimates based on EY's production audit services team and review of select OTT platforms

41. Industry discussions

42. EY production audit team estimates



The global content opportunity is real and present

- ▶ During 2019 and 2020, Netflix will invest INR30 billion in content in India, to license and create over 50 originals and shoot across more than 20 cities
- ▶ Till date, Netflix has launched 11 Indian original series and 14 original films
- ▶ Netflix employs 100 people directly, but also generates 2,000 full time cast and crew jobs and more than 31,000 workdays by daily production hires and background workers
- ▶ Netflix currently subtitles its Indian content in up to 30 different languages and most of its Indian original series and films are subtitled in all of those languages, so they can be enjoyed globally
- ▶ 2019 saw three International Emmy nominations for the Netflix film *Lust Stories* and for *Sacred Games*, *Delhi Crime* was awarded the Best Original Program by a streaming service at the Asian Academy Awards in December 2019 and *Period. End of Sentence* set in India won the Best Documentary Short Oscar⁴³
- ▶ 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, and given that the top 10 media companies in the USA had a content budget in excess of US\$70 billion in 2019⁴⁴, India can aim for a larger share of that budget, which it will be able to provide - both in front of and behind the camera - at a significant cost advantage

Audio subscription

Audio subscription grew 18% in 2019 to reach INR1 billion⁴⁵

- ▶ Growth has been driven by an increase in the number of audio streaming services, with the entry of Spotify, Apple Music, YouTube Music, etc. during 2019 and growth in smartphone penetration in India
- ▶ The number of music streamers has increased to 180 to 200 million from 150 million in 2018⁴⁶
- ▶ However, paid subscribers remained below 1%, due to the prevalence of free options across all the large streaming platforms as well as music availability on YouTube (as per the IFPI Digital Music Study 2019 India report, 51% of survey respondents cited their preference for YouTube to OTT platforms, while 25% found streaming platforms to be too expensive or unaffordable)
- ▶ The study also saw a fall in the percentage of surveyed consumers who consumed pirated music- from 73% in 2018 to 67% in 2019
- ▶ We expect music streamers to cross 400 million by 2022 and paying subscribers to cross 5 million

43. Press releases, Industry discussions, Netflix India

44. Statista

45. EY Estimates

46. Industry discussions; EY analysis

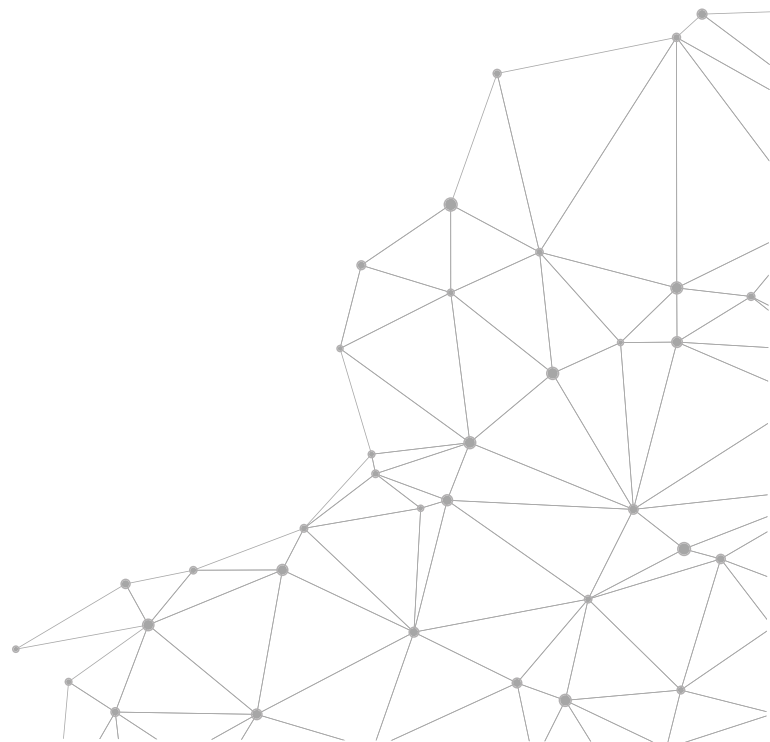
Free / AVOD services kept the paid subscriber base low

The following pay packages were available from different streaming services⁴⁷

Revenues	Free/AVOD?	Pack (INR)			
		Daily	Monthly	Quarterly	Annual
Gaana	Yes		99	149	249
JioSaavn	For Jio subscribers		99		399
Apple	No		120		
Amazon Prime Music	For Prime members		129		999
Wynk	Yes		99		
Google	No		99		
Spotify	Yes	13	129	389	1189
YouTube Music	No		99		
Hungama	Yes		99	269	499

- ▶ In the long run, we expect weighted subscription realization for apps to stabilize around INR30 per paying subscriber per month, or INR1 per day

47. Web-sites of various platforms accessed during January and February 2020



Future outlook

Digital segment will reach INR414 billion by 2022

- ▶ We estimate that the segment will grow to INR414 billion by 2022, at a 23% CAGR
- ▶ Advertising will grow at a 22% CAGR, while subscription will grow at 30% CAGR, on the back of over 50 million paying video subscribers and 5 million paying audio subscribers
- ▶ In 2020, the OTT subscription market will approximate 10% of the TV subscription market; however, this is without considering data charges

The large:small screen ratio will change - and that will change everything

- ▶ The number of internet connected smartphone screens will double to 750 million by 2025, bringing the large:small screen ratio to 1:3
- ▶ This will result in a massive increase in demand for content across short and interactive formats, driving up content prices further and at the same time, ensuring content libraries are shared more
- ▶ The demand for regional digital content will rise much higher as growth will be driven by consumption in non-metro markets
- ▶ Radio and print companies are poised to benefit from this change as they can provide short and snackable content to meet this demand
- ▶ Content consumers will become creators as we are seeing on platforms like TikTok and YouTube - around 1,500 to 2,000 such creators today have over a million followers each and we expect that number to cross 10,000 creators by 2025⁴⁸

Better bandwidth will drive large screen consumption

- ▶ LTE technology could account for 80% of mobile subscriptions while 5G could account for 11% of mobile subscriptions by 2025⁴⁹
- ▶ We estimate wired broadband / FTTH to connect 40 to 50 million smart televisions by 2025, 50% of which would be owned by cord-cutters
- ▶ A large connected TV base could threaten the monopoly enjoyed by broadcasters on the large screen, as consumers will be in a position to source content from a variety of other sources as well
- ▶ Connected TVs could prove fortuitous for growing long-form video consumption and broadband will grow the premium end of the market through AR, VR and IoT applications

Loyalty and disloyalty will both be monetized

- ▶ Business models that will be successful will be either of two types:
 - ▶ Ad supported platforms that cater to large (even fleeting and not loyal) audience base of over 250 million MAU with low or minimal content costs, or
 - ▶ Subscription and transaction led models driven by deep loyalty of niche audience segments powered by high quality content
- ▶ The metrics that matter will change from MAU to DAU and from audience numbers to engagement, time spent and customer lifetime value
- ▶ The launch of simple and frictionless payment mechanisms like UPI Bhim, Google Pay and WhatsApp Pay would enable growth in digital transactions

48. Industry discussions; EY estimates

49. <https://www.ericsson.com/en/press-releases/2/2019/11/ericsson-mobility-report-5g-subscriptions-to-top-2.6-billion-by-end-of-2025>

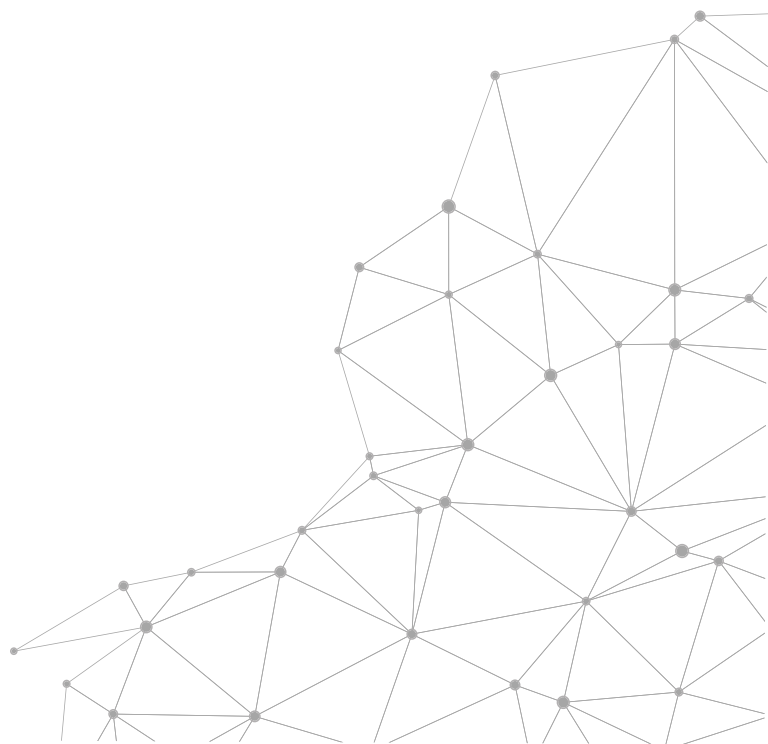
Advertising will be driven by performance and SME advertisers

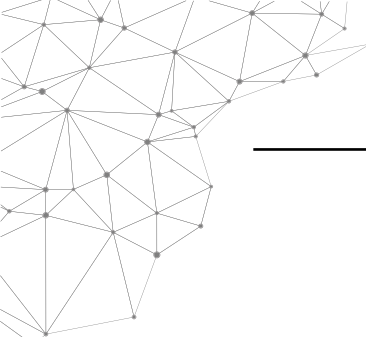
- ▶ Digital advertising revenues will approximate those of traditional television by 2025 and cross INR425 billion
- ▶ The SME advertiser base (in addition to the above) will grow from 0.3 to 0.5 million and generate INR167 billion by 2022⁵⁰
- ▶ Ad rates will continue to get polarized - rates for segmented audiences with preference data will increase (rates will be highest on sites where intent to purchase is present) while blind CPMs will keep falling till they reach television CPMs

The battle for discovery will be fought on unified user interfaces

- ▶ Consolidation will result in two or three large broadband service providers, who could be expected to launch their unified content interfaces across different propositions like news, gaming, video, audio, etc.
- ▶ In addition, operating systems will create a clutch of interfaces for the small screen
- ▶ Content discovery will be driven by viewability on their interfaces and recommendation engines, which would require content owners to enable B2B2C placement and marketing strategies

50. EY estimates; industry discussions





Global trends

Ad spending riding high on digital¹

- ▶ Ad spend will continue to grow globally through 2020, driven primarily by digital – albeit at slower growth rates as compared to 2019. In 2019, global digital ad spending touched US\$330 billion, a growth of 15.5%. For the first time, digital will account for nearly half of the global ad spend. In countries like the UK, Canada, Norway and China, digital has taken over as the largest ad medium. The two tech giants will continue to maintain their duopoly in the digital ad selling space accounting for 51% of global ad spend.

Global OTT market continues to grow²

- ▶ Global OTT revenue will more than double between 2018 and 2024 to reach US\$158.8 billion. Within the OTT space, SVoD continues to be the largest OTT revenue source since 2014 and will reach revenues of US\$87 billion in 2024. However, there is still plenty of AVOD growth left.
- ▶ The US is expected to remain the dominant OTT market by some distance with China in second place. However, the fact that the top five countries are expected to account for 68% of global OTT revenues by 2024 – down from 71% in 2018, indicates a faster growth rate around the rest of the world. Subscription OTT video viewers worldwide will undergo significant growth in the next four years, rising to 1.8 billion in 2023, from 1.2 billion in 2019 at a CAGR of 12.1%.

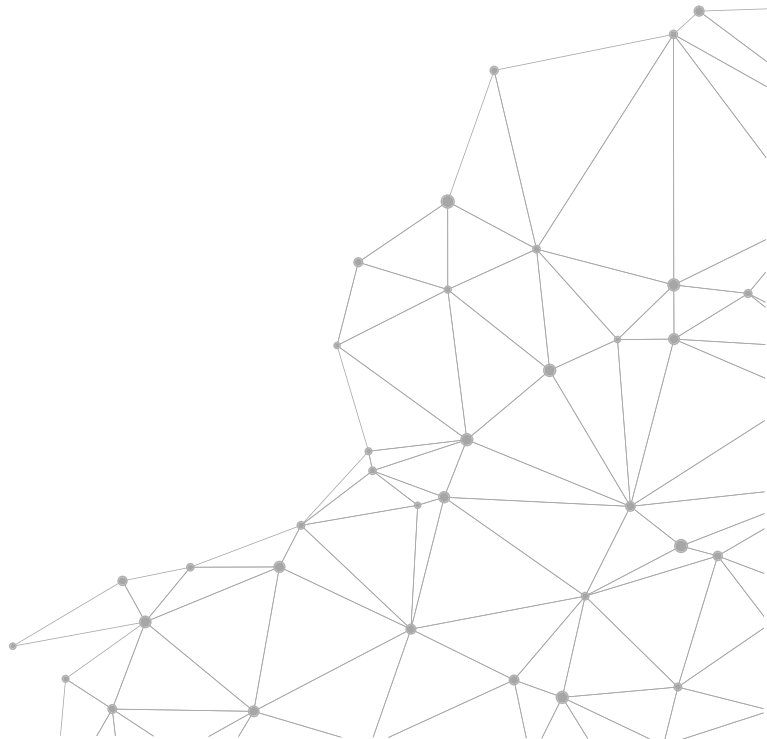
Streaming services ramping up original programming investments

- ▶ Premium, original content remains one of the biggest drivers and differentiators in the OTT space with a plethora of OTT platforms competing for consumers' attention. OTT players are investing heavily in acquiring or developing new content, new services and improved experiences. The three leading global online streaming players are forecast to triple their combined spending on original content in 2019 to US\$24 billion annually, as they increasingly shift budgets away from licensed content³. Other players in the TMT value chain ranging from cable networks, social media and even tech players are also following suit by doubling down on investing in new programming for their streaming platforms.

Evolving sports media rights

- ▶ Digital platforms are becoming aggressive in sports media rights acquisitions and are bidding for exclusive rights as they see sports content as a major driver for customer acquisition and engagement. Monetization of sports rights on streaming as well as social media platforms highlights increasing competition from digital outlets with deals being struck across with sports brands/organizations for content. Online streaming sites and social networks have in recent years snapped up rights to broadcast live sporting events, in a bid to increase user engagement and thereby attract greater advertising revenues.

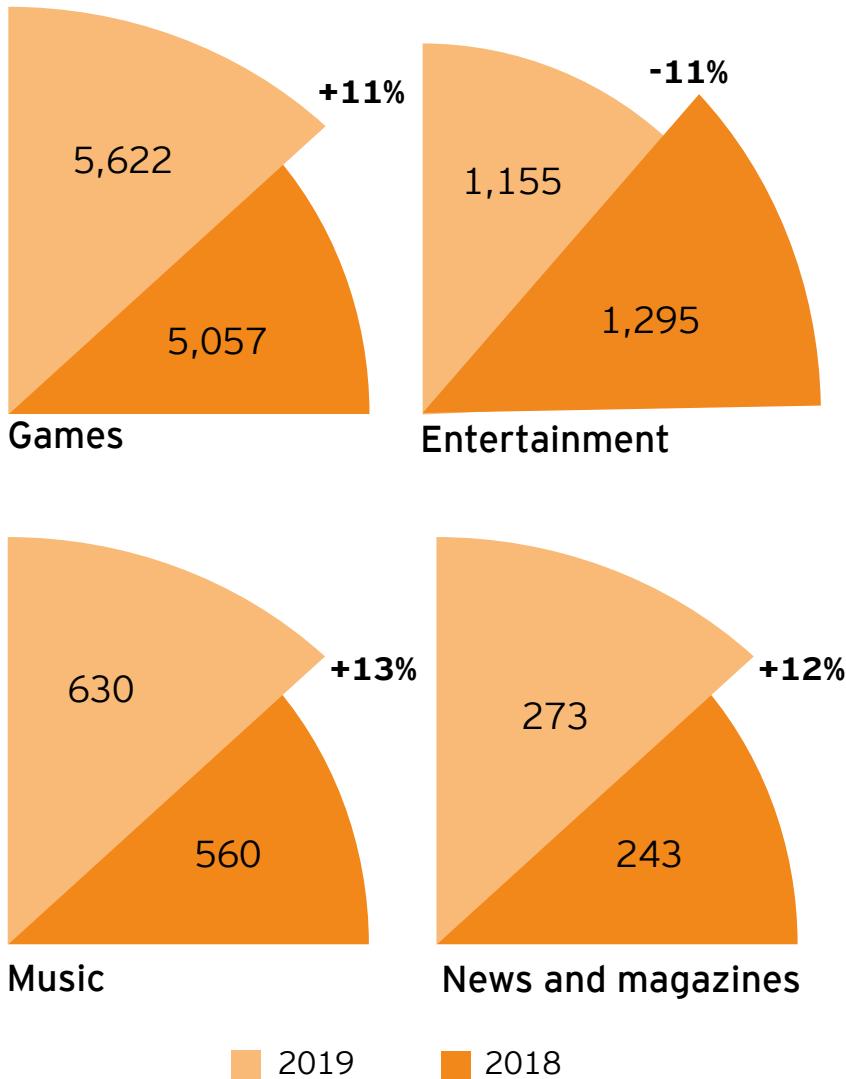
1. eMarketer 2019
2. Digital TV Research 2019
3. "How Much Does It Cost to Fight in the Streaming Wars?," Observer website, <https://observer.com/2019/10/netflix-disney-apple-amazon-hbo-max-peacock-content-budgets/>, accessed 22 January 2020



The Indian app story

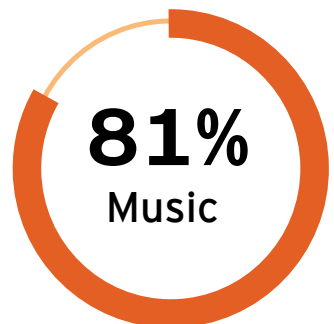
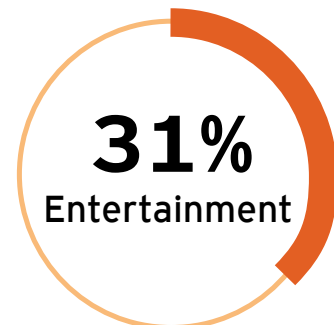
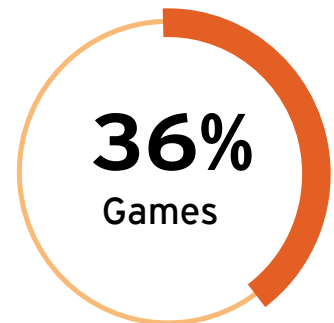
Powered by  APP ANNIE

Total downloads among **M&E categories** (games, entertainment, music, news and magazines) **grew 7%**



Total downloads in select categories (millions), iOS and Google Play

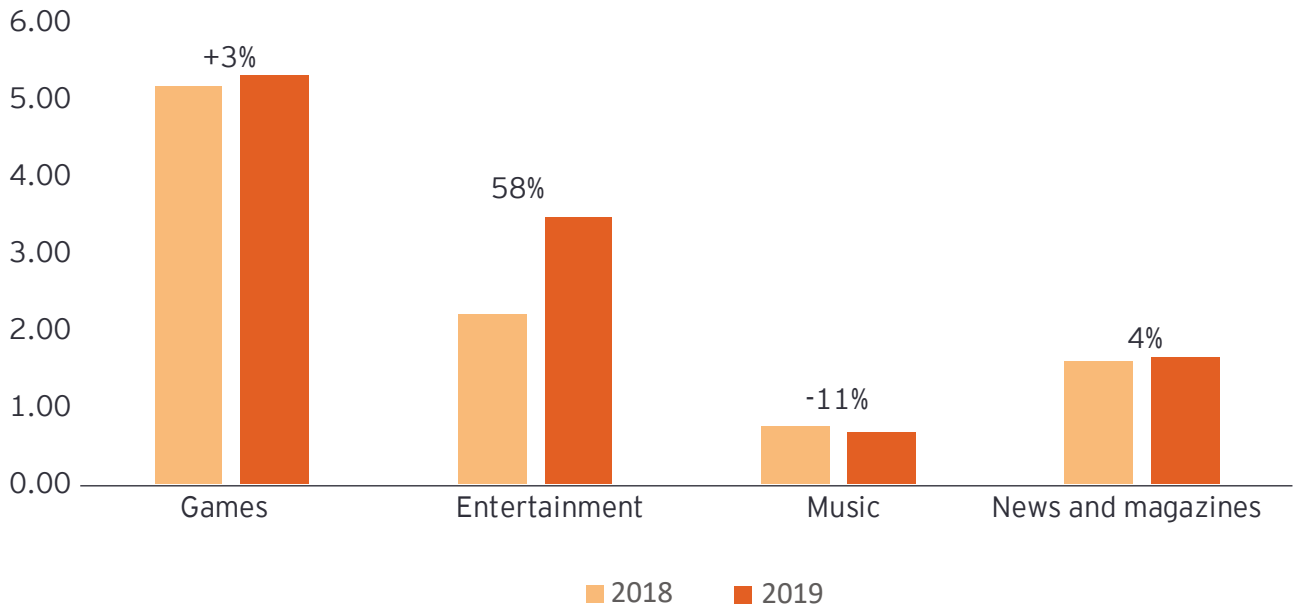
Total sessions grew across all M&E app categories



Growth in sessions in top 20 apps by category MAU (billions), Android phone, 2019 vs. 2018

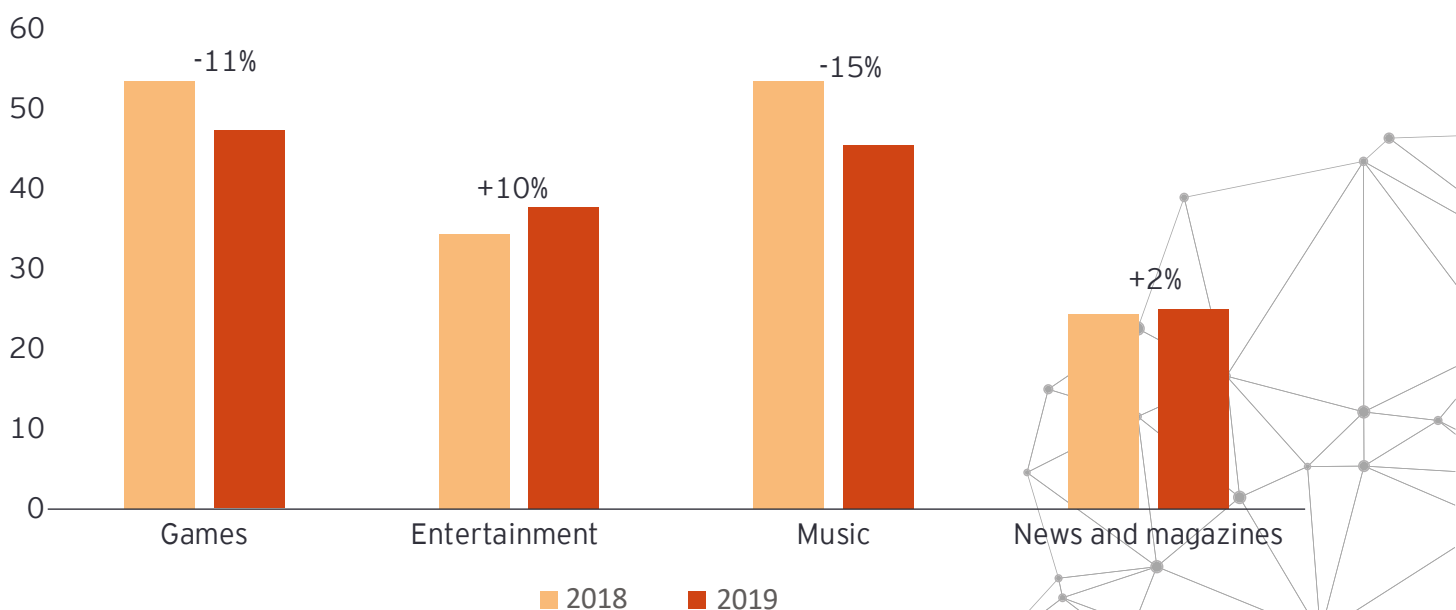
All data has been provided by App Annie and is based on their research. It has not been validated by EY, and presented in summary form for representation purposes only. Data does not consider pre-installed apps such as YouTube and Safari or apps which are downloaded from outside android and Apple ecosystems.

Average monthly time spent on entertainment apps grew 58%



Average monthly time spent in top 20 apps by category MAU (hours), Android phone

Average monthly sessions increased on news and entertainment apps

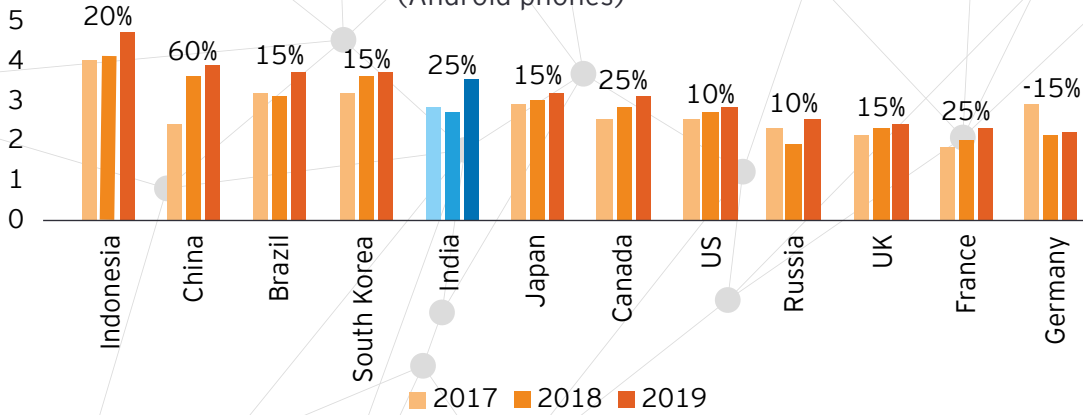


Average monthly sessions in top 20 apps by category MAU, Android phone



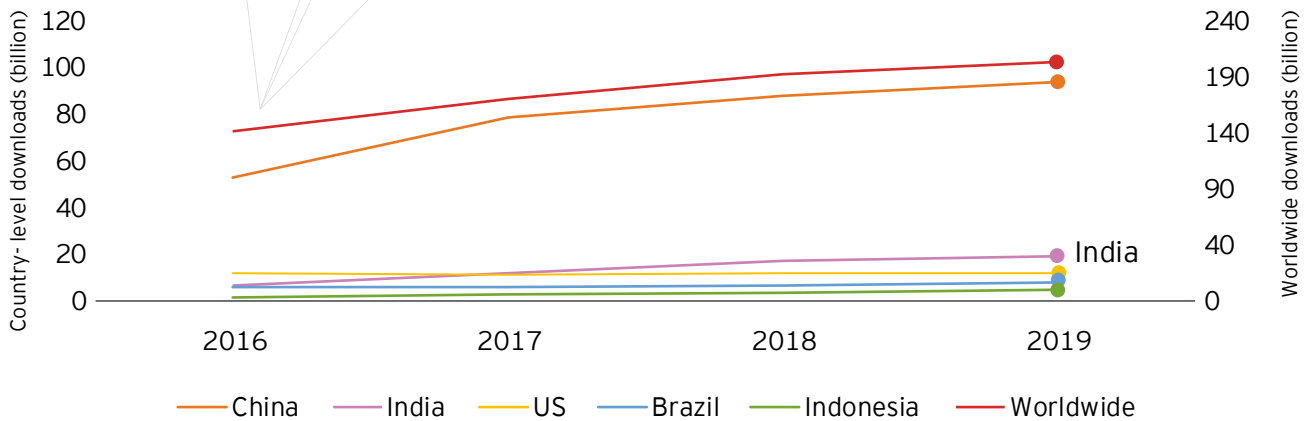
Indians spent over **3.5 hours a day** on their phone

Average daily hours spent per device on mobile (Android phones)



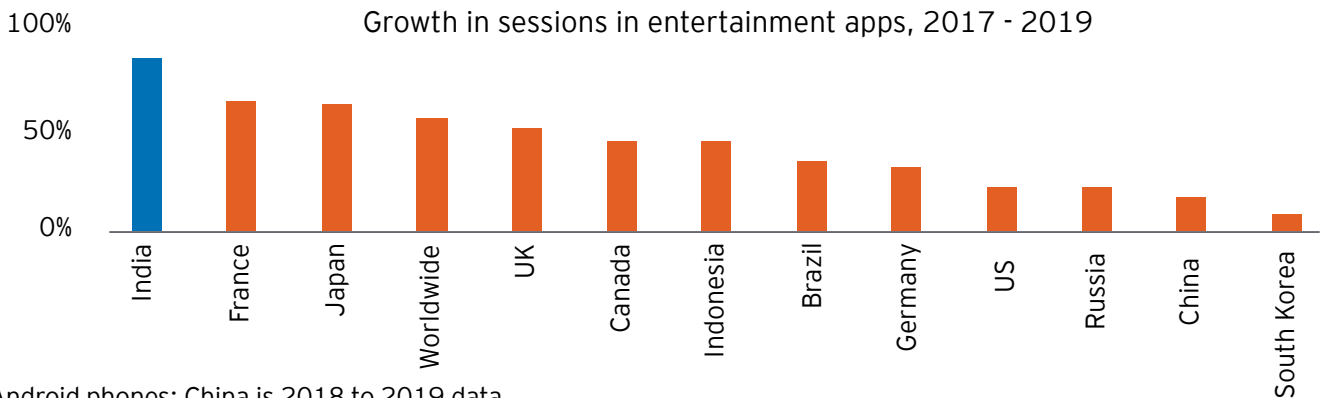
Indians downloaded **more apps** than ever before

Top countries by app store downloads



Indians increased their sessions on **entertainment apps**

Growth in sessions in entertainment apps, 2017 - 2019



Android phones; China is 2018 to 2019 data

All data has been provided by App Annie and is based on their research. It has not been validated by EY, and presented in summary form for representation purposes only. Data does not consider pre-installed apps such as YouTube and Safari or apps which are downloaded from outside android and Apple ecosystems.

Top **news** apps of 2019

Name	MAU	Downloads	Revenue
UC Browser	1	1	-
Twitter	2	6	-
Dailyhunt	3	2	-
Quora	4	11	-
Times of India	5	10	-
InShorts	6	17	-
NDTV	7	-	13
The Economic Times	8	-	4
ABP Live News	9	7	-
Reddit	10	-	-

Includes apps that are classified under News and News & Magazines categories within iOS and Google Play

Top **entertainment** apps of 2019

Name	MAU	Downloads	Revenue
MX Player	1	4	-
Hotstar	2	3	2
TikTok	3	1	8
BookMyShow	4	-	-
Jio TV	5	5	-
Amazon Prime Video	6	10	-
Netflix	7	17	1
SonyLIV	8	7	7
Airtel TV	9	9	-
Voot	10	8	-

Includes apps that are classified under entertainment categories within iOS and Google Play

Top **gaming** apps of 2019

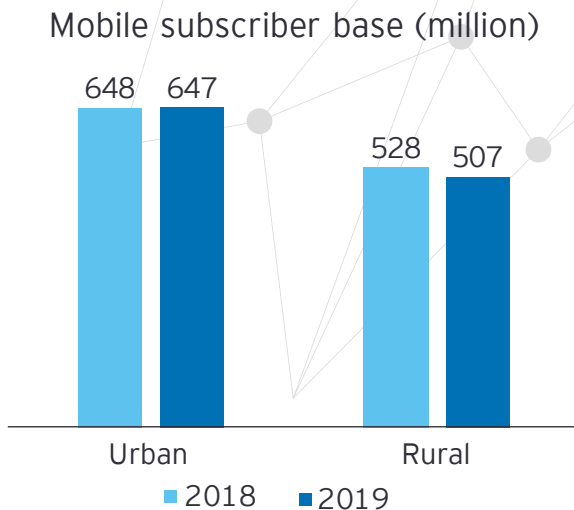
Name	MAU	Downloads	Revenue
PUBG Mobile	1	2	1
Racing Fever: Moto	2	-	-
Ludo King	3	1	-
Candy Crush Saga	4	8	5
Subway Surfers	5	4	-
Free Fire	6	3	2
Clash of Clans	7	-	7
Doodle Army 2: Mini Militia	8	20	-
Carrom Pool	9	5	-
8 Ball Pool	10	-	10

Includes apps that are classified under games categories within iOS and Google Play

Digital media Trendbook

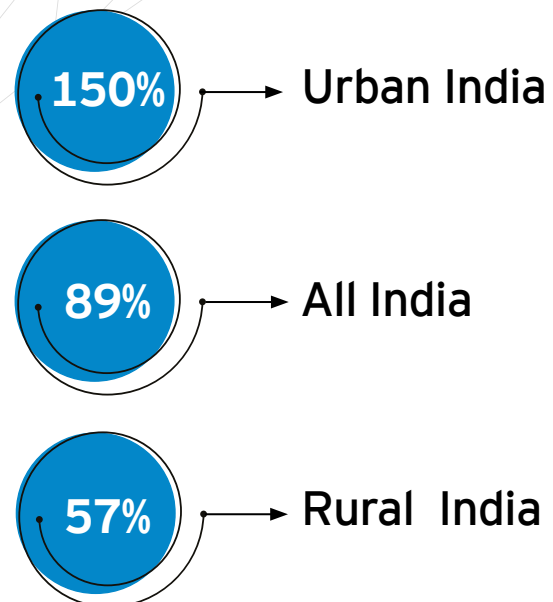
The number of mobile subscriptions reduced **2% in 2019**

due to deactivation of unused multiple-sim users by certain telcos



Source: Press release by TRAI No. 13/2019, 23/2018 & 09/2020

Tele-density is heavily skewed towards **urban markets**



Source: Press release by TRAI No. 13/2019, 23/2018 & 09/2020; wireless

Internet penetration **grew 20%**

	Dec 2018	Dec 2019
Total internet subscribers	604	723
Narrow band subscribers	79	61
Broadband subscribers	525	661
Urban internet subscribers	391	463
Rural internet subscribers	213	261

The Indian Telecom Services Performance Indicators October - December 2018; Telecom Subscription Data as on 30th November, 2019, Press release 09/2020, EY analysis



58%

Of subscriptions were 3G and 4G, but they accounted for 99% of data consumption

Source: Ericsson Mobility Report, November 2019

Indians spent over 3.5 hours a day on their phones, up 25% over 2017

Source: App Annie



3.5
hours/day



395
million

Smartphone users had 660 million data subscriptions

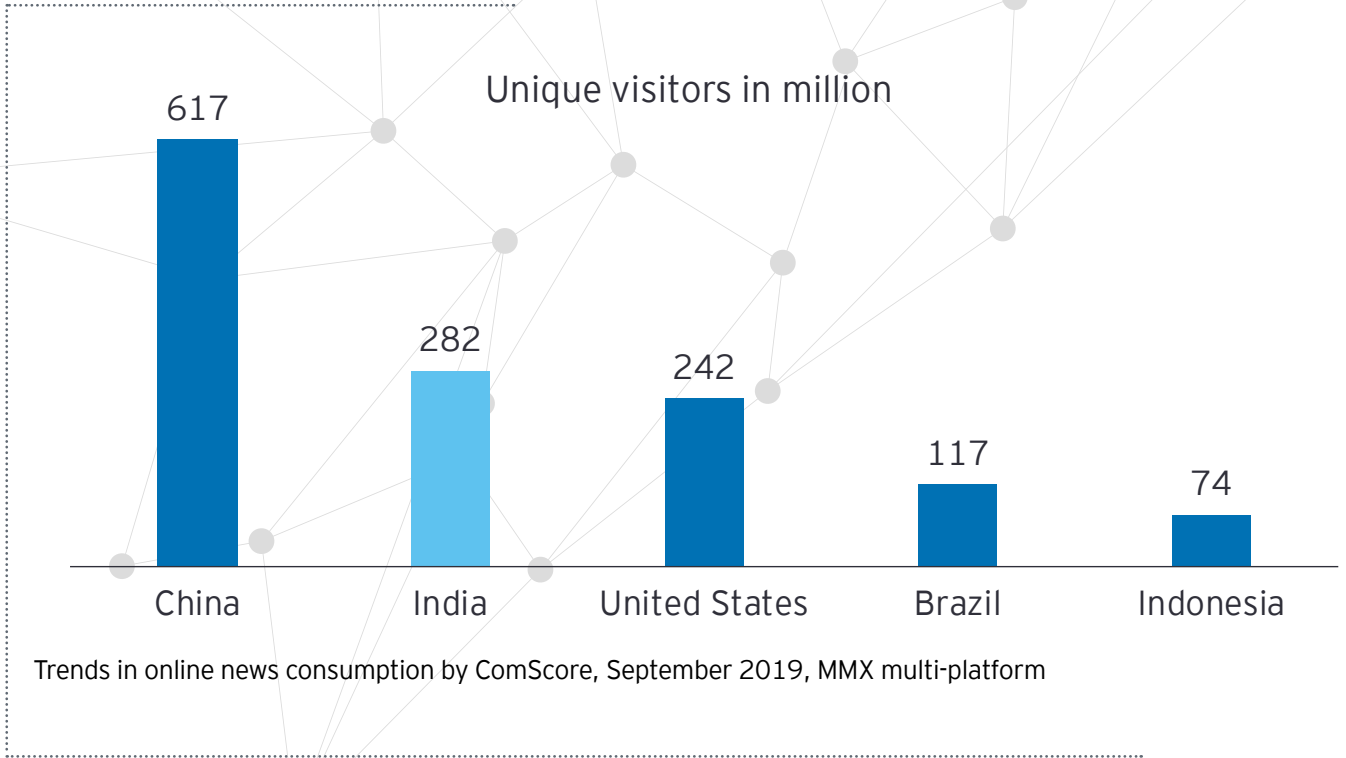
Source: eMarketer, Analysis Mason Feb 2020, Ericsson Mobility Report, November 2019, EY analysis

Average data consumption per month grew 33% in 2019



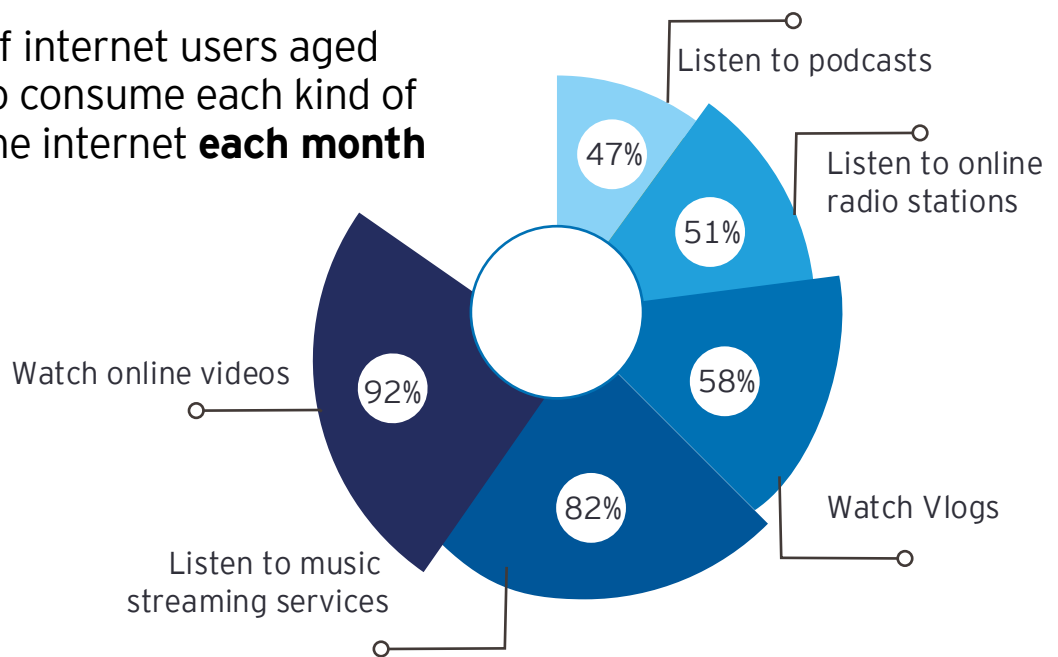
Source: Ericsson Mobility Report, November 2019

India is the **second largest** online news consuming nation in the world



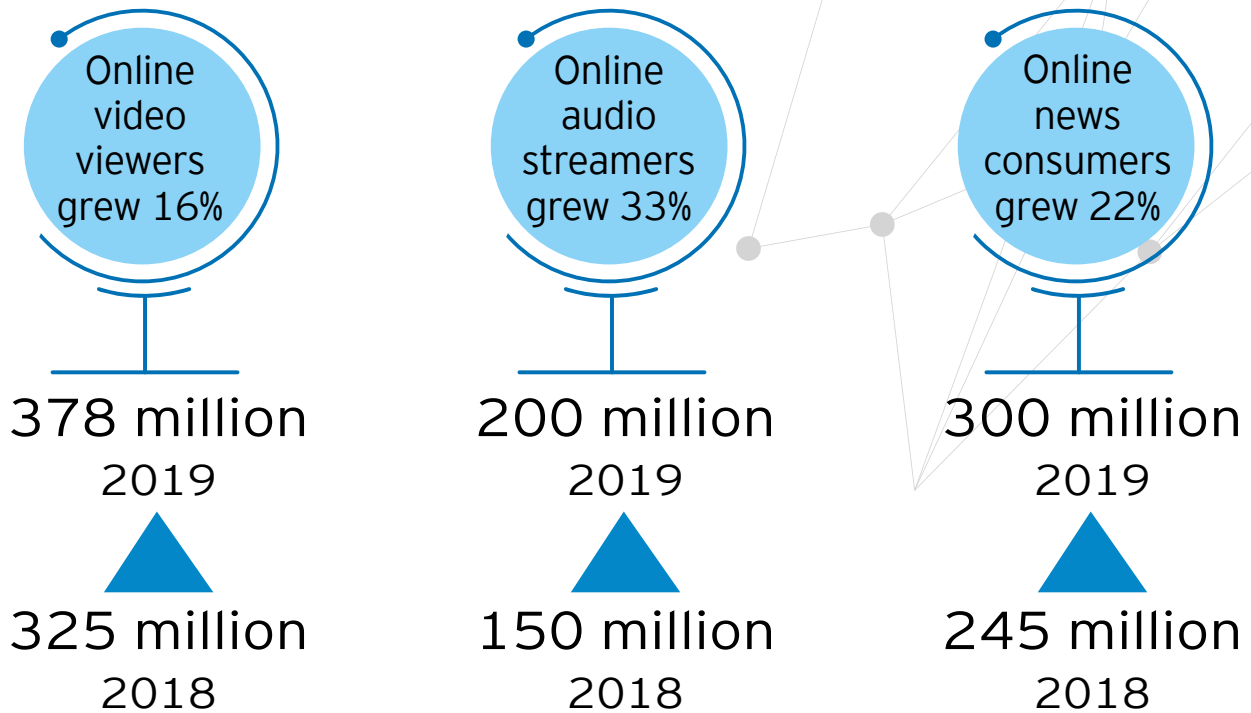
What do Indians do **online**?

Percentage of internet users aged **16 to 64** who consume each kind of content via the internet **each month**



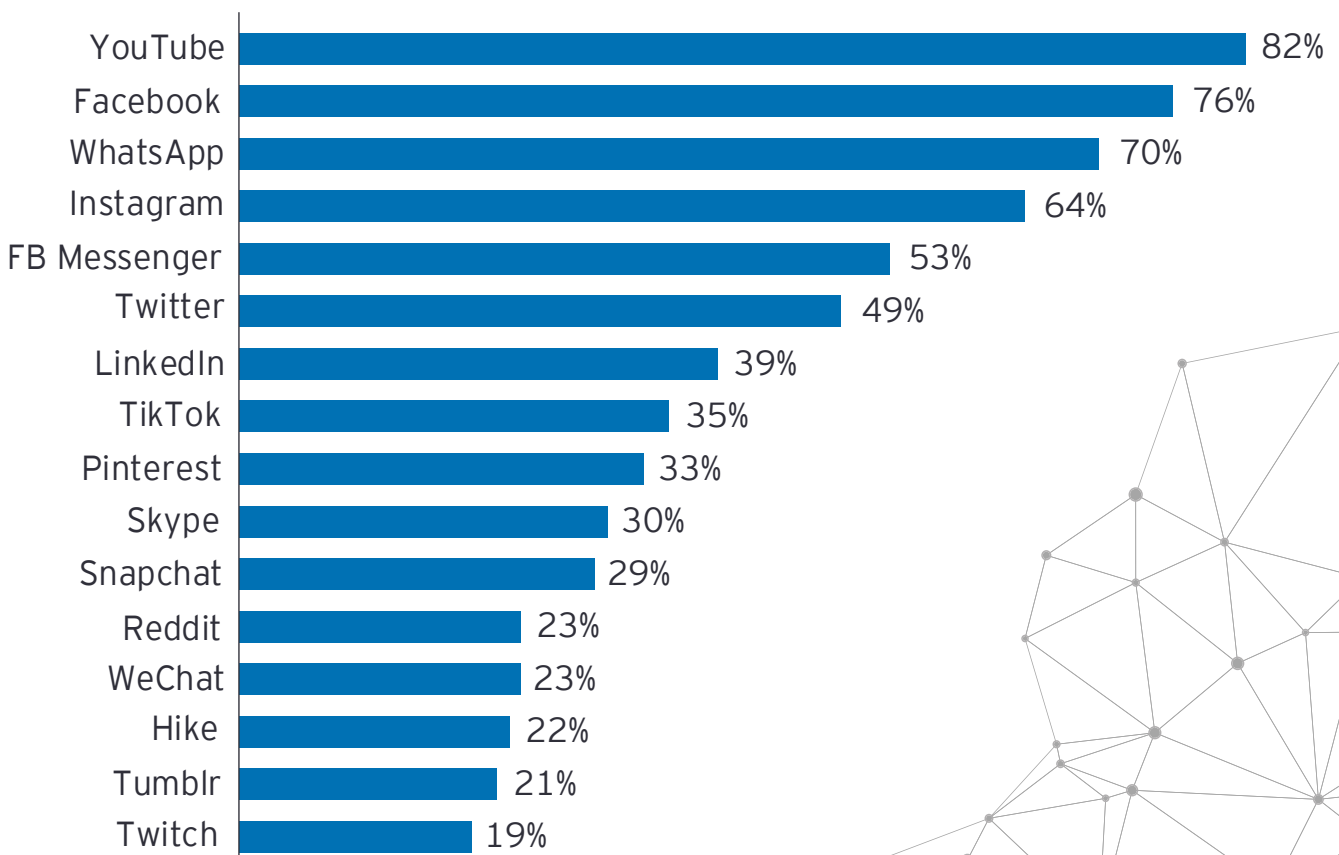
Source: Globalwebindex (q3 2019). Figures represent the findings of a broad survey of internet users aged 16 to 64

Digital **consumption** grew in 2019



EY estimates based on TRAI data, Comscore research and industry discussions

Most popular **social media** platforms in India



Source: Globalwebindex (q3 2019). figures represent the findings of a broad survey of internet users aged 16 to 64

Expert speak



Ajit Mohan
Vice President and Managing Director, India
Facebook

Two big shifts are happening now in media. First, digital platforms now command the biggest scale in daily engagement, more than any other medium. Second, the savviest marketers have understood and experienced the power of advertising whose impact and value, across creative formats, can be clearly measured and tracked on business outcomes. The golden age of advertising on digital has begun in India.



Gaurav Gandhi
Director and Country General Manager
Amazon Prime Video India

The growth of subscription video streaming services in India will continue to accelerate rapidly – backed by continued focus on high quality, cinematic value, local original content; increasing disposable incomes and growing base of discerning customers, with an insatiable appetite for great entertainment, desiring more personalised and world class experiences on the screens of their choice; and aided by the constantly improving & evolving digital payments infrastructure in the country.



Satya Raghavan
Director
YouTube Content Partnerships, India

Online video consumption will continue to explode, and we will see consumption across entertainment, information and learning content. And these engaged audiences will drive overall adex as well.



Nikhil Gandhi
Head
TikTok India

The world has seen a sharp rise in video consumption & more so in short format video which has become a phenomenon. India has witnessed a rapid growth in smartphone users & content creators in conjunction. This new trend of easy content creation & different forms of creativity is waiting to explode.



Neeraj Roy
Founder & CEO
Hungama Digital Media

2020 will mark the start of a 500 million digital subscriptions market in India over the next 5 years, making a \$10 Billion market by 2025. This will be augmented by creativity, innovation and significantly more enhanced and immersive digital entertainment with stories that will touch the breadth, diversity and multiple cultures of our vast nation.



Tarun Katial
CEO
ZEE5

The Indian M&E industry is at the cusp of a consumption boom driven by change in digital media landscape and the increasingly connected rural consumer. Availability of content coupled with affordability of owning devices and convenience of consuming content has forced brands to be increasingly disruptive in the way they talk to a potential consumer. This massive, unparalleled change has the potential to create a trillion customer touch points for brands to leverage. Brands need to conceptualise and create products and services keeping 3 R's in mind: Real, Relevant and Resonant, to find long term value in a business.



Sanjay Gupta

Country Manager India,
Google India

With the democratization of screens, connectivity and growing consumption, there is no better time than now for Creativity to attain reach and scale. The opportunity for content producers will grow exponentially!



Shrishti Arya

Director for International Film
Netflix India

We're excited to be a part of a golden age of storytelling where stories made in India are watched by the world. Consumers love the incredible variety and diversity of these stories-across multiple genres and for every mood and member of the family.



Gautam Sinha

CEO
Times Internet

Today, digital consumption is growing substantially across the media and transaction segments. The greater opportunity for digital businesses lies in driving their audience funnel i.e. move from casual reach to build an engaged, transacting loyal audience across their product portfolio.



Varun Narang

CEO
Hotstar

The big opportunity is to make content two directional, to give the audience a voice. That is the future.



Nachiket Pantvaidya

CEO
Alt Balaji

Content is being consumed digitally; whether movies, catch up soaps or original web-series. The only scalable model in India that we see is built around "Desi Digital" and "OTT massification" via uninterrupted connectivity and near-free pricing for unique narratives in local languages, across tier 2 and tier 3 towns of India.



Archana Anand

Chief Business Officer
ZEE5 Global

Today, great storytelling is no longer confined by language or geography. Audiences are discerning and appreciative of inherently great storytelling, and are discovering content from different countries and cultures via OTT platforms. With Indian content already well loved globally, and with the greater propensity to pay one sees in Global markets, it's a phenomenal time for Indian OTT brands to go global.



Parry Ravindranath
President & Managing Director-
International
Bloomberg Media

India's digital landscape looks very promising in terms of traffic and engagement, but needs to catch up on economics to make it truly thriving and viable. Business models globally are evolving and India has the opportunity and the technological prowess to try and test out new models for growth. For this, the ecosystem will need regulatory support and flexibility to attract investment, which is needed to quicken the pace of innovation.



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

We're extremely bullish on Digital News-especially new age formats which allow us to deliver insightful, engaging news and analysis to our users in near real time as events unfold. This space has been relatively untouched by innovation in the last decade and there's a lot that can be done.



Vinodh Bhat
Co-founder, President and Chief
Strategy Officer
Jio Saavn

Music streaming companies sit at the intersection of the arts, design, engineering, data, business and brand. Our focus in the future is finding the right balance of these components that will lead to great experience for both free + paid users, continued respect for artists + creators and an environment where advertisers can communicate their relevant usefulness to everyday people.



Amarjit Batra
Managing Director- India
Spotify

Audio streaming has moved far beyond the threshold of recreational tune-ins, becoming more intrinsic to India's daily social moods and moments. As it builds steady momentum in national consumer preference, audio streaming will not only offer a second wind to the breakthrough of domestic talent globally, but revolutionize brand communications through audio storytelling.



Ashwin Suresh
Co-Founder
Pocket Aces

The fight for screen-time has intensified more than ever, with the lines between different entertainment options blurring for consumers, pitting traditional media mavens to compete with gaming upstarts and digital-first creators.



Vishnu Mohta
Co-Founder
Hoichoi

The government is paving more ways to ensure a boost of regional language content streaming. OTT platforms rely heavily on internet connectivity and penetration is an important aspect of our growth. I feel regional content has already done its bit of exploding in the entertainment sector, especially the Bengali language-driven content.



Rishika Lulla Singh

CEO
Eros Digital

Success of the Indian OTT eco-system will be dependent on how brands build their micro-niche's. The 'one size fits all' strategy is yesterday's story. This can only be achieved by a delicate balance between content and technology to ensure you are able to serve the several thousand consumer cohorts through real India.



Sunil Nair

CEO, India
Firework

Short format caters to a generation that is short on patience, has a mobile phone in their hands and has commitment phobia towards content that is more than a few minutes long. Already news, information, ideas and entertainment and brand communication is being crafted to cater to this attention deficit audience. It gets exciting from here onwards.



Zulfikar Khan

MD
HOOQ India

The revolution of OTT as a standard medium to consume content in India will gain momentum in terms of mobile network services associations. Consumers seek data packs that are already coupled with OTT subscriptions. The value of good quality, original home-grown regional content is highly appreciated and there is a whole lot to explore in this segment in the coming years.



Puneet Singhvi

President - Digital & Corporate
Strategy
Network18 Media & Investments Ltd.

We believe digital will continue to be a force multiplier for powering growth in the sector. It will benefit from evolving consumer habits, demographics, brand and content innovations and efficiencies in media buying. Regional languages and video will continue to drive growth in the number of advertisers. With the rapid growth in audience brand safety and data will also become important for the ecosystem.

Filmed entertainment



To view more by the artist; click on the picture



Filmed entertainment grew 9.5%

	2018	2019	2020E	2022E
Domestic theatricals	102.1	115.2	126.7	146.4
Overseas theatricals	30.0	27.0	25.0	30.0
Broadcast rights	21.2	22.1	23.2	25.5
Digital / OTT rights	13.5	19.0	23.8	32.8
In-cinema advertising	7.5	7.7	8.0	8.9
Home video	0.2	0.1	0.1	0.0
Total	174.5	191.0	206.7	243.6

INR billion (gross of taxes) | EY analysis

- ▶ In 2019, the filmed entertainment segment grew because of increased domestic theatrical revenues and growth in both rates and volume of digital rights sold
- ▶ Around 1,833 films were released in 2019 (an average of 35 films per week) as compared to 1,776 films last year¹
- ▶ Total screen count continued to fall, though share of multiplex screens increased to 33%
- ▶ As many as 17 Bollywood movies made it to the coveted INR100 crore club in 2019, as opposed to 13 in 2018. Interestingly, six Bollywood movies made it to the INR200 crore club in 2019, as opposed to three last year²
- ▶ Overseas theatrical revenues fell 10% despite more films being released abroad
- ▶ In-cinema advertising maintained its revenues, while physical revenues continued to fall
- ▶ India GBOC of Hollywood films grew 33% over 2018 to reach 13% of total domestic theatrical revenues

Domestic theatricals

Film releases grew 3.3%

1,833 films were released³

- ▶ 1,833 films were released in 2019 as compared to 1,776 films in 2018
- ▶ The highest number of films were released in Hindi (265) followed by Telugu (263)
- ▶ Film releases increased across Hindi, Telugu, Malayalam, English, Gujarati and Oriya, while a reduction of over 10% was witnessed in Punjabi and Tamil films

Film length grew marginally⁴

- ▶ The average length of the 10 longest Bollywood films in 2019 comes to 2 hours 36 minutes vis-à-vis 2 hours 27 minutes in 2018
- ▶ Even though the average duration of the top 10 films increased, 2019 did not witness a single Bollywood film crossing the three-hour mark
- ▶ Interestingly, Avengers: Endgame broke the three-hour mark and was the highest grossing Hollywood movie at Indian box office

1. UFO Moviez Data

2. UFO Moviez Data

3. UFO Moviez Data

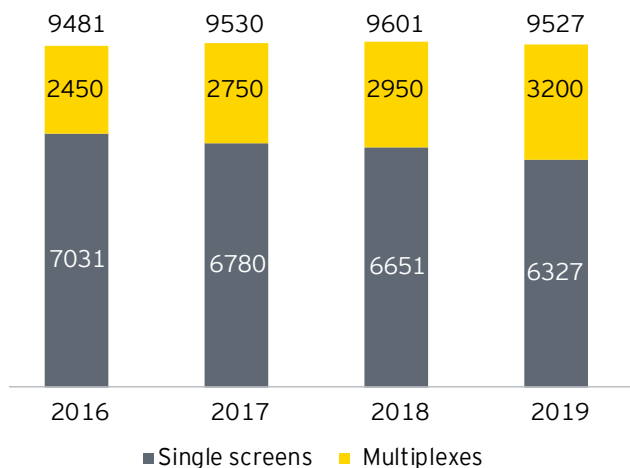
4. https://www.imdb.com/list/ls041664436/?sort=runtime,desc&st_dt=&mode=detail&page=1 ; EY analysis

Film exhibition infrastructure continued to modernize

100 million people watched films in 2019

- ▶ While the overall number of movie-goers has remained constant at around 100 million⁵, a solid content pipeline coupled with multiple initiatives by film exhibitors drove higher repeat footfalls, which witnessed an increase of 11.6% in 2019⁶
- ▶ There are 400-450⁷ towns with theatres across India and many of these towns lack other outdoor leisure options
- ▶ The theatre experience remains a relatively premium experience in India and a majority of Indians (over 600 million by our estimates) watch films on television

Screen count continued to fall

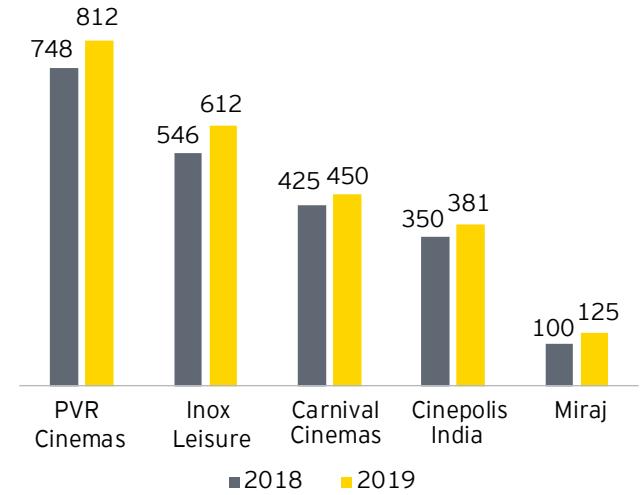


UFO Moviez and EY estimates

- ▶ Despite India being one of the most under penetrated nations in the world in terms of screen density, total screens decreased by 74 in 2019
- ▶ The decline was fuelled by the continuing shut down of single screens, primarily in the Hindi heartland, as films continued to be created for upper class / multiplex audiences and perhaps such films resonate less with non-metro audiences

5. EY Estimates based on industry discussions and ticket sales data
6. Rewind 2019: Great year for the box office with over a billion tickets sold: <https://www.cinestaan.com/articles/2020/feb/15/24522/103-billion-movie-tickets-were-purchased-last-year-by-indians-ormax-media-report> accessed on 17th February 2020
7. Small towns to star in multiplex growth story: <https://www.livemint.com/industry/media/small-towns-to-star-in-multiplex-growth-story-1568400618748.html> accessed on 13 February 2020

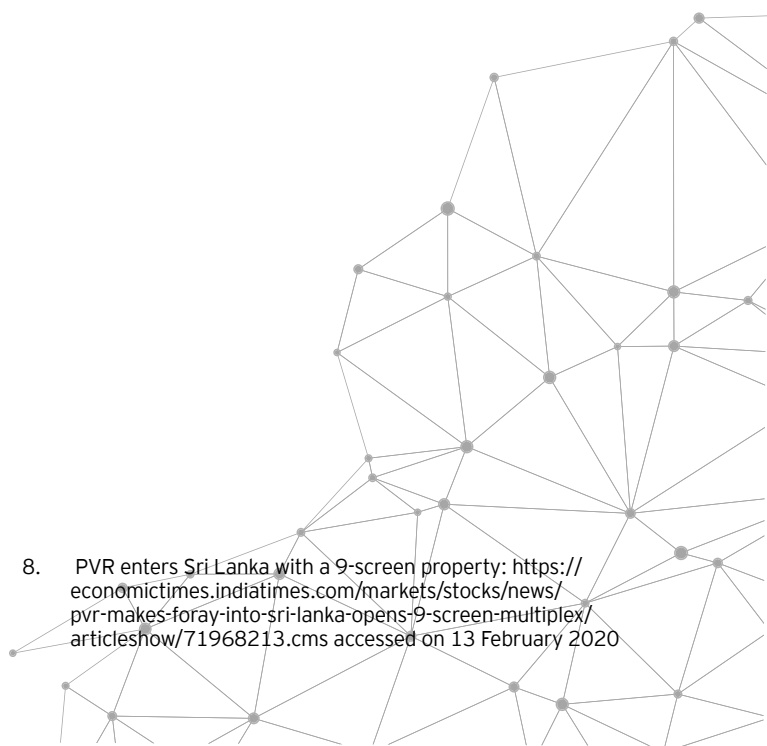
Net screen count-leading multiplex chains



PVR & Inox Investor Presentation and Industry discussions conducted by EY

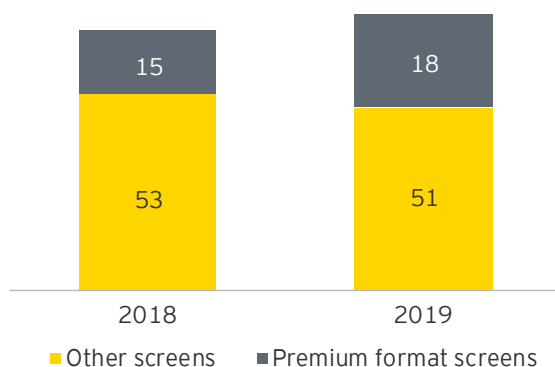
- ▶ The decline in single screens was partially offset by the increase in number of multiplex screens – PVR added 69 new screens, Inox added 69 new screens, Cinepolis added 42 new screens and Miraj Cinemas added 25 new screens in 2019
- ▶ Regional language films, which are created for the masses, flourished at the single screens as well in their respective territories
- ▶ Multiplexes also ventured into select international markets closer to home with PVR entering the film exhibition space in Sri Lanka with the launch of a nine-screen property in Colombo that boasts of its premium formats such as PVR Luxe and PVR Playhouse⁸

8. PVR enters Sri Lanka with a 9-screen property: <https://economictimes.indiatimes.com/markets/stocks/news/pvr-makes-foray-into-sri-lanka-opens-9-screen-multiplex/articleshow/71968213.cms> accessed on 13 February 2020

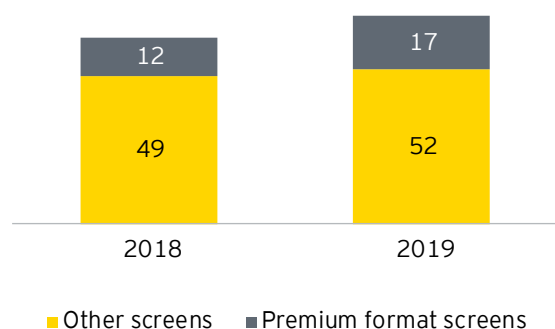


Focus on multiple formats in a single property increased

PVR Cinemas: new screen additions



Inox Leisure: new screen additions



PVR & Inox Investor Presentations and Industry discussions conducted by EY; PVR luxury format screens are those opened till January 23, 2020

- ▶ Leading multiplexes continued to add premium film viewing formats in 2019 to better cater to their core audiences
 - ▶ About a quarter of screen additions by leading multiplexes were in the premium format
 - ▶ Inox fitted their theatres with laser projection format screens with 300% enhanced picture quality, surround sound with Dolby Atmos and Volfoni smart crystal diamond solutions with 3D screens
9. INOX's new 11-screen Megaplex wants to change how Mumbai experiences films: <https://economictimes.indiatimes.com/magazines/panache/inoxs-new-11-screen-megaplex-wants-to-change-how-mumbai-experiences-films/articleshow/72739064.cms?from=mdr> accessed on 13 February 2020
 10. PVR launches Delhi's biggest superplex: <https://www.livemint.com/news/india/pvr-launches-delhi-s-biggest-superplex-11573462661183.html> accessed on 13 February 2020
 11. Cinepolis launches 10-screen megaplex in Bengaluru with cutting-edge tech: <https://www.thenewsminute.com/article/cinepolis-launches-10-screen-megaplex-bengaluru-cutting-edge-tech-97931> accessed on 13 February 2020
 12. Small towns to star in multiplex growth story: <https://www.livemint.com/industry/media/small-towns-to-star-in-multiplex-growth-story-1568400618748.html> accessed on 13 February 2020

- ▶ PVR, along with Samsung, launched India's first PVR Onyx, where the entire screen is an LED and no traditional projection system is involved
- ▶ PVR also partnered with motion technology companies to make theatre seats sway and jerk according to on-screen action in their 4DX offering
- ▶ Multiplexes have started operating a mix of regular, premium and kid-focused screens in a single property to cater to a wider variety of audience and thus boost property-level occupancy rates
 - ▶ Inox launched a 11-screen mega-plex in Mumbai featuring multiple film viewing formats such as IMAX, ScreenX, MX4D, Onyx LED, Kiddles and INSIGNIA, making it one of its kind globally⁹
 - ▶ PVR launched a 12-screen super-plex in Delhi's developing Dwarka area¹⁰, with formats such as IMAX, 4DX, Playhouse and Luxe
 - ▶ Cinepolis launched the IMAX & Junior format at its 10-screen megaplex in Bangalore¹¹

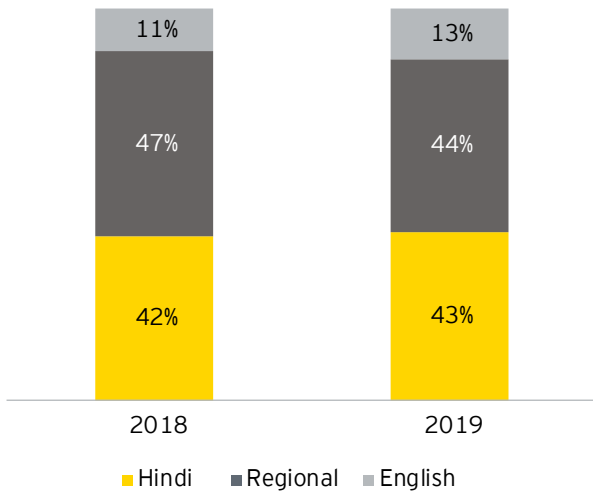
Small towns got more relevant in the multiplex growth story

- ▶ Leading multiplex chains are currently present in 65-70 cities whereas films release in about 400-450 towns across India¹², indicating considerable headroom available for future expansion
 - ▶ Multiplexes are selecting populous towns with a catchment of over 300,000-400,000¹³ and entering with formats that offer a wholesome experience to its value conscious patrons
 - ▶ PVR launched its first three-screen property in Madhya Pradesh's Satna under its sub-brand PVR Utsav, an exclusive offering for tier 2 and 3 markets
 - ▶ Inox launched new properties in Lucknow and Jalandhar
 - ▶ Carnival Cinemas announced plans to open 30 screens across Jammu & Kashmir and 5 more in the Ladakh region¹⁴
13. Small towns to star in multiplex growth story <https://www.livemint.com/industry/media/small-towns-to-star-in-multiplex-growth-story-1568400618748.html> accessed on 13 February 2020
 14. After abrogation of Article 370, Carnival Cinemas to open 30 screens in Jammu and Kashmir, 5 in Ladakh: <https://www.hindustantimes.com/bollywood/after-abrogation-of-article-370-carnival-cinemas-to-open-30-screens-in-jammu-and-kashmir-5-in-ladakh/story-RfHwSwl0Yv3nITTSfU9TII.html> accessed on 13 February 2020

Revenue mix changes

Share of English and Hindi movies increased

Approximate language composition of domestic theatricals



Industry discussions; EY estimates

- ▶ The domestic theatrical market grossed INR115 billion in 2019 as against INR102 billion in 2018
- ▶ With Gross Box Office Collection (GBOC) of INR49.5 billion¹⁵, 2019 recorded the highest collections ever for Hindi theatricals at the box office
- ▶ Hindi films contributed approximately 43% of the GBOC, despite comprising only 14% of films released
- ▶ Films in other regional languages, which accounted for 80% of films released in 2019, contributed approximately 44% to the GBOC¹⁶
- ▶ Hollywood and international films comprised the balance
- ▶ The top 10 Hindi films of 2019 earned a GBOC of INR25.6 billion contributing 52% of total Hindi GBOC¹⁷

15. Industry discussions and EY analysis

16. EY analysis

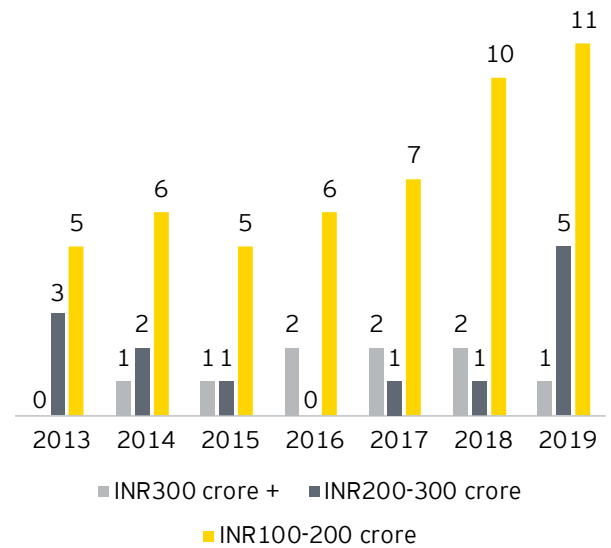
17. Discussions with Producers Guild

18. Producers Guild of India, Ormax Media and EY analysis

19. EY estimates

200 is the new 100

Number of releases by box office revenue

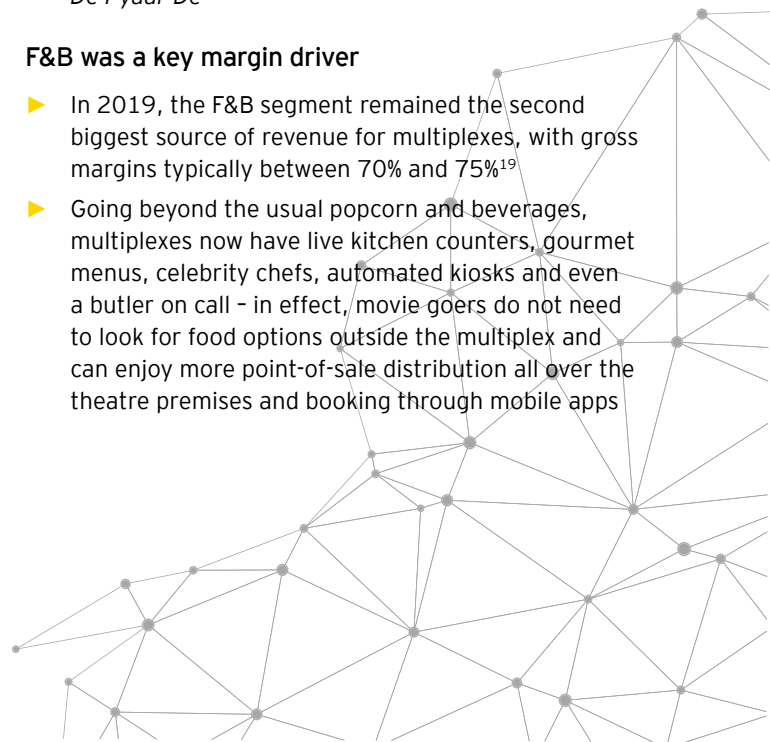


UFO Moviez

- ▶ 17 Hindi films entered the coveted INR100 crore club in 2019, which is the highest ever; there were 13 such films in 2018
- ▶ Six films grossed INR200 crore and above in 2019, another record
- ▶ In addition, four Hollywood films entered the INR100 crore club and one film grossed over INR400 crore
- ▶ War emerged as one of India's all-time blockbusters earning a GBOC of INR3.4 billion¹⁸ at the box office followed by *Kabir Singh*, *Uri-The Surgical Strike*, *Bharat*, *Mission Mangal*, *Good Newz*, *Housefull 4*, *Kesari*, *Total Dhamaal*, *Chhichhore*, *Super 30*, *Dabangg 3*, *Saaho*, *Dream Girl*, *Gully Boy*, *Bala* and *De De Pyaar De*

F&B was a key margin driver

- ▶ In 2019, the F&B segment remained the second biggest source of revenue for multiplexes, with gross margins typically between 70% and 75%¹⁹
- ▶ Going beyond the usual popcorn and beverages, multiplexes now have live kitchen counters, gourmet menus, celebrity chefs, automated kiosks and even a butler on call - in effect, movie goers do not need to look for food options outside the multiplex and can enjoy more point-of-sale distribution all over the theatre premises and booking through mobile apps



- ▶ PVR and Inox also partnered with food delivery platforms such as Swiggy and Zomato to deliver their F&B offerings
- ▶ Globally, the ratio of ticketed and non-ticketed revenues is typically 1:1 whereas in India, non-ticketed revenues are typically 40-50% of ticketed revenues for larger multiplex chains, indicating significant scope of future growth²⁰

Multiplexes became event destinations

Multiplexes positioned themselves as destinations for events – exclusive parties, franchisee meets, product launches, live events, birthday parties, etc.

- ▶ Inox partnered with the International Cricket Council to do a live telecast of select matches across its major properties
- ▶ It also partnered with the NBA to introduce numerous NBA elements such as co-branded inflatables and popcorn buckets, NBA posters and NBA jersey wall displays into select screens across India
- ▶ PVR introduced PVR Home, a private screening room concept that brings together commercially acclaimed films and their makers to select patrons
- ▶ It also has a weekly calendar of live performances, which include jazz bands and stand-up acts

Loyalty programs enabled multiplexes to closely interact with patrons

Loyalty programs are increasingly aiding multiplexes to extensively engage with their customers, understand customer preferences and make their patrons feel valued, providing varied benefits such as free cancellations, free tickets, subsidized F&B, bonus points and personalized offers:

- ▶ PVR Privilege crossed 10 million members in 2019²¹, aimed at offering its members an array of first-class redemption opportunities and enhanced benefits
- ▶ Inox launched its Inox Rewards loyalty program that offers varied benefits
- ▶ Cinépolis offers a continuous customer engagement program through Club Cinépolis that allows its patrons to earn and burn points on movie tickets and F&B

20. Industry discussions conducted by EY

21. PVR Investor Presentation

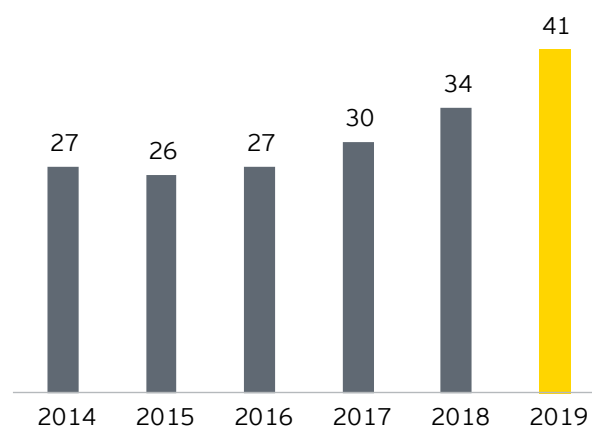
22. <https://www.news18.com/news/movies/yearender-2019-bollywood-biopics-and-patriotic-movies-at-an-all-time-high-2408951.html> ; <https://www.news18.com/news/movies/here-are-10-upcoming-patriotic-films-to-keep-your-josh-high-till-2020-2271087.html>

23. <https://timesofindia.indiatimes.com/entertainment/hindi/bollywood/news/sajid-nadiadwala-content-is-king-but-stars-not-fading/articleshow/70931629.cms>

Language trends

Bollywood films

BOC of top 50 domestic films (INR billion)



Producers Guild and EY analysis

Biopics and patriotic films gained popularity²²

- ▶ The year 2019 started with a movie that established a trend that was to stay for long - Uri: The Surgical Strike, followed by several other patriotic films like Kesari, Bharat, Mission Mangal, Romeo Akbar Walter, etc.
- ▶ Biopics also made a mark in 2019, with releases like Manikarnika, The Accidental Prime Minister, Super 30, Saand Ki Aankh, etc. though not all the biopics did well at the box office

Content > Star power

- ▶ Success of films like Uri, Dream Girl, Bala, Chhichore, etc. proved that the audience is no longer attracted only to star cast driven commercial film products
- ▶ Star power does ensure a film opens well, but it is content that drives success. In 2019, movies like Kalank, Sky is Pink, etc. witnessed a nominal difference between box office collections on the opening day vis-à-vis end of the week²³

Women-centric films continue to hit the box office

- ▶ Over the past few years Bollywood has been consistently delivering successes with woman-centric films, however 2019 saw a dearth in such successful films
- ▶ Movies like Manikarnika, Saandh ki Aankh, Mardaani 2, Sonchiriya, etc. were critically appreciated, but the biggest hits of 2019 continued to be multi-star cast films such as War, Kesari, Housefull 4, Super 30 etc²⁴.

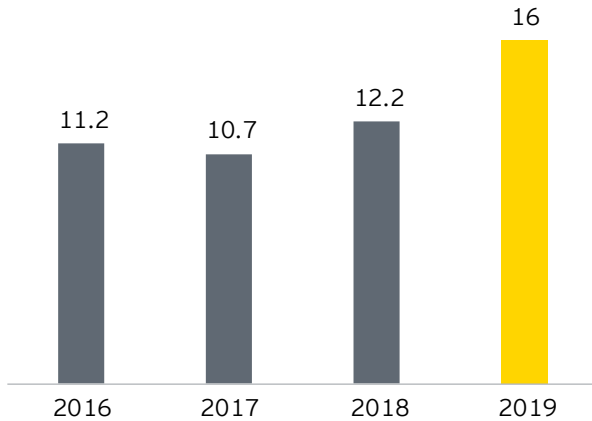
24. <https://www.filmcompanion.in/women-in-bollywood-in-2019-the-good-disappointing-and-ridiculous/> ; <https://www.shehepeople.tv/film-theatre/2019-women-centric-films-bollywood>

Direct-to-digital debuts

- ▶ Several film makers released small and low budget films directly on OTT platforms - we estimate over 50 such films in 2019²⁵
- ▶ Unlike in previous years when factors such as unviable marketing, promotion and distribution costs, unavailability of distributors / scepticism on recovery of distribution costs, inappropriate content, etc. lead to a film landing on OTT platforms, films such as *Chopstick*, *House Arrest*, *Soni*, etc. were created specifically for direct release on OTT platforms

Hollywood films

GBOC of top 10 Hollywood films (including dubbed versions) (INR billion)



Ormax Media Report

- ▶ 108 Hollywood films were released in 2019 as compared to 98 in 2018²⁶ and their GBOC grew 33% over 2018 (including dubbed versions)
- ▶ *Avengers: Endgame* was not only the first Hollywood movie to gross INR4 billion but also turned out to be India's highest Hollywood grosser of all time; its GBOC of INR4.3 billion contributed 28% of the GBOC of Hollywood in India²⁷
- ▶ 2019 also had three other Hollywood movies which were in the top 10 highest grossing movies of all time - *The Lion King* with a GBOC of INR1.8 billion, *Spider-Man: Far From Home* with INR1 billion and *Captain Marvel* with INR1 billion²⁸

25. EY estimates based on EY's production audit services team; may not represent the entire universe of such films

26. UFO Moviez data

27. Producers Guild of India and EY analysis

28. Ormax Media Report

29. <https://www.livemint.com/industry/media/hollywood-hits-the-bull-s-eye-at-india-box-office-in-2019-11579066824338.html>

30. Film release data from UFO Moviez; GBOC from Ormax Media

- ▶ This growth has been possible due to the efforts of foreign studios to localize and market films for Indian audiences by releasing the film in multiple Indian languages, engaging with popular Indian stars to dub and promote local versions, hiring Indian film writers to script Indian versions, etc.
- ▶ Hollywood films, which release primarily in 2K cinema screens in India, often threaten the business of big-ticket Bollywood films despite the lower number of such screens²⁹

Regional films³⁰

1,460 regional language films were released in 2019, contributing to 80% of films released in India and generated INR50.4 billion in domestic theatricals vis-à-vis INR47.9 billion in 2018³¹.

Marathi

- ▶ 118 Marathi films were released in 2019, the same number as in 2018, while domestic GBOC of Marathi films fell to INR1.1 billion from INR2 billion in 2018

Gujarati

- ▶ 63 Gujarati films were released in 2019, a 26% increase over the 50 films released in 2018
- ▶ Domestic GBOC of Gujarati films in 2019 was around INR0.62 billion, a marginal growth of 3.33% when compared to 2018
- ▶ *Hellaro*, released in November 2019, was the first film in the history of Gujarati cinema to win a National award³²

Telugu

- ▶ 263 Telugu films were released in 2019, a 11% increase over the 238 films released in 2018
- ▶ Domestic GBOC of Telugu films³³ in 2019 was around INR14 billion, a growth rate of 1.4% when compared to 2018
- ▶ Several films like *Sahoo*, *Fun & Frustration (F2)*, *Maharshi* and *Sye Raa Narasimha Reddy* earned worldwide gross revenue of above INR1 billion³⁴

31. EY analysis

32. <https://www.firstpost.com/entertainment/hellaro-national-award-winning-gujarati-film-is-a-beautiful-ode-to-female-desire-and-defiance-7678081.html>

33. Including all films dubbed in Telugu except Hollywood

34. Travel2films data

Tamil

- ▶ While only 215 Tamil films were released in 2019 vis-à-vis 243 films in 2018, Tamil domestic GBOC witnessed a healthy growth of 13.8% in 2019 to reach INR14.6 billion³⁵
- ▶ Several films like Bigil, Petta, Viswasam, Kanchana 3, Ner Konda Parvai, Asuran and Kaithi enjoyed global revenues of over INR1 billion

Punjabi

- ▶ 2019 saw 29% fall in the number of films released as compared to 2018, yet Punjabi films earned domestic GBOC of INR2.5 billion in 2019, more than the INR2.20 billion they earned in 2018
- ▶ The top Punjabi films of 2019 included Shadaa, Ardaas Khan, Chal Mera Putt, Muklawa and Manje Bistre 2³⁶

Kannada

- ▶ 223 Kannada films were released in 2019 vis-à-vis 197 films in 2018
- ▶ Kannada film industry enjoyed a revenue growth of approximately 36%, with domestic GBOC reaching INR5.2 billion vis-à-vis INR3.8 billion in 2018
- ▶ Kannada cinema won 13 awards in 2019, which is the highest for the industry³⁷
- ▶ 2019 saw the release of movies like Kurukshetra and Pailwaan in Tamil, Telugu, Malayalam and Hindi, enabling both films to earn worldwide gross revenues of above INR1 billion³⁸
- ▶ Additional revenues were earned by uploading films dubbed into Kannada on YouTube without theatrical release³⁹

Challenges to growth continue

- ▶ The number of screens in India continues to fall as content is being created to cater to the top 100 million consumers only; hence mass Hindi content audiences are not being served
- ▶ In addition, opening theatres is a long and tedious process due to difficulties in obtaining licenses in a time bound manner, which restricts the willingness of new players to enter the industry and limits the speed of expansion of existing players
- ▶ Slowdown in the real estate sector has also impacted launch dates for several projects

OTT vis-à-vis theatre

- ▶ Despite the over 100% growth in OTT subscription revenues, 20% growth in broadband subscribers and over 4 million connected smart television sets, 2019 witnessed the best-ever revenues and footfalls in theatres⁴⁰
- ▶ While some see OTT as a threat to theatre, it is equally true that OTT also drives people to theatres, particularly fans of older sequels of franchise movies to watch the release of a new one
- ▶ Established industry norms are undoubtedly being challenged, but so long as reasonable windows are maintained, we believe we could see the co-existence of both theatres and OTT platforms in the long run⁴¹

35. Travel2Films Data

36. <https://www.ghaintpunjab.com/ghaintpunjab/Article/32373/highest-grossing-punjabi-movies-2019>

37. Travel2Films

38. Travel2Films and <https://m.imdb.com/list/ls045595948>

39. Travel2Films

40. <https://m.economictimes.com/industry/media/entertainment/will-over-the-top-streaming-services-hit-multiplexes/articleshow/71447968.cms>

41. <https://brandequity.economictimes.indiatimes.com/news/media/are-ott-platforms-taking-over-theatrical-experience/73887372>

Overseas theatricals

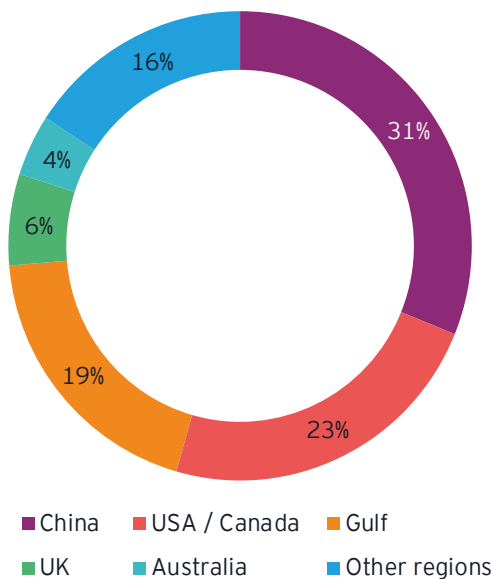
Overseas theatricals de-grew⁴²

- ▶ Overseas theatrical market de-grew to INR27 billion in 2019, primarily as films with super stars (which typically drive overseas revenues) didn't perform as well in 2019
- ▶ Bharat was the highest grosser of 2019 with INR0.8 billion in overseas revenues, followed by Gully Boy which collected INR0.7 billion
- ▶ Certain movies which did not do well at the Indian box office surprisingly did well in the overseas market such as Kalank, Badla and Chhichore with collections of INR509 million, INR332 million and INR248 million respectively

China and USA/Canada region contributed the most to revenues

- ▶ During 2019, 350 films were released overseas, up from 332 films in 2018⁴³
- ▶ China, USA/Canada and Gulf regions comprised over 70% of total overseas theatrical revenues⁴⁴
- ▶ A total of seven Indian films were released in the Chinese mainland in 2019 which generated INR5.2 billion, a 71% drop from INR17.9 billion in 2018⁴⁵

Approximate composition of overseas theatricals



EY estimates

42. <https://timesofindia.indiatimes.com/entertainment/hindi/bollywood/box-office/bollywood-films-see-dull-results-in-the-overseas-market-in-2019-salman-khans-bharat-ranks-first-in-top-grossers/articleshow/71307709.cms>; Comscore

43. Comscore

Broadcast rights

- ▶ Revenues from sale of broadcasting rights grew from INR21 billion in 2018 to INR22 billion in 2019
- ▶ Industry discussion indicate that rights values of new movies increased as broadcasters required them to build subscription revenues in the post NTO television era; however, rights values of library films reduced

44. Box office India, IMDB and EY estimates

45. <https://www.globaltimes.cn/content/1175107.shtml>

Digital / OTT rights

- ▶ Digital rights continued to grow in 2019 with an increase in revenues from INR13.5 billion in 2018 to INR19 billion in 2019⁴⁶ driven by a growth in both rates and volumes of films purchased
- ▶ Amazon Prime acquired the digital rights for 12 of the 30 highest grossing Hindi films of 2019, followed by Netflix (9 films), Zee5 (8 films), Hotstar (3 films)⁴⁷

Regional rights values grew significantly

- ▶ Digital and satellite rights of the movie Bigil were sold at INR0.45 billion, creating a new record for the star, Thalapathy Vijay⁴⁸
- ▶ Tollywood cinema film makers sold the satellite rights of NTR Kathanayakudu and Sye Raa Narasimha Reddy for INR0.25 billion and INR0.20 billion respectively⁴⁹
- ▶ In their race to grab regional eyeballs, OTT platforms picked up Gujarati movie rights at prices ranging from INR2.5 - INR8 million⁵⁰

Digital release windows shortened

- ▶ Digital release windows shortened in 2019 with some movies releasing on OTT platforms even before their release on television, such as Kabir Singh, which was released on 19 September 2019 on Netflix and on 29 September on television⁵¹
- ▶ Bollywood movies are often released on OTT platforms within eight weeks of their release in cinemas, but this year saw Sonchiriya releasing in theatres on 1 March 2019 and on Zee5 by 18 March 2019
- ▶ In 2019, the digital release window for regional cinema also shrunk⁵² :
 - ▶ Tamil film Kaithi released in theatres on Deepavali (25 October 2019) and was streamed on OTT by 25 November 2019
 - ▶ Many Telugu films were legally streamed online within two months of their theatrical releases⁵³
 - ▶ The Gujarati film Saheb also saw a digital release within two months of its theatrical release⁵⁴

46. EY analysis basis industry discussions

47. <https://www.exchange4media.com/media-others-news/how-the-rise-of-ott-platforms-has-become-a-boon-for-films-99129.html>

48. <https://timesofindia.indiatimes.com/entertainment/tamil/movies/news/bigil-digital-and-satellite-rights-of-vijays-film-sold-for-a-whopping-price/articleshow/71593533.cms>

49. <https://www.indiatoday.in/movies/regional-cinema/story/ntr-kathanayakudu-s-satellite-rights-sold-for-a-whopping-price-1421824-2019-01-02>

50. <https://epaper.timesgroup.com/Olive/ODN/TimesOfIndia/shared/ShowArticle.aspx?doc=TOIA%2F2019%2F04%2F12&entity=Ar02102&sk=95C07F93&mode=text>

51. <https://www.moneycontrol.com/news/trends/entertainment/the-rise-of-otts-how-the-indian-film-industry-effectively-used-online-platforms-in-2018-3338851.html> ;EY analysis based on industry discussions

52. <https://www.thehindu.com/entertainment/movies/whats-the-future-for-cinema/article30180818.ece>

53. <https://www.thenewsminute.com/article/year-controversy-and-new-trends-telugu-film-industry-2019-114913>

54. <https://epaper.timesgroup.com/Olive/ODN/TimesOfIndia/shared/ShowArticle.aspx?doc=TOIA%2F2019%2F04%2F12&entity=Ar02102&sk=95C07F93&mode=text>

Jio's promised First-Day-First-Show service is yet to launch

- ▶ The Jio First-Day-First-Show service, which promises subscribers the ability to watch movies from the comfort of their homes the same day on which they are released, is yet to launch
- ▶ We believe its success will depend on which film producers and distributors agree to participate in this new window, what they would charge Jio for it and the price Jio would in turn charge its customers
- ▶ Industry discussions indicated that some believed that theatres would not be impacted if this service fructified, as theatres have relevance as a family and social meeting point⁵⁵
- ▶ Others believed that the demand for First-Day-First-Show would come from an extremely small base of elite and moneyed subscribers
- ▶ Though there are slim chances of theatre footfalls declining immediately, the impact of a same day digital release would need to be understood in the medium term, due to the overlap between the multiplex audience and the home theatre and connected TV audience⁵⁶

In-cinema advertising

- ▶ In-cinema advertising grew marginally in 2019 to reach INR7.7 billion
- ▶ Multiplexes and advertising aggregators have started signing long-term deals with brands; earlier brands would opt for weekly deals and extend deals depending on the success of the film, but now the brands are open to entering into 12-week deals⁵⁷ leading to higher utilization
- ▶ Further, multiplexes are developing customized solutions and on-ground activation campaigns for brands
- ▶ The duration of on-screen cinema advertising has grown to up to 17-20 minutes per show⁵⁸
- ▶ Aggregators managed over 70% of screens for advertising purposes⁵⁹

Home video

- ▶ Home video segment continued to decline on account of digital availability of content at inexpensive rates, content bundled by telecom and e-commerce platforms and side loading of pirated content

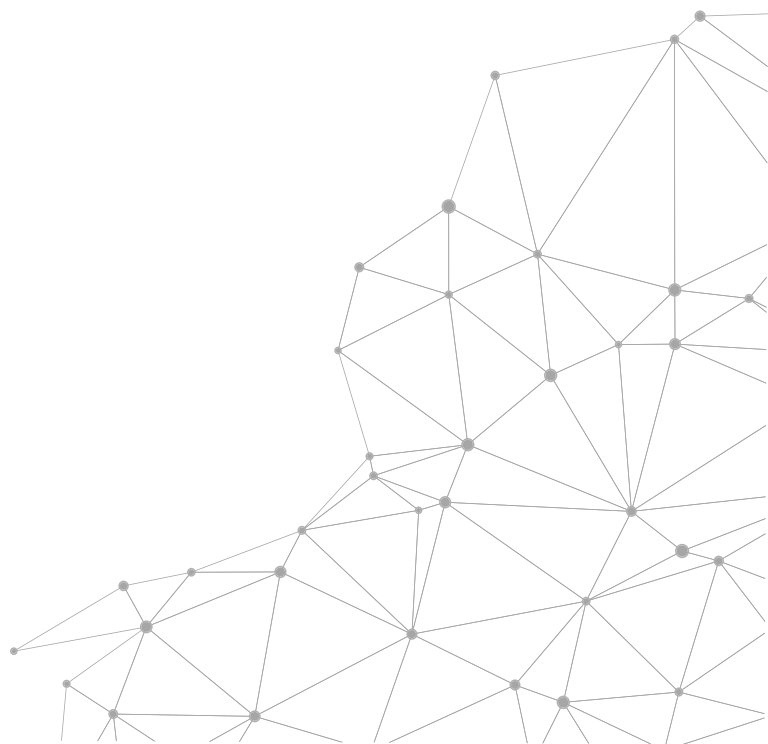
55. <https://bestmediainfo.com/2019/08/is-jio-first-day-first-show-a-threat-to-india-s-film-exhibition-industry/>

56. <https://economictimes.indiatimes.com/markets/stocks/news/jios-first-day-first-show-may-not-hit-multiplex-footfalls/articleshow/71090834.cms?from=mdr>

57. Multiplex chains looking at newer sources of revenues: <https://www.businesstoday.in/current/corporate/multiplex-chains-looking-at-newer-sources-of-revenues-indian-film-industry-media-and-entertainment/story/382150.html> accessed on 13 February 2020

58. How multiplex chains are looking at newer sources of revenue: <https://www.businesstoday.in/current/corporate/multiplex-chains-looking-at-newer-sources-of-revenues-indian-film-industry-media-and-entertainment/story/382150.html> accessed on 13 February 2020

59. UFO Moviez





Future outlook

Focus on immersive content and experiences

- ▶ The paid OTT subscriber base is around 10 million today, while the theatre going audience is 100 million, but as the former grows to 20 and then 30 million, the theatrical experience will require to remain relevant
- ▶ In order to stay relevant and better serve its premium audiences, the film segment will move towards movies with more visual effects, higher quality camera work, super hero / action-oriented themes that are better viewed on larger screens
- ▶ It will invest in technological innovations like newer formats, larger screens, better quality projection and sound systems, including virtual and augmented reality film making, to render the process more immersive and create a compelling proposition for a night at the cinema
- ▶ Given this, certain genres of films could end-up with digital releases only

A Hindi-mass product

- ▶ In order to grow the 100 million theatre audience in India and bring forward the next 50 million theatre-goers, the industry will create more Hindi-mass content that will appeal to a wider audience and release this content at low cost venues with affordable pricing below INR100 per person including F&B

Digital / OTT rights will continue to grow

- ▶ Apart from providing content diversity, the power of choice and seamless accessibility, OTT makes for a more convenient and engaging medium of entertainment delivery and consumption and these factors will continue to drive up consumption and, in consequence, the demand and prices of digital rights
- ▶ Geography is not an issue for OTT, and that will act as a boon for regional film rights as they gain access to their native-language diaspora in other states, leading to increased rates for regional titles
- ▶ International digital rights contribution will increase (as India produces more content for the world, not just the Indian diaspora) on the back of international content platform launches and growth in countries served

Polarization of broadcast rights

- ▶ As release windows further shorten - particularly for digital consumption as compared to television - this could impact the ability of films to generate viewership on television, particularly from repeat telecasts
- ▶ On the other hand, movie channels have seen a fall in reach and viewership post implementation of the NTO in February 2019
- ▶ Subscription-based television channels rely on new films to keep their customers and hence, broadcast rights of new films could increase in value while library values could rationalize

Global trends

Global box office hits new record

- ▶ Global box office revenue hit a record US\$42.5 billion in 2019, despite a mixed performance in North America, where combined ticket sales were US\$11.4 billion, a 4% decline from 2018, according to Comscore. This is the sharpest decline in the last five years as a number of franchise instalments faltered. Overall growth was fuelled by an up tick at the foreign box office, with US\$31.1 billion in revenue. Foreign markets seeing gains included China, Japan, France, Germany, Russia, Brazil and Italy, among others. In the US and worldwide, the 10 biggest movies of the year were either a sequel, a remake or based on an existing property.

AI slowly embraced by film makers

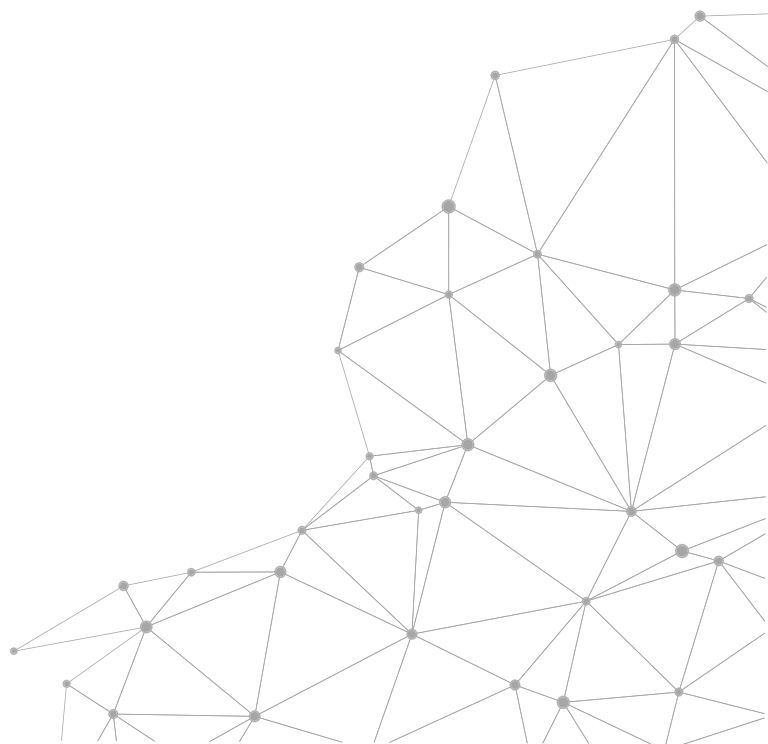
- ▶ AI is playing a bigger role in content discovery, production and marketing. Advanced algorithms have the capability to automatically render advanced visual effects. AI, therefore, helps creative artists channelize their efforts in the right direction rather than editing an effect. Apart from the editing and performance sides of the film making process, AI will be used to decide whether a film should be developed or not.

Movie theatre chains providing enhanced customer experience

- ▶ In an effort to boost revenues, theatre operators are focusing on offering immersive experiences, investing heavily in upgrading screens to include high-quality audio and visual equipment as well driving engagement through innovative technology, such as AR and VR among others. Theatres are also experimenting with new revenue models such as dynamic/variable pricing (where ticket prices fluctuate depending on the movie or time of day) and subscriptions especially in a flat North American theatrical market.

Film studios expand globally

- ▶ A growing share of the global box office comes from international distribution. Also, the growth of international OTT services gives studios more windows to sell their content. Many film studios are expanding aggressively in global markets. They are licensing their content to a growing number of distributors and expanding production in local markets, either organically or through M&A. Local content companies help global studios understand audience preferences.



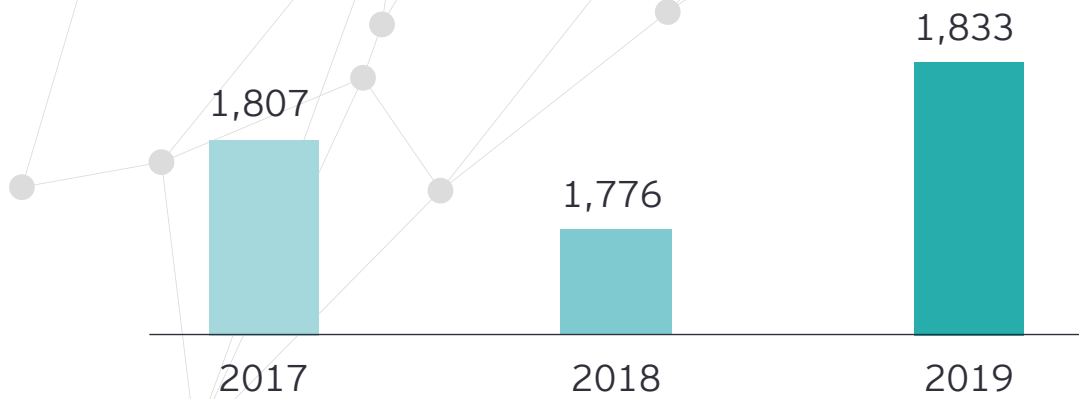
Film exhibition Trendbook

Powered by

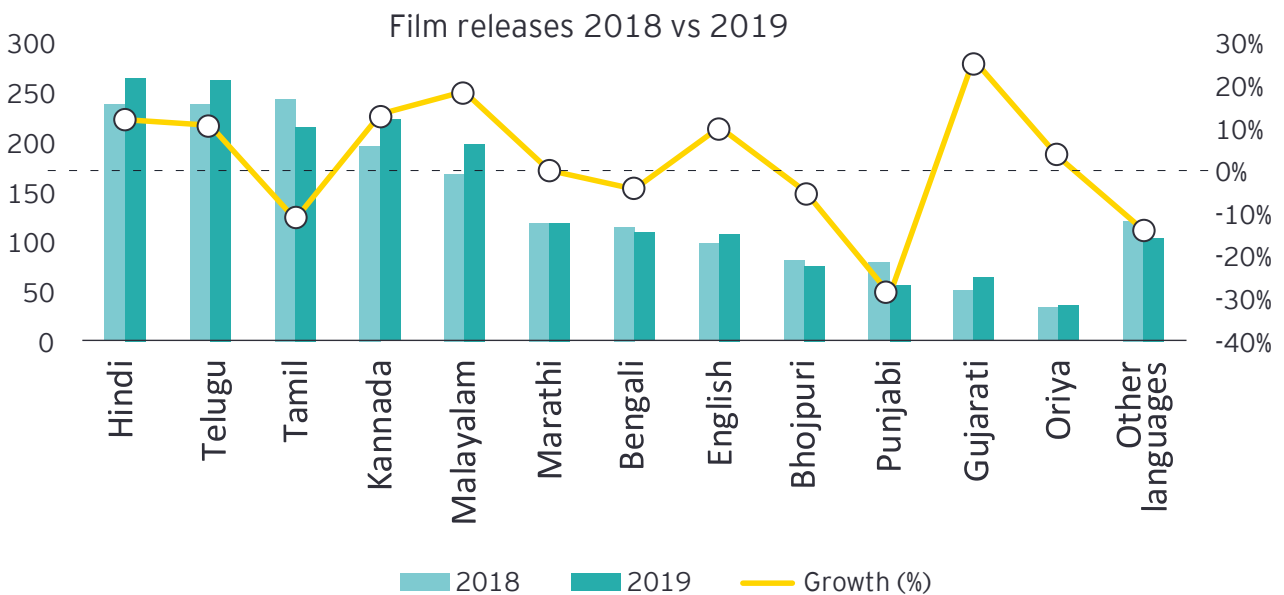


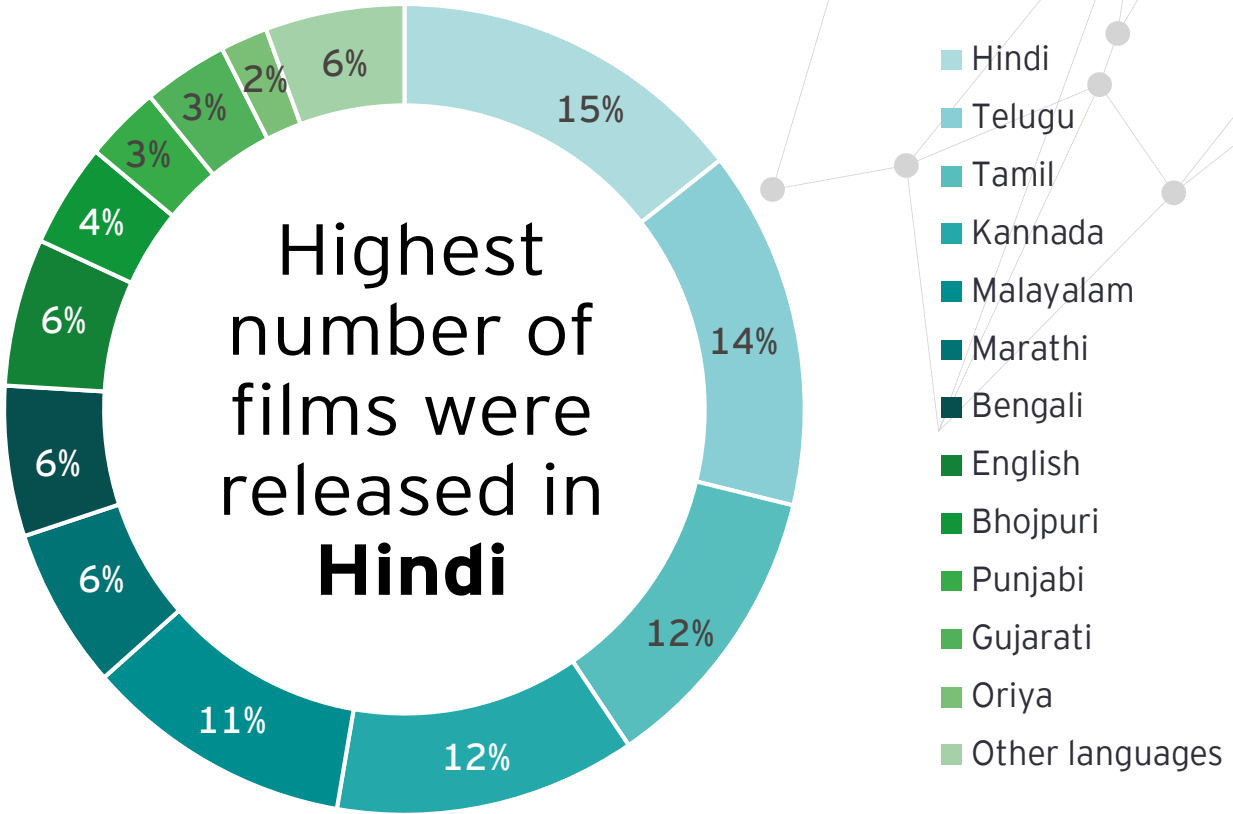
Film releases **grew 3%**

Number of film releases (in all languages)



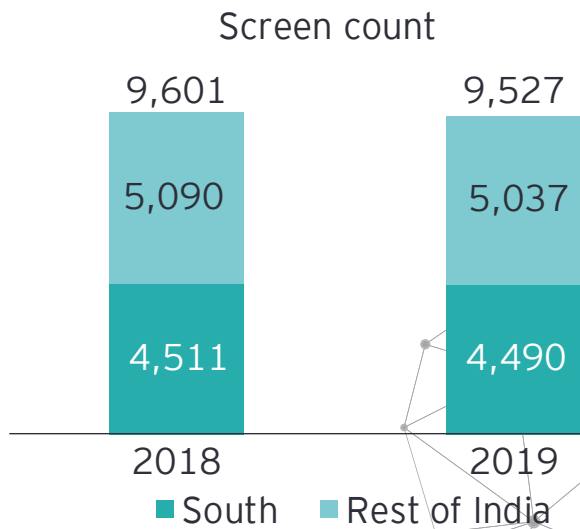
Film releases in **seven languages** increased





Number of screens decreased 1%

Five southern states managed 47% of screens

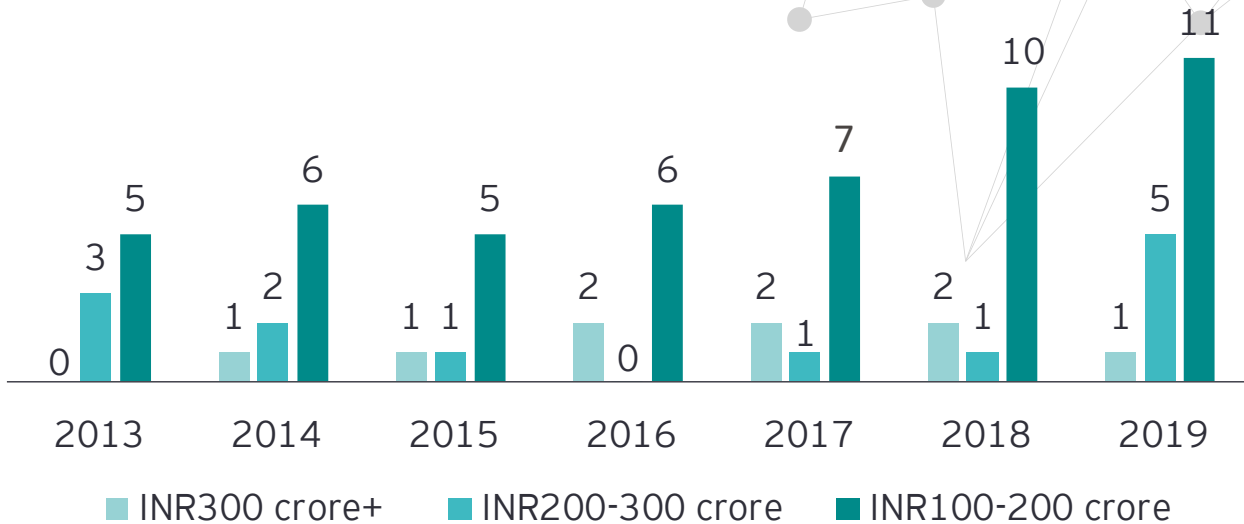


Screen count increased in 9 states



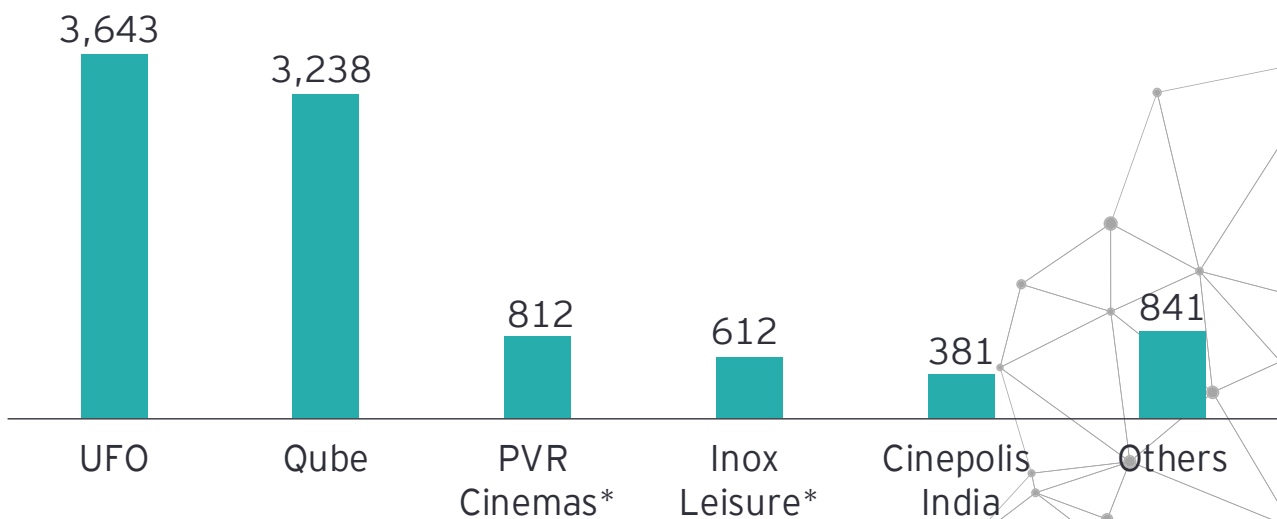
For **Bollywood**, 200 is the new 100

Number of releases by box office revenue



Aggregators managed **72%** of screens for advertising

Advertisement screens (December 2019)

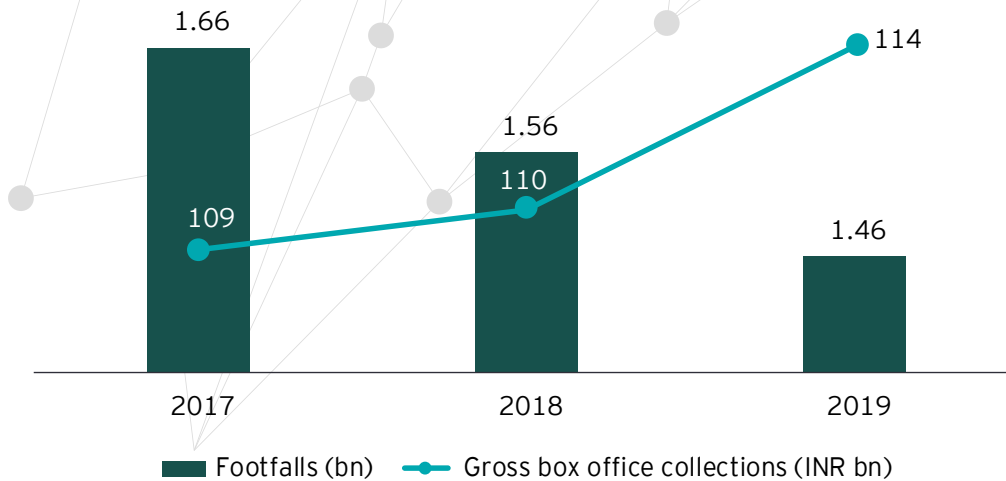


* PVR & Inox Investor Presentation

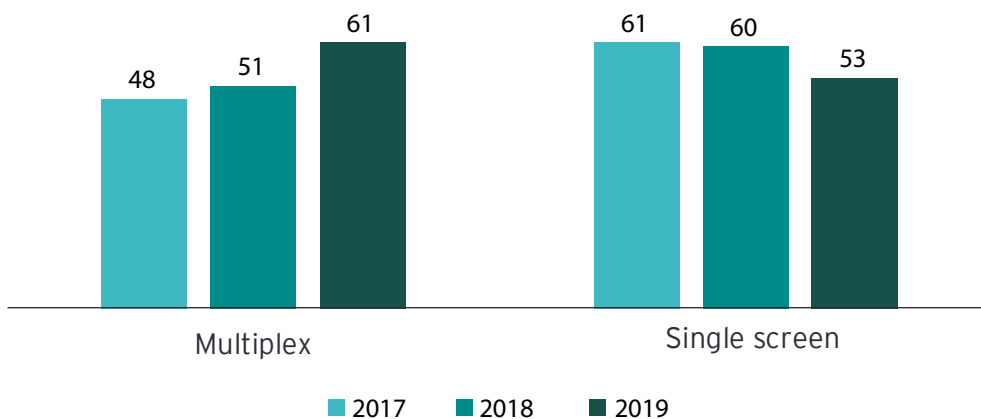
Film Trendbook

Powered by  comscore

Footfalls fell for a second consecutive year but collections grew



Revenues in INR billion



Multiplexes continued to **grow** their share of **revenues**

Despite **more number** of movies releasing overseas, **revenue fell**

	2017	2018	2019
No. of films released abroad	331	332	350
Gross box office collections including China	US\$ 439 million	US\$ 491 million	US\$ 332 million

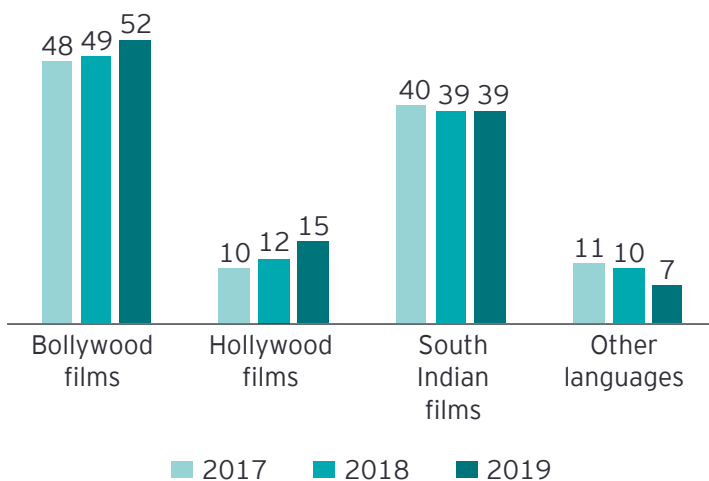
Average ticket prices

INR150
Multiplex

INR50
Single screens

While **Hollywood** and **Bollywood** films fared well at the **Box Office**, other language films did not

Box Office collections (INR billion)



89%
Original languages

Over **10%** of films released were dubbed

11%
Dubbed releases

Expert speak



Vivek Krishnani
Managing Director
Sony Pictures Entertainment
Films India Pvt. Ltd.

2019 has been good for cinema. Until 2 years ago, it was star power that drove performance, but today it is content that drives the business. People who do not watch English language content usually, are consuming such movies in dubbed languages. Dubbed Hollywood movies contribute about 30-50% of the overall revenue from India.



Siddharth Roy Kapur
MD
Roy Kapur Films

In the coming years OTT platforms will grow significantly in subscribers and in revenues, and they will assume a very influential role in the Indian media and entertainment industry. The big screen experience will increasingly veer towards content that is either larger-than-life or high concept; and other genres will be increasingly consumed on OTT platforms.



Hiren Gada
CEO
Shemaroo Entertainment

Segmentation of content as a strategy is going to change the game in the coming future. With the current clutter in the content ecosystem, creating cohorts of content that will cater to the different viewing patterns and preferences of the audiences is going to be the way forward for all M&E players.



Rohit Jain
Managing Director
Lionsgate India

Cinema is seeing a bitter-sweet time. Big budget or high concept movies are doing better than ever before, yet others struggle to find a place at the box-office. The overall growth of cinema has nonetheless, been good. With growth of regional cinema, we continue to make more movies each year, inspite of being an underserved screen market. OTTs provide a good platform for introduction of new talent and small budget films.



Apoorva Mehta
CEO
Dharma Productions

We can expect an emergence of Indian superheroes that experiment with state-of-the-art technology and the latest VFX tools. There will be incremental investment towards building AR + VR infrastructure in the industry. OTT has provided a promising platform for small budget movies, the introduction of fresh talent and movies that see a theatrical release.



Kulmeet Makkar
CEO
Producers Guild of India

The film industry witnessed a huge amount of content driven films with larger shelf life and repeat audience. Films with new writers and directors were big at the box office in 2019. These are good signs of progress for the industry.



Kishore Lulla

Executive Chairman & Group CEO
Eros International Plc.

We are currently in the midst of the third entertainment revolution which is going to transform content creation and distribution from surface experiences to spatial experiences. Now more than ever before the stories and quality of the product is going to be important in order to deliver customer delight. India has been bridging the gap for years and the time has come for Indian entertainment players to be truly global as with the adoption of digital the playgrounds will be levelled.



Siddharth Jain

Director
INOX Group

Despite putting up a remarkable show, what's exciting is that the cinema exhibition business is yet to test its full potential in India. Two pivotal aspects are content and experience. While content evidently is more compelling than ever before, we are glad that we are setting new benchmarks on the experience front, with newer technologies, cinema formats and F&B innovations.



Kapil Agarwal

Joint Managing Director
UFO Moviez

Cinemas continue to do well in spite of some believing that OTT would cannibalize cinema footfalls. OTT and cinemas actually complement each other very well which is visible from the simultaneously growing Box Office and OTT revenues. With the Government's support, the segment needs to address the fundamental issue of low screen density as the true potential of content can only be exploited thereafter.



Devang Sampat

CEO
Cinepolis India

2019 has been one of the best years in terms of box office collection on the back of quality content with contribution of Hollywood & Regional language movies increasing. Going forward, we expect such growth to continue with increased desire for versatile and differentiated content and constant innovations in premium experiential offerings.



Amit Sharma

Managing Director
Miraj Entertainment Limited

In India nearly 70 percent people are still deprived from multiplex experience and that's an opportunity for our Industry. We believe that in the next three to five years the bulk of growth for the multiplex sector will come from the tier-II and III cities.



Vikramjit Roy

Head
Film Facilitation Office

Locations have always played a larger than life role in films and of late in web/television shows, resulting in film-induced tourism. We believe that India's breath-taking landscapes and iconic monuments empower film makers to unlock their narrative. Little wonder then that films shot in India pulsate with life.

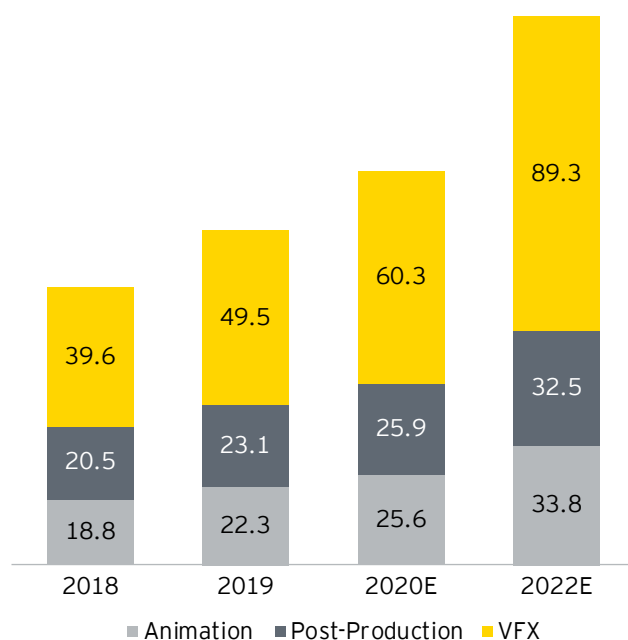
Animation and VFX



To view more by the artist; click on the picture



The animation and VFX segment grew 20% in 2019



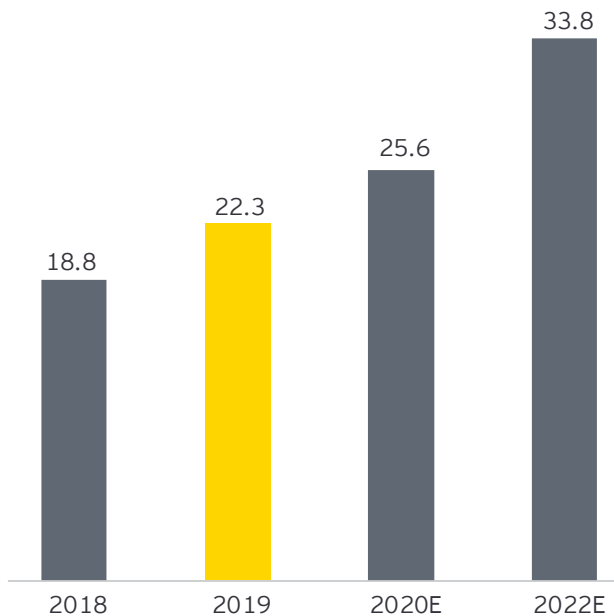
	2018	2019	2020E	2022E
Animation	18.8	22.3	25.6	33.8
Post-production	20.5	23.1	25.9	32.5
VFX	39.6	49.5	60.3	89.3
Total	78.9	94.9	111.8	155.6

INR billion (gross of taxes) | EY estimates

- ▶ **Increase in domestic content production:** Demand for domestic content (broadcast and digital) was high in 2019 and is expected to keep rising over the next few years as platforms focus on customer acquisition; 2019 witnessed over 20% growth in revenues from domestic OTT players
- ▶ **Increased original content for OTT platforms:** The likes of Netflix and Amazon are increasingly looking at markets outside the US, like India, to accelerate growth and these markets need original content, which resulted in an increased demand for VFX, post-production and animation services; in all around 1,600 hours of high-quality original content was created for digital platforms in 2019
- ▶ **Captive centers:** International companies with a large digital presence are looking at setting up their own infrastructure in India, which provides the ability to address the end-to-end value chain and thereby increase opportunities for growth
- ▶ **Emerging media:** Growth in augmented and virtual reality content also increased the demand for non-traditional VFX/CGI
- ▶ **Growth prospects:** It is estimated that this segment will grow at 17.8% every year to reach INR155.6 billion by 2022

Animation grew 18.5% in 2019 to reach INR22.3 billion

Animation revenues



INR billion (gross of taxes) | EY estimates

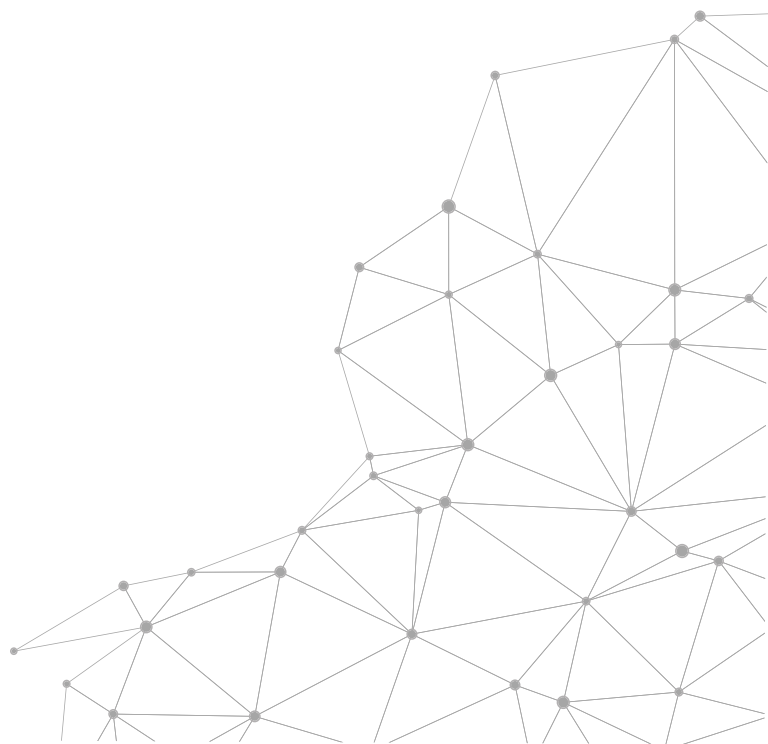
65% of revenues were from international clients

- ▶ The composition of the Indian animation industry remains the same as last year - about 65% of revenues come from the international market
- ▶ While domestic market was 35% in terms of revenue, it was about 60-65% in terms of quantity of content created
- ▶ Indian animation companies expect that average realization per IP from domestic clients is expected to rise soon, driving further growth

1. "Chhota Bheem creator keen to try out new characters" <https://telanganatoday.com/chhota-bheem-creator-keen-to-try-out-new-characters>, accessed on 25 January 2020
2. "Thiruvananthapuram-based Toonz Animation buys Irish firm Telegael" "<https://www.financialexpress.com/industry/thiruvananthapuram-based-toonz-animation-buys-irish-firm-telegael/1597144/>", accessed on 25 January 2020
3. "Mighty Little Bheem: Netflix's first Indian animation show for children becomes a global hit" <https://economictimes.indiatimes.com/magazines/panache/mighty-little-bheem-netflixs-first-indian-animation-show-for-children-becomes-a-global-hit/articleshow/69642719.cms> accessed on 21 December 2019
4. "Cosmos Maya to glocalise content in India" <https://telanganatoday.com/cosmos-maya-to-glocalise-content-in-india> accessed on 21 December 2019

Studios went from work-for-hire to IP owners

- ▶ The animation industry in India has evolved from being an outsourcing service provider for global players, to content developers and now IP owners
- ▶ Companies such as Cosmos-Maya, Green Gold Animation, DQ Entertainment and Toonz Animation are increasingly garnering global recognition, in line with their efforts to penetrate international geographies with original IPs, or acquisition of local players in those regions
 - ▶ Green Gold is planning to launch globally marketable IPs like Duchess, Nebula, Big Blue Couch, etc¹.
 - ▶ Toonz acquired Irish production house Telegael for their design and pre-production capabilities²
 - ▶ Mighty Little Bheem, the spin-off of Indian studio Green Gold Animation's popular show Chhota Bheem became Netflix's second most-watched original series globally, with its major viewership outside India coming from Colombia, Argentina, Chile and the US³
 - ▶ Cosmos-Maya is planning to develop and market global content for Indian kids with local settings, names and characters⁴ through a distribution arm WowKidz, adding 50 half-hours a month to its existing content bank of 2,000 half-hours
 - ▶ Cosmos-Maya will also co-produce and finance an animated feature film, Dogtanian and the Three Muskehounds with Universal Studios



Domestic broadcasters commissioned more original animation content

Broadcaster	Channel	Show	Launch month	Description
Star India ⁵	Star and Disney channels	Super V	November 2019	Star Sports launched Super V, an animated series featuring the teenage animated version of Virat Kohli
Discovery ⁶	Discovery Kids	Fukrey Boyzzz	October 2019	Discovery Kids launched the show Fukrey Boyzzz, which is an extension of the Bollywood franchise Fukrey, in association with Excel Entertainment
Disney ⁷	Disney Kids	Oye Golu and Bhagam Bhag	May 2019	Disney Channel launched two original IPs Oye Golu and Bhagam Bhag to strengthen the local animation content on the network
Viacom18 ⁸	Nickelodeon Sonic	Golmaal Jr	May 2019	Nickelodeon launched Golmaal Jr. which is an animated show based on Bollywood comedy franchise Golmaal, in association with Reliance Animation and Rohit Shetty Pictures
Disney ⁹	Hungama TV	Inspector Chingum	April 2019	Cosmos-Maya launched Inspector Chingum, on Disney's Hungama TV. The show is a spin-off of the Motu Patlu franchise on TV. It was launched on Amazon Prime Video earlier and marked successful

- ▶ TV channels like Disney, Nickelodeon, Cartoon Network, Pogo, Discovery Kids and Sony YAY! catered to over 200 million kids¹⁰ and accounted for 12%¹¹ of total TV viewership in 2019
- ▶ Localizing content in regional languages and flagship shows worked in 2019
- ▶ Viewership grew as broadcasters, instead of just licensing international content, channelled their energies on commissioning original animated shows and building their own content libraries

5. "Star Sports launch animated series 'Super V' on Virat Kohli's birthday" <http://www.animationxpress.com/index.php/latest-news/star-sports-launch-animated-series-super-v-on-virat-kohlis-birthday> accessed on 21 December 2019

6. "Discovery Kids to bring Fukrey phenomena to kids TV" <https://brandequity.economictimes.indiatimes.com/news/media/discovery-kids-to-bring-fukrey-phenomena-to-kids-tv/71292192> accessed 3 January 2020

7. <http://nickalive.blogspot.com/2019/05/nickelodeon-india-plans-200-hours-of.html>, accessed 3 January 2020

8. "Indian kids still prefer animation" <https://www.livemint.com/companies/news/nickelodeon-bets-on-kids-growing-love-for-animation-tv-1557811431310.html> accessed on 23 December 2019

9. "Cosmos-Maya launches 'Inspector Chingum' on Disney's Hungama TV" <https://www.exchange4media.com/industry-briefing-news/cosmos-maya-launches-inspector-chingum-on-disneys-hungama-tv-96462.html> accessed on 23 December 2019

10. "Disney, Nickelodeon, Cartoon Network, Pogo, Discovery Kids and Sony YAY! catered to over 200 million kids" <http://www.animationxpress.com/index.php/latest-news/featurefriday-indian-animation-industry-headed-experts-weigh> accessed on 21 December 2019

11. BARC, 2-14 years, All India, Kids channels

12. EY analysis

13. "Kids category continues to grow: Anu Sikka" <http://www.animationxpress.com/index.php/uncategorized/hope-kids-category-continues-grow-anu-sikka-exclusive-ams-2019>, accessed on 20 December 2019

The kids OTT genre led to higher investment in animated content

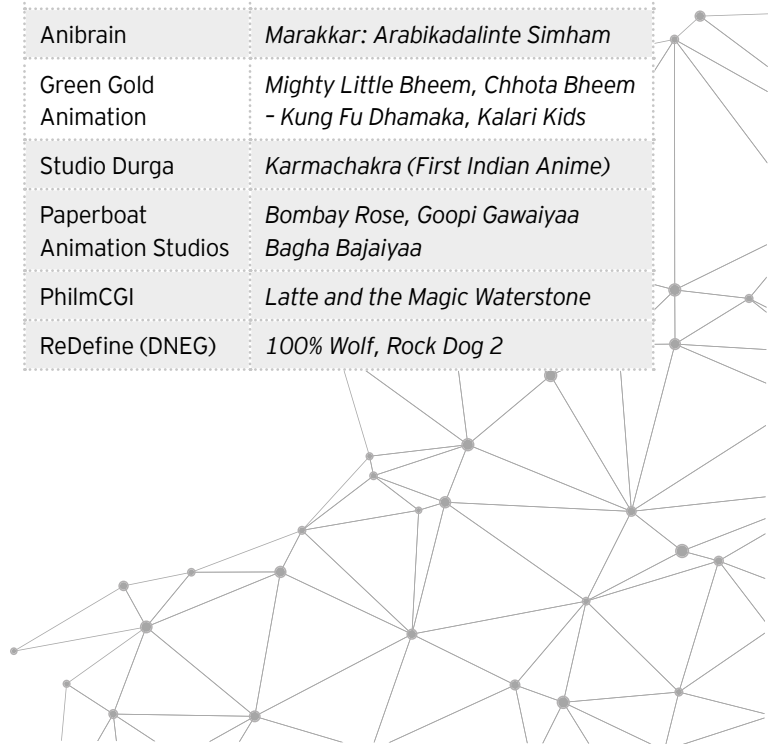
- ▶ In India, nearly 25 million babies are born each year and as the population increases the demand for animated content will grow¹²
- ▶ OTT platforms such as YouTube Kids have helped to increase the popularity of animated TV characters
- ▶ Local characters such as Motu Patlu, Shiva, Rudra and Gattu Battu have emerged as highly popular due to their relatable or inspirational character traits and show how localized characters help in storyline development and better connect with audiences¹³
- ▶ However, the key differentiator in terms of global and Indian markets is the lack of high-quality local IPs with a potential to reach global households¹⁴
- ▶ Considering this potential:
 - ▶ Viacom18 launched VOOT Kids¹⁵, which is company's first subscription app for children. It targets children of age group of two to eight years and provides a library of more than 15,000 episodes of animated series such as local Indian Nick shows Motu Patlu and Golmaal Jr., as well as international series like Peppa Pig, Pokémon, Ben 10 and PAW Patrol

14. "The need for kids content IP in India" <https://inc42.com/resources/the-need-for-kids-content-ip-in-india/>, accessed on 2 January 2020
15. "India's leading kids entertainment network unleashes Peppa Pig and Paw Patrol to win OTT war" <https://qz.com/india/1748090/peppa-pig-to-now-stream-on-viacom-18s-voot-kids-app-in-india/> accessed on 21 December 2019.
16. "Viacom18 enters kids SVOD market" <http://kidscreen.com/2019/11/12/viacom18-enters-indias-kids-svod-market/> accessed on 20 December 2019
17. "Netflix to release a series on Hindu Gods" <https://economictimes.indiatimes.com/industry/media/entertainment/soon-netflix-to-release-a-series-on-hindu-gods/articleshow/71522699.cms> accessed on 20 December 2019
18. "Netflix looks to broaden global appeal" <https://www.livemint.com/industry/media/with-ramayana-based-animated-series-netflix-looks-to-broaden-global-appeal-11572375544973.html> accessed on 20 December 2019
19. "Cosmos Maya to glocalise content in India" <https://telanganatoday.com/cosmos-maya-to-glocalise-content-in-india> accessed on 20 December 2019
20. "Infotainment, kids, digital are three key focus areas for Discovery's Megha Tata " <https://www.televisionpost.com/infotainment-kids-digital-are-three-key-focus-areas-for-discoverys-megha-tata/> accessed on 20 December 2019

- ▶ Netflix is making heavy investments in localized animated content and renewed the third season of Mighty Little Bheem, its first original Indian kids' series¹⁶, announced plans to launch an animated series for preschool kids which will show Hindu Gods such as Ganesha, Kali and Saraswati in a transformed adaption¹⁷ as well as collaborated with British comic-book writer and screenwriter Warren Ellis to develop an animated series titled Heaven's Forest, with the storyline and characters being inspired by the Ramayana¹⁸
- ▶ Cosmos-Maya plans to glocalise its content and will be experimenting with four international co-owned IPs in India; it has already launched its international co-production Atchoo (Jaadu ki Cheenk) on Amazon Prime Video and the other three - My Bhoot Friend, Leo Da Vinci as Aryan and Berry Bees as Dabannng Girls - will be out by March 2020¹⁹
- ▶ Discovery launched Discovery Kids in regional languages including Malayalam and Kannada which makes it available in six languages in total²⁰

Table: Select content created in 2019 by animation studios

Company	Content created
Maya Entertainment	<i>Selfie with Bajrangji, Jaadu ki Cheenk, My Bhoot Friend, Aryan, Dabannng Girls, Dogtanian and the Three Muskehounds</i>
Toonz Animation India	<i>Mondo Yan</i>
Anibrain	<i>Marakkar: Arabikadalinte Simham</i>
Green Gold Animation	<i>Mighty Little Bheem, Chhota Bheem - Kung Fu Dhamaka, Kalari Kids</i>
Studio Durga	<i>Karmachakra (First Indian Anime)</i>
Paperboat Animation Studios	<i>Bombay Rose, Goopi Gawaiyaa Bagha Bajaiyaa</i>
PhilmCGI	<i>Latte and the Magic Waterstone</i>
ReDefine (DNEG)	<i>100% Wolf, Rock Dog 2</i>



Bollywood's love affair with Indian animated content gained momentum

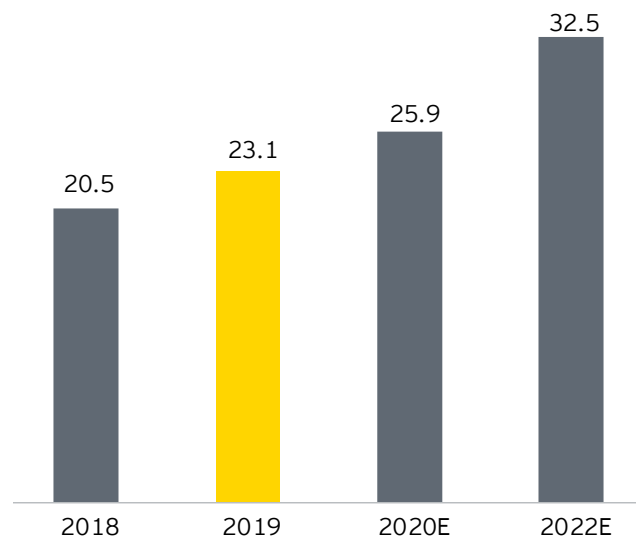
- ▶ Bollywood-inspired animated content gained momentum post the success of Little Singham, which gave rise to two more Bollywood inspired animated IPs- Fukrey Boyzzz, from Discovery Kids in October 2019 and Golmaal Jr. from Sonic (part of Nickelodeon) in May 2019
- ▶ A few popular celebrities also got animated, such as the Indian cricket team captain Virat Kohli (Star / Disney), comedian Johnny Lever (Yolo Media) and India's first superhero Shaktimaan (WordSword Creations)
- ▶ While there is a lot of content targeted at 4-8 years, there is a prominent gap for content targeted at pre-teens broadly bracketed between 8-14 years old²¹

Cost arbitrage and financing issues need to be addressed to sustain growth

- ▶ For years, Indian animation studios have enjoyed a cost arbitrage which is to their advantage. However, companies are finding it difficult to provide the desired quality at the same price due to the increasing number of animation companies which set-up operations in India during the past three years, resulting in stagnant unit rates
- ▶ The investment ecosystem for animation remained muted in 2019, while obtaining finance for animated IP creation remained difficult despite the growth in demand

Post-production grew 12.8% in 2019 to reach INR23.1 billion

Post-production revenues



INR billion (gross of taxes) | EY estimates

- ▶ In 2019, about 70% of post-production work done was for the domestic market and this is expected to grow at a rate of around 15% year-on-year
- ▶ Growth in domestic content production resulted in volume growth in this segment - India produced over 200,000 hours of entertainment content, over 3,500 hours of film content and 1,600 hours of digital originals, apart from live sports, advertisements and news²²
- ▶ The increase in quantum of work could not be delivered by large companies, giving rise to many smaller players in the unorganized sector as well as large companies subcontracting work elements, some to as many as 85 smaller companies²³
- ▶ The emergence of smaller players led to price rationalization, flattening revenue growth somewhat

21. "2019: How did Indian animated IPs fair?" <http://www.animationxpress.com/index.php/latest-news/2019-indian-animated-ips-fair> accessed 3 January 2020.

22. EY analysis based on production audit services team and secondary research

23. Industry discussions

24. Comscore

Domestic demand growth was led by films and digital

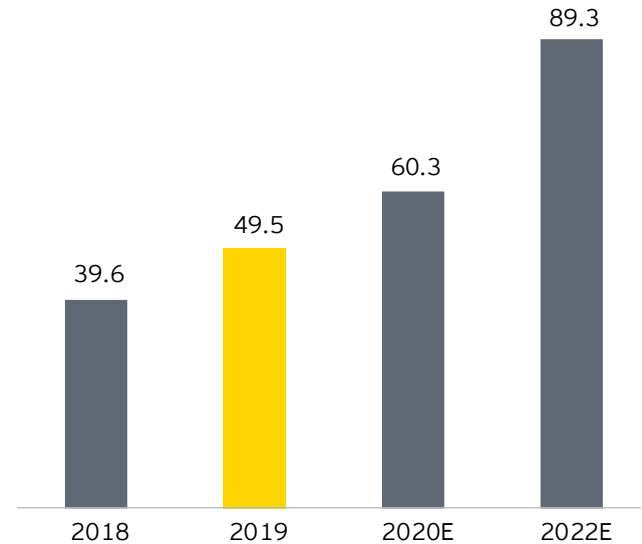
- ▶ 350 films were released in 26 countries in 2019, compared to 332 films in 18 countries in 2018²⁴, which led to increased demand for post-production services
- ▶ Niche films for multiplex audiences, dubbed vernacular content and growth in digital web series, originals, etc. led to increased demand for post-production services
- ▶ Broadcast post-production work witnessed modest growth as Indian companies continued to expand to multiple geographies across the world, catering to their needs from centralized facilities in India

Connected pipelines and cultural understanding can grow outsourcing

- ▶ International companies continued to approach Indian production and post-production companies, perceived as doing quality work at competitive rates, to work on global projects
- ▶ However, the international post production outsourcing was largely centered around low and mid quality work (wire removals, etc.)²⁵
- ▶ The outsourcing of high-end color grading and edit work is difficult considering the fact that the Director of Photography (DOP) needs to be closely monitoring the work and many international DOPs prefer that the work is done locally
- ▶ These perceptions are also accentuated due to cultural nuances; while technically Indian artists were near or at par with global benchmarks, it is the social and cultural nuances required to create content that are often missing
- ▶ Indian companies need to enable their employees to understand the cultural context of the market they are serving by providing adequate exposure/training to help Indian companies get more acceptance globally
- ▶ Connected pipelines and conferencing facilities could also improve collaborative work with international post-production houses

VFX grew 25% in 2019 to reach INR49.5 billion

VFX revenues



INR billion (gross of taxes) | EY estimates

Domestic market drove growth

- ▶ VFX, unlike the rest of the segment, had an equal revenue split between Indian and international clients
- ▶ While India remained competitive on the international side, the domestic market drove most of the growth in 2019, fuelled by original content created by broadcasters and OTT platforms
- ▶ Some companies indicated that their domestic revenues increased over 40% from 2018 and they expected this trend to continue over the next few years

Bollywood witnessed increased demand for big-budget VFX productions

- ▶ In the past, VFX accounted for less than 10% of total film production budgets in India; however, post the success of VFX heavy films like the *Baahubali* franchise, *Fan* and *M.S. Dhoni: The Untold Story*, the trend has changed
- ▶ *Uri: The Surgical Strike* used VFX to deliver its story about India's strikes on terror launch pads in Pakistan and was the highest grossing Bollywood film of 2019
- ▶ 2019 also saw other VFX-heavy films like *Manikarnika: The Queen of Jhansi*, which featured 3,000 VFX shots, *Bharat* in which Salman Khan portrayed five different looks and *Tanhaji: The Unsung Warrior* which was set in the 17th century

- ▶ Even as demand for VFX increased from the Indian film segment, VFX revenue garnered from international projects remained stagnant, due to pricing pressures in international markets driven by large studios rationalizing budgets

India's cost advantage came under pressure²⁶

- ▶ International clients continue to use India as an outsourcing hub given margin pressures, but a greater portion of new work generated is going to countries like Canada, Russia, etc.
- ▶ This is increasingly happening due to conducive tax and business environments being promoted by the governments of those countries to help promote the industry
- ▶ When given the combination of better financial terms and understanding of quality requirements in competing countries, India's competitive advantage erodes
- ▶ Further, original animation and VFX narratives from India are held back because Indian talent is not sufficiently exposed to cultural sensibilities of the west
- ▶ Collaboration with western talent, better exposure to creative, cultural and artistic sensitivities of the west combined with financing support can help grow original cross-over content from India

Cost pressures continued for domestic content²⁶

- ▶ India always had a cost arbitrage vis-a-vis the western markets
- ▶ However, in recent times due to increased competition and budget cuts from studios, cost pressures have increased
- ▶ In India, the cost pressure is now immense; while a 2D animated film is priced at INR15 million in international markets, in India the prices are as low as INR2 million
- ▶ Similarly, CGI projects are priced at INR20-25 million internationally but in India they are priced at INR2.5-3 million

Government incentives and policies needed for increased competitiveness

- ▶ Indian government should consider providing labor-specific tax incentives (like the governments of the USA, Canada and South Korea have) to make the industry more competitive globally. For example, the government of Quebec, Canada provides an additional 16%²⁷ tax credit on labor for VFX companies, apart from the standard incentives provided by the federal government. These type of incentives will enable Indian companies to bring in more international talent at a competitive price
- ▶ Also, some countries like France have a localization policy, where a percentage of content aired on TV should be locally produced and a similar policy in India can provide a further boost for the domestic VFX industry
- ▶ Government initiatives like Image towers in Telangana are commendable; more such consistent efforts across the entire industry will lead to growth and have a positive impact on quality

Growth of captive centers was seen in India

- ▶ The demand for VFX services by content creators in countries like China and India is attracting western players to set up shop in these countries to cater to the local content and creatives
- ▶ To get a foothold in the booming Indian market, multiple companies are either entering the Indian market or investing in setting up infrastructure in India:
 - ▶ Framestore: An international company is set to open its offices in Mumbai in 2020
 - ▶ DNEG has launched a new offering, ReDefine, which will be based in a new studio facility in Mumbai and will be home to more than 600 staff who will focus on offering visual effects and animation services to expanding international markets such as China and India

26. Industry discussions

27. <http://vfx-montreal.com/why-montreal-2/> accessed 26 January 2020

Table: Examples of domestic and international content created in 2019-20 by VFX studios in India

Company	IP created
Technicolor India	Mira, Royal Detective
MPC Films (subsidiary of Technicolor)	Ad Astra, Dark Phoenix, Dumbo, Shazam, Detective Pikachu, Godzilla: Kings & Monsters, Disney's The Lion King, Maleficent: Mistress of Evil, 1917, Dolittle, The New Mutants, Sonic, God vs King
Labyrinth Cinematic Solutions	John Wick: Chapter 3 – Parabellum
NY VFXWAALA	Tahnaji: The Untold Warrior, Sooryavanshi
PhilmCGI	Ghost Stories, Sacred Games 2
After Studio	Street Dancer, Laxmi Bomb, Sorarai Potru, Vijeta, Teri meri heri pheriya, Criminal Justice-Season 2, Hotstages-Season 2
ReDefine	Kung Fury 2, Brahmastra, 83, Bhoot, Detective Chinatown 3, Richard Jewell
ReDefine (DNEG)	100% Wolf, Rock Dog 2

Future outlook

Demand for animation will be driven by children and ancillary sectors

- ▶ Domestic demand for animation content will increase across television platforms as the population of children continues to increase
- ▶ Only 12% of kids' viewership on TV is on kids channels²⁸; consequently, kids as a genre on OTT is and will continue to be a significant differentiator for product portfolios of major OTT operators, which will increase the demand for animation
- ▶ Demand for animated content will also be driven across ancillary sectors like education, training, healthcare, durables, IoT, etc. as content permeates as a critical component of communication between brands and their customers

VFX will be critical for film segment growth - in India and abroad

- ▶ We expect more VFX-heavy films to be produced as the need for creating spectacular experiences to grow theatrical footfalls increases in India (where barely 100 million people can currently afford to visit cinemas²⁹) and abroad
- ▶ In addition, OTT platforms will continue to increase VFX content to attract and engage more with subscription audiences who demand high quality content

Sheer content volume growth will drive post-production

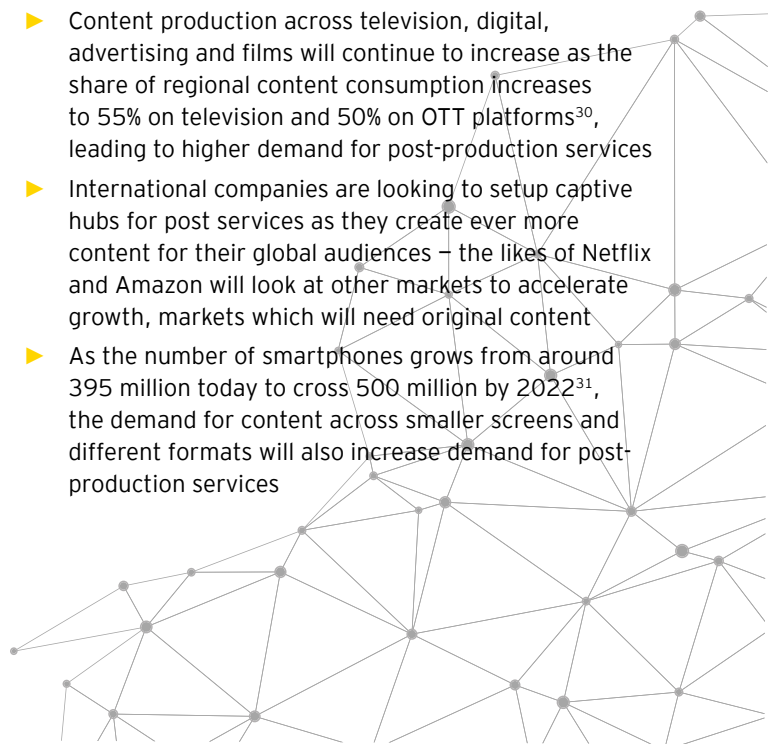
- ▶ Content production across television, digital, advertising and films will continue to increase as the share of regional content consumption increases to 55% on television and 50% on OTT platforms³⁰, leading to higher demand for post-production services
- ▶ International companies are looking to setup captive hubs for post services as they create ever more content for their global audiences – the likes of Netflix and Amazon will look at other markets to accelerate growth, markets which will need original content
- ▶ As the number of smartphones grows from around 395 million today to cross 500 million by 2022³¹, the demand for content across smaller screens and different formats will also increase demand for post-production services

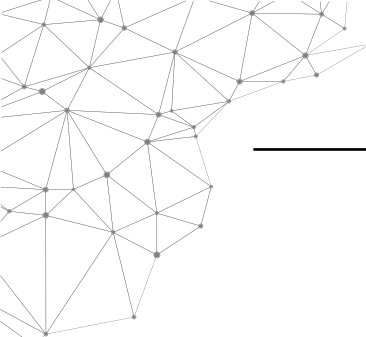
28. BARC

29. Industry discussions

30. EY estimates

31. EY estimates





Companies will invest in immersive technologies

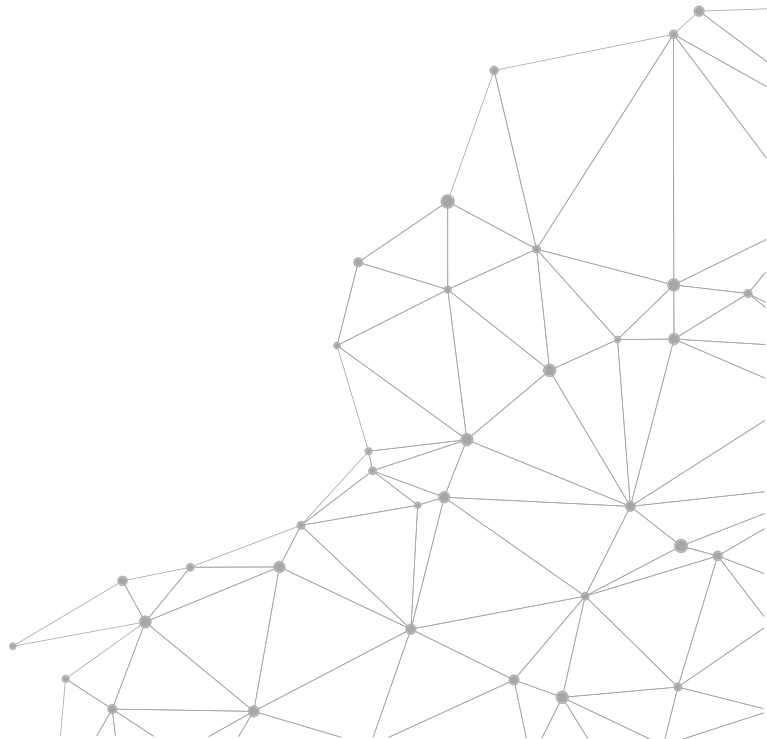
- ▶ Immersive technologies will be used for education, health, retail, gaming and a host of other applications enabled by 5G / wired broadband
- ▶ Companies are investing heavily in acquiring AR, VR and gaming capabilities; for example, Toonz acquired Tilt Lab, an Indian immersive reality company

Automation and analytics will reduce operating costs

- ▶ AI/ML is being used in technical areas to reduce cost (e.g., lighting, composing, etc.)
- ▶ They have the potential to streamline workflows by removing some of the more boring, repetitive tasks, allowing creative people to create and maybe shortening their work days³²
- ▶ While some objects like hair are difficult to currently automate, AI and ML will help to automate and simplify processes like this
- ▶ Various companies have launched AI-powered software for this industry. For example, animation-technology startup Midas Touch Interactive has a tool called Midas Creature, which the company claims can automate the process of creating complicated animations for two-dimensional characters³³

32. <https://pix.online/news/From-automation-to-animation-how-ai-will-impact-filmmaking> accessed 26 January 2020

33. <https://venturebeat.com/2017/06/02/pixar-veteran-creates-a-i-tool-for-automating-2d-animations/> accessed 6 January 2020



Expert speak



Namit Malhotra
CEO
DNEG

This is a golden age for premium content as producers and studios across the globe create new outlets for storytelling, driving demand for the highest-quality creative collaboration and ground-breaking new filmmaking technologies.



Jayakumar Prabhakaran
CEO
Toonz Media Group

The Indian animation and SFX industries are better-than-ever positioned to maximize the new opportunities presented by the global entertainment industry as well as the transitioning and growing domestic market; both in terms of talent and technology.



Biren Ghose
Country Head
Techicolor

The Indian CG industry spanning animation, games, VFX and immersive media has seen the amazing benefits of positioning itself as a “Knowledge Driver” in storytelling. It’s the perfect blend of skills and knowhow that results in creative innovation. Every sequence produced is a technology-infused artistic journey that drives productivity and growth of the entertainment ecosystem



Max Madhavan
Founder and CEO
Assemblage Entertainment

2020 will be the decade for Indian animation and animation emanating from India – not only as a growing consumership of kids, family genre and adult content but also as a destination for premium and high-quality production.



Ashish SK

Chairman

FICCI Animation, VFX, gaming
and comics forum

The original Indian animation creators are trying to find viability and business sense, while the animation services business sees an up-swing once again. Life has come a full circle. New models of business evolve now - OTT and co-productions are shaping up for Indian animation in a positive way.



Anant Roongta

Director

Famous Studios

The past couple of years have seen a significant increase in demand for quality content, from all stakeholders in the M&E industry. Technology such as Motion Capture, Virtual Production and high end post will enhance quality and assist in speedy delivery of content.



Live events



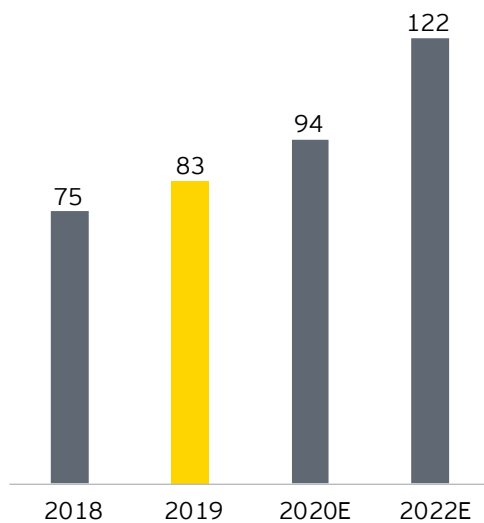
To view more by the artist; click on the picture



This section is based on the findings of primary research conducted across more than 46 Indian events companies, 45 marketers and industry discussions.

The organized live events segment grew 10% in 2019

Organised events segment revenues

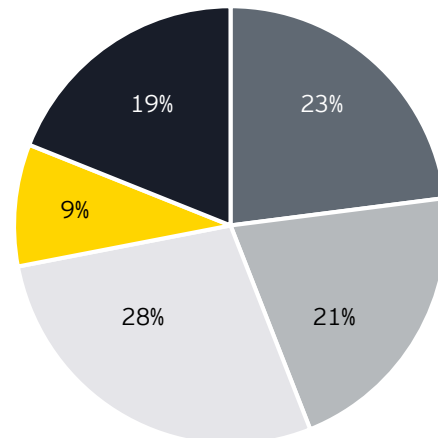


INR billion (gross of taxes) | EY estimates

- ▶ The Indian organized events segment grew 10% in 2019, which is slightly lower than the growth during the last two years when it grew 14%
- ▶ 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, as it is not possible for us to size them
- ▶ Survey respondents felt on average that around half 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

Events and activations were a part of the media mix of every marketer we surveyed

Percentage spends on events and activations



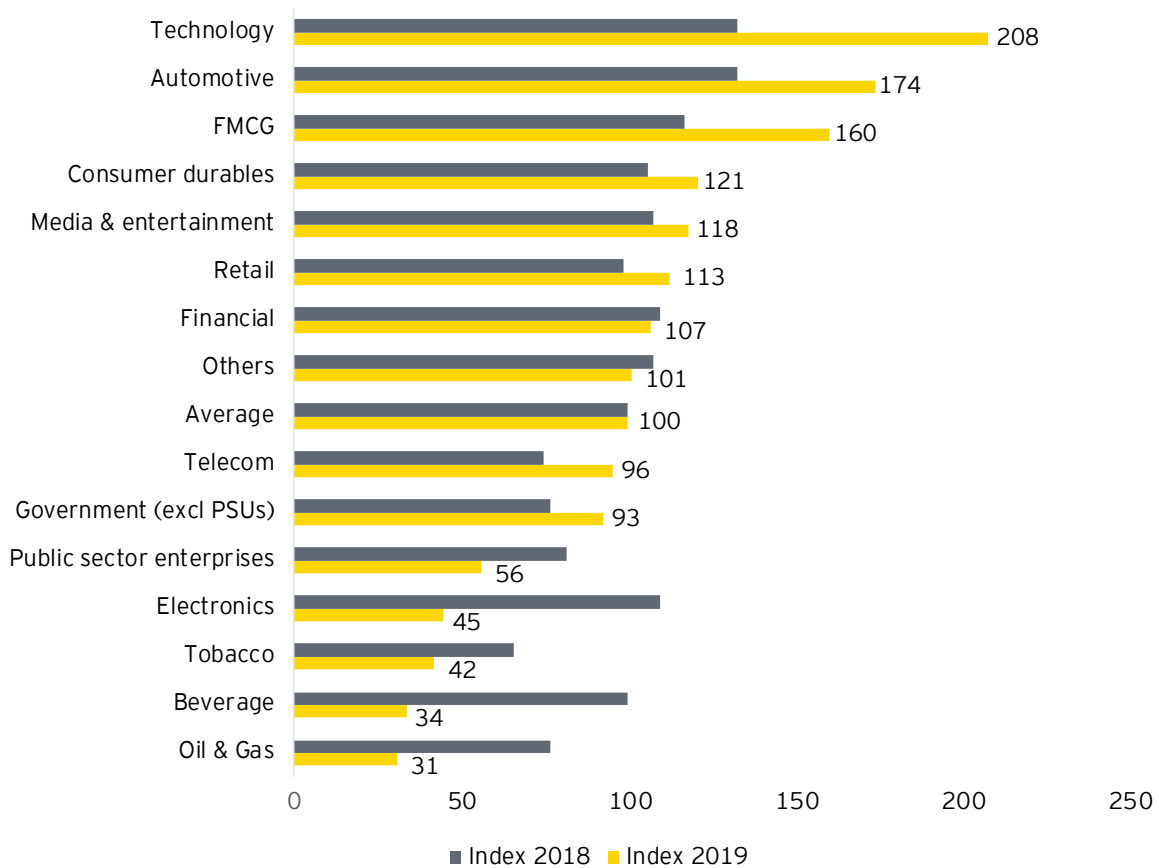
■ <5% ■ 5-10% ■ 10-20% ■ 20-20% ■ 30%+

EY Marketer Survey 2020

- ▶ 77% of marketers surveyed spent over 5% of their marketing spends on events and activations
- ▶ 35% of marketers surveyed had increased their events spends during the last two years

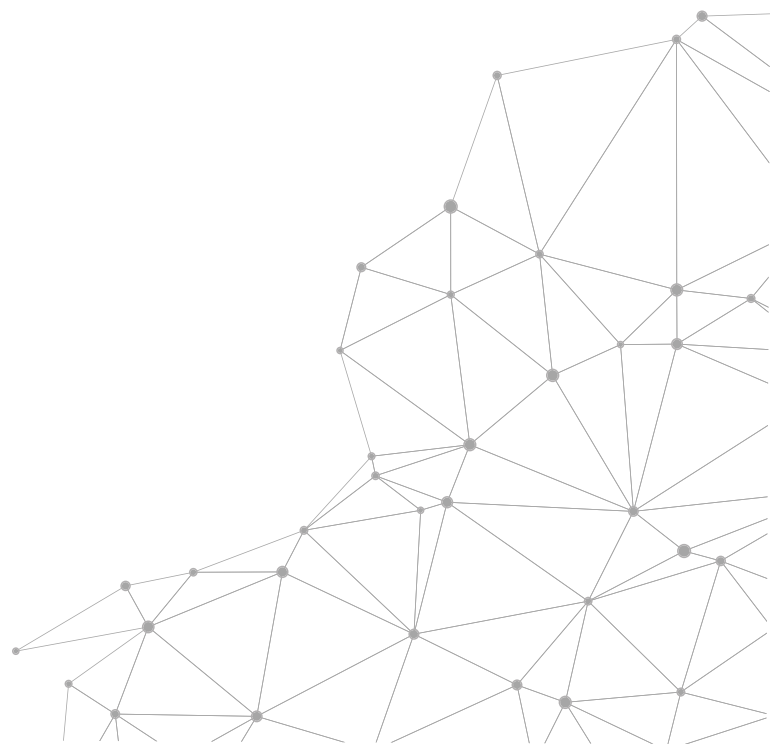
Tech, auto and FMCG were the top categories

Revenue indexed by category



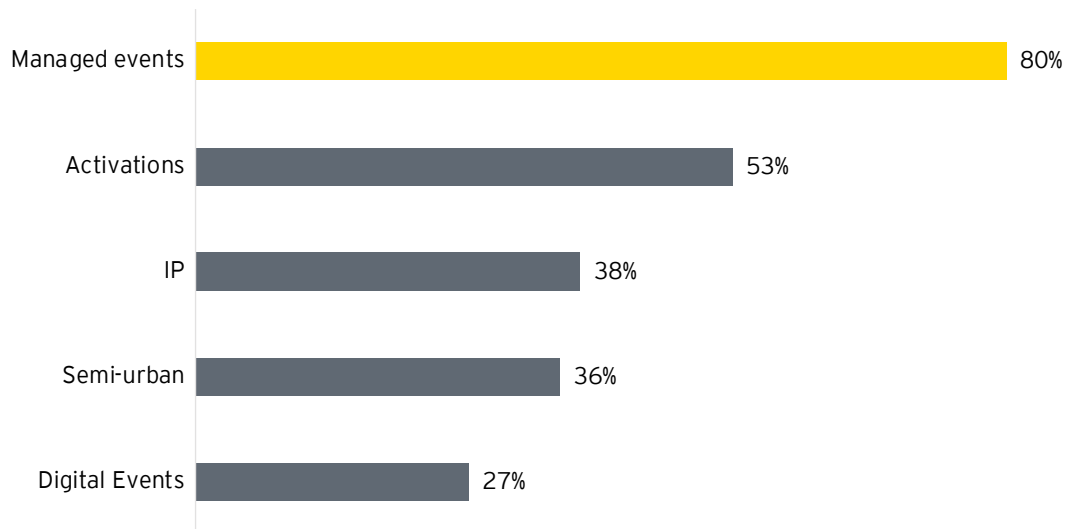
EY survey of event companies 2019

- ▶ Technology, automotive and FMCG continued to be the key spenders on events and activations and increased their investment in events in 2019 as compared to 2018
- ▶ Public sector enterprises, electronics, tobacco, beverages and oil & gas saw a fall in their relative importance



Managed events remained the most popular event type

Percentage respondents who provided...



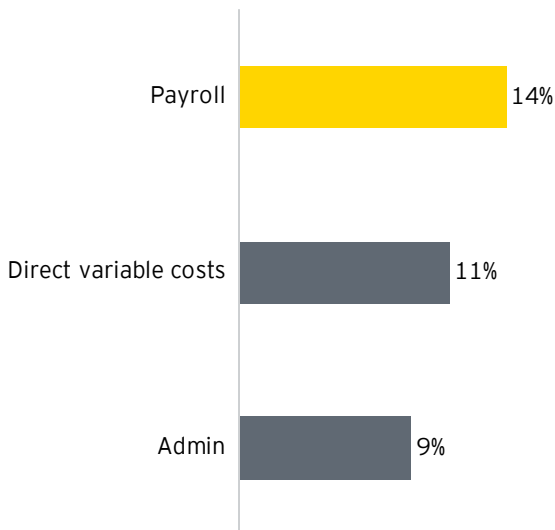
EY survey of event companies 2019

- ▶ 80% of respondents surveyed provided managed events for their clients, which continued to stay the staple product of the events segment
- ▶ More than one in two respondents also provided activations across multiple cities
- ▶ 38% of respondents had invested in IP, which is a significant growth over our last survey in 2018

However, 2019 saw margin pressure increase

- ▶ The economic slowdown resulted in pressure on margins, which was higher on managed events and activations
- ▶ In addition, cash flow issues were noted across a majority of survey respondents
- ▶ Payroll costs continued to increase in 2019 and survey respondents expected costs to increase significantly going forward across the next two years

Expected increase in costs (2 years)



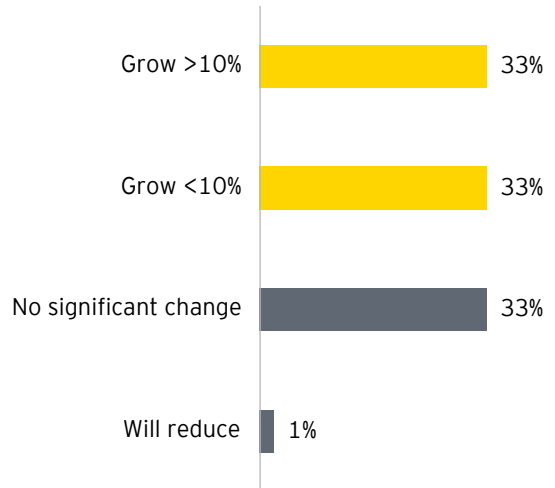
EY survey of event companies 2019

- ▶ Events remains a women-friendly segment of M&E, with 33% of respondents' workforces (on average) comprising of women

Future outlook

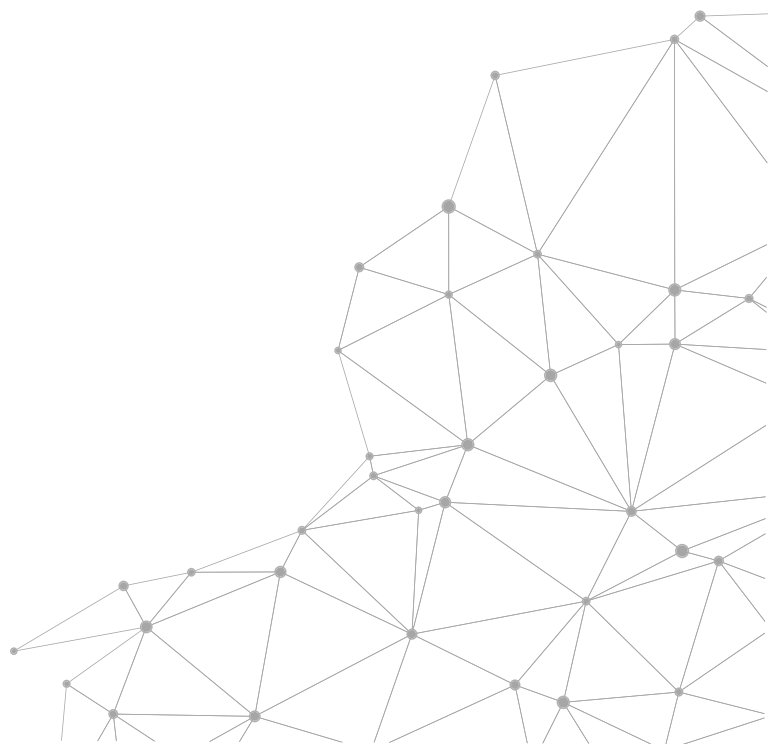
The events segment is expected to continue growing in importance

Events spend forecast, next two years



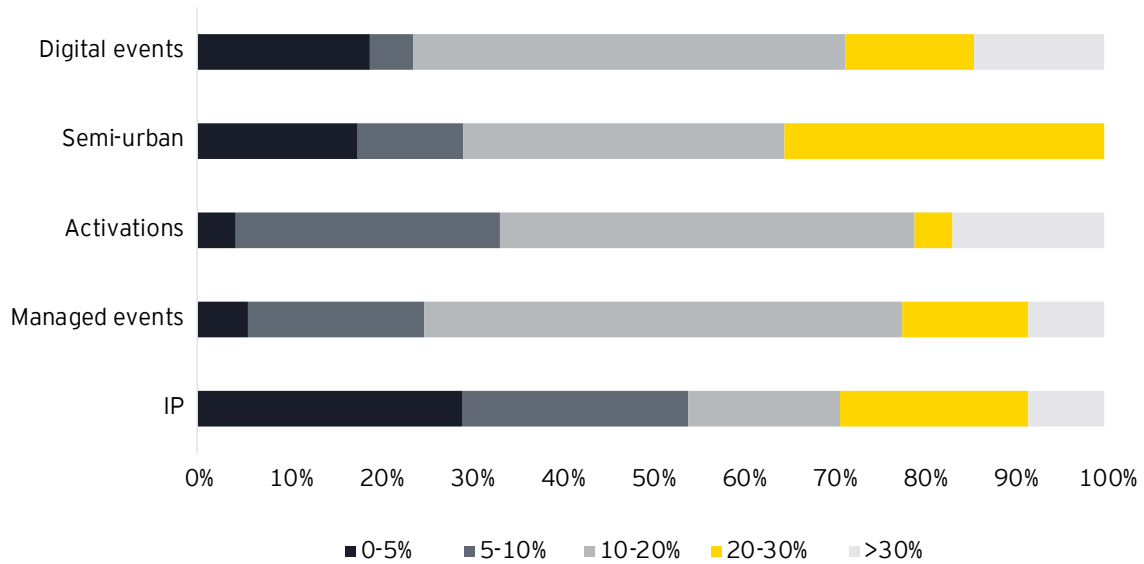
EY's Marketer Survey 2020

- ▶ 66% of marketers surveyed expected their events spends to increase during the next two years
- ▶ One in three marketers surveyed expected events spends to increase by over 10% across the next two years, as compared to 57% on traditional media and 93% on digital media
- ▶ Only 1% expected event spends to reduce



Digital, semi-urban events and IP are expected to drive growth

Growth by type of events next two to three years

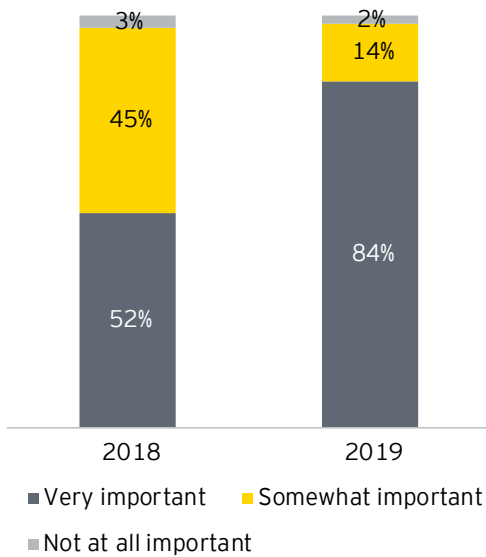


EY survey of event companies 2019 | Percentage of respondents

- ▶ Survey respondents believed that growth would be witnessed across all types of events, but would be led by digital events, semi-urban markets and IP
- ▶ Digital events will be critical to enable event agencies to support marketers' direct to customer agenda
- ▶ Events in semi-urban markets would grow as spending power has increased in those markets and they have become more attractive for marketers
- ▶ Managed events and activations, especially when integrated and amplified with digital measurement, provide a significant means to demonstrate return on investment to marketers and reduce cost per contact

More marketers believed in the importance of digital integration

Importance of digital integration in events

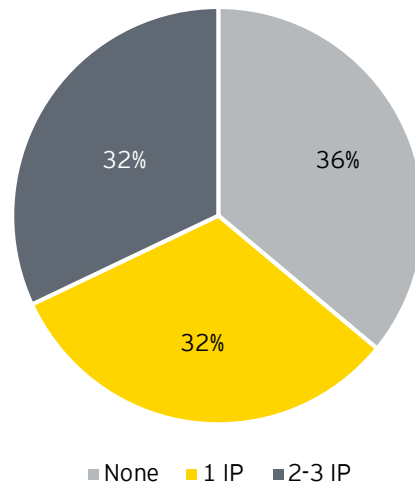


EY Marketer Survey 2020

- ▶ 84% of marketers surveyed believed that digital integration was very important; this proportion has increased significantly from our previous survey in 2018
- ▶ Marketers use digital to better measure return on investment
- ▶ 52% of marketers surveyed were planning to use events and IPs to support their direct to customer initiatives

More IPs will be launched over the next two to three years

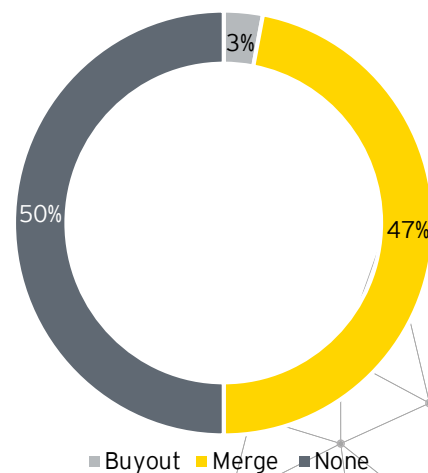
IPs planned to be launched in next two to three years



EY survey of event companies 2019-20

- ▶ Though they comprise just 4% of the total events conducted by survey respondents, most realized their importance and 64% were planning to launch at least one new IP over the next two to three years

Consolidation is on the cards



EY survey of event companies 2019

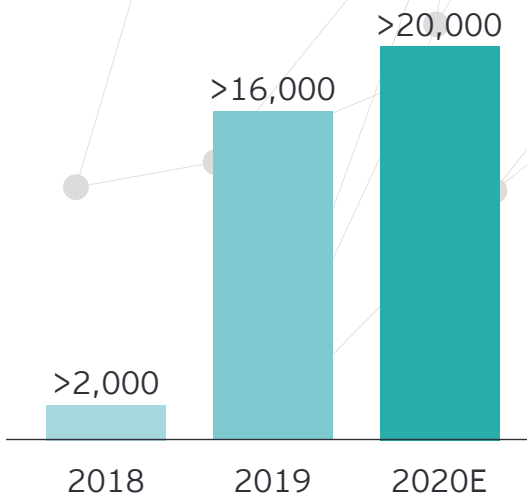
- ▶ Half of the survey respondents were considering merging with or buying out other events companies

Esports Trendbook

Powered by Nodwin Gaming

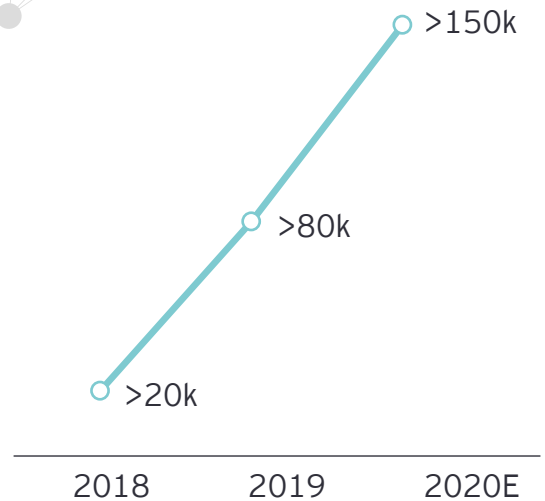
Professional **esports** teams grew **8x in 2019**

(across all competitive level games)

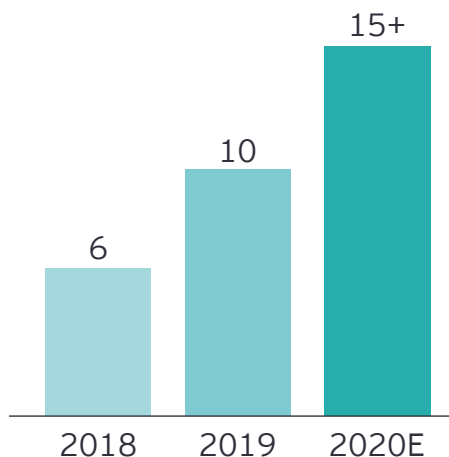


Professional **esports** players grew **4x in 2019**

(across all competitive level games)

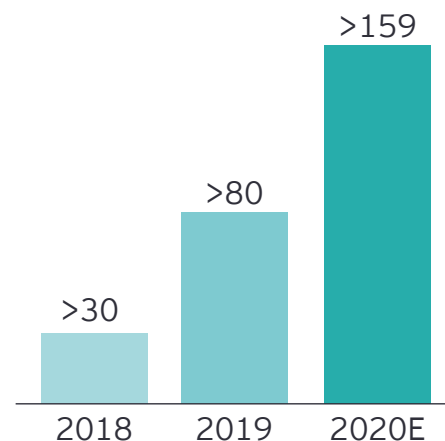


There were **10** prominent **esports** game titles (mobile + PC)



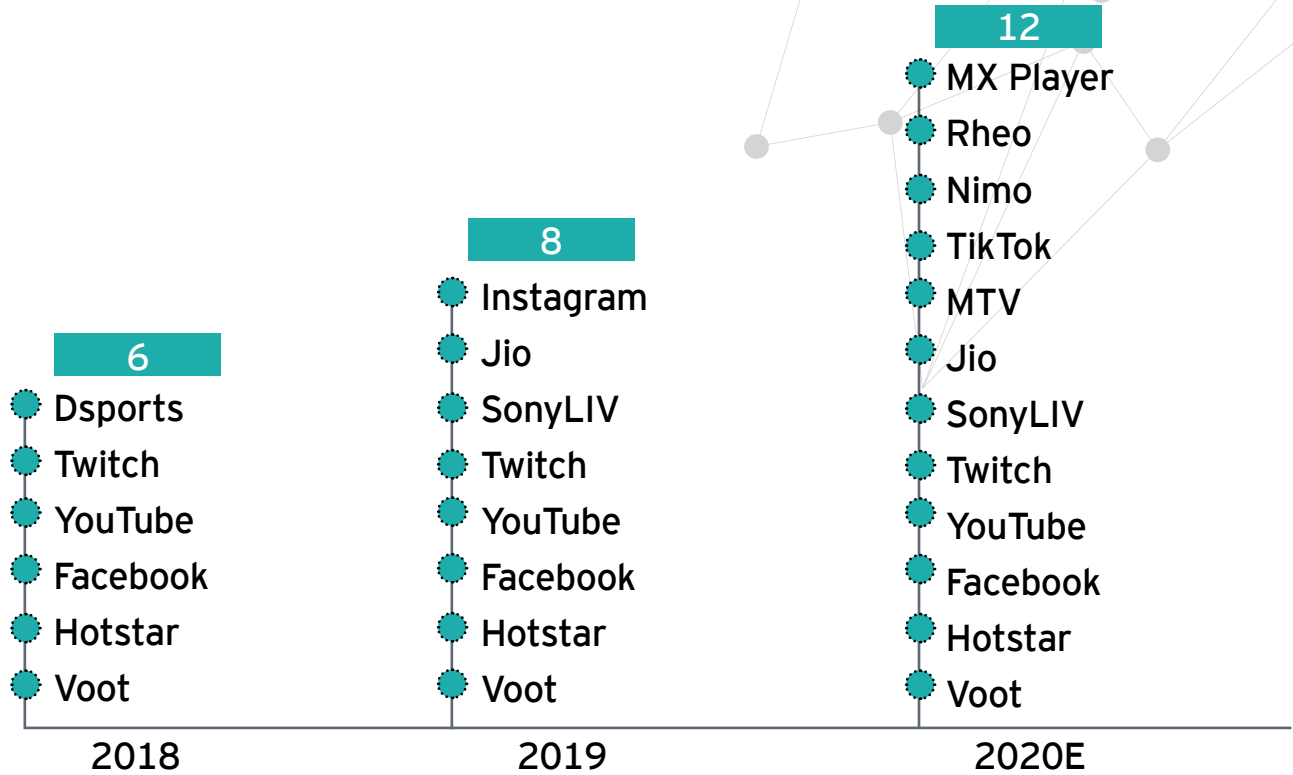
Prize **money** awarded (INR millions)

Prize pools have shown a consistent 100%+ YoY growth since 2018



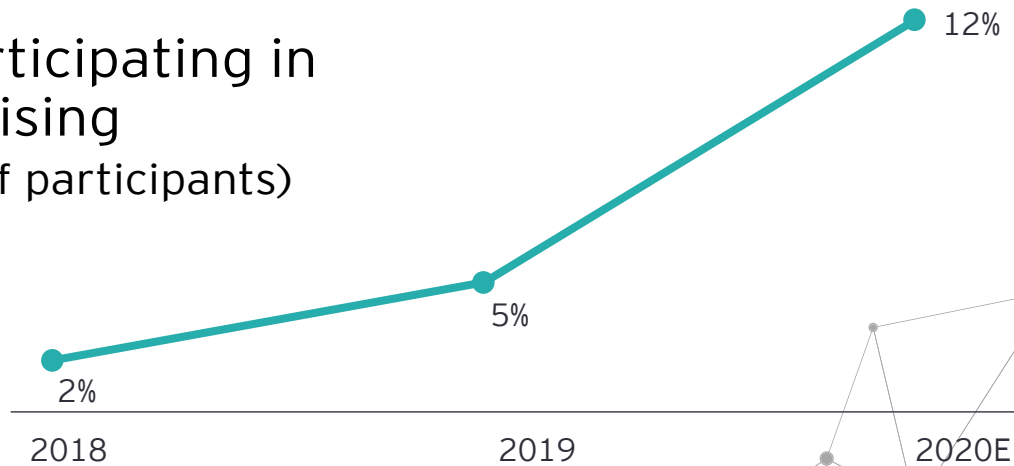
Broadcast platforms keep growing

(OTT + live streaming platform + social + television)

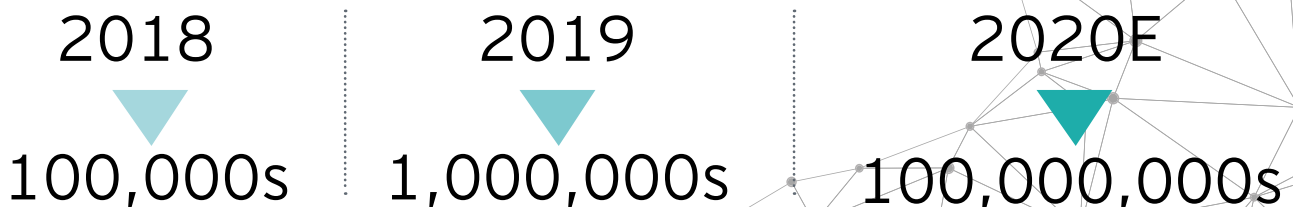


Women participating in esports is rising

(percentage of participants)



Online viewership expected to increase in 2020



Expert speak



Brian Tellis
Director
Fountainhead MKTG

The experiential business is going through its most exciting phase due to the rise of community driven experiences. Today, community building & management across D2C media is a non-negotiable endeavor for brands to manage their equity. New IPs and experiences will define the future of experiential marketing.



Roshan Abbas
Managing Director
Geometry Encompass

The pillars for future of the experiential world are authenticity, sustainability and digital. Where purpose and culture intersect lies the next big thing!



Mohomed Morani
Managing Director
Cineyug

The experiential offering of live events is expected to be one of the top 3 revenue drivers of the entertainment industry. Cost-controlled world-class delivery and creativity of formats will drive D2C business.



Deepak Choudhary
Co-Founder & Director
Event Capital

IP curation has evolved and created a space for IP owners, brands/sponsors and consumers to be present and belong to an ecosystem co-created by them. It's the beginning of a journey where IPs are truly becoming admired brands.



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

Despite the slowdown, events remain a growth segment and I expect that that IPs, sports and weddings will keep driving growth in the years ahead.



Ashish Hemrajani
Founder and CEO
BookMyShow

India's out-of-home entertainment industry is a significant contributor to the aspiration of a \$5 trillion economy. It plays a strong role in generating employment, adding significant heft to the country's growth. India's live entertainment industry requires that the government broad-base the ecosystem through favorable regulatory policies such as easing infrastructure roadblocks, rationalizing GST rates at par with global industry standards and enabling single window clearances to make out-of-home entertainment accessible to millions of Indians.



Atul Nath
Founder
Candid Marketing

The future of business, and thus experiential marketing too, is online and in technology. The future belongs to those who can find ways to intersect our industry with digital and technology marketing through automation.



Sidharth Kedia
Group CEO
Nodwin

As Victor Hugo had once said, "Nothing is more powerful than an idea whose time has come", it is that time for eSports now. A teenager today isn't just watching cricket or football but is spending time playing 'PUBG' or creating a 'fortnite' stream on YouTube. Increase in data consumption is going to be driven by playing online games and watching eSports streams more than passive video consumption by this generation. Welcome to the future.



Online gaming

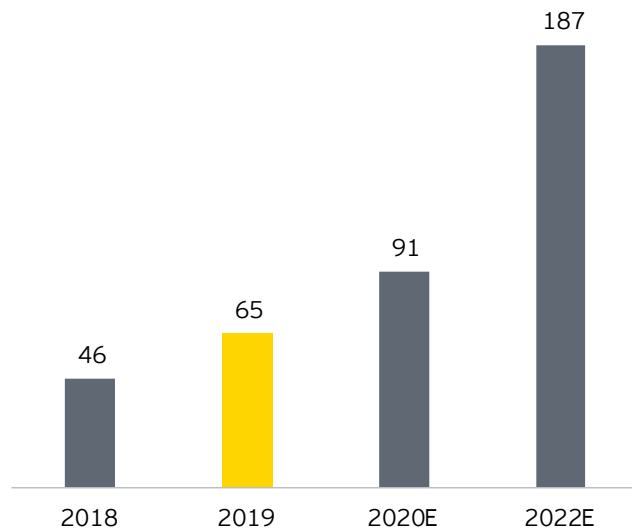


To view more by the artist; click on the picture



Online gaming grew 40%

Online gaming segment revenues

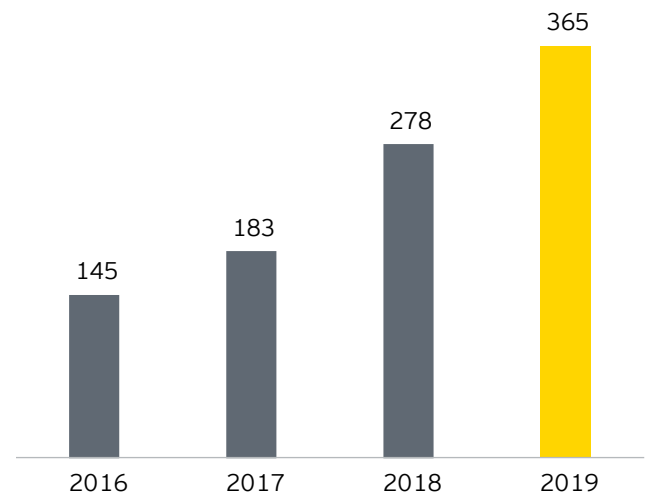


INR billion (gross of taxes) | EY estimates

- ▶ The online gaming segment grew 40% in 2019 to reach INR65 billion and is expected to reach INR187 billion by 2022 at a CAGR of 43%
- ▶ Growth was enabled by:
 - ▶ Increase in the number of online gamers from 183 million in 2017 to 365 million in 2019
 - ▶ Increased popularity of fantasy games on the back of popular sports like cricket, which grew over 100% since 2018
 - ▶ Incentive to win money in transaction-based games coupled with a more pervasive mobile payments ecosystem
 - ▶ Growth of over 20% in casual gaming on mobile phones
- ▶ Online gaming in India is projected to grow faster than the global online gaming segment

Online gamers grew 31%

Online gamers in India (in millions)



Statista, EY analysis

- ▶ The count of online gamers in India grew 31% in 2019 to reach around 365 million and is expected to reach 440 million by 2022¹
- ▶ This represents a 14x growth since 2010, when there were 25 million gamers
- ▶ Growth in gamers is being enabled by:
 - ▶ Growing smartphone ecosystem
 - ▶ Availability of high speed and cost-effective data
 - ▶ Active marketing and branding campaigns, led by celebrities, to attract existing and potential gamers
 - ▶ Localized, simple and engaging formats of games

India contributed 13% to global game app downloads in 2019²

- ▶ India's game downloads in 2019 increased 12% over 2018 and amounted to 13% of total game downloads worldwide
- ▶ In 2019, 5.6 billion mobile game applications were downloaded in India which is the highest worldwide
- ▶ However, app store revenue from India was only 0.2% of the global app store revenue

1. Statista-Number of online gamers in India from FY 2018 to FY 2022 and EY analysis

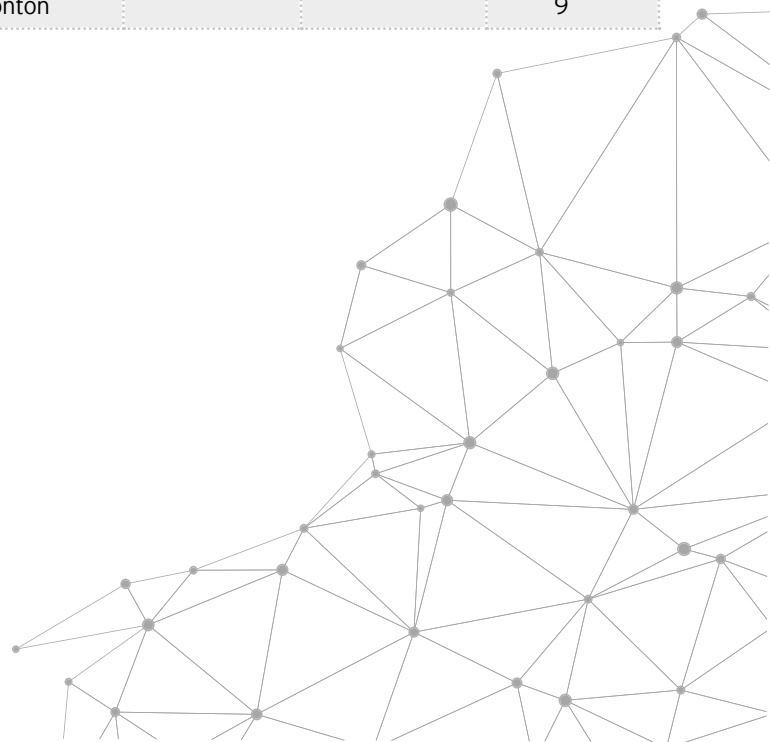
2. App Annie: iOS & Google Play Market Size, includes updates and all downloads

Top mobile games in India - 2019

Game	Genre	Publisher	Ranking parameters and ranks		
			Downloads	Monthly active users	Consumer spend
Ludo King	Board	Gametion	1	3	
PUBG Mobile	Action	Tencent	2	1	1
Free Fire	Action	Sea	3	6	2
Subway Surfers	Arcade	Sybo	4	5	
Carrom Pool	Board	Miniclip	5	9	
Bubble Shooter by Llyon	Casual	Miniclip	6		
Temple Run 2	Action	Imangi	7		
Candy Crush Saga	Casual	Activision Blizzard	8	4	5
Hill Climb Racing	Racing	Fingersoft	9		
Temple Run	Arcade	Imangi	10		
Racing Fever: Moto	Racing	Gameguru		2	
Clash of Clans	Strategy	Supercell		7	7
Doodle Army 2: Mini militia	Action	Miniclip		8	
8 Ball Pool	Sports	Miniclip		10	10
Coin Master	Casual	Moon Active			3
Teen Patti	Casino	Octro			4
Lords Mobile	Strategy	Fantasy Plus			6
Teen Patti Gold	Casino	Moonfrog			8
Mobile Legends: Bang Bang	Action	Moonton			9

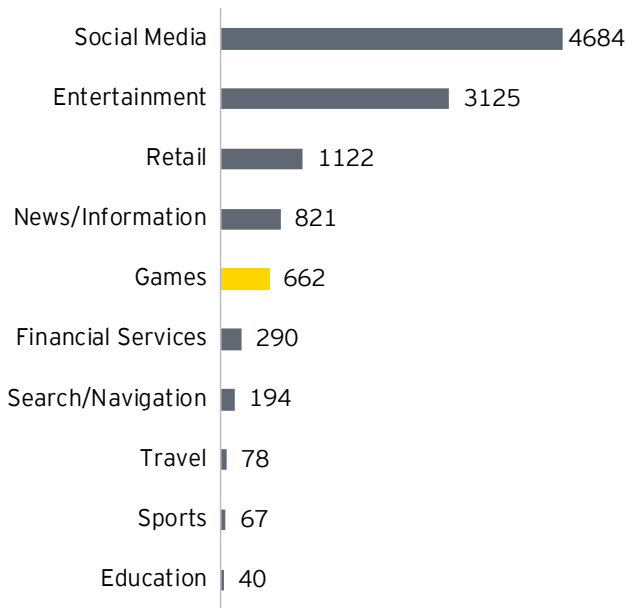
App Annie, State of Mobile 2020: Top App & Company Rankings

- ▶ In India, 19 games across 15 publishers contributed towards top-10 rankings across downloads, monthly active users and consumer spend
- ▶ Action oriented games were most popular in the top-10 rankings across all three parameters
- ▶ PUBG Mobile was the first ranked game in terms of users and consumer spends



Time spent on gaming ranked fifth highest on mobile devices³

Time spent on mobile devices in India, by content category (in million hours)

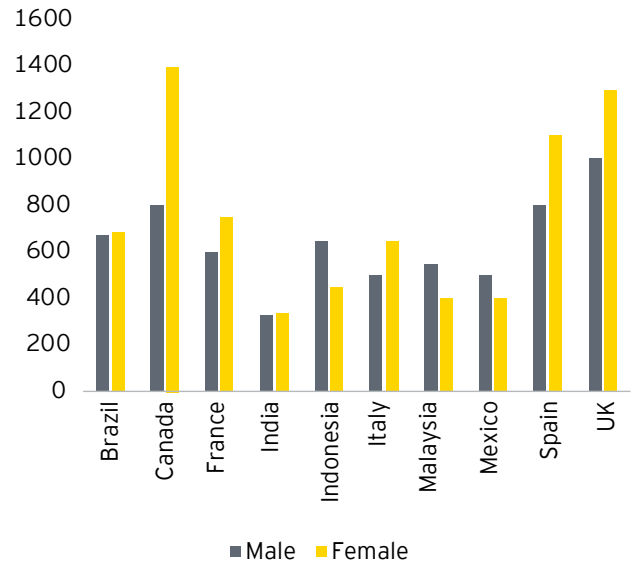


Comscore, The State of Mobile: Insights into Emerging Behaviours on Mobile Devices

- ▶ Gaming contributed nearly 6% of time spent by users across content categories on mobile devices
- ▶ This is approximately a fifth of the time spent by users on entertainment on their phones

Women showed increasing interest in online gaming

Minutes per visitor by gender (selected countries)



Comscore, Global State of Mobile 2019

- ▶ Women spent similar time on gaming applications as compared to men in India
- ▶ Casual games that promoted relaxation, fun and connection were more popular with women, while competitive gaming also witnessed an increase in women participants
- ▶ These are indications that online gaming companies should explore opportunities to target audiences beyond the traditional young and male audience

3. Comscore: The State of Mobile: Insights into Emerging Behaviours on Mobile Devices

Revenue growth was led by transaction-based games

	2018	2019	2020E	2022E
Transaction-based	30.7	46.0	69.0	155.3
Casual	15.5	18.6	22.3	32.1
Total	46.2	64.6	91.3	187.4

INR billion (gross of taxes) | EY analysis

Transaction gaming grew by 50%

- ▶ Transaction-based games grew 50% in 2019, led by fantasy sport games which grew by 118%
- ▶ Awareness and trial of fantasy sport games grew due to high-decibel marketing campaigns with celebrities like MS Dhoni and Sourav Ganguly promoting them coupled with end-customer promotions including free games
- ▶ One out of three of the over 1,200 people we surveyed were aware of and played fantasy games and / or fantasy sports⁴ and it is estimated that the number of people playing fantasy games crossed 100 million in 2019⁵
- ▶ Out of the various fantasy sports games available in the Indian market, fantasy cricket was the most popular⁶ and grew on the back of the IPL and the ICC World Cup held in 2019
- ▶ Growth in transaction-based games has been driven by ease of payment, increased smartphone penetration, regional language interfaces, participation not just before but even during live sports, better security and instant withdrawal of winnings
- ▶ Other transaction-based games like rummy, poker, etc. grew at around 30% in 2019⁷
- ▶ Average revenue per customer grew 41% in 2019⁸

4. EY survey of gamers 2020

5. <https://yourstory.com/2019/04/fantasy-sports-startup-dream11-mpl-ipl>

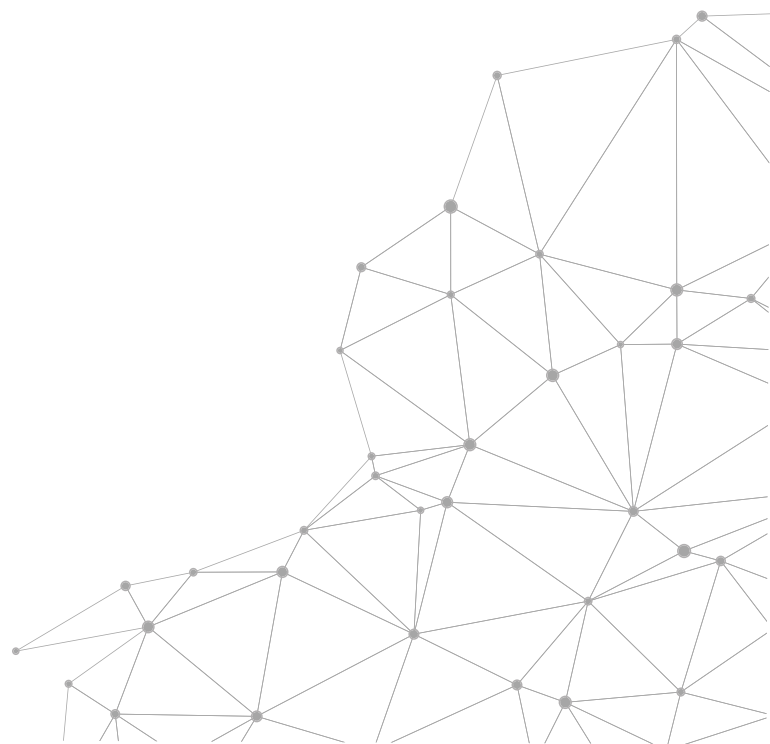
6. Statista: Fantasy sports played by gamers across India in 2019, by sport type

7. EY Analysis

8. All India Gaming Federation

Casual gaming grew 20%

- ▶ Casual gaming growth was led by in-app purchases which grew 30% primarily on the back of action and strategy games
- ▶ In-app purchases now account for 65% of casual gaming revenues, while advertisements comprise 35%
- ▶ Hyper-casual and simple games are poised to gain traction due to their ability to keep users engaged



Self-regulation commenced, albeit voluntarily

- ▶ Gaming federations have developed charters and guidelines around self-regulation and safe gaming for their member companies to adopt and implement
- ▶ Federations are also assisting member companies to undergo audits to ensure they are following the self-regulation guidelines, however these audits at present are voluntary
- ▶ While self-regulation exists, international investors perceive the lack of clarity from government as a long-term risk and a key reason preventing them from investing in the Indian online gaming market

Game development in India made steady progress

- ▶ India presently has around 40 leading and a host of other small companies involved in game development
- ▶ Popular games developed by Indian developers include⁹ :
 - ▶ Alter Army
 - ▶ Antariksha Sanchar-Transmissions in Space
 - ▶ Raji: An Ancient Epic
 - ▶ MISSING: The Complete Saga
 - ▶ The Last Train
- ▶ India is now perceived as a provider of skill and talent needed to develop modern day games and international game development companies are collaborating with Indian engineering institutions to work on new technologies such as AI and ML¹⁰
- ▶ Forums such as the India Game Developer Conference (IGDC) are helping to spot talent, reward gaming companies, share knowledge and ideas, collaborate with international players and promote the segment
- ▶ Key concerns that need to be addressed to boost game development in India include:
 - ▶ Availability of talent in areas related to game concept creation and game design
 - ▶ Viable funding / investments to develop games of international standard

Online gaming can generate significant employment

- ▶ By 2022, the estimated number of employees within the online gaming segment would be over 40,000¹¹
- ▶ The online gaming segment also has the potential to bring in massive employment, through direct and indirect jobs that can be generated from ancillary sectors such as telecommunications, marketing, financial services and banking, technology, events and real estate¹²
- ▶ Indirect tax collection from online gaming for 2019 could be in excess of INR9.8 billion, rising to INR28.6 billion by 2022¹³, apart from direct taxes

9. <https://in.pcmag.com/gaming/132054/5-indian-made-games-that-you-should-try-out>

10. <http://www.iitb.ac.in/en/breaking-news/ubisoft%C2%AE-opens-innovation-unit-iit-bombay-research-park>

11. Statista: Number of employees in the gaming industry across India from 2013 to 2022

12. <https://www.moneycontrol.com/news/trends/features-2/indias-online-poker-industry-is-in-a-hyper-growth-phase-4905141.html>

13. EY analysis

Future outlook

Phy-gital and Digi-cal models will emerge

- ▶ The global wearable device market is expected to grow at a CAGR of 11.3% from 2019 to 2025 to reach US\$62.8 billion by 2025¹⁴. Gaming based on performance statistics and data from wearables can give rise to a community of wearables' consumers competing and at the same time benefiting from the indicators on the wearables. Layering physical activity with digital engagement can help the segment go Phy-gital
- ▶ Game led events (like esports competitions) and merchandising (Nerf guns which unlock skins in Fortnite, for example) can help gaming companies increase physical monetization from their digital audiences as well as create awareness of their digital products. Events and merchandising can help connect the digital world to physical reality and help the segment go Digi-cal
- ▶ With growth in Phy-gital and Digi-cal communities, gaming companies and federations can indulge in conceptualizing and launching gaming Olympics to enhance player engagement, excitement and monetization

User generated gaming (UGG)

- ▶ With the growth witnessed in gamers and gaming communities, gamers will convert to game developers and game evangelists by creating new game formats to play within their communities
- ▶ Popular user generated games can help identify new game formats and skills to boost the overall segment, resulting in social-media driven gaming decathlons and challenges

14. <https://www.prnewswire.com/news-releases/world-market-for-wearable-devices-set-to-reach-62-82-billion-by-2025---increasing-penetration-of-iot-related-devices-drives-market-growth-300974593.htm>

15. "AI at early stage of incorporation in gaming sector", AnimationXpress, <http://www.animationxpress.com/index.php/latest-news/is-ai-at-the-early-stage-of-incorporation-in-the-gaming-sector>, accessed on 12 December 2019

16. "5 trends that define the online gaming sector in India", Yourstory, <https://yourstory.com/2019/08/online-gaming-india-pubg-fantasy-sports-dream11>, accessed on 20 December 2019

New technology will increase player engagement and retention

▶ Characters with AI

Characters powered by AI learn from actions taken by the players and their behavior is modified accordingly¹⁵. This equips players to perform actions in the virtual world with a realistic experience involving emotional and psychological emotions, thereby increasing player engagement

▶ Cloud gaming

Companies like Apple and Google have rolled out their cloud gaming services - Arcade and Stadia respectively, while Microsoft and Nvidia have their cloud gaming services - xCloud and GeForce respectively - in a nascent stage. Not only will cloud gaming offer gamers a wide variety of titles to choose from but also provide a seamless experience with high speed and enhanced graphics

▶ Data science

Users' playing time, interaction time, quitting point, peaks of activity, results, scores, etc. present vast material for analytics. Companies are using data science to enable increased monetization, higher engagement, player retention and fraud detection using pattern analysis

Regional gaming will provide a large opportunity

- ▶ Indian language speaking internet users are expected to reach 540 million by 2020¹⁶ which could provide an opportunity for online gaming companies to develop games based on offline local games played in different cultures and regions of India
- ▶ Enabling game play in more local languages could result in a whole new segment of mobile gamers

Gaming will enhance the education experience

- ▶ One of the largest problems faced by the Indian education sector is the quality of teachers, particularly in smaller towns and villages
- ▶ Game-based learning products in regional languages create a high-engagement method to educate students on important concepts using animation, video and interactivity
- ▶ It helps students collaborate, communicate, interact and work in teams
- ▶ Gamification in education will provide a boost to the education sector and hence can be an area for government to focus and provide incentives





Global trends

Legal sports gambling goes mainstream

- ▶ Following the US Supreme Court's decision of removing the Professional and Amateur Sports Protection Act in 2018, casinos, media companies, sports leagues, online gambling operators, fantasy sports start-ups and software providers have emerged as early winners in the market. Specifically, gaming operators have been ironing out massive contracts between professional sports leagues and individual teams which appear to be quite lucrative. Since the first legalization of sports betting, further legislation to authorize sports betting has passed in 13 states. Five more states and the District of Columbia are poised to start legal markets in the coming months, and similar bills are being considered in many other states.

Cloud gaming takes off

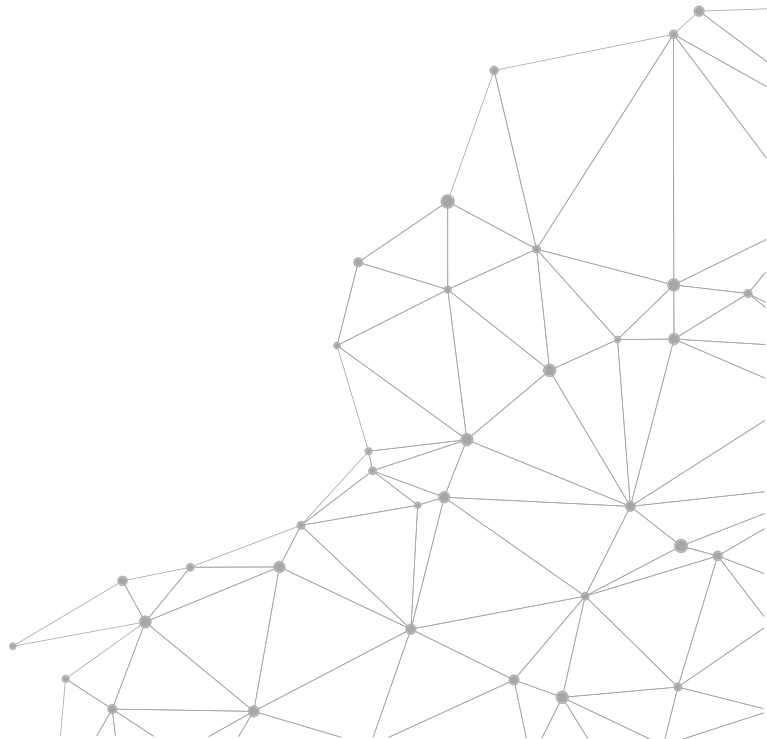
- ▶ After mobile gaming expanded the market by making games accessible to billions of people across the globe (it remains the largest segment in 2019), cloud gaming offers a similar huge potential. Cloud gaming, in which any game can be played on any device without the consumer having to own the physical hardware required to process the game, presents a significant opportunity to expand the market for premium games beyond the current console and PC audience. Major gaming brands are looking for new ways to deliver gaming and are unveiling cloud gaming platforms. Faster internet along with 5G makes the technology feasible in more markets .

Cross-platform gaming becoming mainstream

- ▶ With gaming publishers competing to expand their markets and potential audience, they are looking to create games that are played on a wide range of devices/platforms. Going forward, gamers are likely to focus more on which games they play and with whom and less on which devices they own. Players who enjoy playing with friends do not need to own the same gaming platform, be it PlayStation, Xbox, or PC, etc.

Significant use of data analytics

- ▶ Sports organizations must actively engage their different fan segments both inside and outside the game venue – they need to be agile, flexible and able to evolve their offerings. Data analytics offers the ability to give fans an exceptional experience, by getting the right content to individuals at the right time. Allowing real-time interaction and engagement, by creating relevant, consistent and personalized content helps establish a deeper connection with fans. During the game, viewers have the possibility to access instant replays, alternate views and close-up videos, vote for their favorite player, bookmark and comment. Data analytics is also used to improve public attendance and event monitoring, fine tune players, team playbooks, game plans and even to kickstart sales and promotions. Performance analytics is being used to identify weaknesses, track improvements and observe trends. Analytics is also helping professional sports teams prevent sports injuries by analyzing the data collected from wearable devices.

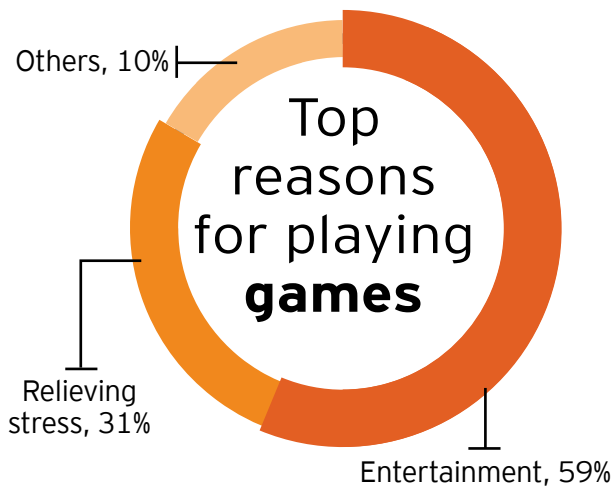


Online gaming Trendbook

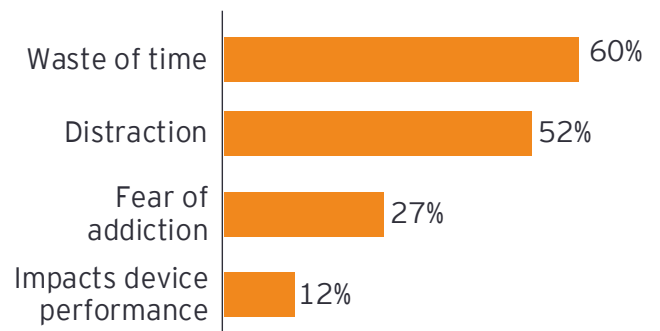
EY survey of 1,266 smartphone owning adults

77% played games

up from 67% in 2018



Top reasons for **not** playing games

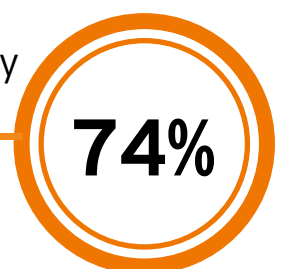


were willing to pay for in-app purchases

up from 10% in 2018

were OK to watch ads rather than pay to play

up from 70% in 2018

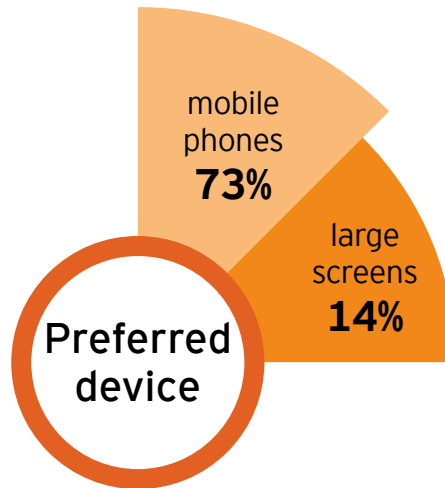
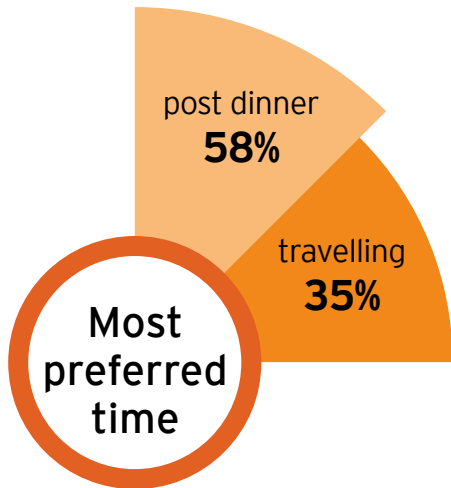


28 min: Avg time spent playing games

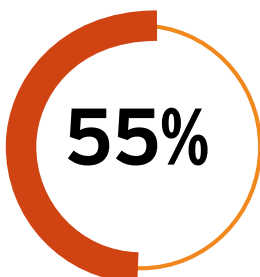
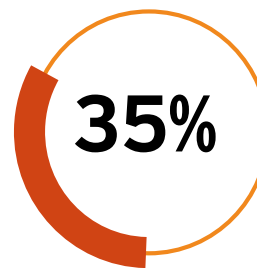
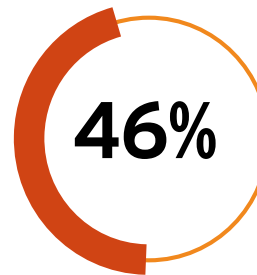
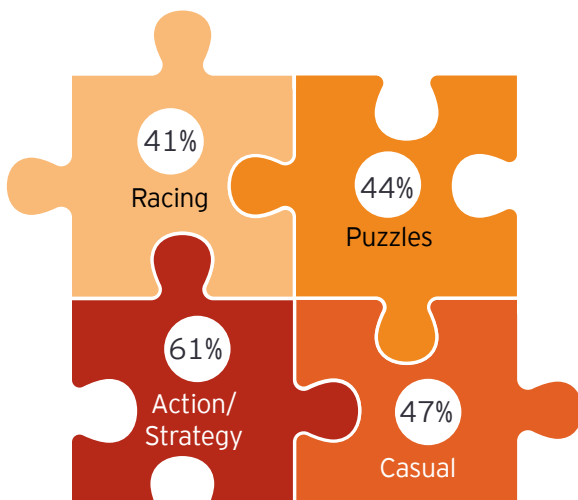
Most played 15 to 30 minutes per day

76%

played one to two times a day



Games people **play**



played games recommended by friends while 43% played popular games on app stores



Expert speak



Manish Agarwal
CEO
Nazara Technologies

Summary of the opportunity in gaming market: Skill Based Games played for real money + Competitive multiplayer + eSports will drive the overall gaming market going forward.



Nitesh Damani
Co-Founder
Khel Group

The idea of "Lone Gamer" is not true any more. A lot of gaming and a lot of interaction is no longer physical; it's all digital and at a distance. I think there's been this rediscovery of the joy of playing with people around the table.



Roland Landers
CEO
All India Gaming Federation

Online Real Money Skill Gaming (RMG) Industry is now poised to grow exponentially owing to the rise in digitally rich consumers and financial inclusion. The Industry needs rational taxation, both on methodologies and rates based on International best practices and endorsement of the AIGF self-regulation charter that governs stakeholders, so that businesses continue to expand and attract investments.



Ankush Gera
CEO
Junglee games

The skill gaming industry, with close to a billion dollars in annual revenues on the backbone of Rummy and Fantasy Sports, is one of the fastest growing digital verticals in India, already seeing close to 100% year-on-year growth. This industry will continue to beat all projections. Gaming is the opportunity for a billion screens in India and it has fully arrived.



Amin Rozani
Founder and Managing Director
Spartan Poker

There has been an upward trend in the growth of poker in India, especially over the past 2 years and we believe this will continue going ahead with great value offerings and top-notch customer service driving the way.



Anirudh Pandita
Co-Founder
Pocket Aces

Globally, gaming has become a centerpiece of the consumer entertainment experience today with US gaming industry revenues now outpacing Hollywood box office receipts and approaching TV revenues. In India, increasing smartphone penetration along with cheap data is fuelling growth in gaming. Big beneficiaries have been hardcore games and gaming platforms. We are at the beginning of a secular trend that will continue for a while and will result in the formation of a gaming, game streaming, and esports ecosystem.



Rajesh Rao
Convenor
India Game Developer Conference

While real money gaming continues to grow rapidly, success of PUBG shows people's propensity to spend on multiplayer games and casual should follow. With India's per capita income being around 1/5th of China, it wouldn't be unreasonable to forecast a games market 1/6th of China, after adjusting for lower disposable income in India... This would mean a India market in the US\$4-US\$7 billion range.



Saurabh Aggarwal
CEO
Octro Inc.

India Gaming just levelled up. The 10x increase in the number of people willing to pay in games is an indication of the great things to come.



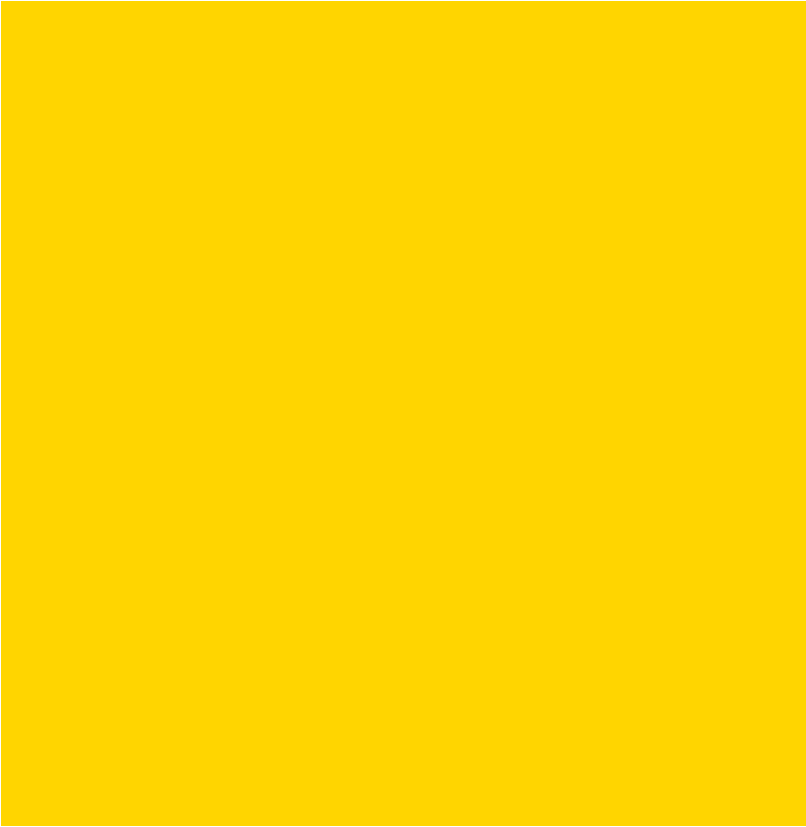
Naveen Goyal
CEO
Adda52

Poker is a mind sport, played responsibly to learn life skills, probability and business. Gaming can take one to success in multiple facets of life.

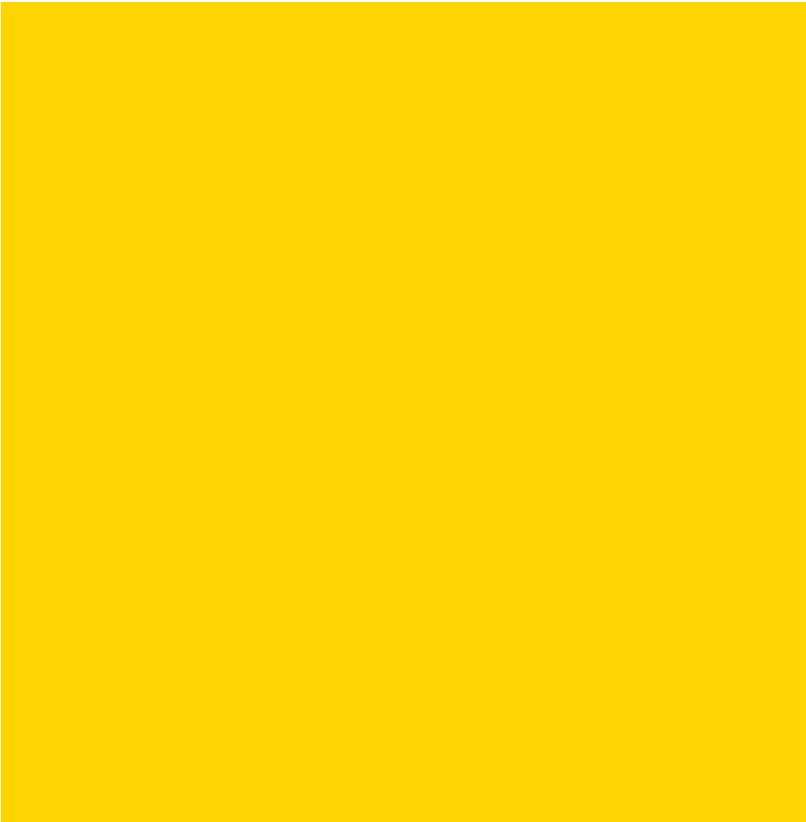


Ankur Dewani
CEO
PokerStars India

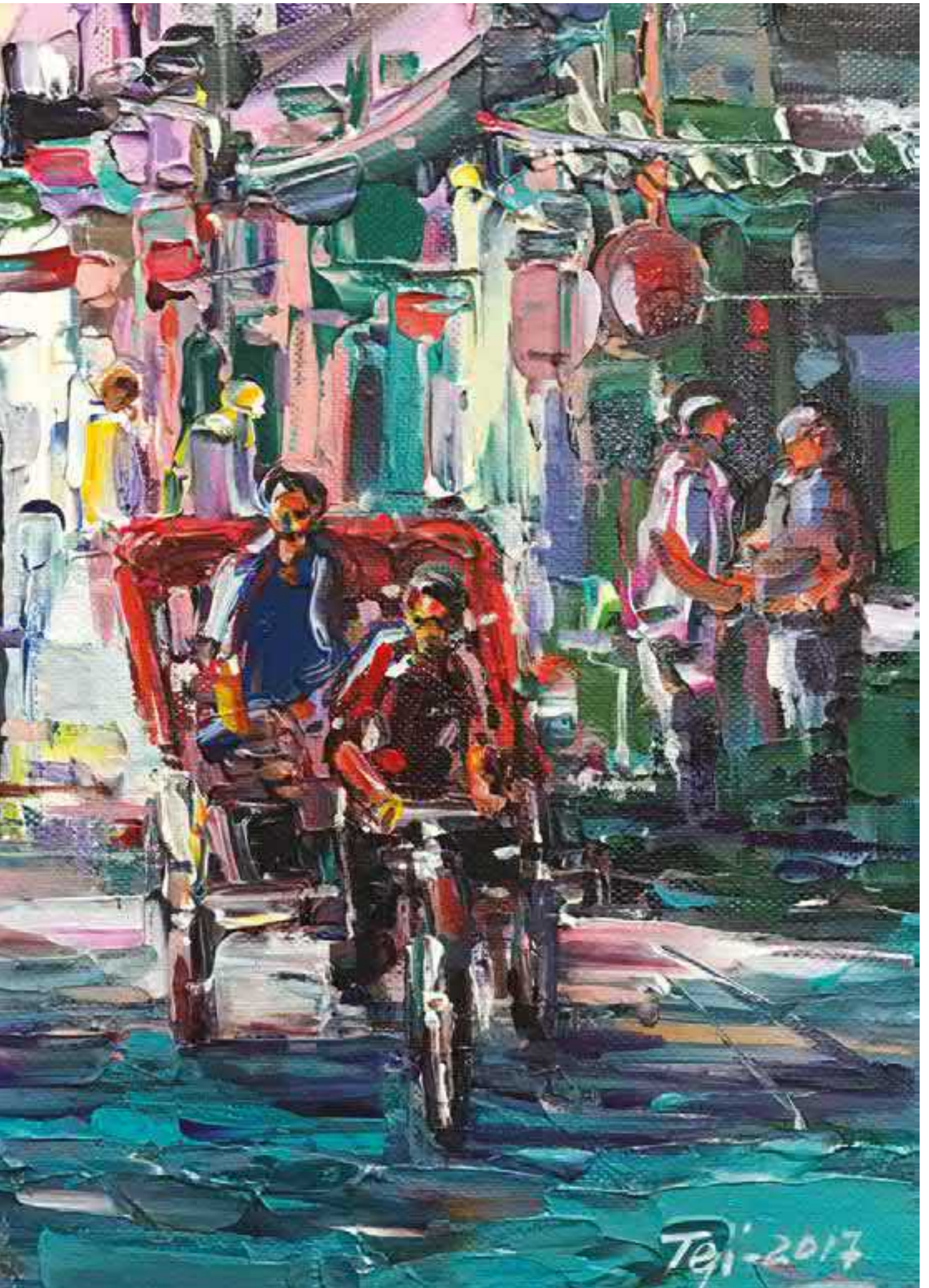
India is perhaps one of the most exciting countries to be in for the next few decades, and we are all extremely proud and happy to be part this journey in our country's growth phase, and in that hopefully bringing about a positive change for our industry along the way!



Out of Home (OOH) media

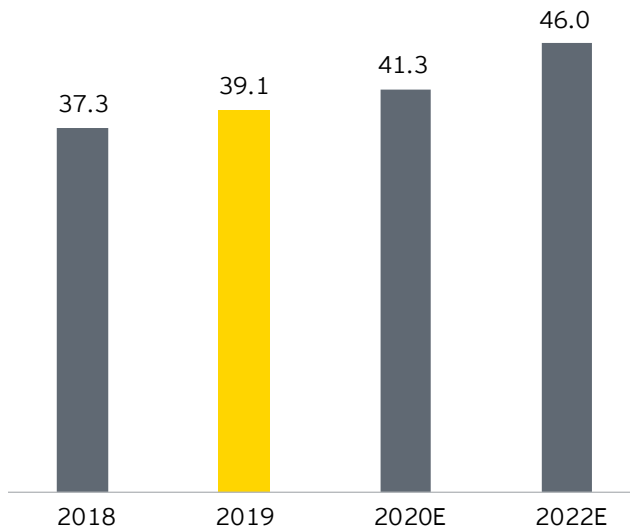


To view more by the artist; click on the picture



OOH grew at 5% in 2019

OOH media segment revenues

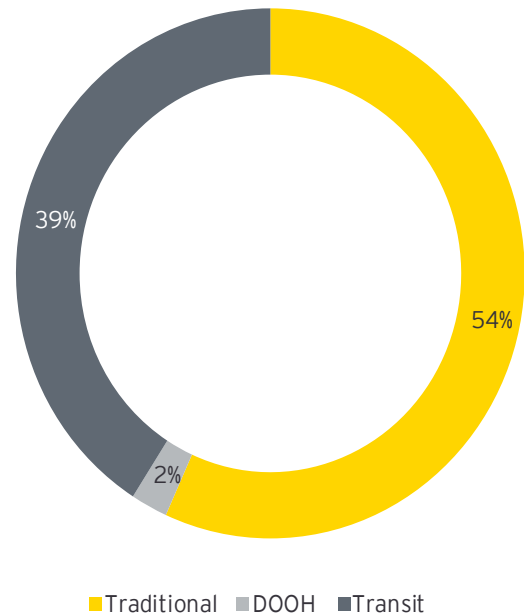


INR billion (gross of taxes) | EY estimates

- ▶ OOH media grew 5% in 2019 to reach INR39.1 billion, the value of which includes traditional, transit and digital media, but excludes untracked OOH media such as wall paintings, ambient media, proxy advertising, etc. which could be around INR10-15 billion in addition to this number¹
- ▶ Traditional OOH comprised 54% of revenues, while digital OOH (DOOH) grew on the back of screen volumes and increased interest from advertisers and contributed 2% of total revenues
- ▶ Transit media continued to grow as more inventory became available and naming rights continued to be of interest to brands, reaching 39% of total revenues
- ▶ The OOH segment is expected to grow at a CAGR of 5.5% to reach INR46 billion in three years

Traditional media continued to be the largest contributor to revenues

Composition of the OOH segment



EY estimates

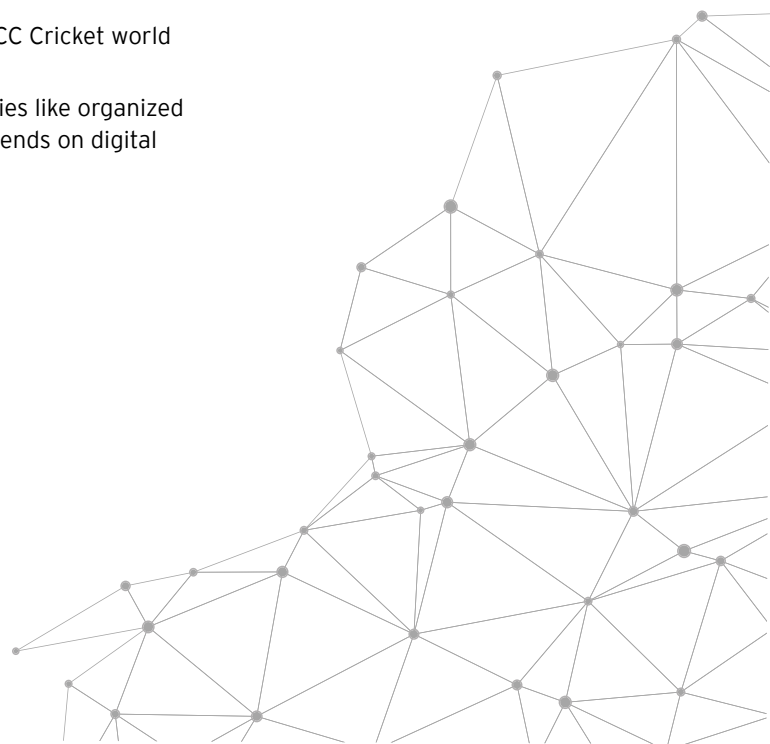
- ▶ Traditional media contributed 54% of total media, not counting ambient media, wall paintings, proxy media (like ads in automated teller machines) and the informal / unorganized sector
- ▶ The government's focus on building highways (around 10,000 kilometers were built in 2018 and 2019 each and another 6,000 kilometers are planned for 2020²) will further propel the growth of traditional OOH
- ▶ The share of transit has been steadily increasing over the last five years as transport gets modernized across air, rail and bus
- ▶ Digital OOH crossed 2% of revenues for the first time in 2019

1. Exclusions are based on industry discussions, not verified by EY
 2. <https://qz.com/india/1710669/how-modis-indian-economy-worried-about-roads-highways-also/>

Services became the largest category on OOH³

Category contribution			
Category	2018	2019	Contribution to growth %
Hospitals, restaurants, education, OTT	14%	15%	32%
Organized retail	16%	15%	-23%
Real estate and construction	12%	14%	71%
FMCG	9%	11%	56%
Financial services	9%	10%	33%
Media	5%	6%	37%
Telecom	7%	6%	-34%
Auto	7%	6%	-21%
E-commerce	4%	3%	-25%
Electronic durables	2%	3%	10%
Pharmacy	1%	1%	0%
Petroleum/Lubricants	1%	0%	-6%
Others	12%	10%	-31%
Total	100%	100%	

- ▶ The top five categories contributed 65% of OOH spends
- ▶ Services, which includes OTT platforms, became the largest category to spend on OOH as several OTT platforms launched audio and video streaming services and promoted their original content
- ▶ Other categories which drove growth included real estate, FMCG, financial services and media
- ▶ Big-ticket events such as the general election, IPL and the ICC Cricket world cup ensured a strong first half of 2019
- ▶ However, sharp falls were seen in OOH spends from categories like organized retail, telecom, auto and e-commerce which all increased spends on digital media

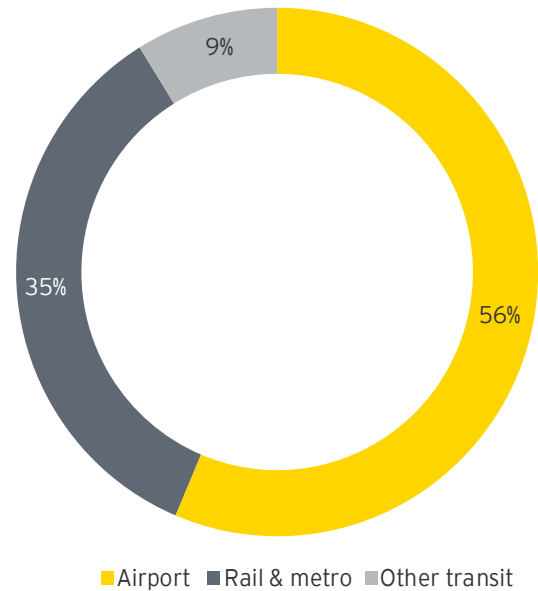


DOOH grew to almost INR1 billion

- ▶ DOOH now comprises over 2% of the OOH segment's revenues
- ▶ Industry estimates vary on the number of screens in India, but these could be several hundred thousand, given that digital ad screens have proliferated malls, airports, metro stations, taxi aggregators, restaurants, etc.
- ▶ Fill rates remain low in most cases, however and DOOH inventory is largely being bundled along with transit and other inventory sales today
- ▶ Integration with large advertising platforms and networks is imminent and can provided a much-needed boost to this segment

Transit media continued to be a key driver of growth

Composition of transit media revenues



EY estimates based on industry discussions, railways and airport data, ad agency reports, etc.

- ▶ Railways set a high growth benchmark for advertising revenues in 2019, generating around INR10 billion in revenue⁴
- ▶ Railway revenues were also driven by growth in metro lines and metro station naming rights
- ▶ Continued growth in airports and air traffic increased OOH revenues generated by airports
- ▶ Going forward, growth will be driven by launches of metro lines and stations, new airports and air routes, smart cities and bus shelters/terminals:
 - ▶ It is planned to open 100 new airports by 2024, including starting 1,000 new air routes connecting smaller towns and cities⁵
 - ▶ 664 km of metro rail projects in 15 cities are presently under various stages of implementation, while more than 515 km of metro lines are already operational in India⁶
 - ▶ The center has asked states and union territories to develop one modern bus port each – modern bus stands equipped with a host of facilities – that can serve as a model, for which it will provide viability gap funding⁷
- ▶ Transit media is set to grow from 39% in 2019 to contribute 44% of total OOH segment by 2022⁸

4. http://indianrailways.gov.in/railwayboard/uploads/directorate/finance_budget/Budget_2018-19/Revenue_Receipt_2018/Revenue_Receipts_Expenditure_2018-19.pdf

5. <https://economictimes.indiatimes.com/industry/transportation/airlines/-aviation/india-plans-to-open-100-airports-in-five-years/articleshow/71821181.cms?from=mdr>

6. <https://economictimes.indiatimes.com/industry/transportation/railways/15-more-cities-will-soon-have-metro-network-union-minister-puri/articleshow/66419131.cms>

7. <https://timesofindia.indiatimes.com/india/centre-asks-states-uts-to-set-up-modern-bus-terminals-to-boost-public-transport/articleshow/66905260.cms>

8. EY estimates

Future outlook

[OOH + Digital] to increase RoI for marketers

- ▶ We expect to see the aggregation of location-based data along with opportunity-to-see data marking a change in how OOH is purchased
- ▶ Platforms could emerge to automate and simplify the process of serving the demand from local and regional advertisers, providing them with options on OOH as well as geo-targeted digital inventory, as media owners become agencies providing 360-degree solutions across digital and OOH

D2C brand partnerships

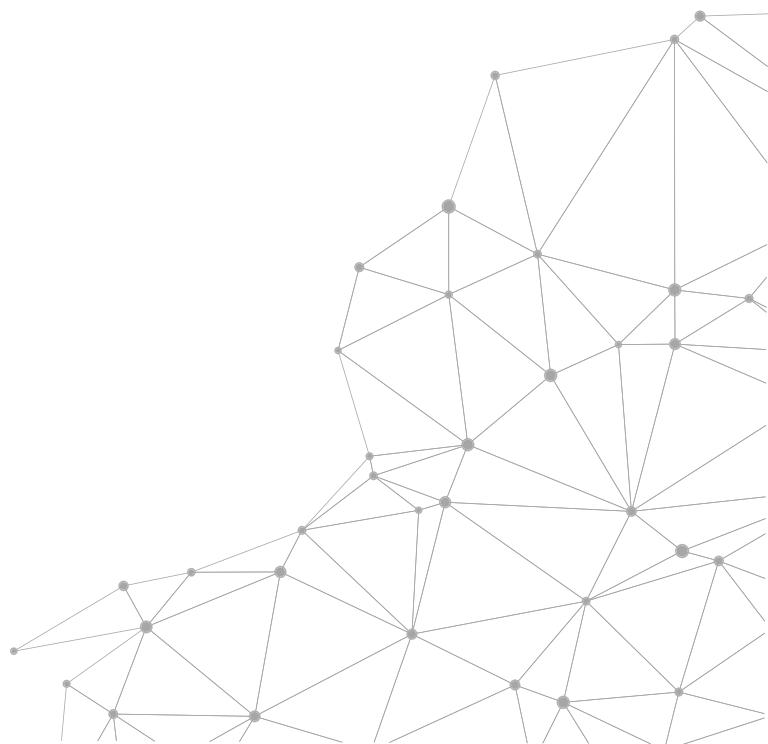
- ▶ India has over 100 direct-to-customer brands, which are funded either by large corporates or private equity, many of which are local and regional brands that require physical presence
- ▶ We expect that OOH partnerships will benefit these brands and could expect equity for space deals in this space

DOOH - towards platformmatic consolidation

- ▶ We expect DOOH to grow at a CAGR of over 33% to reach INR2 billion by 2022
- ▶ However, costs to manage networks are increasing and digital ad rates are falling (as DOOH inventory is pegged to blind digital CPMs), hence margin pressures could be witnessed
- ▶ We expect that DOOH networks will be connected to large ad platforms to fill up inventory and it is possible that consolidation could take place within two to three years in media owners

DOOH, serviced from India

- ▶ We see an opportunity for technology companies to provide service like design, scheduling, traffic, invoicing, payment management, etc. for international DOOH companies out of India





Global trends

Brands directing more budget towards DOOH

- ▶ The OOH industry is witnessing a shift as brands increasingly move their display budgets towards DOOH, with the latter becoming more integrated with digital buys. DOOH enhances advertising and such ads capture the attention of outdoor audiences better. DOOH ads create 2.5 times more impact and twice as likely to be seen than static OOH ads. For advertisers, digital billboards also facilitate integration with additional interactive features such as facial recognition, augmented reality screens and gamification.

DOOH content goes dynamic

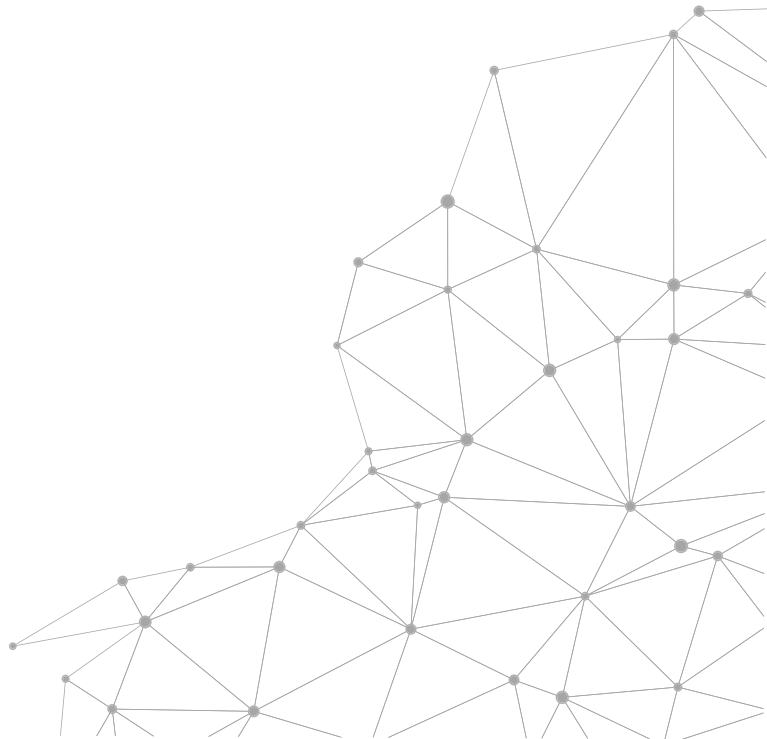
- ▶ Moreover, with the OOH industry going through a digital revolution, dynamic content is the next step forward. Based on data feeds, infusing dynamic content that changes within a DOOH ad such as latest pricing, real-time product listings and live video is set to become prevalent. There is also a possibility of personalized video content based on viewer data – DOOH ads that leverage facial recognition data and smartwatch data (such as heart-rate), to deliver targeted content/promotional offers within OOH ads. However, this depends on the extent to which the public will be willing to share their personal data.

Programmatic buying now commonplace

- ▶ The purchasing of OOH advertising inventory was previously a cumbersome process between the inventory owner, advertiser and digital marketing agency. With programmatic buying, real-time strategies now dominate the OOH world and the process is far more efficient. OOH inventory buying is not only becoming automatic, it is available in several of the similar interfaces that advertisers use to purchase display or mobile ads. The process allows advertisers/marketers to seamlessly activate their campaigns across several channels. Real-time automation also makes it easier to capitalize on data sets straight into campaigns, enhancing personalization and improving ROI.

Need for structured measurement solutions

- ▶ The OOH advertising industry has been focusing on solutions to measure the results of campaigns. Marketers can acquire detailed metrics around their digital campaigns down to impressions and conversions. With continuous growth in DOOH, the need for measurement also arises. Data is vital for measurement and driving accountability in the digital advertising space. While solutions are emerging with underlying technologies to pull device IDs, there is a requirement for the industry to put in place some structure for regulating the industry in terms of tracking.



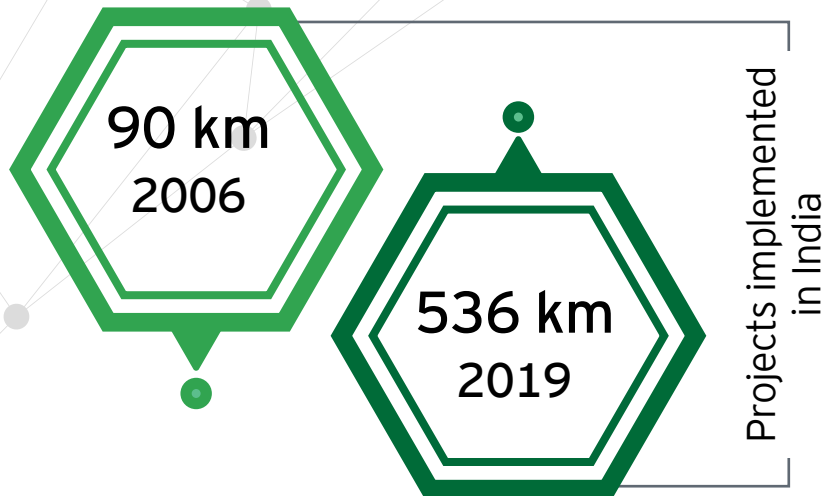
Metro OOH Trendbook

Powered by Times OOH

Metro OOH has grown in India...

Delhi metro has the **7th** highest network globally by annual ridership

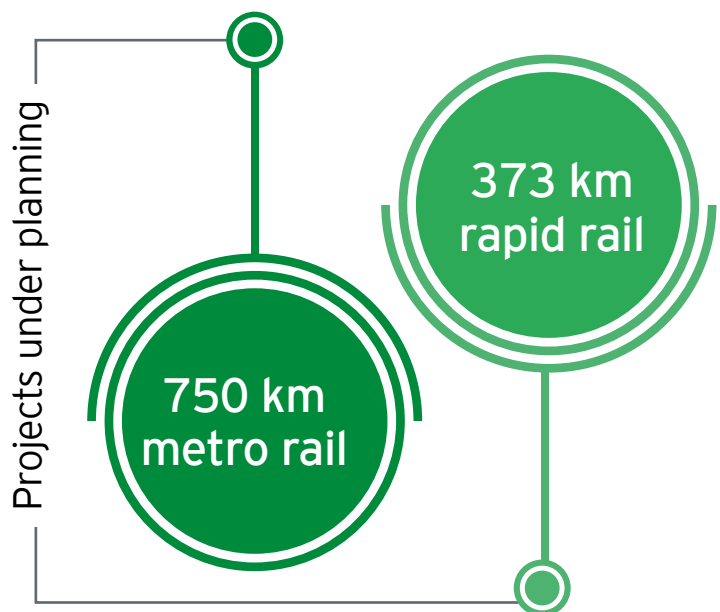
4.7 million passengers ride the metro



...and much more is planned




average time spent on metro rail in India



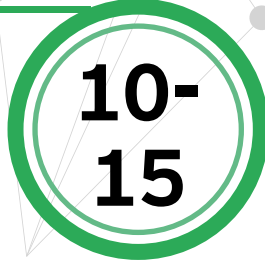
Source: Research and Markets, India Infrastructure Research, UITP, ICRA, DMRC, MMOPL & Syndicated Researches

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

**73%**


of passengers make the same journey weekly

average journeys a week

**10-15****90%**

of commuters are NCCS A

have income higher than the average resident

**70%**

Source: Times OOH and Nielsen study of Mumbai Metro One

**20%**

non-fare revenues targeted by metro operators

Expert speak



Alok Jalan

MD

Laqshya Media Group

In the changing media landscape and old media losing ground to new media, outdoor media finds itself in a unique position where its larger than life appeal coupled with digital OOH creates huge impact and engages you effectively and efficiently. We see OOH to accelerate its growth with passage of time.



Sunil Vasudeva

Chairman cum full time Director
Pioneer Publicity Corporation

I expect a recovery in advertising spends in 2020, which will further grow traditional and transit OOH.



Haresh Nayak

Group MD

Posterscope, South Asia

India has the biggest M&E industry in the world, but we have still taken the back seat when it comes to technology and infrastructure. However, very recently after the Union Budget 2020, the sentiments within the sector have sprung up as the government's focus is on improving India's digital connectivity. If planned and executed appropriately, will transform the country into a far smarter, better equipped and connected society.



Mandeep Malhotra

Founding Partner and CEO
The Social Street

Overall, one of the key factors that has driven significant growth in outdoor advertising is the increase in the use of non-traditional mediums. Transit media is a big contributor to this upward swing, with airport modernisation, and use of airlines, railways and cabs. Another major factor was the election year, where we witnessed extensive political campaigning across several states in the country.

Radio

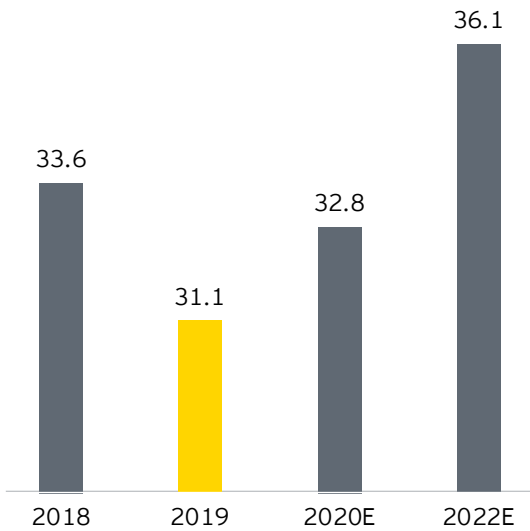


To view more by the artist; click on the picture



Radio segment revenues fell 7.5% in 2019

Radio segment revenues



INR billion (gross of tax) | EY estimates

- ▶ Radio revenues of private FM players grew 5% in the first half of 2019, but fell 18% in the second half on the back of economic slowdown fears
- ▶ Overall AdEX volumes fell 11% led by the fall in government spends on the medium
- ▶ We estimate around 7-8% of radio segment revenues were non-FCT driven

Revenues

Radio AdEX volumes fell 11% in 2019

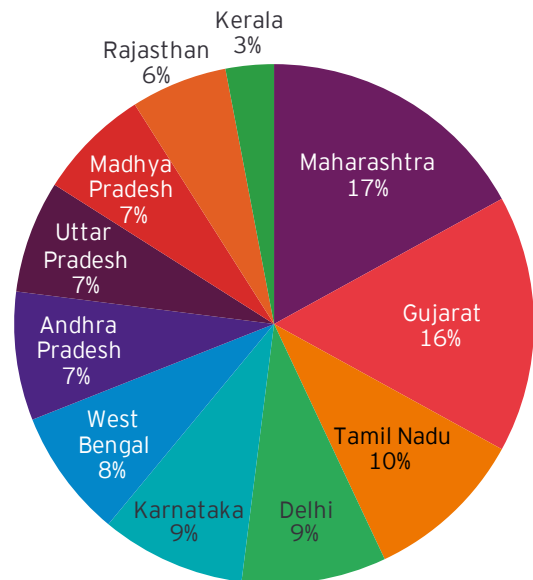
- ▶ Highest volume falls were witnessed in government, auto and retail (clothing, textiles, fashion) sectors
- ▶ The October to December quarter witnessed the highest fall in ad volumes of over 20%

Two-thirds of radio ad volumes in 2019 were delivered by the top five advertising sectors

Rank	Sector	2018	2019
1	Services	30%	28%
2	Retail	10%	11%
3	Auto	8%	10%
4	Food and beverages	9%	9%
5	Banking/Finance and Investment	8%	9%

TAM AdEX

Five states generated 60% of total radio ad volumes



Tam AdEX

- ▶ Maharashtra and Gujarat remained the states with the highest ad volumes on radio
- ▶ The top 10 cities generated 69% of total ad volumes, led by New Delhi, Bengaluru, Kolkata and Indore
- ▶ Local advertisers' share of ad volumes increased 2% over 2018 to reach 26% of total ad volumes in 2019, while national advertisers contributed 74% of ad volumes

Solution sales commenced in earnest

- ▶ Combined [radio + digital] sales and solutions were offered by almost all large radio companies during the year
- ▶ In addition, digital interactivity with end customers became a reality, as radio companies launched products like contests, polls, bingo, etc.
- ▶ Interesting new models emerged where radio companies bundled inventory from other digital platforms (not their own) as well as OOH, activations and even print and regional TV to provide 360-degree solutions to advertisers

Non-advertising revenues increased further

- ▶ We estimate that non-FCT revenues now account for almost 7-8% of total radio segment revenues (as high as 20% for some radio companies)
- ▶ Growth in internet penetration and smartphone usage, particularly social media, increased demand for short and snackable content, mainly celebrity led, which led many radio companies to start creating video, for use as marketing and ad funded content production
- ▶ Many radio companies also invested in event IPs, such as Spell Bee, music awards, RJ hunts, regional music festivals etc., which generated sponsorship revenues as well as ticket sales income

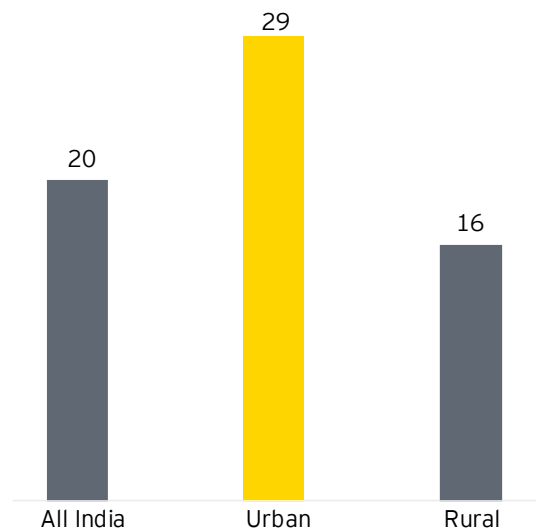
Reach

India had over 1,100 operational radio stations¹

- ▶ India has 33 private FM broadcasters in 2019, operating in 104 cities
- ▶ They operate 367 FM radio stations, up from 355 stations in 2018
- ▶ In addition, the public broadcaster Prasar Bharti's All India Radio service operates 470 broadcasting centers in 23 languages reaching 92% of the country and over 99% of India's population²
- ▶ India has 275 operational community radio stations, compared to 248 such stations in 2018

Listenership of radio held its ground

Radio listenership percentage



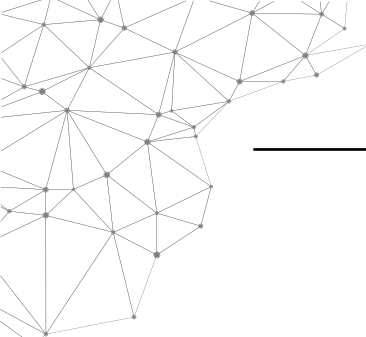
Source: IRS Q3 2019 presentation; listened to radio in last 1 month, % of respondents

- ▶ Listenership of FM radio as per the Indian Readership Survey remained stable across the last three studies at 20%
- ▶ Proportion of urban radio listeners remains almost twice that of the rural listener base
- ▶ News, though permitted, had a minimal impact in increasing overall listenership
- ▶ The number of new smartphones without FM receivers is a worrying trend, though the top selling phones of 2019 all had receivers³

1. TRAI's Indian Telecom Services Performance Indicators report, September 2019

2. <http://allindiaradio.gov.in/and/prasarbharti.gov.in/index.php>

3. Research conducted on Amazon.in



Future outlook

Advertising model will re-set

- ▶ Radio will evolve towards performance advertising in 2020, with a heavier tilt towards SMEs and retail advertisers
- ▶ Local brands will increase spends across a city or geographically relevant city-clusters, while national advertisers will continue usage as a reminder and call-to-action medium, integrated with digital
- ▶ The need to combine radio with digital will become critical to demonstrate value to advertisers

Direct-to-Customer communities will be developed

- ▶ Radio will build-out communities through its RJs, using interactivity, gaming, quizzing etc., to enable the generation of audience data and providing segmented audiences to advertisers
- ▶ In addition, radio can generate transaction revenues from the focused / niche communities it has a loyal base in, by meeting other needs they may have
- ▶ News and community podcasts could also enable D2C community building

Subscription models will emerge

- ▶ The need for radio to have a subscription element in the revenue mix has never been greater than before, given the limited ad inventory available due to licensing restrictions, and tepid advertiser interest
- ▶ Niche subscription offerings to loyal customer bases / communities, can be expected soon
- ▶ Partnering with music streaming platforms is another option, particularly around premium and differentiated content

Content production will increase in importance

- ▶ Utilizing the inherent entertainer DNA of its programming staff, content creation across short and episodic forms can be a revenue earner for radio; given that smartphone penetration will be 3x TV screen penetration by 2025 - this could be a huge opportunity
- ▶ Voice products on smart speakers and smart phones will also provide growth opportunities to radio companies

The PPL agreement will soon come up for renewal

- ▶ Radio has been paying music royalties to many labels at 2% of its revenues since the PPL judgement several years ago. This will be up for renegotiation in 2021 and will result in a reset of the royalty amounts paid by radio companies to music labels

Global trends

Rising popularity of internet radio

- ▶ Internet provides radio users music search capabilities, curated and personalized radio channels and playlists based on their listening habits along with enhanced sound quality. While most radio players have an online presence, they are also collaborating with online streaming portals to offer both online radio as well as curated streaming music services to users via the same platform.

Advertisers transition to digital audio

- ▶ Radio advertisers are turning towards digital. It allows marketers to more definitively target specific locations and tailor messaging and ad creative as per consumers. In several cases, this still involves AM/FM radio stations, which offer national, regional and local clients a complete digital menu. Many media-buying and planning tools (programmatic platforms) present buyers with ways to select inventory across national and local broadcasters, as well as traditional and pure-play offerings. 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.

Time spent with traditional radio nowhere slowing down

- ▶ While ad spending on radio is on a decline (however at a slower rate), the time spent is not slowing. In the US, penetration of broadcast radio declined by a couple of percentage points between 1H18-1H19; however, radio reached an audience larger than either video or music streamed from digital sources, at 80.5% of internet users. Time spent with live radio was 1:16 daily on average – close to that of streaming video content⁴.

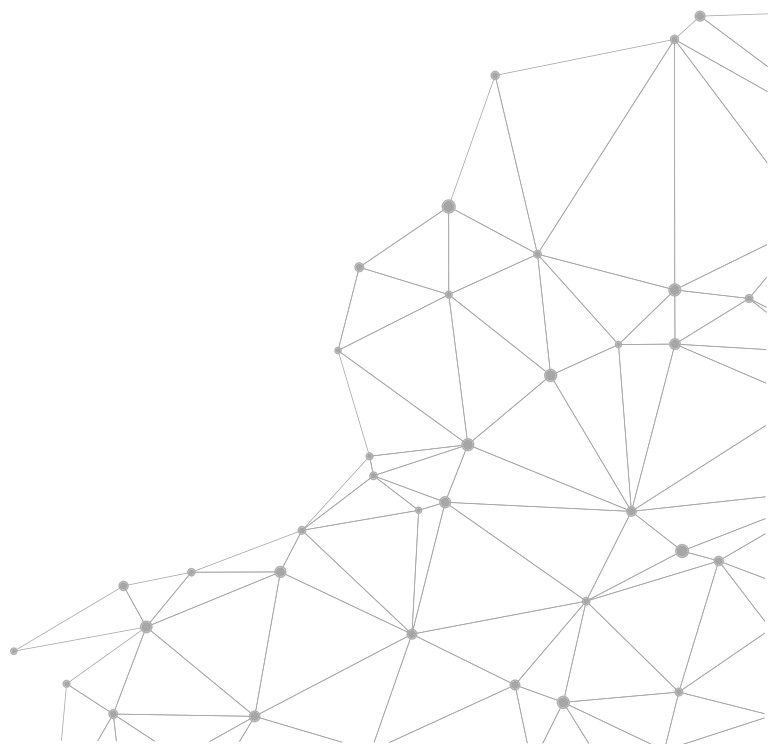
Cross-industry convergence

- ▶ Radio broadcasting industry is witnessing convergence with other media and technology companies to reduce cost of production. Radio players are increasingly looking at mergers or partnerships with other media companies to counter growing competition. Furthermore, media companies are looking to provide multiple services, such as music streaming, online radio under a single package. Similarly, some TV broadcasters also provide access to radio stations as well.

Radio automation software gaining traction

- ▶ Radio broadcasting companies are using automation software to run their stations 24/7, streamline workflows across multiple markets and reduce operating costs. This helps creative teams to focus on new content creation, instead of operational effectiveness.

4. GlobalWebIndex; eMarketer 2019

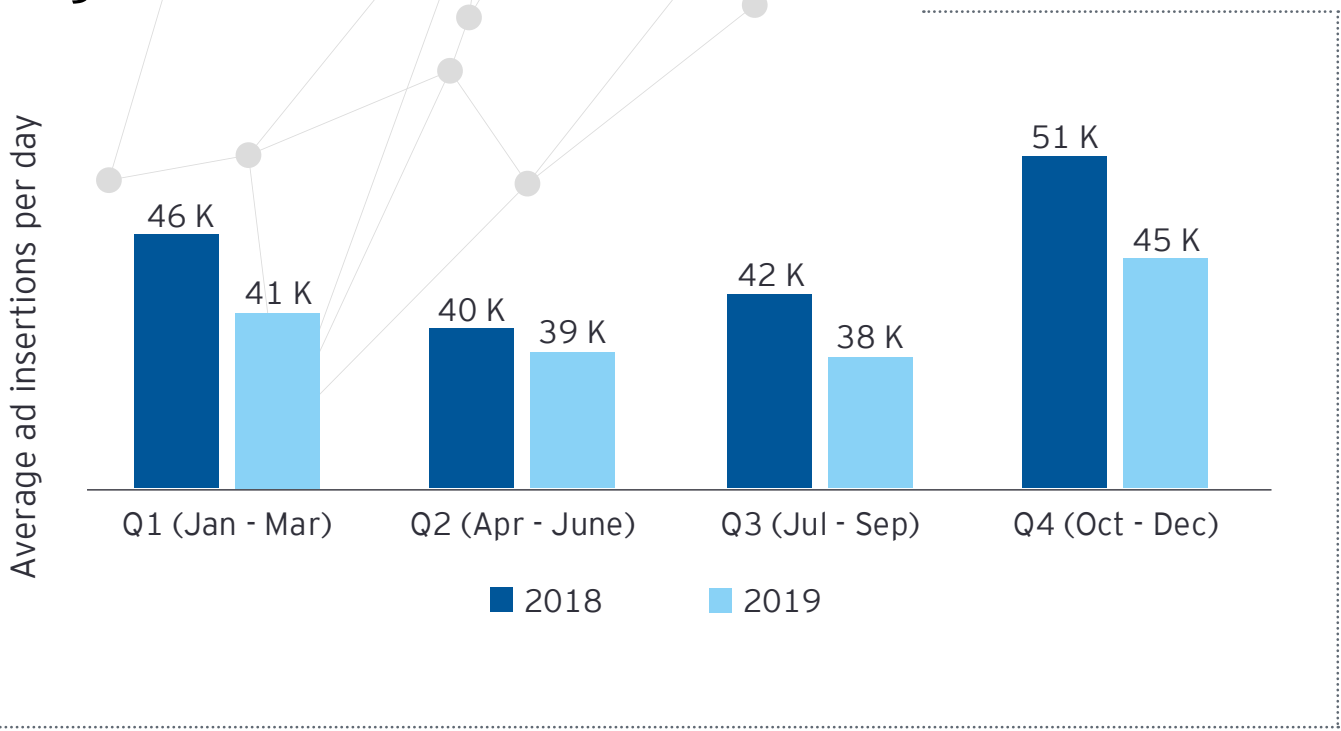


Radio Trendbook

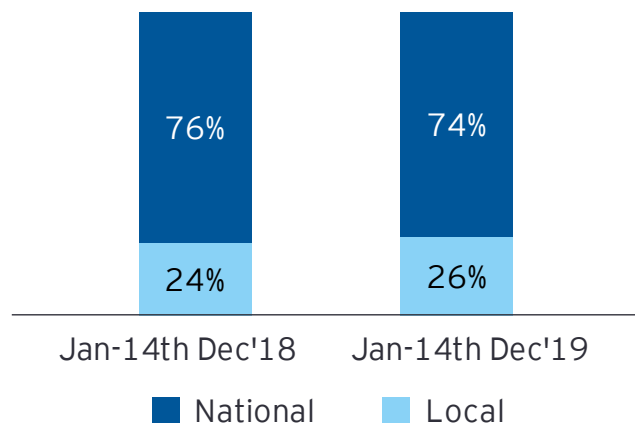
Powered by Tam AdEX

(A division of TAM Media Research in association with RCS India)

Radio ad volumes fell **11%** in 2019, with the largest fall in **Q4**



Local advertiser share of ad volumes increased **2%**



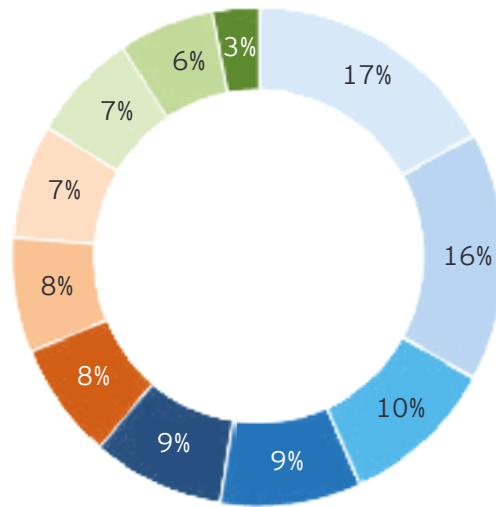
2/3rd of radio ad volumes in 2019 were delivered by the **top 5** advertising sectors

Rank	Top 5 advertising sectors	% Share	
		2018	2019
1	Services	30%	28%
2	Retail	10%	11%
3	Auto	8%	10%
4	Food & Beverages	9%	9%
5	Banking/Finance and Investment	8%	9%

Real estate and automobiles remained the top ad categories **on radio**

Rank	Top 5 advertising categories	% Share	
		2018	2019
1	Properties/Real estate	9%	9%
2	Cars/Jeeps	5%	7%
3	Retail outlets-Clothing/Textiles/Fashion	4%	5%
4	Pan masala	5%	4%
5	Retail outlets-jewellers	4%	4%

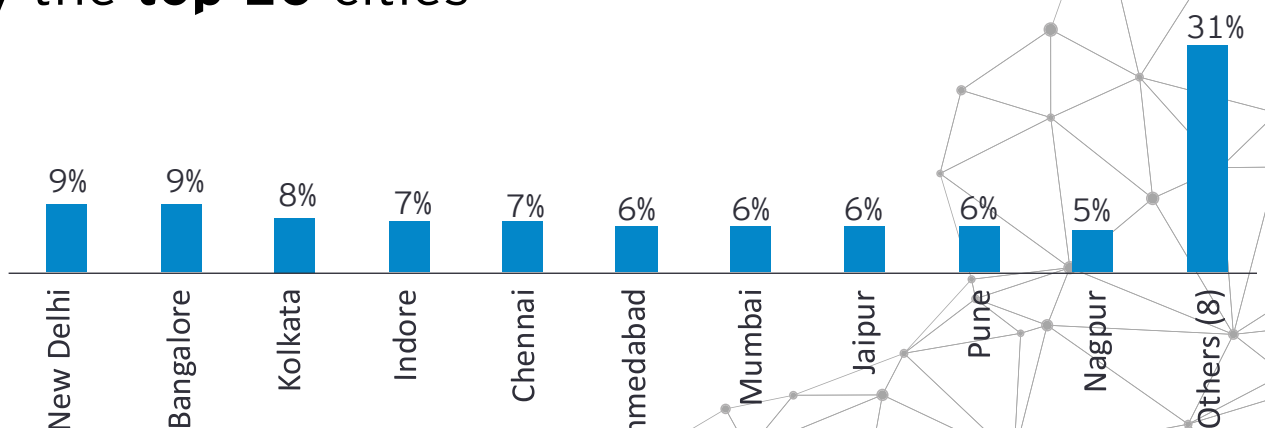
- Maharashtra
- Gujarat
- Tamil Nadu
- Delhi
- Karnataka
- West Bengal
- Andhra Pradesh
- Uttar Pradesh
- Madhya Pradesh
- Rajasthan
- Kerala



The **top 5 states** generated **60%** of total radio ad volumes

69% of radio ad volumes in 2019 were delivered by the **top 10 cities**

Ad volumes by city



Expert speak



Nisha Narayan
COO & Director
Red FM

The coming decade for radio will be driven by providing 360 degree approach and solutions by strengthening both on ground and on online propositions. We are hopeful that radio will overcome challenges of being restricted by government policies and overcome the problem of lack of research and absence of a proper currency.



Harshad Jain
Chief Executive Officer, Radio &
Entertainment HT Media Ltd. &
Next Mediaworks Ltd.

The radio industry continues to get adversely affected by the economic slowdown which has led to a liquidity crunch faced by SMEs, and curtailed expenditure by corporates due to decline in consumption. Government spends continue to be muted.



Prashant Panday
Managing Director & CEO
Entertainment Network (India) Ltd.

Radio continues to remain a strong medium of choice for advertisers, especially those targeting upscale audiences in cars. Radio brands are now also offering videos, influencers, social media and on-ground activations to advertisers!



Rahul J Namjoshi
Chief Operating Officer
MY FM- DB Corp Ltd

Last year we all have witnessed sluggish growth on account of global slowdown and the more recent virus scare. In the years to come Radio will witness faster growth. The consumption of Radio in tier II & III markets is increasing and we see growth of digital medium as an added boon to amplify reach for radio.



Ashit Kukian

CEO
Radio City

Considering the popularity and growth of the medium, Radio has continuously evolved with the times to ensure a direct way to capture the heart of its listeners and has endless possibilities to explore in the future.



Abraham Thomas

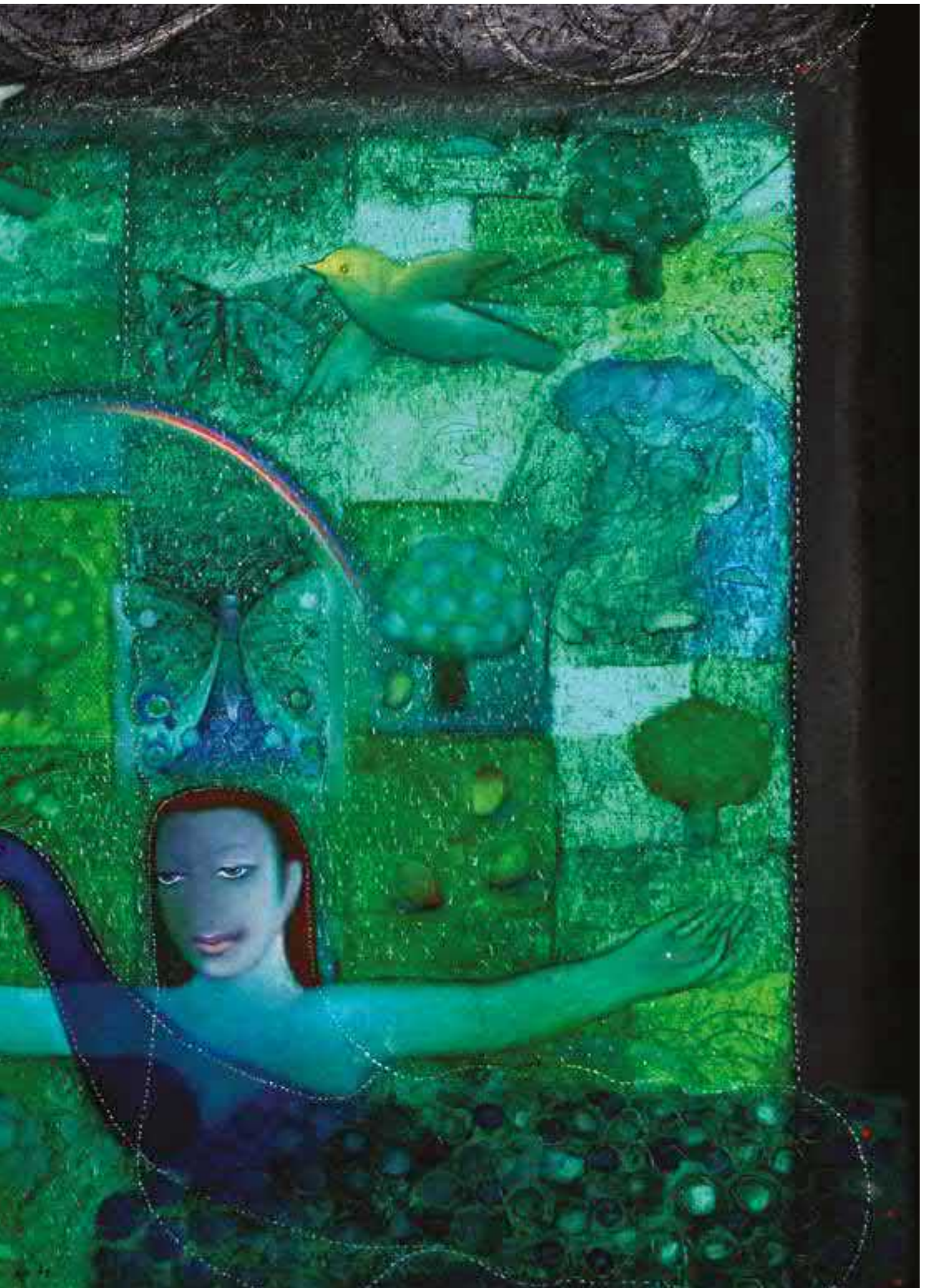
CEO
Reliance Broadcast Network Ltd.

With the dependence on government spends being corrected, radio is undoubtedly poised for higher growth in the years to come. The high impact-high reach delivered by radio in tandem with 360 degree marketing solutions is helping attract both large and new advertisers to the medium. Combined with the power of local influencer RJs, Radio + Digital together is also gaining traction.

Music



To view more by the artist; click on the picture



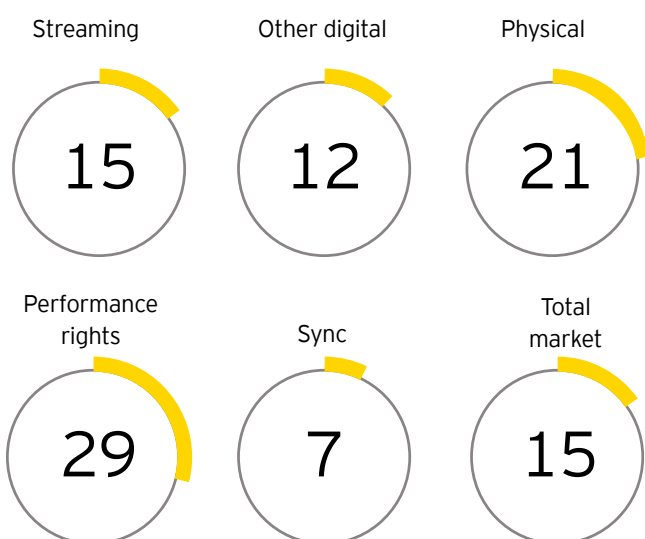
Music segment grew 8.3% in 2019¹

2018	2019	2020E	2022E
14.2	15.3	16.7	20.4

INR billion (gross of taxes) | EY analysis

- ▶ The Indian music segment grew 8.3% to reach INR15.3 billion in 2019
- ▶ It is expected to grow at a CAGR of 10% to cross INR20 billion by 2022, on the back of increasing digital revenues and performance rights
- ▶ Growth at music label level was 20%, led by digital revenues which contributed around 80% of their total revenues
- ▶ YouTube accounted for 45% of labels' digital revenues, a growth of over 30% since 2018
- ▶ Performance rights grew at over 35% because of better implementation of collection mechanisms and more awareness²
- ▶ Physical sales saw a further decline of about 40%³ as the medium continued to lose its relevance, except for products like Carvaan, the values of which are not considered in this sector report

India market overview (world ranks across sectors) by IFPI



1. EY analysis based on industry discussions
2. EY estimates and PPL numbers
3. Industry discussions
4. IFPI-IMI Digital Music Report 2019

Music consumption⁴

Indian consumers spent 19.1 hours/ week listening to music

- ▶ India's average of 19.1 hours/ week is higher than the rest of the world at 18 hours/ week
- ▶ Audio streaming comprised 39% of the time spent listening to music (video, audio and radio)
- ▶ Consumers in India preferred to visually engage with music, with time spent on video streaming services accounting for 28% of total time spent (i.e., 5.3 hours/ week, compared to global average of 3.5 hours/ week)

The smartphone was the device of choice for listening to music

- ▶ 97% of music consumers consumed music on their smartphones
- ▶ 62% consumers used social media sites/ apps to listen to music or watch music videos
- ▶ 75% of the users listened to music while relaxing at home, whereas 62% listened to music in their cars
- ▶ 86% of the users in India consumed music through radio (live or on-demand) across all age groups

Film-linked music drove consumption

- ▶ New Bollywood music (released over last 12-18 months) was consumed by 60% of users
- ▶ 53% of users listened to vintage Bollywood songs
- ▶ Other top categories were regional music in Tamil, Telugu and Bengali languages

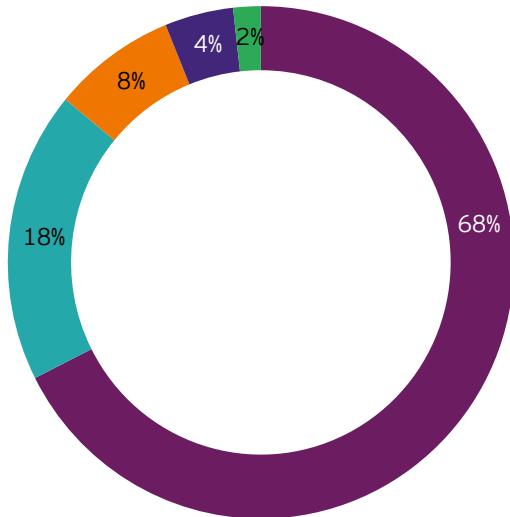
Top five music channels on YouTube

YouTube music channels				
Rank	Subscribers		Video views	
	Label	Millions	Label	Billions
1	T-Series	131.0	T-Series	101.5
2	Zee Music	51.2	Zee Music	24.1
3	Shemaroo	33.0	Wave Music	21.7
4	Wave Music	32.1	Shemaroo	15.8
5	Sony Music	31.2	YRF	15.2

www.channelcrawler.com

Music monetization

Music segment composition of revenues



■ OTT ■ Telco ■ Performance rights ■ Sync ■ Physical
EY estimates

- ▶ OTT platforms (AVOD and SVOD) comprised 68% of total revenues, up from 54% in 2018
- ▶ Telco contribution reduced from 33% in 2018 to 18% in 2019
- ▶ Performance rights contribution grew from 6% in 2018 to 8% in 2019
- ▶ Sync rights maintained at 4% of total revenues while physical fell from 3% in 2018 to 2% in 2019

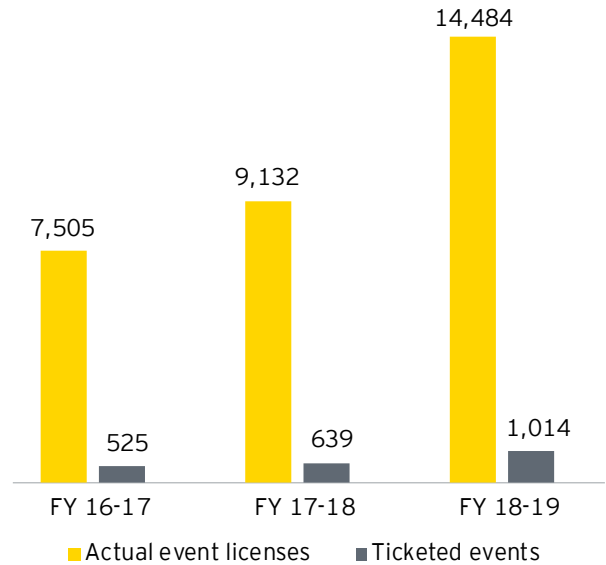
Streaming grew 35%⁵

- ▶ Growth in streaming was driven by a 20% increase in broadband penetration, a smartphone base which grew to 395 million and a significant conversion of 2G and 3G connections to 4G
- ▶ Video streaming grew 37% on the back of several successful Bollywood and regional films as well as a push for independent music
- ▶ However, less than two million listeners paid for music
- ▶ The availability of music for free on both YouTube and e-commerce platforms like Amazon Prime Music has led most music platforms to also provide a free service

5. EY estimates; industry discussions
6. EY estimates and PPL numbers
7. EY estimates
8. Discussions with SaReGaMa
9. IFPI-IMI Digital Music Report 2019

Performance rights revenues crossed INR1 billion

Music licenses awarded



PPL and EY estimates

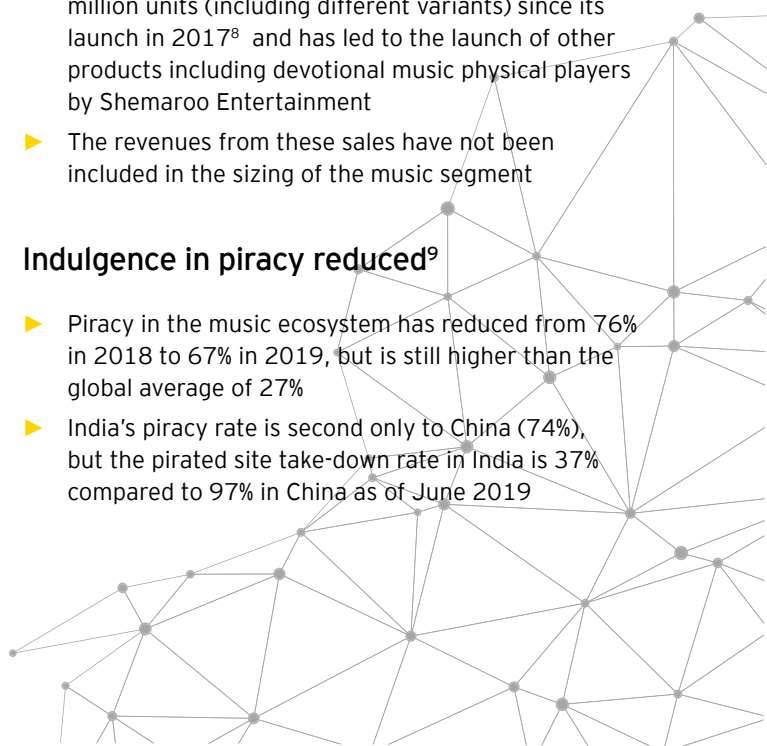
- ▶ Performance rights revenues crossed INR1 billion in 2019, a growth of over 35%⁶
- ▶ Ticketed events and non-ticketed events continued to grow

Physical format sales fell 40% in 2019⁷

- ▶ The contribution of physical sales reduced to just 2% of label revenues in 2019
- ▶ Carvaan, an audio player with pre-loaded songs and other features like USB and FM radio, has crossed 2 million units (including different variants) since its launch in 2017⁸ and has led to the launch of other products including devotional music physical players by Shemaroo Entertainment
- ▶ The revenues from these sales have not been included in the sizing of the music segment

Indulgence in piracy reduced⁹

- ▶ Piracy in the music ecosystem has reduced from 76% in 2018 to 67% in 2019, but is still higher than the global average of 27%
- ▶ India's piracy rate is second only to China (74%), but the pirated site take-down rate in India is 37% compared to 97% in China as of June 2019



Future outlook

Paid subscriber base could cross 5 million by 2022¹⁰

- ▶ Paid music streaming subscriptions will be driven by better features/experience, superior curation/recommendation and exclusive content
- ▶ We expect the average revenue per paid subscriber to stabilize at INR1 per day in India
- ▶ Streaming business models will focus on reach and enabling availability on multiple platforms and building niche digital communities

The PPL radio license agreement is coming up for renewal

- ▶ Radio is responsible for 21.7% of music listening time but returns 2.9% of total label revenue¹¹, as radio companies pay 2% of their revenues for use of music
- ▶ The above agreement comes up for renewal in 2020 and changes could impact licensing revenues from the radio segment

Music concerts will rock!

Number of music concerts

Audience size	2018	2025
5,000+	200	300
2,000-5,000	800	1,400
< 2,000	7,000	15,000
Total	8,000+	16,700+

Industry discussions, IPRS, EY estimates

- ▶ Youth continue to gravitate towards music concerts and we expect concert volumes to double by 2025, led by the sub 2,000 audience size segment
- ▶ India will create more global music IPs like Sunburn and NH7 across various languages and music styles - Sufi, Indie, Punjabi, Indie Rap - to generate inbound revenues and build brand India

Global trends

Continued surge in streaming

- ▶ Younger audiences are increasingly shunning other forms of audio for streaming and such services continue to achieve significant subscriber scale. Revenue in the music streaming segment amounted to US\$11.5 billion in 2019 and is expected to witness growth at a CAGR of 5.7% over 2020-24, resulting in a market volume of US\$15.5 billion by 2024. Driven by fan engagement, the number of users streaming music is expected to amount to 1.3 billion by 2024 from 1.0 billion in 2019⁵.

Piracy a persistent challenge

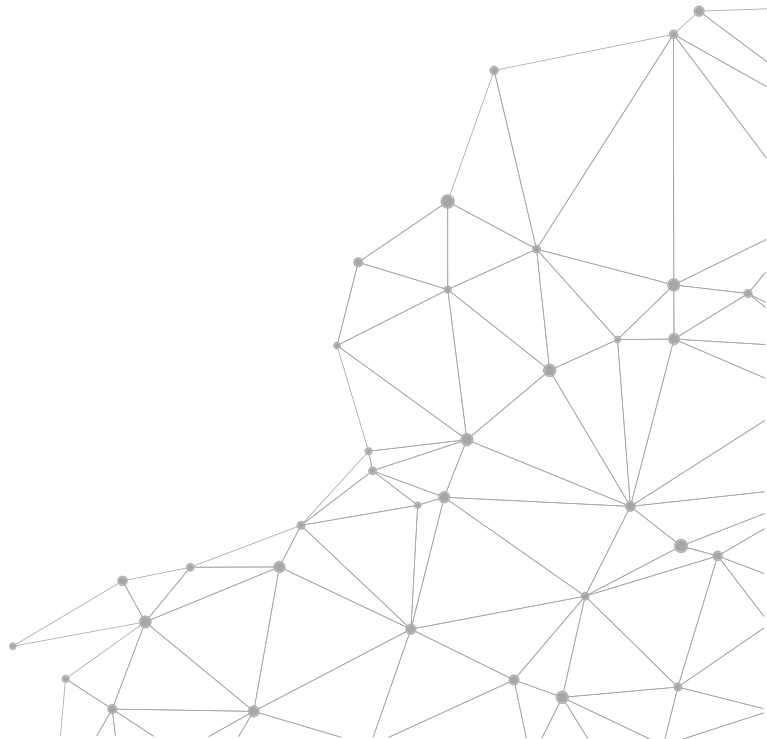
- ▶ Copyright infringement remains a challenge for the music ecosystem. Per the latest IFPI report, 27% of all those surveyed used unlicensed methods to listen or obtain music in the past month, while 23% used illegal stream ripping services. The availability of quick remedies, including blocking orders, to tackle such pirate services is vital to protect the 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.

Service bundling

- ▶ Bundling is a key strategy to provide streaming services to the mass market and is expected to increase as consumers prefer integration of their payments for music into their broadband and phone subscription, and even cable bills. Music will likely become one part of content offerings from tech majors and it will need to fight for holding its position in consumers' minds. Leading tech players are already launching/ considering bundling their paid internet services, such as news, music and TV in a bid to gain more subscribers.

10. EY estimates

11. IFPI-IMI Digital Music Report 2019



Music Trendbook

Powered by IMI and IFPI

Most popular **music genres** in India

1 → **Bollywood (New)**

2 → **Bollywood (Old)**

3 → **Regional**

4 → **Pop**

5 → **Punjabi**

#15

India's rank in the global music market

up from #19 on 2018

97%

use smartphones to consume music

78%

of revenues for music labels comes from digital

**19.1
hrs**

time spent by Indians
consuming music each week

62%

use social media sites or
apps to listen to or
watch music

67%

of respondents admitted to
consuming pirated music
in the last 3 months

This was 76% in 2018

51% of the survey
respondents didn't
pay for music as
they felt YouTube
met all their needs

80% survey
respondents
categorized
themselves as music
fanatics. The global
average is 54%

75% of respondents
heard music when
relaxing at home. 62%
heard it in the car

Expert speak



Vikram Mehra
Chairman
SaReGaMa

For all stakeholders of the entertainment industry to grow fairly, it is critical that commercial arrangements between them are left to market forces and not tilted towards any one side through select statutory mandates.



Blaise Fernandes
President & CEO
Indian Music Industry

Headwinds and turbulence in terms of unfavourable policies notwithstanding, the recorded music ecosystem and allied services has seen continued flow of investments both from domestic players, existing and newer global players. Clarity in policy to unlock Fair Value and narrow the Value Gap will see additional investments flow in the recorded music industry and the allied businesses built around it.



Devraj Sanyal
Managing Director & CEO
Universal Music Group, India
& South Asia

Film music, though still relevant, is making way for artist driven non-film, regional and international music which is changing the shape of the Indian streamscape. Despite all challenges, the music industry in India will continue to grow and be counted amongst the top emerging markets of the world.



Mandar Thakur
CEO
Times Music

The music industry will continue to see growth beyond traditional realms as music usage by consumers adapts into increased personalisation wherein music is not only a soundtrack to consumers' lives but a means of their independent micro level self expression and self definition. It's not just about the hot new tech platform as much as it's about generational and cultural relevance and to that extent everything today is a new platform for the music business as music integrates deeper into people's lives.



Rajat Kakar

Managing Director & CEO
Phonographic Performance Limited

The Music Industry in India is at a very exciting stage. The momentum gained in garnering performance revenues in the last 2 years has contributed significantly towards enhanced record label investments in A&R, and promises to be one of the key growth engines in the coming years.

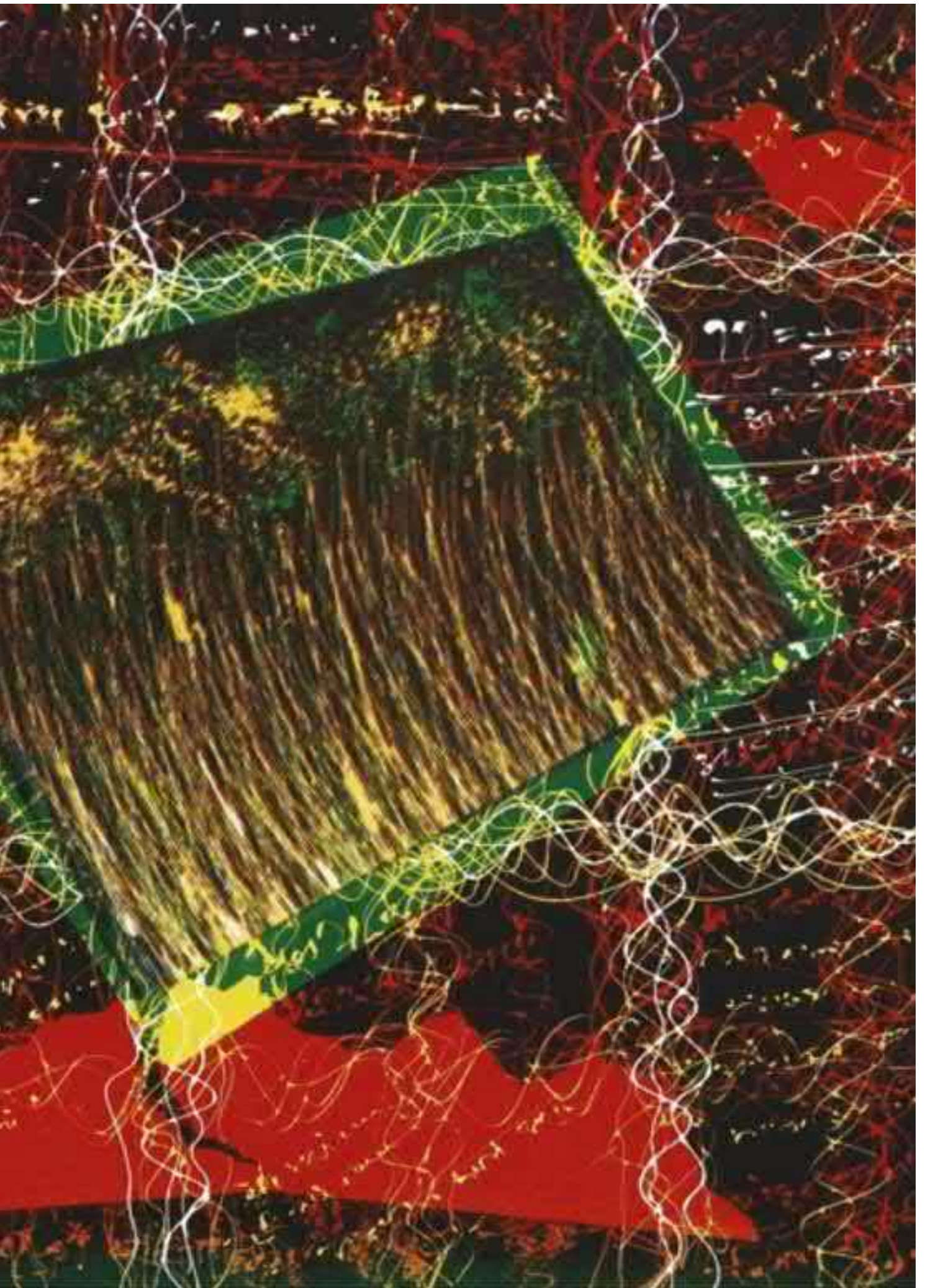


Sports

Compiled by ESP Properties



To view more by the artist; click on the picture



India recorded multiple sporting achievements in 2019, with several firsts

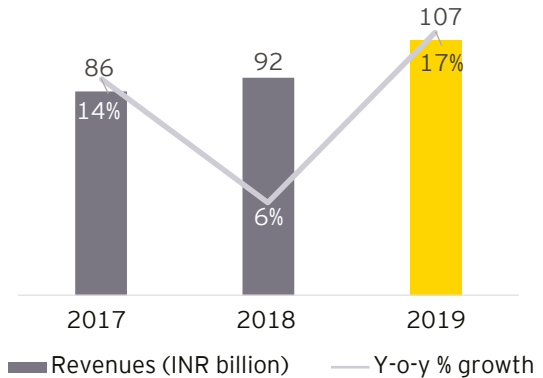
- ▶ India finished 2019 as **the top shooting nation** in the world, overtaking China and the US¹
- ▶ India collected its **best-ever medal haul at the South Asian Games** winning 312 medals surpassing 309 medals they had won in the previous edition in Guwahati and Shillong in 2016²
- ▶ India recorded **best-ever medal haul in World Para Athletics Championship**, winning nine medals and earning 13 qualifying spots to the Tokyo 2020 Paralympics³
- ▶ Chitharesh Natesan, a Delhi-based bodybuilder from Kochi, became the **first Indian to win the Mr. Universe 2019** crown at the World Bodybuilding and Physique Sports Championship in Jeju, South Korea⁴
- ▶ The Indian men's TT team achieved their **best-ever ranking** by moving up to the ninth spot in the ITTF rankings⁵
- ▶ Indian sprinter **Dutee Chand** figured in the **Time 100 Next list** – the first such list brought out by the magazine that figures 100 rising stars from the fields of business, entertainment, sports, politics, science, health and more⁶
- ▶ India hosted its **first-ever cricket day-night test match** at Eden Garden, Kolkata, against Bangladesh in November and this was also the first time when a pink ball was used in a test match in India⁷
- ▶ Indian wrestler **Ritu Phogat** won in her **Mixed Martial Arts (MMA) debut** after beating Kim Nam-hee of South Africa at One Championship's Age of Dragons event in Beijing⁸
- ▶ **Sumit Nagal** created history by qualifying for the main draw of the US Open, becoming the youngest Indian in 25 years to achieve the feat⁹

1. "India finish 2019 as number one shooting nation in world," TOI, <https://timesofindia.indiatimes.com/sports/more-sports/shooting/india-finish-2019-as-number-one-shooting-nation-in-world/articleshow/73212422.cms>, accessed 13 January 2020
2. "Best Of Indian Sports In 2019, The Top 10 Sports Headlines Of The Year," Outlook India, <https://www.outlookindia.com/website/story/sports-news-best-of-indian-sports-in-2019-the-top-10-sports-headlines-of-the-year/344870>, accessed 13 January 2020
3. "India record best-ever medal haul in World Para Athletics Championship," The Indian Express, <https://indianexpress.com/article/sports/sport-others/india-record-best-ever-medal-haul-in-world-para-athletics-championship-6123325/>, accessed 12 January 2020
4. "Kerala Man Becomes First Indian To Win Mr Universe Title At Bodybuilding Event," India Times, <https://www.indiatimes.com/sports/kerala-man-becomes-first-indian-to-win-mr-universe-title-at-bodybuilding-event-500619.html>, accessed 12 January 2020
5. "Indian men's TT team achieves best ever ranking," TOI, <https://timesofindia.indiatimes.com/sports/more-sports/others/indian-mens-tt-team-achieves-best-ever-ranking/articleshow/71903009.cms>, accessed 12 January 2020
6. "Sprinter Dutee Chand in 'TIME 100 Next' list," TOI, <https://timesofindia.indiatimes.com/sports/more-sports/athletics/sprinter-dutee-chand-in-time-100-next-list/articleshow/72044499.cms>, accessed 12 January 2020
7. "India's first-ever day-night Test to be held at Eden Gardens, confirms Ganguly," The New Indian Express, <https://www.newindianexpress.com/sport/cricket/2019/oct/29/india-to-host-first-ever-day-night-test-match-against-bangladesh-from-november-22-2054305.html>, accessed 12 January 2020
8. "Ritu Phogat wins on MMA debut, knocks out Kim Nam-hee," India Today, <https://www.indiatoday.in/sports/other-sports/story/wrestler-ritu-phogat-win-mma-debut-kim-nam-hee-commonwealth-games-1619658-2019-11-16>, accessed 12 January 2020
9. "Top 10 surprising moments of 2019 in Indian sports," The Bridge, <https://thebridge.in/top-10-surprising-moments-of-2019-in-indian-sports/>, accessed 13 January 2020

- ▶ The team of Esow Alben, L. Ronaldo Singh, Jemsh Singh and Y. Rojit Singh won a sprint gold medal at the World Junior Track Championship, winning **India's first gold at a world cycling event** (senior or junior)¹⁰
- ▶ Aishwarya Pissay became the **first Indian to win a world title in motorsport**, winning the FIM World Cup in the women's category post the final round of the championship in Varpalota, Hungary ¹¹
- ▶ PV Sindhu became the **first Indian to win a BWF World Championship** title in Switzerland by defeating Nozomi Okuhara of Japan in straight sets¹²
- ▶ India's top-ranked men's doubles badminton pair Satwiksairaj Rankireddy and Chirag Shetty became the **first Indian pair to win a BWF Super Series 500 event** winning the Thailand Open 2019¹³

Indian sports segment grew 17%

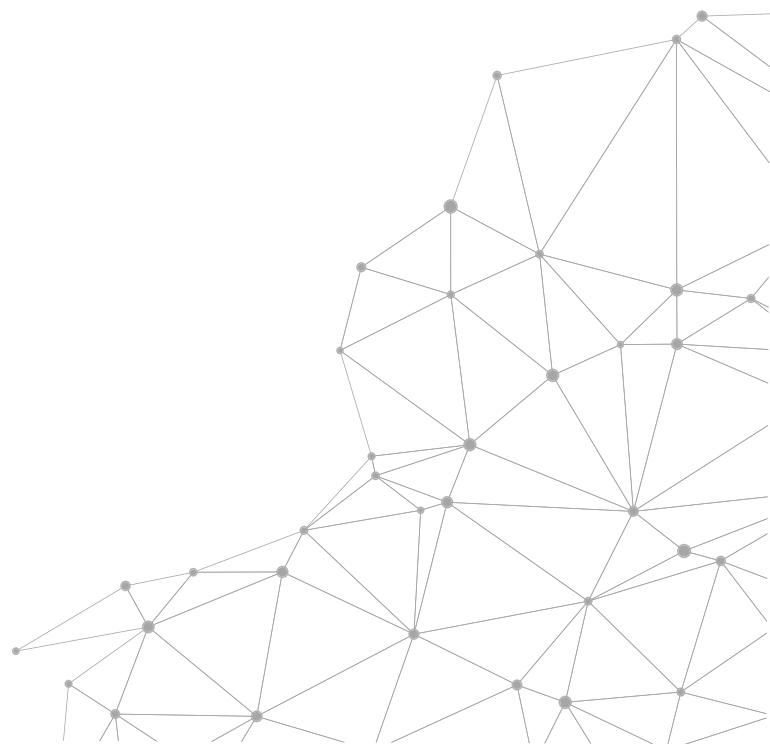
Sports segment revenues and growth



INR billion (gross of taxes) | GroupM ESP

- ▶ Sports segment grew at a CAGR of 12.8% over the last 10 years, making it one of the better performing industries in the economy
- ▶ 2019 witnessed a 17% growth in the overall sports market in India, crossing INR100 billion for the first time. This number considers revenue from ground sponsorship, team sponsorship & franchise fees, athlete endorsements and media spends
- ▶ Ground sponsorship and media spends contributed majorly towards this growth – 25% and 18% respectively

10. "Top 10 greatest moments of 2019 in Indian sports," The Bridge, <https://thebridge.in/top-10-greatest-moments-2019-indian-sports/>, accessed 13 January 2020
11. "Top 10 greatest moments of 2019 in Indian sports," The Bridge, <https://thebridge.in/top-10-greatest-moments-2019-indian-sports/>, accessed 13 January 2020
12. "Best Of Indian Sports In 2019, The Top 10 Sports Headlines Of The Year," Outlook India, <https://www.outlookindia.com/website/story/sports-news-best-of-indian-sports-in-2019-the-top-10-sports-headlines-of-the-year/344870>, accessed 13 January 2020
13. "Top 10 surprising moments of 2019 in Indian sports," The Bridge, <https://thebridge.in/top-10-surprising-moments-of-2019-in-indian-sports/>, accessed 13 January 2020



Media spends comprised over 50% of the segment's revenues

	2018	2019
Media spends	52.3	61.7
Ground sponsorship	18.9	23.7
Team sponsorship	10.5	11.0
Endorsement	5.7	6.4
Franchise	4.1	4.6
Total	91.5	107.4

INR billion (gross of taxes) | GroupM ESP

- ▶ Media spends contributed INR9.4 billion to the overall growth of INR15.9 billion
- ▶ The IPL and the ICC World Cup gave a push to both, on-ground sponsorship and media spends
- ▶ New BCCI India deals fetched almost double the sponsorship amounts:
 - ▶ PayTM's bid was 58% more when compared to the previous per-match value
 - ▶ Dream11, ACC Cement and Hyundai were named official sponsors for next four years; at INR30.5 million per match, the three sponsors will pay 73% more than the previous sponsorship cycle
- ▶ New leagues started in 2019:
 - ▶ Indo International Premier Kabaddi league
 - ▶ Big Bout Indian Boxing League
 - ▶ X1 Racing League

Key trends witnessed in sports in calendar 2019

Media spends gravitated towards digital

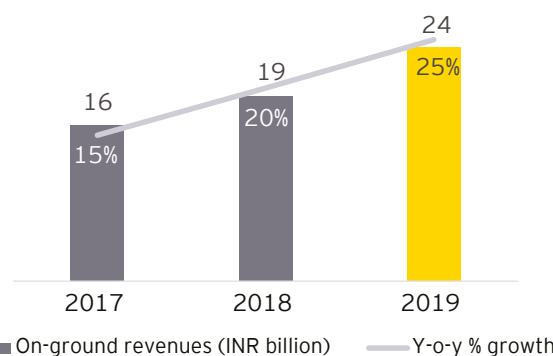
	2018	2019	Growth
TV	44.6	50.3	13%
Digital	5.6	10.3	83%
Print	2.1	1.1	-50%
Total	52.3	61.7	18%

INR billion (gross of taxes) | GroupM ESP

- ▶ Media spends on sports grew by 18%, driven by a 13% growth on television and an 83% growth on digital
- ▶ Hotstar was the major contributor to digital growth

Ground sponsorships grew 25%, led by cricket

On-ground revenues

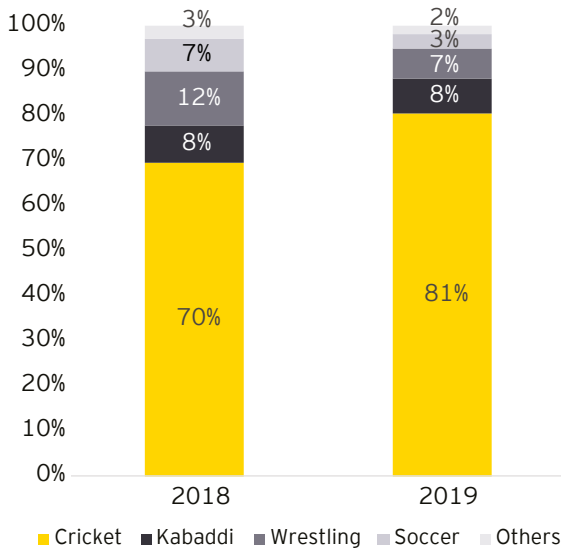


GroupM ESP

- ▶ The total ground sponsorship revenue across all sporting activities was INR23.7 billion, a strong 25% increment over 2018
- ▶ Cricket delivered a 43% growth to drive revenues of INR15.2 billion of the above and now comprises 64% of on-ground revenues, up from 50% in 2017
- ▶ The five-year CAGR for ground sponsorships in India was 20%

Cricket ruled TV ratings

TV viewership by sport



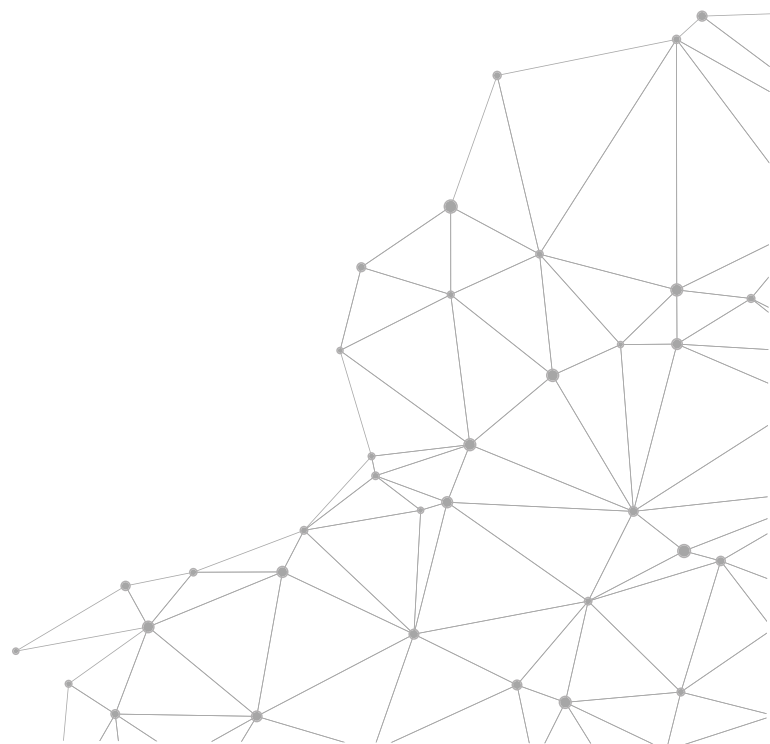
BARC, Share percentage of normalized impressions

- ▶ Led by the additional attraction of the ICC World Cup 2019, cricket's share of viewership increased till it comprised 81% of total sports viewership on television
- ▶ Kabaddi and mixed martial arts held ground in 2019, however wrestling and soccer saw a fall in their share of sports viewership

Brand endorsements continued to be dominated by cricket

Despite numerous successes at the global level across sports in 2019, the increase in brand endorsements of non-cricketing athletes / players remained muted:

- ▶ Of 329 endorsement deal in 2019, 228 deals were with cricketers
- ▶ Of the 70 new brand deals signed by sports stars in 2019, 50 involved cricketers
- ▶ 85% of total brand endorsements came from cricketers
- ▶ 63% of total brand endorsements were from Virat Kohli and MS Dhoni
- ▶ Outside the world of cricket, it was women athletes who made a significant mark in 2019:
 - ▶ PV Sindhu was the leading non-cricketing athlete last year in terms of brand endorsements; most notably for her tie-up with VISA (she was the first Indian athlete to endorse a financial services brand)
 - ▶ Mary Kom was another prominent name in the list of brand endorsers; she brought glory for India at international boxing events and added four brands to her tally
 - ▶ Adding to their list of brands were track and field sensation, Hima Das and Olympic medallist, Sakshi Malik



Sports leagues created a large social footprint

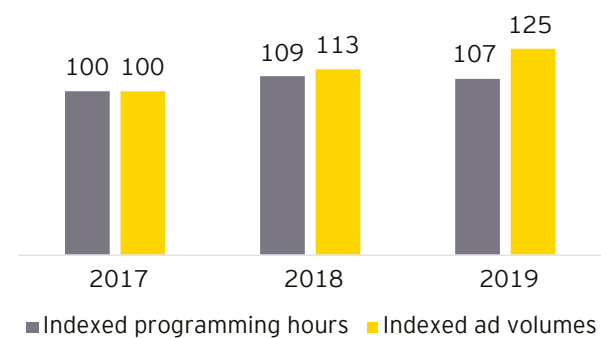
Leagues	TV reach (million)	TV ratings	Social conversations (millions)	Search volumes (million)	Facebook posts	Twitter posts	Instagram posts
Indian Premier League (IPL)	462	3.26	6.7	142.4	20.0	7.1	3.4
Pro Kabaddi League (PKL)	328	1.10	1.3	10.3	1.5	0.3	0.3
Indian Super League (ISL)	167	0.26	0.8	19.5	4.2	0.7	0.9

GroupM ESP. Source for TVR & Reach - BARC, TG - 2+, ALL NCCS, All India; ISL data till December 2019

- ▶ IPL was the most successful sports league in India with its TV reach 1.4 times that of the next best league the PKL and almost 3 times of ISL in 2019
- ▶ While ISL franchises outshouted their PKL counterparts on social media, social conversations around PKL were 1.7 times that of ISL
- ▶ Social conversations around IPL were 9 times those of the ISL
- ▶ Search volumes establish a similar relationship between IPL and other leagues:
 - ▶ IPL search volumes were almost 14 times those of PKL in 2019
 - ▶ Surprisingly, while PKL as a league generated greater chatter on social platforms in 2019 as compared to ISL, the football league drew almost 2 times the search queries as compared to PKL
- ▶ At a franchisee level:
 - ▶ The average TV reach of an IPL franchise in 2019 was 2.3 times that of its PKL counterpart and 4.6 times that of an ISL franchise
 - ▶ Average social conversation around an ISL franchise is 2.3 times that of a PKL franchise
 - ▶ Average search volumes of a PKL franchise was almost 3 times that of an ISL franchise

Ad volumes on sports broadcast grew significantly

Sports advertising volume growth

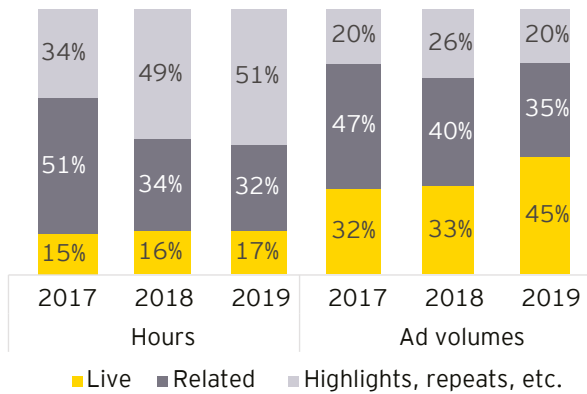


TAM AdEX. Only ads in commercial breaks included.
Period - Jan to Dec 2019, where Dec 2019 data is extrapolated.

- ▶ Sports programming hours grew 7% over 2017, yet ad volumes increased 25%
- ▶ The growth in ad volumes can primarily be attributed to the ICC World Cup 2019, which was not present in the two earlier years
- ▶ The overall slowdown in the Indian economy led to a polarization of ad spends on impact properties like sports, showing the strength of the medium

Share of live sports hours increased

Hours of sports content and ad volumes



TAM AdEX. Only ads in commercial breaks included.

Period - Jan to Dec 2019, where Dec 2019 data is extrapolated.

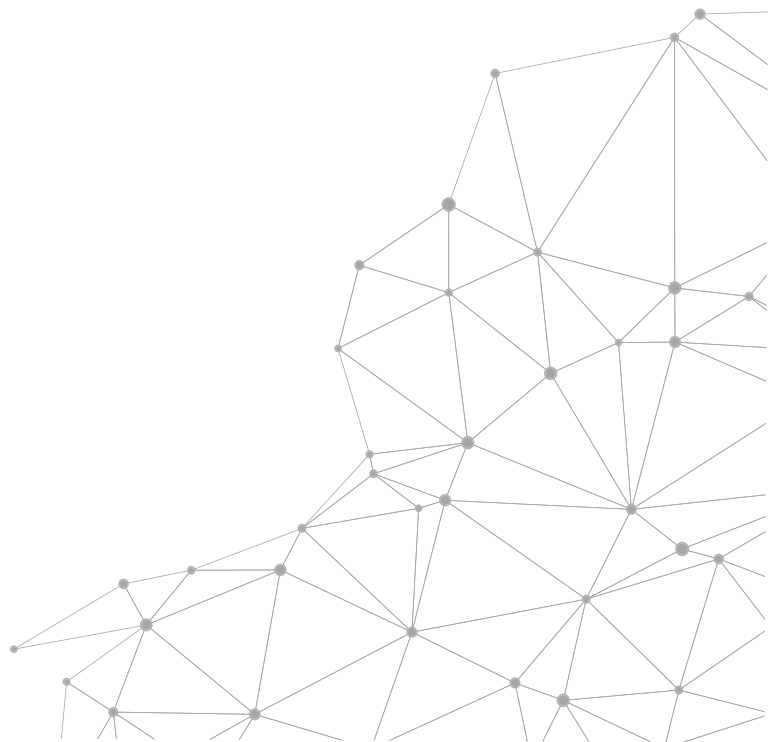
- ▶ 17% of live sports hours generated 45% of advertising volumes
- ▶ With the rising cost and volume of sports broadcast rights, broadcasters focused more on repeats and highlights and generated fewer hours of related content, though related content generated another 35% of ad volumes

Brands leveraged regional sports feeds

- ▶ Businesses increasingly recognized the benefits of leveraging the reach of television networks in non-Hindi speaking states
- ▶ Coca Cola India did this effectively on Star Network to advertise their stronghold brands in various regional markets:
 - ▶ Maaza campaigns were specific to the Tamil feed
 - ▶ ThumsUp focused on Telugu feed
 - ▶ For Sprite, the brand created the same ad in different geographies with regional actors to increase its relevance, popularity and engagement
- ▶ The rise in popularity of regional cricket leagues has provided a unique branding opportunity for advertisers to connect with regional audiences

Sports lent itself to interactivity and brands got innovative

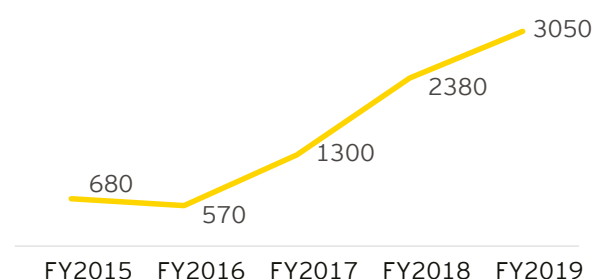
- ▶ Uber ran a series of ads with Virat Kohli promoting an offer that allowed users of the cab service to score "runs" which could lead to opportunities to watch a World Cup match
- ▶ Swiggy launched Match Day Mania, a 43-day long food festival that offered discounts across 32,000+ restaurants in 100+ cities
- ▶ Swiggy launched Swiggy Sixes where users could get 60% off on every Swiggy order placed within six minutes of an IPL sixer by entering a coupon code
- ▶ Spotify's #HarBallPePlaylist campaign garnered over 4.45 million tweets by combining events that happened on the cricket field during IPL matches with its repository of 3 billion playlists, covering each match ball-by-ball
- ▶ MG Motor used the IPL platform to announce and launch their cars in India; Google searches for the brand increased disproportionately and the brand received an overwhelming number of bookings



Infrastructure and training initiatives

Corporate India invested more after changes in CSR rules

CSR spends on sports (INR million)



FICCI report: Sports & the Purposeful Corporate, October 2018

- ▶ Owing to the rise of public interest in sports and strong public sentiment for national sports persons, there is now a realization that we cannot expect the Indian Government to solely shoulder the responsibility of building world class sports infrastructure and training facilities
- ▶ India Inc. started playing a key role in building sporting infrastructure since 2015, underpinned by the changes in government regulations around Corporate Social Responsibility (CSR) spending
- ▶ In 2015, the scope of activities permissible under CSR spends was broadened beyond sports training, to include investments in sports infrastructure as well
- ▶ While corporate India has moved beyond considering sports people purely as brand ambassadors for their advertisement campaigns, the reality remains that allocation of CSR funds towards sports training and infrastructure does not figure high on the priority list of corporate entities
- ▶ Corporate India only spent INR7.95 billion out of INR2,496 billion CSR spend (less than 2%) towards sports between FY 2014 and FY 2019¹⁴
- ▶ Based on India's performance in the global sports arena recently, it is likely that increasing wins in important events like Tokyo Olympics 2020 and Asian Games 2022 will be key drivers for increased CSR fund allocation in sports

14. <http://fikki.in/spdocument/23042/CSR%20&%20Sports%20-%20Report.pdf>

15. <https://pib.gov.in/newsite/PrintRelease.aspx?relid=195996>

16. <https://prsindia.org/parliamenttrack/budgets/demand-grants-analysis-youth-affairs-and-sports>, <https://sportstar.thehindu.com/other-sports/khelo-india-scheme-national-sports-education-board-sports-budget/article28295723.ece>

Government initiatives in sports

Fit India Movement

- ▶ Fit India Movement was launched by PM Narendra Modi in August 2019 (National Sports Day) with the aim of inculcating habits promoting physical and mental fitness and sports into the lifestyles of Indians
- ▶ Over 1,500 Plog Runs were organized across India¹⁵
- ▶ Fit India School Week and Fit India Certificate System was launched in coordination with Ministry of Human Resource Development, Department of School Education & Literacy

Khelo India Youth Games

- ▶ In the Interim Budget 2019-20, allocation for the Khelo India program was increased from the previous allocation of INR5.5 billion to INR6 billion¹⁶
- ▶ The Khelo India Youth Games (KISG) have been launched in 2019, aimed at identifying talented athletes at a young age and promoting mass participation in sports

	KISG 2018	KISG 2019	KISG 2020
Location	New Delhi, NCR	Pune, Maharashtra	Guwahati, Assam
Gold medals/ Events	209	403	447
Sporting disciplines	16	18	20
Athletes	3,500+	5,900+	6,900+
Participants	5,000+	9,000+	10,000+
Winners	Haryana	Maharashtra	Maharashtra
Level	School-level (Under 17)	National (U-17 and U-21)	National (U-17 and U-21)

Source: <https://sportstar.thehindu.com/other-sports/khelo-india-scheme-national-sports-education-board-sports-budget/article28295723.ece>

The National Sports University Act, 2018

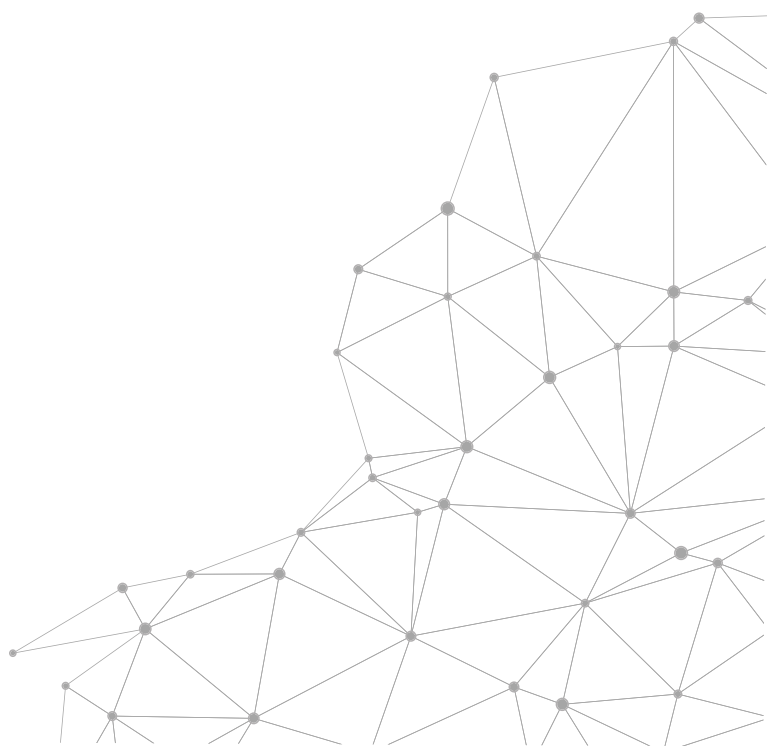
- ▶ The Act established a National Sports University in Manipur for imparting quality sports education in the areas of sports sciences, sports technology, sports management and sports coaching by issuing degrees, diplomas and certificates¹⁷

Preparations for Tokyo Olympics 2020

- ▶ The Annual Calendar for Training and Competitions (ACTC) is key to all the preparations and training for Indian teams up to September 2020 for both the Olympics and the Para-Olympics 2020 and Target Olympic Podium Scheme (TOPS), which is a program for select, elite of five sports – athletics, table tennis, wrestling, para-athletics and shooting
- ▶ Under TOPS, 580 sportspersons have been identified and are being supported for the 2020 Olympic Games and a further 18 sportspersons have been identified for the 2020 Paralympic Games¹⁸

17. <http://legislative.gov.in/sites/default/files/A2018-25.pdf>

18. <https://pib.gov.in/newsite/PrintRelease.aspx?relid=195996>





Future outlook

Digital consumption is the new normal

- ▶ A total of 300 million viewers logged on to Hotstar to watch the 2019 edition of the IPL, a 74% increase in watch-time from 2019
- ▶ The final match between MI and CSK garnered 18.6 million concurrent viewers, beating its earlier record of 12.7 million, achieved during an earlier game in the same tournament
- ▶ We expect ever more consumption of sports on OTT platforms

Athleisure and IoT for the active Indian provide a new opportunity

- ▶ With more and more Indians acting on the need to stay fitter and healthier, the product categories associated with active living and healthy lifestyle are in a growth phase
- ▶ These changes in habits are benefiting the sportswear industry, which has become one of the fast-growing apparel segments in the country and while clothing for active sports is gaining from the trend, we are also seeing fashion for casual and social occasions, inspired by a sporty lifestyle, being in vogue
- ▶ Initially, menswear was the significant contributor to this segment but with more women taking up such fitness-oriented activities and showing an affinity for fashion that emanates from an active lifestyle, we now see a much faster growth rate in sportswear for women
- ▶ With IoT platforms and chips becoming affordable, we expect to see massive uptake of IoT enabled sportswear and gear, which could lead to several D2C initiatives across gaming, community building, live sports events, etc.

Technology will drive performance

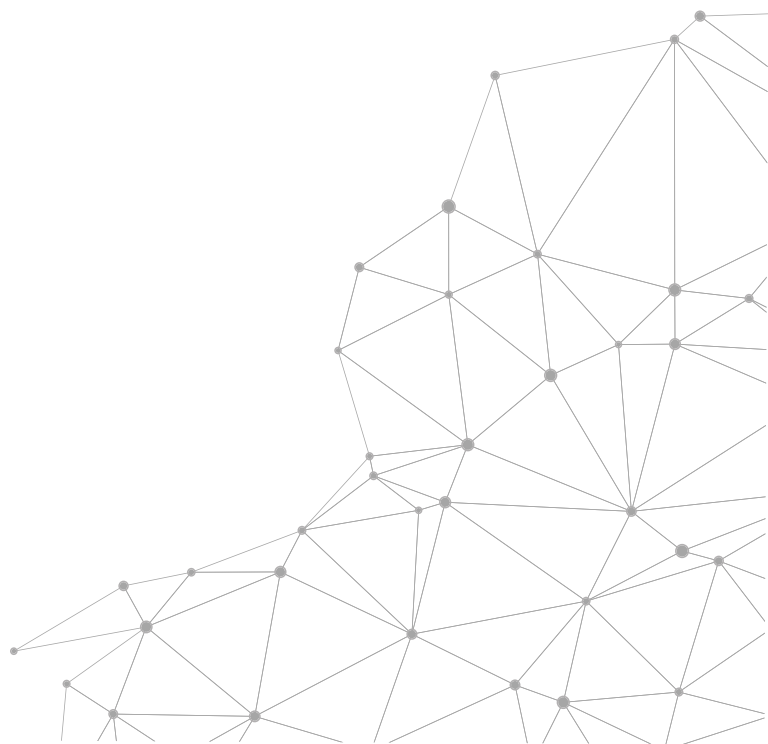
- ▶ With the advances in technology, teams and governing bodies are availing modern solutions to boost player performance, data analytics and other aspects related to running sports tournaments and leagues
- ▶ The Indian cricket team signed a deal with Stat Sports, a Northern Ireland-based performance tracking and analysis company, before the 2019 World Cup. The company produces a small wearable device that measures metrics such as distance covered, speed, acceleration, deceleration and the dynamic stress load, allowing coaches to analyze and record data about the players' movements for workload management, injury rehabilitation, etc.
- ▶ Performance management for players is just one part of the growing tech space in sports; Indian IT majors such as Infosys, HCL and Wipro are being hired by global sports giants for data analytics and tech solutions
- ▶ In June, HCL became Cricket Australia's Official Digital Technology partner while Infosys partnered with the French Open in 2019. Sports technology is predicted to be a US\$10 billion (around INR700 billion) market globally by 2024 and despite being in its early days in India, significant strides have already been made in the past few years

Entertainment companies will find their sports adjacencies

- ▶ With the business of sports coming of age in India, entities built around entertainment are looking at sports as an adjacency for business expansion
- ▶ BookMyShow, India's largest ticketing platform, plans to grow its revenue from sports business by 300% and is eyeing partnerships to create sports leagues and bringing properties like the National Basketball League to India along with events in other sports like football, wrestling, martial arts and marathons, apart from domestic cricket leagues
- ▶ Social media platforms are looking to create shoulder content around large events to build communities of sports fans



Vinit Karnik
Business Head-GroupM ESP



Expert speak



Amit Burman
Chairman
Dabur India

For India to truly become a successful sporting nation, sports investors need to believe in changing consumption patterns which are shaping the Indian sports landscape in the immediate future. It has become clear that attention spans are becoming smaller. Well-packaged products are being extremely well-received.



Mustafa Ghouse
CEO
JSW Sports

The sports industry in India is at an inflection point. While there's enough potential for the industry to grow, we need to ensure decision-making at the highest levels is focused on the long-term growth and sustainability of the industry to take advantage of this potential. With Olympic year upon us, a strong showing from Team India at Tokyo could spur a significant change in the nation's attitudes towards sports.



Gautam Thakar
CEO
Star Sports

Consumption of Sports in India grew by 60% driven by deep investments in local languages and taking Cricket, Kabaddi and Football deeper into the country. The future looks even brighter with the Government of India investing in the Khelo India Games and athletes emerging from the grass roots across a variety of disciplines. Corporates are investing in women athletes who are doing well in a variety of sports – from PV Sindhu to 16 year old Shafali Verma. Sports will continue to attract increased advertising investment as it is the only mass audience aggregator on television and increasingly on the digital medium. The Olympics will help accelerate this even more.



Rajesh Kaul
Head-Sports Business
Sony Pictures Networks India

With monetisation challenges increasing due to the uncertain environment and regulatory changes, all sports properties including cricket would see major correction / haircut in the rights fees when these come up for renewal.



Rajesh Sethi
Managing Director
NBA India Basketball Pvt

There will be a continued upswing in the fees and revenues from rights of Sports content. The rise of women in sports and the rapid growth of e-sports are two things that I am very bullish about. Besides, content consumption on non-linear platforms will become the key disruptor for all sports brands as engagement along with awareness will remain the key, something that we at the NBA are very cognizant of.



Nilesh Kulkarni
Founder-Director, International
Institute of Sports Management

Sports Industry is witnessing a growth of over 12% YOY endorsing FICCI's Vision document 2014. It estimates a total requirement of 43.7 lakh human resources across the industry by 2022.



Venky Mysore
CEO
Knight Rider Sports

Technological changes coupled with the way people are consuming content has created greater demand for live content. This puts the onus on creators of live content to innovate, package and market it to take advantage of the enormous opportunity. Franchise owned sports in particular will grow and continue at a significant pace.



James Rosenstock
Executive Vice President,
International
WWE

The government's grassroots initiatives such as 'Khelo India' have accelerated the growth of sports in India, a sector which has traditionally been defined by Cricket alone but is now showing momentum across other popular sports and entertainment properties, including WWE.



Anupriya Acharya
CEO
Publicis Groupe South Asia

While cricket remains the most dominant sport in India, the market is set to skyrise exponentially over the next few years with other sports such as football, basketball, distance running, golf, motorsport, tennis, hockey, etc complementing the cricket story. This is quite easily the most exciting time for sports in India, with both alternative sports & women's sports emerging and professional leagues gaining inroads and others being planned.

Advertising for the next decade



To view more by the artist; click on the picture



2019 was a tough year for traditional advertising

Advertising and events reached INR878 billion in 2019

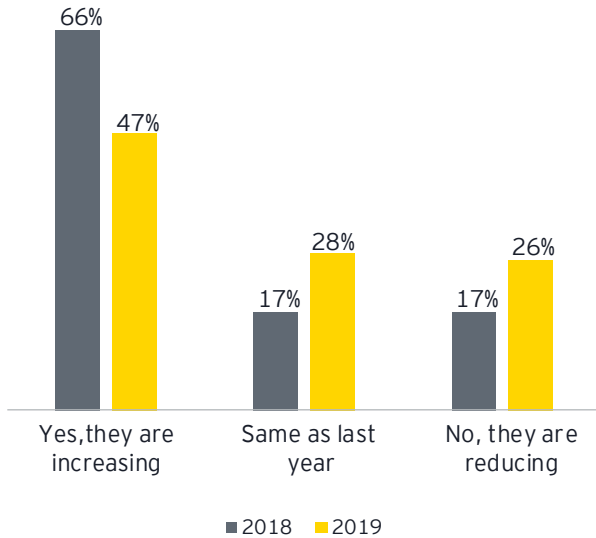
	2018	2019	Growth
Television	305	320	5%
Print	217	206	-5%
Digital	154	191	24%
Events	75	83	10%
OOH	37	39	5%
Radio	34	31	-8%
In cinema	8	8	2%
Total	830	878	6%

INR billion (gross of taxes) | EY estimates

- ▶ While overall advertising spends grew, there was a marked slowdown during the latter half of 2019 due to fears of economic slowdown
- ▶ Growth rate of traditional advertising (television, print, OOH, radio) fell to 0.4% because of print and radio, which both saw over 5% degrowth for the first time
- ▶ Digital advertising continued to grow on the back of measurability, performance and a large SME advertiser base on e-commerce platforms
- ▶ Experiential spends grew due to the D2C efficiency of this medium

Marketer ad spend sentiment saw a dip in 2019...

Are your total marketing spends increasing?

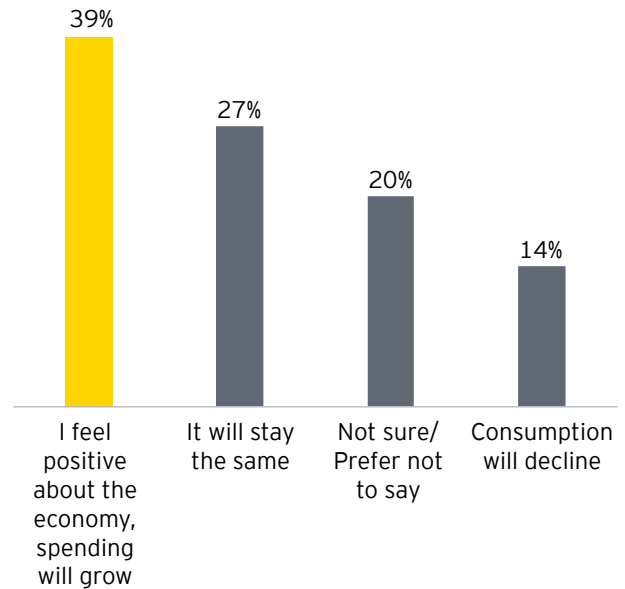


EY Marketer Survey 2020 and 2019

- ▶ The sentiment of growth in marketing spends was diluted compared to last year
- ▶ Our survey of marketers indicated that 47% of marketers increased their marketing spends compared to 66% in the previous year and a higher proportion kept them constant or reduced them
- ▶ Due to the New Tariff Order and resultant revision in ad rates, coupled with a sluggish auto-sector and a slowing economy, media spends saw a slowdown in the second half of 2019

...although marketers' future outlook is more optimistic

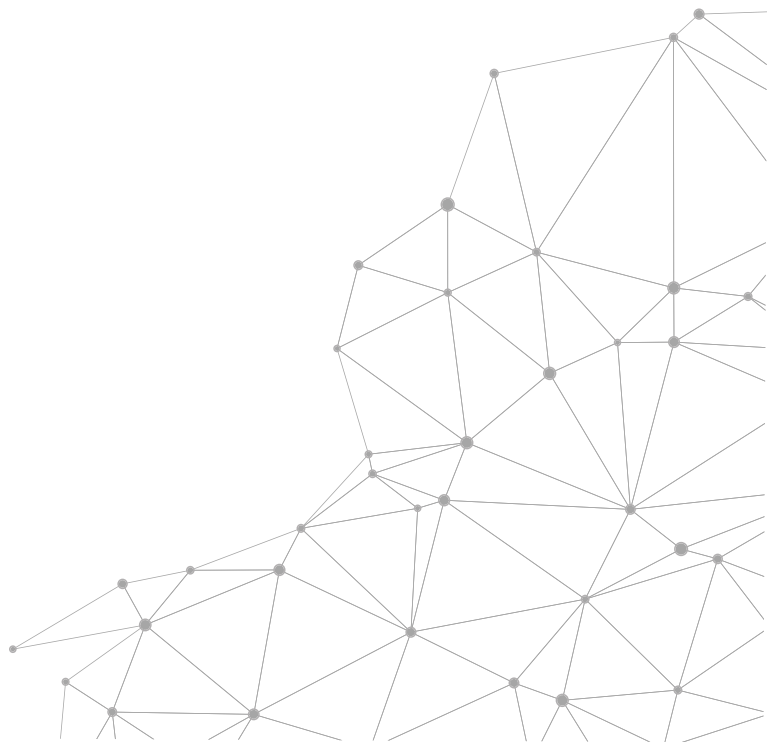
Outlook on consumer spending for 2020



EY Marketer Survey 2020

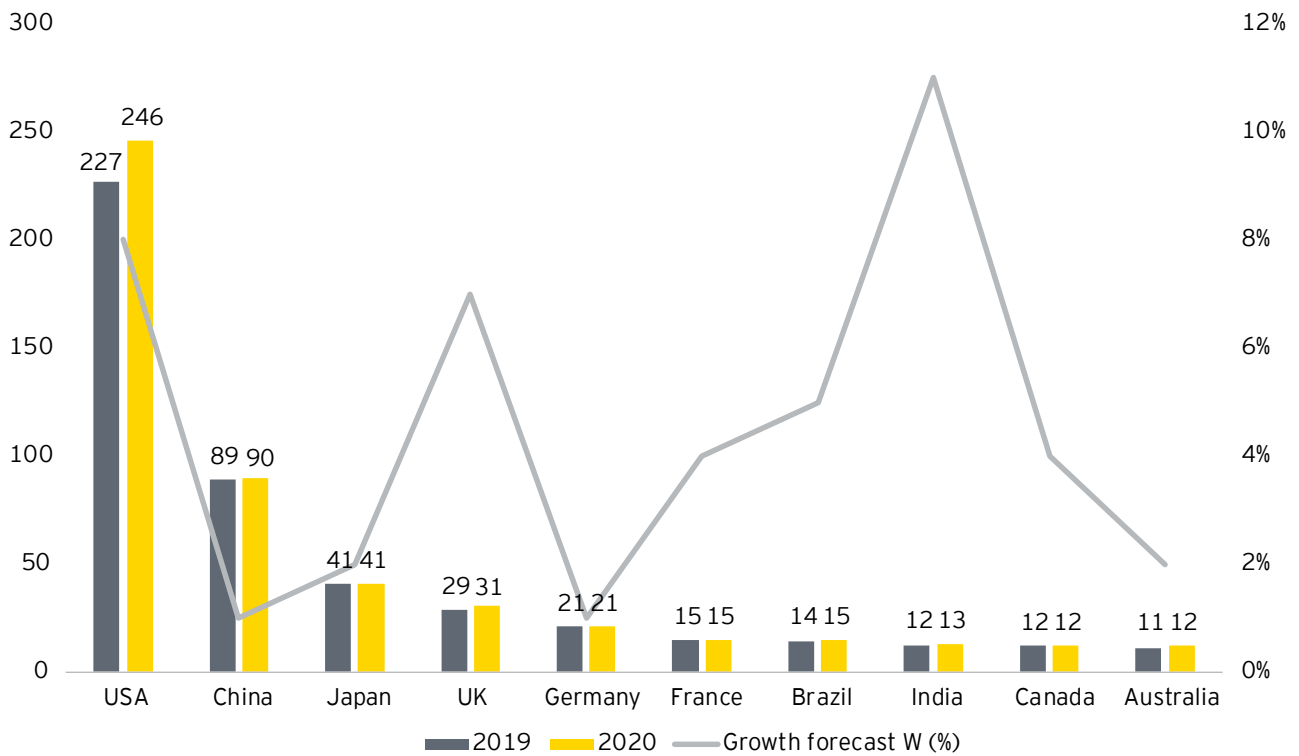
- ▶ 66% of respondents believed that consumer spending would stay at current levels or improve in 2020
- ▶ This appears to be corroborated by initial signs witnessed in January 2020, which indicate an expansion in both manufacturing and services sectors, with services activity hitting a seven-year high and manufacturing PMI at an eight-year high¹
- ▶ However, supply chain disruptions due to the coronavirus could again dampen ad spends

1. <https://www.livemint.com/news/india/india-s-services-activity-hits-seven-year-high-in-january-survey-11580879103190.html>; <https://www.livemint.com/industry/manufacturing/india-january-manufacturing-pmi-at-eight-year-high-of-55-3-11580708980721.html>



Despite headwinds, India's importance in global advertising increased

Largest global ad markets (US\$ billion)



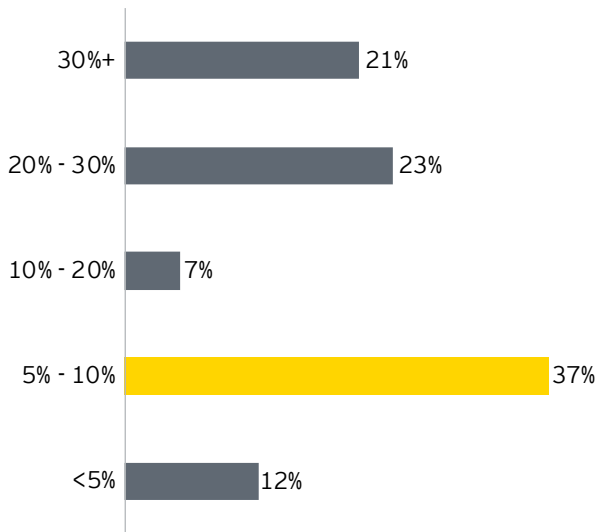
GroupM This Year Next Year 2020 report

- ▶ India became the eighth largest ad market in the world in 2019, up from tenth largest in 2018 as per GroupM
- ▶ It contributed the third most to incremental ad spends in 2019 after the USA and the UK
- ▶ India's forecasted growth rate for 2020 of 11% is more than twice the average rate of the top ten countries

Digital India is here

Digital was a staple ingredient of almost all marketing plans today

Percentage of total spends on digital

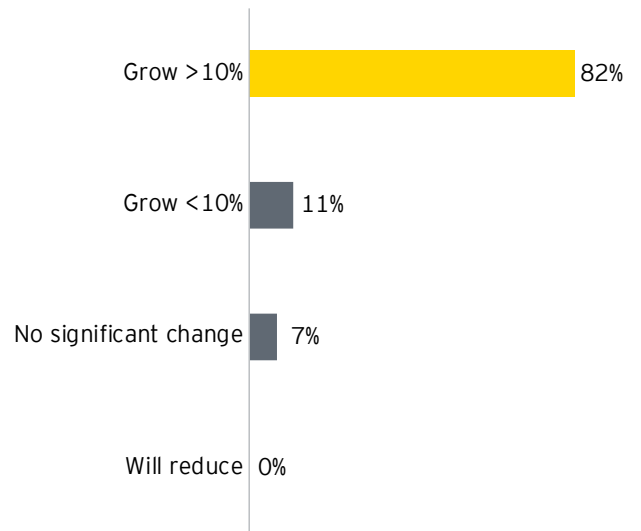


EY Marketer Survey 2020

- ▶ Most marketers we surveyed allocated 5-10% of their ad spends on digital advertising
- ▶ Half the marketers we surveyed had begun spending over 10% of their total spends on digital advertising

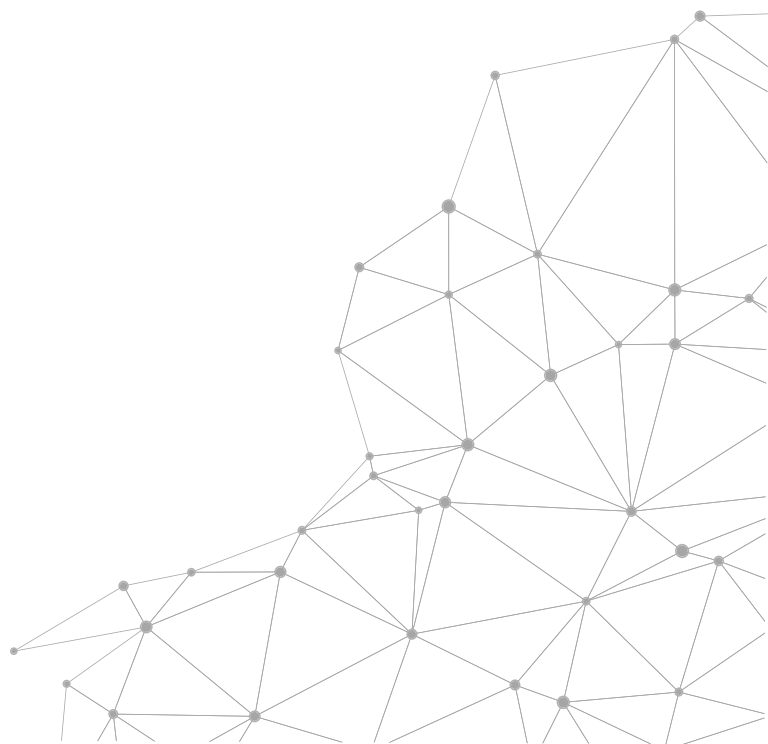
Marketers will continue to grow their digital advertising budgets

Digital ad spends next two years



EY Marketer Survey 2020

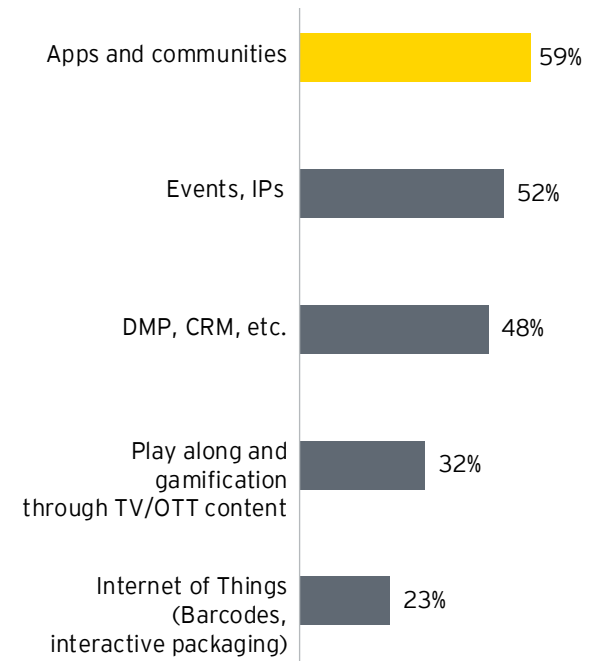
- ▶ 82% of marketers surveyed expected to grow spends on digital by over 10% during the next two years
- ▶ Comparatively, only 43% and 33% expected this rate of growth for traditional media and events respectively



Indian marketers' top priorities for 2020 include D2C

- ▶ As per a report published by Toluna, direct-to-customer brands' investment in social media advertising and SEO is paying off with nearly 6 in 10 US internet users pushed to purchase after first encountering a D2C brand via these channels
- ▶ More than one in five respondents in the US plan to make 40% or more of their purchases from D2C companies
- ▶ This provides a great opportunity for advertising given that in the last two years, 70 consumer brand companies have been funded by venture capitalists to the tune of more than US\$300 million as per data from Traxcn
- ▶ India is not far behind with D2C interaction being a leading priority, as expressed by marketers in our survey, right after improved RoI on spends
- ▶ We estimate over 100 D2C brands have already launched in India²
- ▶ While the unicorns have demonstrated significant success in D2C (Flipkart, Nykaa, PayTM, Swiggy, Oyo, etc.) some companies have adopted a hybrid model of D2C along with e-commerce, while others have used the D2C model to launch niche products, or higher-priced variants of popular products

D2C initiatives planned



EY Marketer Survey 2020; Percentage of respondents

- ▶ Apart from building D2C brands, marketers are also investing in D2C initiatives to engage directly with and understand their customers better
- ▶ While building apps and communities was the most common measure, we observe increased interest in events and IPs, gamification of content and IoT
- ▶ The transition towards D2C technology has begun, with almost half our survey respondents investing in DMPs, CRM systems, etc.

Connected devices and IoT will drive advertising-to-fulfilment

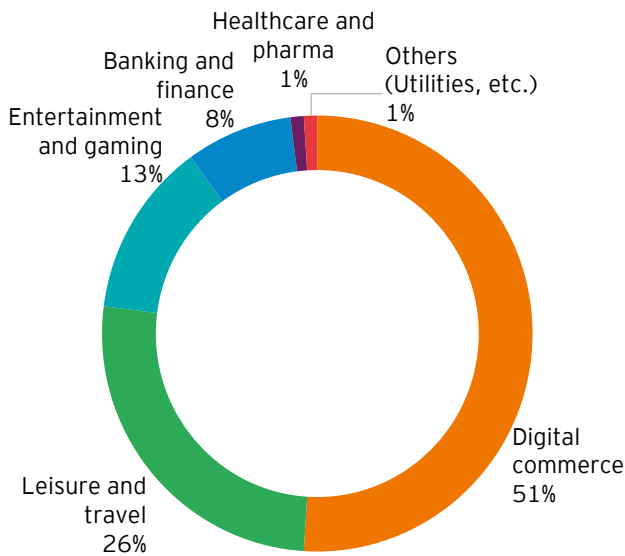
- ▶ As consumers bring smart TVs, smart speakers, smart fridges and more into their homes, marketers are eyeing such devices as a way to get closer to fulfilling audience needs, not just as a means of communication
- ▶ The opportunities will expand into product packaging too and loyalty programs will be built to cater to repeat purchases, cross-selling and upgrades
- ▶ However, these devices and services are based on deeply personal data and it is crucial that the service optimizes for trust as opposed to clicks

Smart TV inventory is coming into being

- ▶ Industry discussions indicate connected smart TVs to be 4 to 5 million in 2019
- ▶ We expect this number to cross 40 million by 2025
- ▶ This will unleash a whole new ad market with the ability to target audiences in a more effective manner than unidirectional television

Ad fraud needs a solution

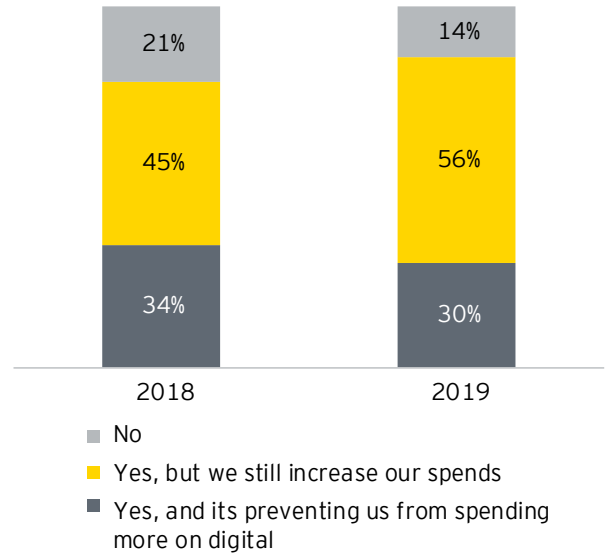
India digital ad fraud market



TechARC; India digital ad fraud market report

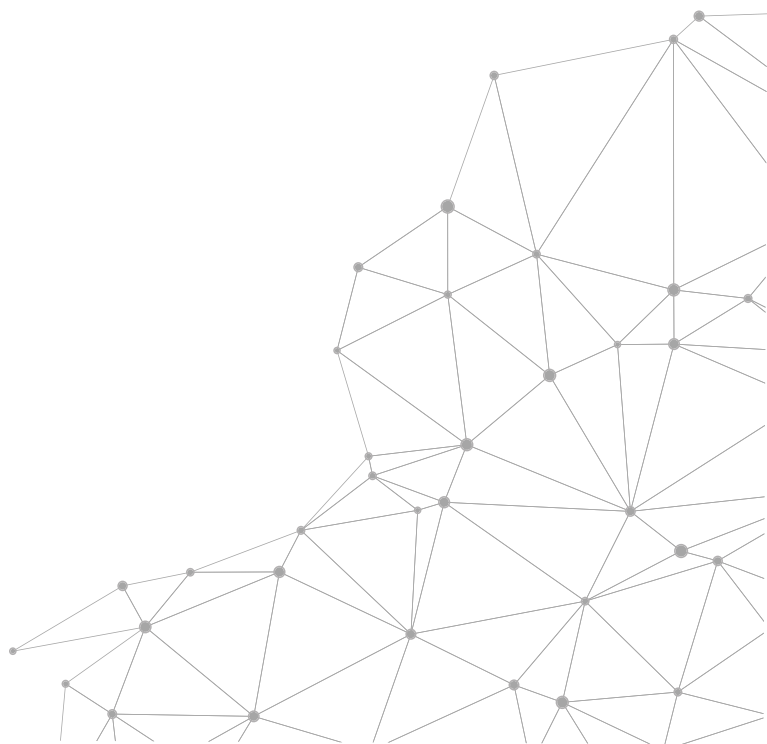
- ▶ Digital ad fraud in India hit 8.7% of the total global ad fraud
- ▶ Digital commerce contributed to more than half (51%) of the total ad fraud in India, followed by leisure and travel at 26% and entertainment and gaming at 13%

Is digital ad fraud worrisome to you?



EY Marketer Survey 2020

- ▶ In the marketing community though, the worry of ad fraud seems to have reduced over the previous year from 34% of marketers to 30% presently worrying about ad fraud to an extent that it prevents them from spending on digital
- ▶ Over half the respondents we surveyed (56%) were increasing spends on digital despite the risk of ad fraud; up from 45% in 2018
- ▶ We expect to see businesses implement an independent ad fraud monitoring solution to be better equipped to protect their brand and increase relevant customer engagement and reach

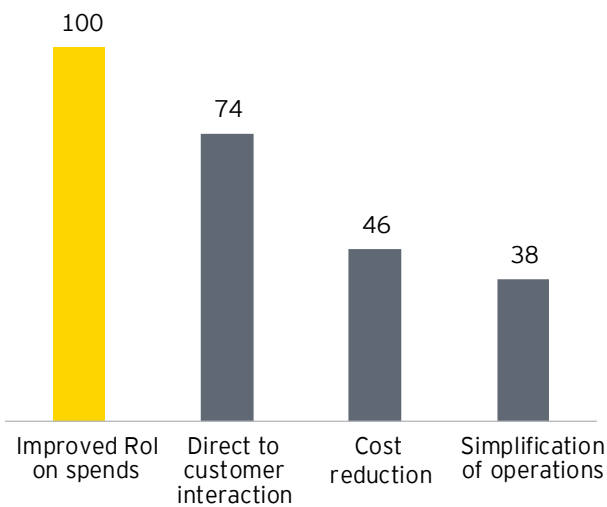


All of which are changing the way advertising is bought and delivered

2020 will be the year for digitally evolved partners and digitally involved marketers.

The clamor for ROI kept growing

Priorities for 2020 (indexed to the most important)

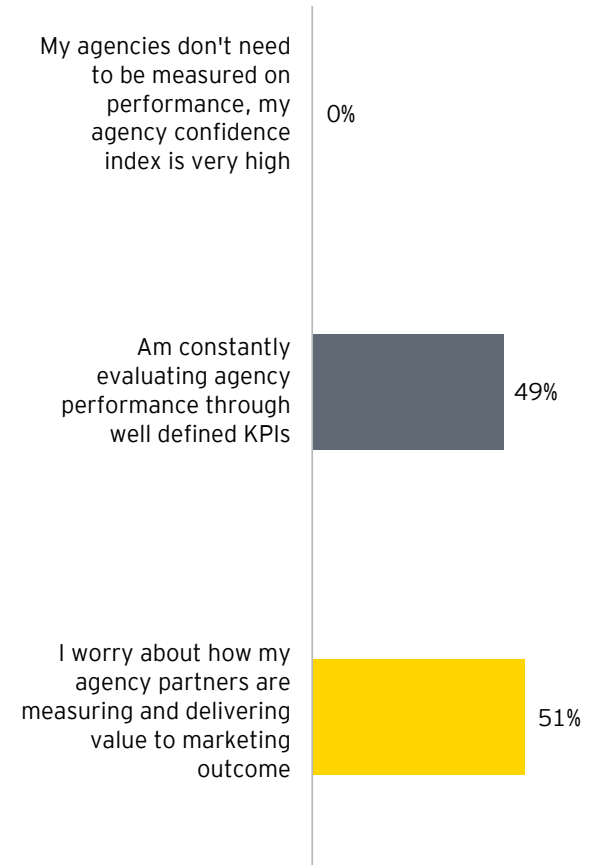


EY Marketer Survey 2020

- ▶ Given the pressures on quarterly performance in a volatile economy, improved ad ROI continued to be a leading priority amongst CMOs, much like the previous year
- ▶ Going forward, we see evolved marketers demanding outcome-based ROI metrics, moving measurement from a campaign level to the end of the sales cycle, resulting in a shift in the ROI cycle from mid-term and short-term to a long-term view

Measurement of agency performance became more prevalent

Agency evaluation

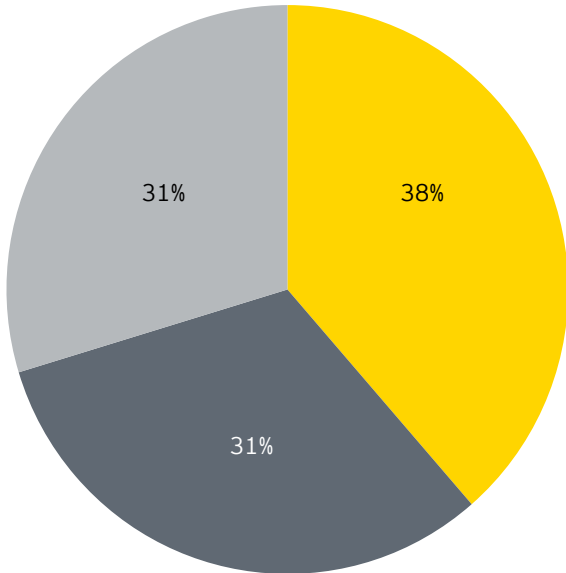


EY Marketer Survey 2020

- ▶ The EY survey supported the ROI argument with the trust validator to find that marketers surveyed had varying levels of confidence in their agency partners
- ▶ Responses were equally divided between secure marketers with well-defined KPIs and evolving marketers concerned about accountability

More technology was used for decision making

Optimizing marketing spends through technology



- Yes, we have a team of data scientists using AI for sharper marketing decisions (own or through our agency)
- No, we don't deploy AI in marketing but might do so in related areas like CRM
- No, not using AI today

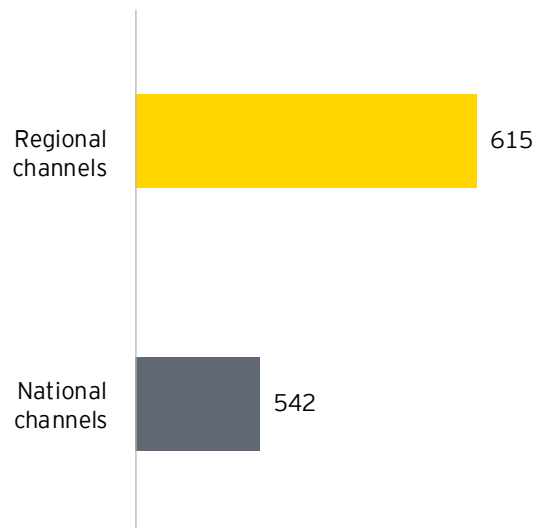
EY Marketer Survey 2020

- ▶ Performance advertising led to increased digital spends and more use of measurement
- ▶ Interestingly, the role of AI was spread equitably between adopters, enthusiasts and the uninitiated in our survey

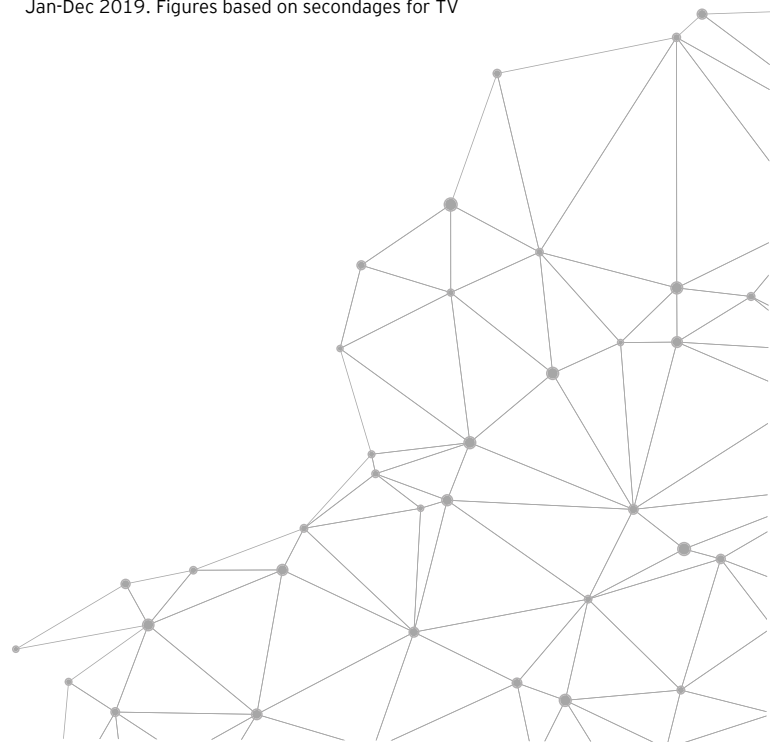
The industry increasingly leveraged voice and vernacular

- ▶ As per the Voice Technology in India report from DAN WatConsult, the speech and voice recognition technology market stands at INR1.5 billion as of December 2019
- ▶ Both voice and vernacular are reflective of the intuitive behavior of audiences and are where audiences are most comfortable
- ▶ This space is expected to grow at 40.5% to reach INR2.1 billion by the end of 2020
- ▶ As per TAM's classification of channels, regional channels received 13% more advertising compared to national channels in 2019

Average ad volume per channel per year (hours)

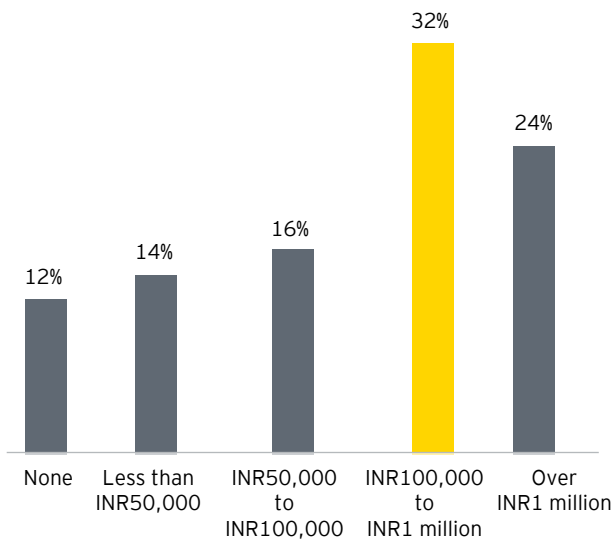


TAM AdEX; Advertising during commercial breaks on 600+ TV Channels, Jan-Dec 2019. Figures based on secondages for TV



Hyperlocal personalization is gaining importance through micro-influencer marketing

Budgets for influencer marketing in India

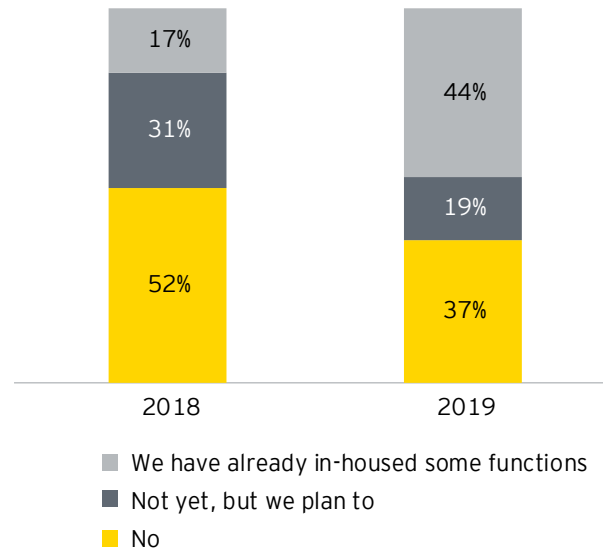


Talkwalker, Social Samosa 2020; survey of 800 respondents between July and September 2019

- ▶ Over 72% of Indian firms are planning to increase their spends on social media influencers, big and small, in 2020
- ▶ Only 12% of respondents did not have plans to use influencer marketing
- ▶ Global influencer marketing is poised to be a US\$20 billion industry by 2020; of which, India accounts for a fledgling chunk of between US\$75 and US\$150 million

In-housing of agency functions increased

Have you in-housed any agency functions?



EY Marketer Survey 2020

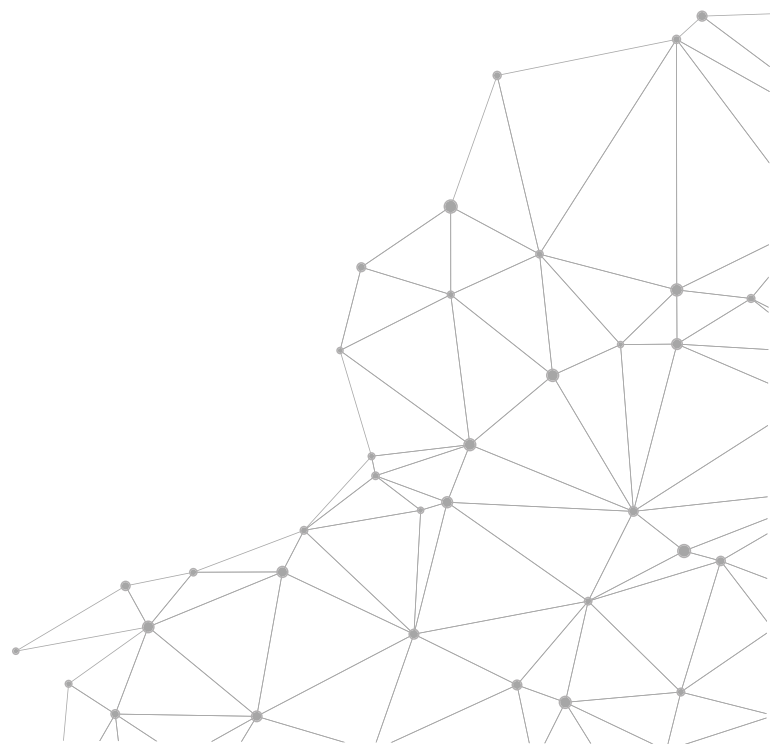
- ▶ The EY survey reported a sharp increase in marketers who have - or are planning to adopt - an in-housing approach, mirroring the global trend in India
- ▶ However, in-housing not only increases personnel costs but also leads to an echo-chamber with no outside perspective to innovate; a risk that needs to be managed with this shift

Content has become a huge opportunity for agencies

- ▶ Consumers will look for content and ads that take up less time
- ▶ Short form videos are likely to gain in appeal, especially with brands targeting the youth
- ▶ Shoppable videos will become a trend as they shorten the customer journey by providing them options to buy the product/service directly from the image
- ▶ According to a recent survey by Vuclip, 85% viewers preferred short form video content (i.e., short films/ videos of 10 minutes) on smartphones
- ▶ We estimate the demand for short format video and ads to increase several times by 2020

Agency + consulting = business transformation

- ▶ For all the talk among marketers of in-housing core capabilities, agencies continue to deliver value; they provide skills and capabilities that in-house marketing organizations have not yet been able to develop
- ▶ However, what agencies are being asked to do has changed
- ▶ Marketers spending on agency functions is shifting away from commoditized activities like media planning and buying toward strategic activities such as strategy development and digital transformation program execution
- ▶ This is where agencies need to play, because they can charge more for value-added activities and the contracts are longer-term
- ▶ In a world of specialization, agencies need to partner with consulting firms and technology specialists to provide an integrated business transformation solution, working towards delivering results



Expert speak



Shashi Sinha
CEO
IPG Mediabrands India

For 2020, we're hoping for the best and preparing for the worst.



Sam Balsara
Chairman
Madison World

Marketing delivers in the mid term to long term. With control shifting from CMO to CEO/CFO/Procurement, focus has shifted to ROI in the short term which erodes value building in the long term.



Ashish Bhasin
CEO APAC & Chairman India
Dentsu Aegis Network

India will be the fastest growing major market in the Advertising world over the next 5 to 10 years. We are in a unique situation in India where all Media will grow, albeit at very different rates, over the next 5 years, with Digital leading the charge and print continuing to grow relatively slow. The pace of change, the omnipresence of mobile and the preponderance of voice, video and vernacular will dominate the Indian Advertising scenario for the next 5 years.



CVL Srinivas
Country Manager India
WPP

Commerce, Customer Experience and Technology are redefining the role of agencies. To win in the new world, agencies need to build a collaborative model, both internally and with partners.



L V Krishnan

Chief Executive Officer
TAM India

The only guiding light to the current era of change is mining 'rich data'. Occurrence & behavioural data from a multitude of sources is increasingly becoming paramount, integration of which is simplifying not just decision making, but defining new forays for entertainment & knowledge Industry.



Rana Barua

CEO
Havas Group India

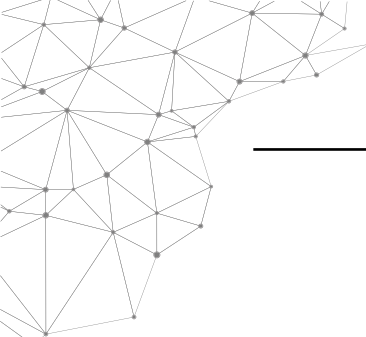
The content tsunami across all forms of media has engulfed the consumer and is going to continue. Keeping the consumer engaged through storytelling will continue to be the biggest challenge. Data enables us to measure in advance what will work and what will not. It is the only way to successfully target new and existing customers in this rapidly evolving industry.

Data privacy



To view more by the artist; click on the picture





M&E sector deals with various forms of personal data daily

- ▶ Registration:
 - ▶ Personal details like name, date of birth, gender, address, language preference
 - ▶ Social media details
 - ▶ Device identifiers
- ▶ Profiling:
 - ▶ Location
 - ▶ Browser history
 - ▶ Search history
 - ▶ Content consumption history (video, audio, text, games, etc.)
- ▶ Kids profile and behavioral data
- ▶ Lead generation data
- ▶ Preferences across contest forms, votes, polls, petitions, etc.
- ▶ Purchase and payment data across e-commerce sites / apps
- ▶ Advertising:
 - ▶ Advertisement ID
 - ▶ Browsing history
 - ▶ User preferences
- ▶ Direct marketing - calling details, SMS, newsletters, etc.
- ▶ Increasing capture of personal data gives rise to increasing data privacy obligations
- ▶ Related data:
 - ▶ Contacts
 - ▶ Connections
 - ▶ Messages and emails

Data Privacy has been regulated since 2000

- ▶ In the year of 2000, the Parliament of India passed the Information Technology Act which dealt with cybercrime and electronic commerce
- ▶ Section 43A of the IT Act instructs organizations who process personal data or sensitive personal data to deploy reasonable security practices to protect the personal data from unauthorized disclosure, modification or wrongful usage; failure to do so may have to compensate the person affected
- ▶ Due to the lack of enforcement, absence of a regulatory body monitoring its effectiveness and absence of specific requirements, the protection of customers' personal data has been a self-initiative and not driven by any regulation or act for most organizations

Indian M&E companies had to comply with the General Data Protection Regulation (GDPR) from 2018

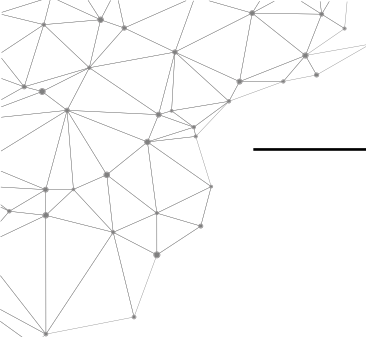
- ▶ The entire landscape of data privacy changed globally with introduction of the GDPR
- ▶ GDPR was adopted in the month of April 2016 and was enforceable on organizations from 25th May 2018
- ▶ GDPR is applicable to organizations established within the European Union as well as organizations who are outside the union but capture, process and/ or store personal data of European Citizen or resident by offering goods or services targeted to them
- ▶ This largely impacted Indian M&E companies who had customers in the European Union on their platforms

Impact of GDPR on M&E companies

- ▶ Changes to the front-end of M&E platforms to provide required disclosures and capture consent
- ▶ Changes to backend technologies and processes to process personal data only according to consent provided
- ▶ Cannot target kids without parental consent
- ▶ Inability to monitor behavior and provide customized recommendations / advertisements unless consent was taken
- ▶ Inability to cross sell, upsell products and services to existing or potential customers without consent
- ▶ Challenges in transferring data outside of EU without signing required clauses / treaty/ contract or taking consent
- ▶ Penalties may be levied if unable to service the data subject request within stipulated time

After 1.5+ years of GDPR being in force, several M&E organizations in India are still struggling to ensure compliance with GDPR requirements.





The proposed Personal Data Protection Bill (PDPB)

- ▶ India introduced an updated draft of Personal Data Protection Bill (PDPB) in the Lok Sabha in December 2019 which is awaiting finalization and approval
- ▶ PDPB has requirements like GDPR but with its own set of specificities
- ▶ All M&E companies operating in India, including those that were not impacted by GDPR, will now need to comply with the PDPB once it becomes law

Who will be impacted by PDPB?

- ▶ Indian companies
- ▶ Persons or body of persons created under Indian Law
- ▶ Indian citizens
- ▶ Government agencies
- ▶ Personal data processed within the territory of India
- ▶ Systematic activity of offering goods and services to principals within India
- ▶ Activity involving profiling of principals within India

Types of data considered in the PDPB

- ▶ Personal data
 - ▶ Data about or related to a natural person who is directly or indirectly identifiable
- ▶ Sensitive data
 - ▶ Such as financial, health data, official identifier, sex life, intersex status, caste, tribe, religious, political views, biometric data
- ▶ Critical data
 - ▶ Data to be specified by the central government

Penalties for non-compliance

- ▶ Fines up to 2-4% of total worldwide turnover or INR50-150 million; whichever is higher
- ▶ Imprisonment and/or fines up to three years or INR200,000 for reidentification and processing of de-identified personal data

Key highlights and impact of the PDPB

- ▶ **Clear notice and consent** for collection and processing of personal data → may impact monetization from personalization, advertisements and/or ability to recommend
- ▶ **Verification of parental consent** when targeting kids → which can impact ability to increase engagement with children
- ▶ **Consent manager** to enable data principals to withdraw, review and manage consent → requires policies, procedures and methodologies around consent to use data
- ▶ Products, systems and processes must adhere to **privacy-by-design** → more robust privacy processes
- ▶ Minimize, pseudonymize and/ or anonymize **personal data** → prevents targeted outreach
- ▶ Establish methodologies to handle **data principal rights** → build processes around rights to correction, confirmation and access, portability and being forgotten
- ▶ Social media intermediaries will need to establish means to **verify profiles** of consumers
- ▶ **Notify the authority** of any personal data breach likely to cause harm to any data principal concerned
- ▶ Maintain **transparency** regarding general practices relating to processing of personal data
- ▶ Maintain **accurate and up to date** records as per requirements
- ▶ Conduct Data Protection Impact Assessment (**DPIA**) under select conditions
- ▶ Adequate **grievance redressal** procedure
- ▶ Data fiduciary to **resolve complaints within 30 days**

Compliance roadmap

Irrespective of when the regulation is passed, M&E companies need to identify the personal data they are collecting, their corresponding touch points within and outside the organization and ensure safeguards around the same:

1. Conduct a gap assessment

Assess existing privacy culture, working practices and documentation against the applicable requirements of the PDPB

2. Establish privacy framework

Design and develop methodologies to strengthen data protection policies, practices and plans

3. Enable data discovery and conduct DPIA

Identify personal data processing activities and existing vulnerabilities and risks and establish controls to mitigate them

4. Conduct training and awareness sessions

Develop training material and conduct targeted training sessions for employees and top management

5. Automate the privacy framework

Reduce manual tasks and manage privacy activities in an automated manner



M&A activity

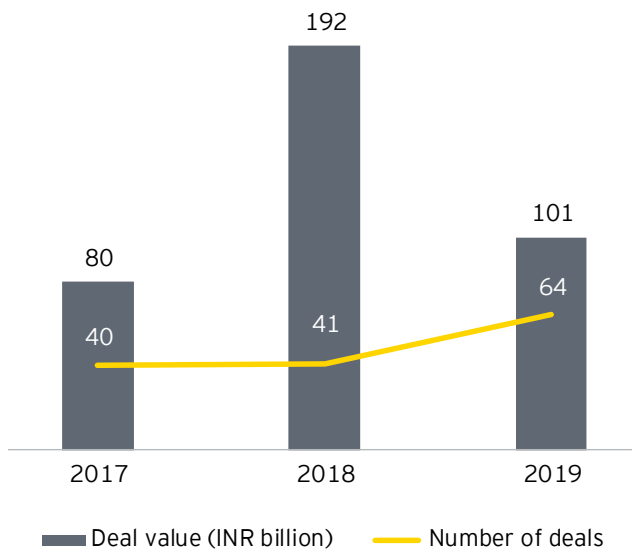


To view more by the artist; click on the picture



Overview of deal activity in M&E in 2019

Deal value and number of deals

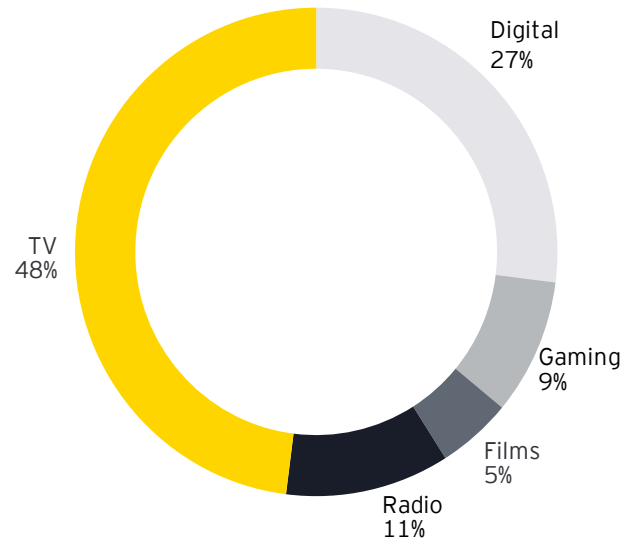


EY estimates

- ▶ In 2019, the media & entertainment sector witnessed a tepid year in terms of M&A activity
- ▶ Although the number of deals increased to 64 in 2019 from 41 in 2018, the overall deal value was much lower at INR101 billion as compared to INR192 billion in the previous year¹
- ▶ This was largely due to the absence of big-ticket deals with only four deals crossing the US\$100 million threshold

Most investment was made in television

Deal value by segment

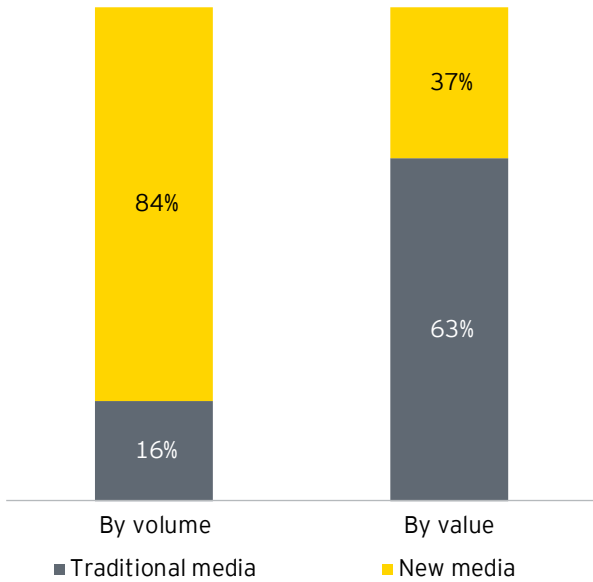


EY estimates

- ▶ Highest investment was seen in television, followed by digital, radio and gaming
- ▶ While television and digital have headroom to grow (penetration in around 60% and 35% respectively in India), radio continues to hold on to its listeners as per IRS 2019 Q3 and gaming is still in its infancy in India

Deal volumes were driven by new media

Deal volume and value by type of media

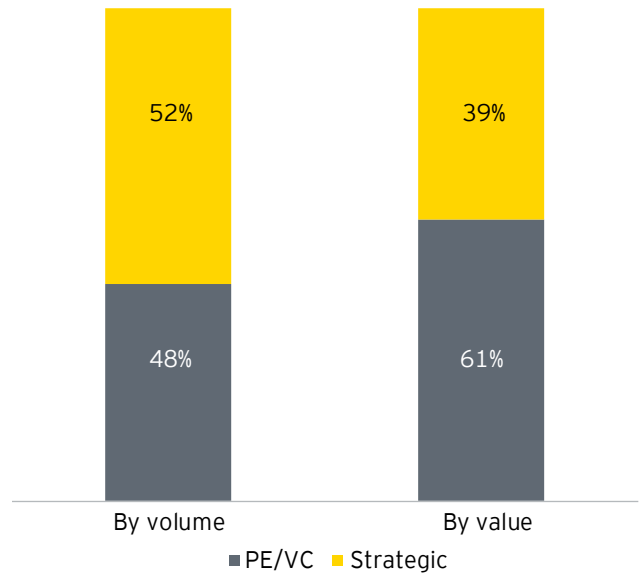


EY analysis

- ▶ As in the last couple of years, deal activity was spearheaded by new media such as digital and gaming, which witnessed 54 deals in 2019
- ▶ However, in terms of deal value, the share of traditional media segments such as TV, radio and film exhibition was 63%

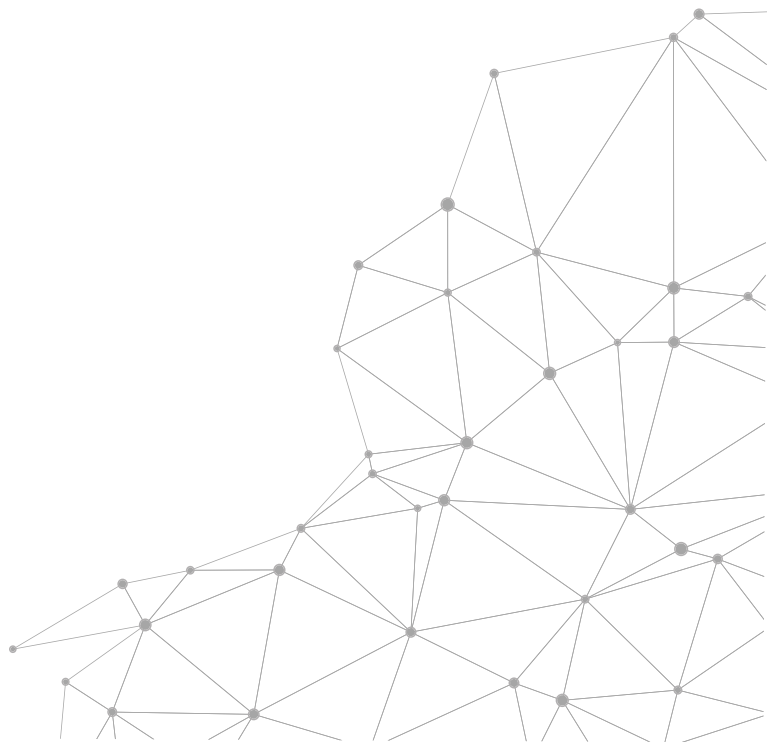
Private equity and venture capital provided 61% of funding

Deal volume and value by type of investor



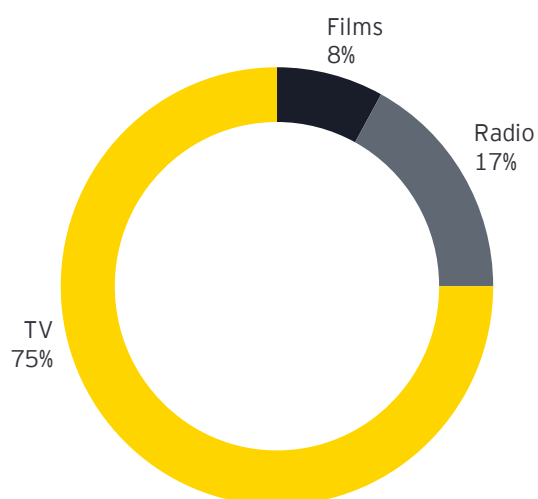
EY analysis, PE/VC includes the QIP for PVR Cinemas

- ▶ Unlike in 2018 where more than 60% of deals were led by strategic investors, in 2019, 52% of the deals were driven by strategic investors
- ▶ However, strategic investors contributed 39% of deal value whereas PE/VC accounted for the major chunk in terms of deal value with a contribution of 61% of the pie



Traditional media

Traditional media-deal value by segment



EY estimates

- ▶ There were just 10 deals in the traditional media space in 2019, however, they accounted for 63% of the total deal value
- ▶ There were four marquee deals across the TV, radio and film exhibitions space:
 - ▶ Essel Group's sale of 11% stake in Zee Entertainment Enterprises Limited to Invesco Oppenheimer Developing Markets Fund for INR42 billion²
 - ▶ Sale of around 91% stake in TV9 (Associated Broadcasting Co Ltd) to Alanda Media and Entertainment³
 - ▶ PVR's QIP of INR5.0 billion for ~5.65% stake⁴
 - ▶ Music Broadcast Limited's acquisition of Big FM for INR10.5 billion⁵

Television

- ▶ Television broadcasting saw one of largest deals in the M&E space wherein the Essel Group, in its bid to repay promoter level debt, sold 11% stake in Zee Entertainment Enterprises Limited (ZEEL) to US based Invesco Oppenheimer Developing Markets Fund for INR42 billion⁶
- ▶ Further, in November 2019, Singapore based GIC (on account of the Government of Singapore) and the Monetary Authority of Singapore together acquired 2.97% stake in ZEEL via a secondary market transaction⁷
- ▶ In May 2019, Associated Broadcasting Co Limited, the company that runs the TV9 brand, sold around 91% stake in the company to Alanda Media and Entertainment⁸
- ▶ In Aug 2019, Cable TV and broadband service provider GTPL Hathway acquired 100% stake in SCOD18 Networking Pvt Limited, a Mumbai based MSO player⁹
- ▶ 2019 also saw the consummation of one of the biggest deals in the M&E sector globally - Disney's acquisition of Rupert Murdoch's 21st Century Fox. With this, Star India and its OTT platform Hotstar, came under the purview of Disney¹⁰

2. Essel completes first tranche of Zee stake sale to Invseco Oppenheimer, economictimes.com

3. Alanda Media management takes full control of ABCPL, <https://www.thehindubusinessline.com>

4. PVR raised INR500 Cr via QIP, <https://www.televisionpost.com>

5. Radio city board okays acquisition of Big FM, <https://www.adgully.com>

6. Essel completes first tranche of Zee stake sale to Invesco Oppenheimer, economictimes.com and [BSE India](https://www.bseindia.com)

7. Singapore Government Monetary Authority hike stake in Zee Entertainment, [bseindia.com](https://www.bseindia.com) and [thefinancialexpress.com](https://www.thefinancialexpress.com)

8. Alanda Media Management takes full control of ABCPL, [thehindubusinessline.com](https://www.thehindubusinessline.com)

9. GTPL Hathway acquires SCOD18 Networking, [indiantelevision.com](https://www.indiantelevision.com)

10. Disney now owns Star India and Hotstar, [digit.in](https://www.digit.in)

Film exhibition

- ▶ After a phase of high deal activity over the past few years, the film exhibition sector has become fairly consolidated and there were no major M&A deals in 2019.
- ▶ PVR Cinemas raised INR5.0 billion via a Qualified Institutional Placement (QIP) in October 2019 for 5.65% stake in the company¹¹
 - ▶ The QIP saw investments from the likes of Norway's Government Pension Fund, Kuwait Investment Authority and other mutual fund houses and global public pension funds
- ▶ The merger of UFO Moviez, one of India's largest digital cinema distribution companies, with Qube Cinemas was not approved by the NCLT with a view to protect minority shareholders' interests¹²
- ▶ Going ahead, there could be some limited acquisition appetite for smaller, regional multiplex chains as the top players consolidate their presence into tier II and tier III markets via a mix of organic and inorganic growth strategies

Print

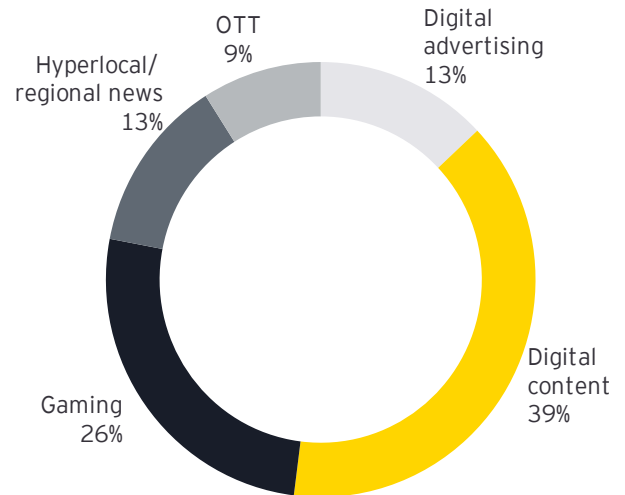
- ▶ As observed during the last few years, the print segment did not see any marquee activity in 2019
- ▶ While the segment witnessed degrowth in advertising revenues, circulation revenues grew and print companies continued to post positive operating cash flows and healthy margins
- ▶ However, the industry continues to feel the pressure from digital consumption and all the listed players witnessed a significant drop in share price and valuations over the last year

Radio

- ▶ Music Broadcast Limited, which controls 39 stations under Radio City, acquired Reliance Broadcast Network Limited, a Reliance Anil Ambani Group company which houses 92.7 Big FM, one of India's largest radio networks with 58 stations¹³
 - ▶ The combined network will have 79 stations, making it the largest radio network in India with a market share of around 28-30%
 - ▶ However, the deal is not consummated yet as it awaits regulatory approvals. Other deals in the radio space have also met with delays in culmination due to the same reason

New media

New media-deal volume by segment



EY analysis

- ▶ As we saw in 2018, 2019 too saw a huge share of the deals coming in from new age media assets
- ▶ Digital content saw the maximum number of deals, followed by gaming, digital advertising and news platforms

11. PVR raised INR500 Cr via QIP, televisionpost.com

12. UFO Moviez Qube Cinema merger hits NCLT roadblock, economictimes.com

13. Radio city board okays acquisition of Big FM, <https://www.adgully.com/radio-city-board-okays-acquisition-of-big-fm-combined-entity-to-have-79-stations-85988.html>

Digital is going regional

Regional language content creators and platforms saw the highest deal activity in the last year, across both video and text formats

- ▶ MX Player raised INR7.8 billion in a new round of funding led by China's Tencent
 - ▶ Last year, the video platform had sold a majority stake to the digital arm of media conglomerate Times Group
 - ▶ The MX Player platform, apart from streaming from different networks, has also begun to produce its own original shows – it has an online streaming library of over 150,000 hours of content across 10 languages¹⁴
- ▶ Hotstar continues receiving funding from its parent with latest investment of ~INR10 billion in March 2019¹⁵
 - ▶ With leadership in sports streaming, it is currently focusing on building its original content to compete with Netflix and Amazon
- ▶ Pocket Aces raised funding of INR1 billion in July 2019 to expand its content library and technology platform¹⁶
 - ▶ The company will also build team and capacity to create as many as 30 long-form shows a year, and three new content channels
- ▶ InMobi Group acquired short-video content platform Roposo to ramp up curated content on its platform Glance in regional Indian languages¹⁷
 - ▶ Glance will get access to the 42 million user network of Roposo as well as its technology and brand

- ▶ In May 2019, The Viral Fever raised INR350 million from US-based Tiger Global in series D round
 - ▶ Prior to this, the company has raised over INR1 billion from Tiger Global in two rounds¹⁸
- ▶ Regional and hyperlocal news platforms saw a lot of interest in 2019, especially from PE / VC funds. Companies such as Lokal, Localplay, PublicVibe, Awaaz and Circle have raised funding in the past year

Gaming

Activities in the gaming sector continue to follow the upward momentum of the last few years. This has been the result of availability of affordable smartphones and data, along with vast youth population (below the age of 24) in the country who form ~60% of India's online gamers¹⁹.

- ▶ Nazara made five acquisitions last year as part of its strategy to become the leading gaming platform in the country²⁰
 - ▶ Acquired 51% stake for INR835 million in Paper Boat Apps, a boutique games studio which creates educational digital content for children; it publishes the edutainment app Kiddopia
- ▶ In September 2019, Nazara acquired majority stake in Sports Unity, the creator of multiplayer quiz called Qunami with the aim to build quizzing as one of the leading real money gaming categories in emerging markets²¹
- ▶ It also acquired 67% stake in the sports content portal Sportskeeda for INR440 million to increase user engagement in existing products and help scale up Sportskeeda²²
- ▶ Nazara entered into fantasy gaming by investing INR400 million in Halaplay in March 2019 to boost its marketing and product development and expand its team²³

14. This Times Internet-Owned OTT Platform Raised \$110 Million Led By China's Tencent <https://www.entrepreneur.com/article/341548>

15. Star India & Star US invest \$153M into Hotstar <https://tech.economictimes.indiatimes.com/news/internet/star-india-star-us-invest-153m-into-hotstar/68411925>

16. Pocket Aces Raises \$14.5 Mn From Sequoia, DSP Group and 3one4 Capital <https://inc42.com/buzz/pocket-aces-raises-14-5-mn-funding-from-sequoia-dsp-3one4/>

17. InMobi Group buys video content platform Roposo https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/inmobi-group-buys-video-content-platform-roposo/articleshow/72221899.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

18. Amid Controversy, TVF Bags \$5 Mn Funding From Tiger Global, inc42.com

19. Nielsen, Smartphone Panel, Urban Internet Connected Online Gamer(s), N=8136 and The Rising Connected Consumer in Rural India, BCG, August 2016

20. Nazara clinches its fifth acquisition this year by buying into Paper Boat Apps, businessinsider.in

21. Nazara invests Rs 7.5 crore in Qunami creator Sports Unity, tech.economictimes.indiatimes.com

22. Gaming firm Nazara acquires Sportskeeda, livemeint.com

23. Nazara, Delta Corp invest Rs 40 cr in Halaplay Tech, economictimes.com

- ▶ In May 2019, it invested in vernacular social contesting platform Bakbuck, which uses technology and immersive user interface transforming popular Indian games like *Antakshari*, *Saanp Seedhi* and *Tol mol ke Bol* into online contests that users can play anytime, with anyone²⁴
- ▶ Fantasy gaming continues to witness impressive growth in users as well as investor interest
 - ▶ Steadview Capital joined Dream11 as it became a unicorn after completion of secondary investment²⁵
 - ▶ Online fantasy gaming platform BalleBaazi raised INR300 million in a Series A funding round from two private equity funds based out of Singapore and Delhi, to expand its business to newer markets and enhance the gaming experience for users²⁶

Advertising and experiential

Leading global advertising agencies continued expanding inorganically in India and strengthened their local offerings.

- ▶ French-based Havas Group expanded its expertise and scale in India with three acquisitions last year:²⁷
 - ▶ Acquired experiential agency Shobiz in December 2019 to add experiential marketing capability in the Indian market
 - ▶ In September 2019, it acquired majority stake in Langoor, an end-to-end digital marketing agency
 - ▶ Acquired user experience design agency Think Design in May 2019, which has four design centers in India including Delhi, Mumbai, Hyderabad and Bangalore and provides user experience vision and design strategy to clients

24. Nazara Technologies invests in startup Bakbuck, a vernacular social contesting platform, yourstory.com

25. Fantasy sports platform Dream11 nets \$1 billion valuation following new investment, techcrunch.com

26. Fantasy sports platform Dream11 nets \$1 billion valuation following new investment, yourstory.com

27. Havas Group buys Mumbai-based experiential agency, economicstimes.com

Key M&A themes going forward

The transformation of media from television, print, radio, events, etc. to voice, video, text and experiential will change the nature and types of deals in the era of consumer A.R.T. (Acquisition, Retention and Transaction).

We expect to see the following types of deals over the next few years:

- ▶ **Direct to consumer investments**
 - ▶ Customer data is the new oil and this can be seen as companies with end-customer data are valued far higher than traditional media or telecom companies, ending forever the debate on whether content or distribution is king: the answer is neither; it's customer data
 - ▶ We expect to see opportunistic M&A as companies fill in gaps in their existing portfolios and communities
 - ▶ Alternate structures such as joint ventures, partnerships and tie-ups will be seen in the sector to pool capabilities while growing end-customer access
- ▶ **Customer retention**
 - ▶ We expect to see increased number of investments in building unique capabilities relevant in the digital age – companies leveraging artificial intelligence machine learning, analytics, recommendation engines, behavioral sciences, etc. – to acquire customers, retain them and engage more with them
- ▶ **Customer transaction**
 - ▶ Investments will also be seen by companies as they aim to meet and serve non-content needs of communities they have built or identified for monetization
 - ▶ This could result in media companies acquiring non-media companies viz, brokerages, education etc.
 - ▶ Partnerships with payment gateways, particularly WhatsApp Pay once it operationalizes, can revolutionize the subscription industry
- ▶ **Portfolio realignment**
 - ▶ With increasing number of investments over the years, the sector could see successful investor exits in the future, as investors realign their investments to the digital era
 - ▶ Convergence led investments will increase as new business models evolve: the line between media, technology and telecom will continue to fade



Tax environment



To view more by the artist; click on the picture



Direct taxes

Digital tax ushers in a new era

Background

- ▶ Developed countries have preferred a residence-based taxation approach, i.e., income should be taxed in the country of residence of the taxpayer (supply side) whereas developing countries have naturally preferred a source-based taxation approach, i.e., taxation based on the market where the income is generated and intellectual property is actually exploited (demand side)
- ▶ Allocation of taxing rights was long settled by bilateral tax treaties which provided a framework which was negotiated and signed between the two countries, taking guidance from the OECD and UN Tax Treaty Models, with the USA having their own model
- ▶ Over time, these tax treaty frameworks have been found wanting in bringing the income of evolved digital businesses to tax

Characteristics of highly digitized businesses¹

- ▶ At the dawn of this millennia, it was agreed that digital businesses should be allowed to evolve and changing the taxing rules would impact the growth of those businesses. Twenty years since, these businesses have evolved significantly and there are three characteristics that are frequently observed in such business models :
 - ▶ **Scale without mass:** Digitalization has allowed businesses in many sectors to spread various stages of their production processes across different countries and at the same time access a greater number of customers around the globe. Digitalization also allows some highly digitalized enterprises to be heavily involved in the economic life of a jurisdiction without any, or any significant, physical presence, thus achieving operational local scale without local mass

- ▶ **Reliance on intangible assets:** The analysis also shows that digitalized enterprises are characterized by the growing importance of investment in intangibles, especially IP assets, which could either be owned by the business or leased from a third party. For many digitalized enterprises, the intense use of IP assets such as software and algorithms supporting their platforms, websites and many other crucial functions are central to their business models
- ▶ **Data and user contributions:** Data, user participation, network effects and the provision of user-generated content are commonly observed in the business models of more highly digitized businesses. The benefits from data analysis are also likely to increase with the amount of collected information linked to a specific user or customer. The important role that user participation can play is seen in the case of social networks, where without data, network effects and user-generated content, the businesses would not exist as we know them today. However, the degree of user participation does not necessarily correlate with the degree of digitalization: for example, cloud computing can be considered as a more highly digitalized business that involves only limited user participation
- ▶ Therefore, the process of realigning taxing rights which has been ongoing over the last four years essentially focused on answering two key questions:
 - ▶ What should be nexus standard for source country to make a business liable to tax for the activities undertaken in the market (*what level of presence should be considered as sufficient to trigger source country's taxing rights*)
 - ▶ How the income should be attributed to those activities (*what portion of the income should be taxed in the source country*)
- ▶ As one can imagine, to build a consensus on these matters factoring myriad business models, business considerations and opinions across countries involved, is not easy. It is expected that by end of this calendar year, a clear guidance should be in place
- ▶ This subject is very relevant to technology, M&E and telecom sectors, as convergence is at our doorstep and lines are blurring. The focus is on income generated from data sourced from the market and its exploitation which could take form of advertisement revenue, subscription revenues or service fees for analytics, infrastructure rentals, etc.

1. (Source: OECD (2018), "Tax and digitalisation", OECD Going Digital Policy Note, OECD, Paris, www.oecd.org/going-digital/topics/tax.)

Key developments in 2019

- ▶ The Organisation for Economic Co-operation and Development (OECD)² made major inroads towards achieving its objective of building a consensus on taxation of digital economy transactions
- ▶ The OECD laid out the path towards a consensus-based solution by introducing a Two-Pillar approach to address digital tax challenges, which saw widespread and active representation from various countries, industry and professional bodies and organizations
- ▶ The Inclusive Framework agreed on an outline of the architecture of a Unified Approach on Pillar One as the basis for negotiations and welcomed the progress made on Pillar Two. In January 2020, the members of the OECD/ G20 Inclusive Framework affirmed their commitment to reach an agreement on a consensus-based solution by the end of 2020
- ▶ On the domestic front, India continued to participate actively in international forums to get a fair share of revenues from digital companies³ while deferring the applicability of Significant Economic Presence to 1 April 2021 in light of the ongoing OECD/ G20 project and also laid the ground for taxation of digital economy transactions once the international consensus is reached
- ▶ In view of these developments, this section captures the impact of some of the changes on the M&E industry as well as outlines the key expectations of the industry

Key global developments

Two-Pillar approach of the OECD to address digital tax challenges

- ▶ Post releasing its report in 2015 on Addressing the Tax Challenges of the Digital Economy, as part of its series of Action Plans on Base Erosion and Profit Shifting (BEPS) the OECD has been working towards building a consensus-based solution for nexus and profit allocation rules, i.e., how much taxing right does each jurisdiction involved in the digital economy supply chain possess
- ▶ The OECD/ G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) adopted a Programme of Work (PoW) at its meeting of 28-29 May 2019. The PoW provides for two pillars to be developed:
 - ▶ **Pillar 1:** Revised nexus rules and profit allocation: Aimed at allocating more taxing rights to the jurisdiction of the customer and developing new profit allocation rules

Pillar 1 proposes a Unified Approach aimed to protect the tax base of the source countries and provide for a more balanced allocation of taxing rights
 - ▶ **Pillar 2:** Global anti-base erosion proposal (GloBE): Aimed at addressing the remaining BEPS risk of profit-shifting to entities subject to no or very low tax, stopping a harmful race to the bottom with respect to corporate tax rates and to shield developing countries from pressure to offer inefficient incentives for investment

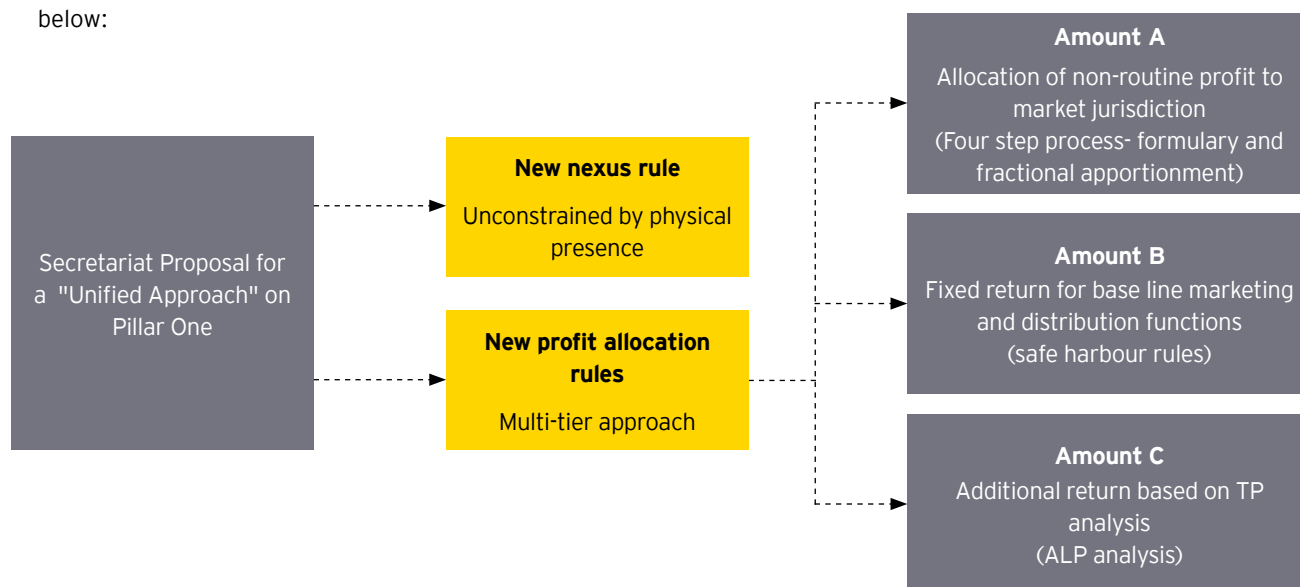
Pillar 2 calls for the development of a coordinated set of rules to address ongoing risks from structures that allow MNEs to shift profit to jurisdictions where they are subject to no or very low taxation

2. 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.

3. <https://economictimes.indiatimes.com/tech/ites/india-wants-fair-share-of-100-billion-global-taxes-from-google-facebook/printarticle/74328198.cms>



- ▶ To help expedite progress towards reaching a consensus about a solution to Pillar One issues, the Secretariat of the OECD prepared a proposal on Unified Approach and released for public consultation on 9 October 2019, a snapshot of which is provided below:



- ▶ The above proposal intended to facilitate negotiations among the countries to achieve political agreement by 2020 by addressing nexus and profit allocation for large multi-national enterprise (MNE) groups – highly digitalized and consumer facing businesses – and cover enterprises likely to derive meaningful value from interactions with customers/ users in markets
- ▶ Post the release of the proposal, several industry bodies and organizations globally provided their comments on the proposal and the OECD/ G20 Inclusive Framework affirmed their commitment to resolve tax challenges arising from digitalization of the economy by 2020

Implications of this approach

- ▶ While there are several issues required to be addressed and significant divergences amongst countries that need to be resolved, it is expected that the countries will come together to resolve these issues by the end of 2020
- ▶ Digital players should continue to monitor these developments and assess impact on their businesses, which could include:
 - ▶ Reallocation of taxing rights in favor of market jurisdiction could potentially impact the tax cost for the business and reduce the post-tax earnings
 - ▶ It will be imperative for the new tax framework to prescribe a precise basis for profit allocation followed by a robust dispute resolution mechanism absent which, businesses could get significantly impacted
 - ▶ Tax developments coupled with data privacy development, may require the businesses to seriously rethink their operating model
 - ▶ In absence of a consensus being reached under this OECD led approach, if each country starts implementing its own set of rules for taxing digital businesses, that could cause significant business disruption

Key developments in India

Union Budget 2020⁴ proposals

- ▶ The Hon'ble Finance Minister of India presented the Union Budget for the fiscal year 2020-21 on 1 February 2020
- ▶ With the larger focus of the Union Budget on addressing the low GDP growth and increasing the economic activities in the country, the Union Budget also witnessed important developments around taxation of digital economic transactions.

Deferment of Significant Economic Presence (SEP)

- ▶ Vide Finance Act 2018, India had introduced the concept of SEP under the scope of business connection (i.e., permanent establishment provisions under the domestic tax laws) to tax digital economy transactions basis transactions undertaken or users in India
- ▶ India acknowledged the efforts being undertaken at the OECD to address digital tax challenges and considering the ongoing OECD/ G20 BEPS project, the Union Budget 2020 deferred the applicability of SEP to 1 April 2021
- ▶ The Union Budget 2020 has also proposed to delete the previous definition of SEP as provided in the Finance Act 2018 and introduced a new definition, which largely remains unchanged except:
 - ▶ First condition of SEP trigger has been amended such that the condition of 'in India' will now be attached to the consumer and not the transaction and the transaction needs to be carried out with any person in India either physically or digitally
 - ▶ Second condition of SEP trigger has been amended to delete through digital means' i.e., Non-resident to trigger SEP in India if they carry out systematic and continuous soliciting of business activities or engages in interaction with users in India through digital or offline means
- ▶ The revenue and user thresholds to trigger applicability of SEP are yet to be notified and while the list of specified services chargeable to equalization levy remains unchanged, the government has the power to expand the scope separately through a notification

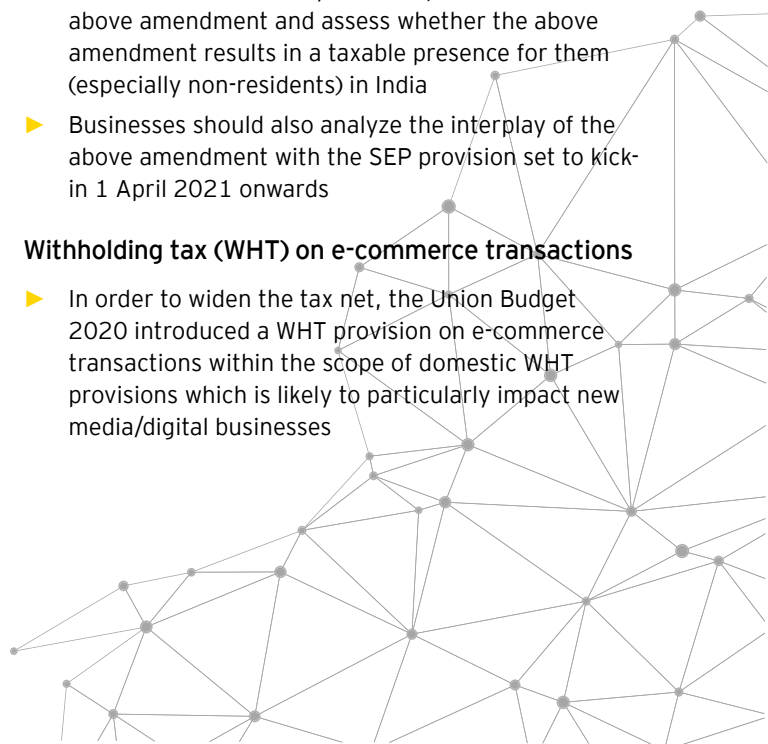
4. The proposals have been introduced vide Finance Bill 2020. The Bill is expected to be tabled in the Parliament in the upcoming session of the Parliament for approval by both the Houses of the Parliament. Hence, the proposals may be subject to change.

Expansion of income attributable to business connection in India

- ▶ Income of non-residents constituting business connection in India is taxable to the extent reasonably attributable to operations carried out in India
- ▶ The Union Budget 2020 proposed to extend the scope of income attribution from 1 April 2020 to include income from:
 - ▶ Advertisement which targets a customer who resides in India or customer who accesses the advertisement through IP address located in India
 - ▶ Sale of data collected from a person who resides in India or from a person who uses IP address located in India
 - ▶ Sale of goods or services using data collected from a person who resides in India or from a person who uses IP address located in India
- ▶ As per the Memorandum to the Finance Bill 2020, the basis for introducing the above amendment is that income from advertisement that targets Indian customers or income from sale of data collected from India or income from sale of goods and services using such data collected from India, needs to be accounted for in Indian revenue and hence, the above amendment seeks to amend the source rule under the domestic tax law
- ▶ It is unclear whether the above amendment seeks to expand the scope of business connection or only the scope of profit attribution in case a business connection exists
- ▶ While non-residents with tax treaty protection may not be affected by the proposed amendment, businesses should analyze the impact of the above amendment and assess whether the above amendment results in a taxable presence for them (especially non-residents) in India
- ▶ Businesses should also analyze the interplay of the above amendment with the SEP provision set to kick-in 1 April 2021 onwards

Withholding tax (WHT) on e-commerce transactions

- ▶ In order to widen the tax net, the Union Budget 2020 introduced a WHT provision on e-commerce transactions within the scope of domestic WHT provisions which is likely to particularly impact new media/digital businesses



- ▶ E-commerce operators⁵ (whether resident or non-resident) who facilitate supply of goods or provision of services to customers through their platforms, are required to withhold tax at 1% on gross amount of sales or services payable to e-commerce participants⁶
- ▶ The section clarifies that the e-commerce operator shall also be required to withhold tax on the amounts directly collected by such e-commerce participants though it is unclear as to how the e-commerce operator will undertake withholding tax on such direct payments
- ▶ The above provision is likely to entail changes in the internal systems and processes of e-commerce operators to enable them to keep a track of payments made to the e-commerce participants either through the e-commerce operator's platform or directly and to keep a tab on the timing of such payments, considering that failure to withhold may deem the e-commerce operator as an assessee-in-default
- ▶ The proposed provision has raised questions on the applicability and scope of the provision and industry expects that the government will soon provide clarifications to address the issues/questions
- ▶ Representations have been made by industry bodies to seek rollback of the provision or create a de-minimus exemption to small e-commerce participants, as the same could create a working capital problem for sellers⁷ and representations have also been made to defer the applicability of the provision to give more time to e-commerce operator comply with the provision⁸
- ▶ As the provision seeks to cover even non-resident e-commerce operators, a consequential amendment has been made in the WHT provisions whereby, the scope of a person responsible for paying has been expanded to include a non-resident
- ▶ While the amendment has been termed as a consequence to the WHT on e-commerce transactions, the wordings of the amendment and the placement of the provision raises an interesting question whether it applies only to WHT provision on

5. E-commerce operator defined to mean a person who owns, operates or manages digital or electronic facility or platform for electronic commerce and is responsible for paying to e-commerce participant.
6. E-commerce participant means a person resident in India selling goods or providing services or both, including digital products, through digital or electronic facility or platform for electronic commerce. Electronic commerce means the supply of goods or services or both, including digital products, over digital or electronic network.
7. <https://tech.economictimes.indiatimes.com/news/internet/ecommerce-tds-may-lead-to-working-capital-crunch/74347256>
8. <https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/amazon-flipkart-look-for-rollback-of-new-indian-tax-on-online-sellers/articleshow/74149366.cms>
9. Plus applicable surcharge and education cess.

e-commerce transactions or even applies to other domestic WHT provisions (such as payment of royalty, fees for technical services, works contracts, rent, etc. to Indian residents)

- ▶ Accordingly, non-residents who were previously adopting a position that domestic WHT provisions do not apply to them on account of extra-territoriality of the provisions, should revisit their position in light of this amendment

Amendment in the definition of royalty to remove exclusion of sale, distribution or exhibition of cinematographic films

- ▶ The Union Budget 2020 proposes to amend the definition of royalty under the domestic tax law to remove the exclusion of sale, distribution or exhibition of cinematographic films on the basis that other countries were not providing similar benefit to Indian residents and hence, the same was considered discriminatory against Indian residents
- ▶ Accordingly, theatrical and other receipts from exploitation of cinematographic films will now be subject to tax and/or withholding tax under the domestic tax law
- ▶ Consequential WHT at 10%⁹ is likely to result in working capital challenges for film businesses as such businesses generally work on small profit margins, also resulting in cascading cash blockages for each player in the value chain of film exploitation
- ▶ Representations have been made to roll-back the amendment or to lower the WHT rate for resident players who will be adversely impacted by such amendment and seek a clarification that WHT applies only on one leg of the value chain and the other legs are exempt

Abolishment of dividend distribution tax

- ▶ The Union Budget 2020 proposed to abolish Dividend Distribution Tax (effective rate of 20.56%) previously levied on dividends declared, distributed and paid by domestic companies and consequently, dividends will now be taxed in the hands of shareholders
- ▶ Dividends will be subject to WHT in the hands of distributing company as follows:
 - ▶ For resident shareholders: 10%
 - ▶ For non-resident shareholders: At the rates in force or applicable rates under the relevant Double Taxation Avoidance Agreement (DTAA), whichever is beneficial

- ▶ Dividend will be taxable in the hands of non-resident shareholders at 20%¹⁰
- ▶ The above amendment may result in more tax for shareholders (including promoters/individuals) in the higher tax brackets
- ▶ On the other hand, it enables non-residents, eligible for benefits under a DTAA entered by India, to avail the benefit of a reduced rate provided under the DTAA and claim a credit of the taxes withheld on dividend income

Corporate tax rate reduction

- ▶ On 20 September 2019, the President of India circulated in the Official Gazette the Taxation Laws (Amendment) Ordinance, 2019 (Ordinance) which brought in amendments in terms of providing concessional tax rates for certain categories of domestic companies who opt for them
- ▶ Amendments brought in by the Ordinance, inter-alia, included the following:
 - ▶ Concessional tax rate of 22% (effective tax rate of 25.17%) to all domestic companies, subject to fulfilment of certain conditions
 - ▶ Concessional tax rate of 15% (effective tax rate of 17.16%) to domestic companies, which can be availed subject to fulfillment of certain conditions, engaged solely in the business of:
 - ▶ Manufacture or production of any article or thing
 - ▶ Research in relation to or distribution of article or thing so manufactured or produced
- ▶ The Ordinance also reduced Minimum Alternate Tax¹¹ from 18.50% to 15%
- ▶ Pursuant to the above, the government provided a clarification that business of manufacture or production of any article or thing shall, inter-alia, not include the business of development of computer software in any form or in any media and business of production of cinematograph film
- ▶ The above amendments have been subsequently approved by parliament
- ▶ Tax rates applicable to a Limited Liability Partnership (LLP) remain unchanged

10. Plus applicable surcharge and education cess.

11. MAT is a tax on book profits of a domestic company which is leviable if the normal tax liability of a company (after applying normal tax rates) is lower than the tax on book profits (after making prescribed adjustments).

Regulatory developments

Personal Data Protection Bill

- ▶ The Personal Data Protection Bill (the Bill), a bill to provide protection of personal data of individuals and to regulate the use, storage and transfer of data by organizations, is under discussion and is expected to be tabled in the upcoming session of the Parliament
- ▶ The Bill was introduced in the Lower House of the Parliament during the winter session and was subsequently referred to a Joint Parliamentary Committee, which has sought comments from stakeholders
- ▶ Key highlights of the Bill are outlined below (for a more detailed impact, please refer the separate section on the topic in this report):
 - ▶ Types of data considered: Personal data, sensitive personal data and critical personal data
 - ▶ Organizations need to provide clear notice and obtain consent for collecting and processing of personal data
 - ▶ Requirement of storage of data in a server in India

Regulatory development concerning social media

- ▶ With the objective to curtail the spread of fake news, rumors, child pornography and terrorist activities through social media platforms and improve transparency, the government has proposed norms to increase the accountability of social media companies
- ▶ Social media companies are required to maintain a database of active mobile numbers of all their users for verification purpose
- ▶ The proposed rules also enable the government to require the social media company provide such information or assistance as asked for by any government agency or assistance concerning security of the state or cyber security



Wish list

Make in India

- ▶ The Make in India campaign, launched in 2014 aims to promote local manufacture and innovation across industries, covering 25 sectors including M&E
- ▶ While some initiatives have been taken for the entertainment sector under this policy, 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) and adoption of a host of technological advancement 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 IT / ITeS industry)
- ▶ The diverse locations for shoots – different terrains including beaches, deserts and mountain ranges as well as world heritage sites – can also boost tourism industry in India

Tax incentives for the film exhibition industry

- ▶ The Indian film exhibition industry is largely untapped with less than one-fifths number of screens present in developed markets such as the US and China, despite India being the largest producer of movies in the world 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, in order to increase penetration of the exhibition industry in Tier 2 and 3 cities, government should contemplate reeling out tax incentives in the form of tax holiday period, lower rates, weighted deductions, subsidies, etc. for the exhibition segment
- ▶ The removal of exclusion of sale, distribution or exhibition of cinematographic films from the definition of royalty under the domestic tax law puts pressure on the finances of the film businesses with a 10% withholding tax rate and increases their compliance burden
- ▶ The uncertainties attached to film business make a strong case for a rate much lower than applicable 10% withholding tax rate

Simplified taxation regime for events industry (including sports events)

- ▶ With a varied diaspora and a population of almost 1.3 billion, India has a huge potential to host global events, which can lead to generation jobs, not only through direct employment, but also through development of infrastructure facilities required to support these events and also boost 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
- ▶ Further, similar to 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

Indirect taxes

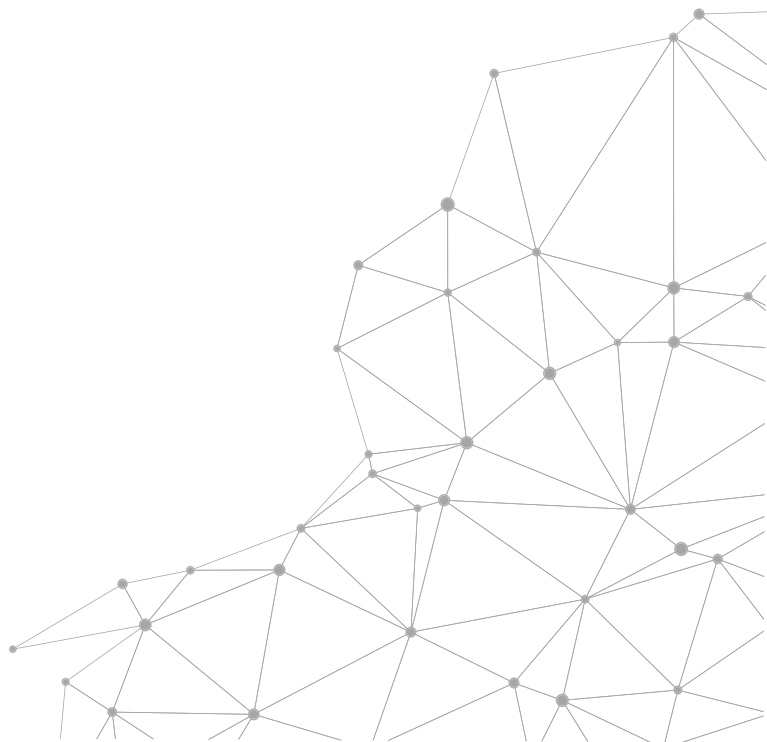
Goods and Services Tax (GST)

- ▶ India underwent one of the most significant tax reforms in its history when the government implemented GST from July 2017
- ▶ Subsequently, measures were taken to streamline the new tax regime by interacting with various stakeholders and the government and the GST Council have been proactive to make necessary changes in several cases based on industry needs, notably:
 - ▶ Over the past few months, the government has made efforts to peg GST rates at 18% or lower for almost 99% of items
 - ▶ On the procedural front, keeping ease of doing business in mind, the government has taken laudable steps to facilitate GST refunds at a quick pace to tackle liquidity crisis faced by businesses

GST collections continued to increase

- ▶ The recent monthly GST collections published show a steady growth over the past years – average monthly GST collection which stood at INR898.9 billion for FY17-18 increased to INR981.1 billion for FY18-19, a growth of over 9%¹²
- ▶ The impressive increase in average monthly tax collection suggests timely compliances by taxpayers, increase in tax payer base and continued growth in economic activity
- ▶ However, GST collections remain below the government's collection targets and while there could be various reasons for this, few causes could be rationalization of GST rates, increased threshold limits, non-compliances by taxpayers, fraudulent availment of input tax credits (ITC), fraudulent refund claims processed, etc.
- ▶ Shortfall in collections resulted in stringent measures being taken, including focused investigations, regular enquiries, analysis of tax payer data to identify potential tax leakages, restricting credit availment, blocking e-way bills for non-compliant tax payers, etc.
- ▶ The government with a holistic vision to boost GST collections and encourage compliances seeks to enhance digitization of the processes. As a next step towards digitization in tax processes and compliances, introduction of new simplified GST returns from April 2020 and e-invoicing in the near future is likely to be a vital game changer

12. Data published on www.pib.gov.in

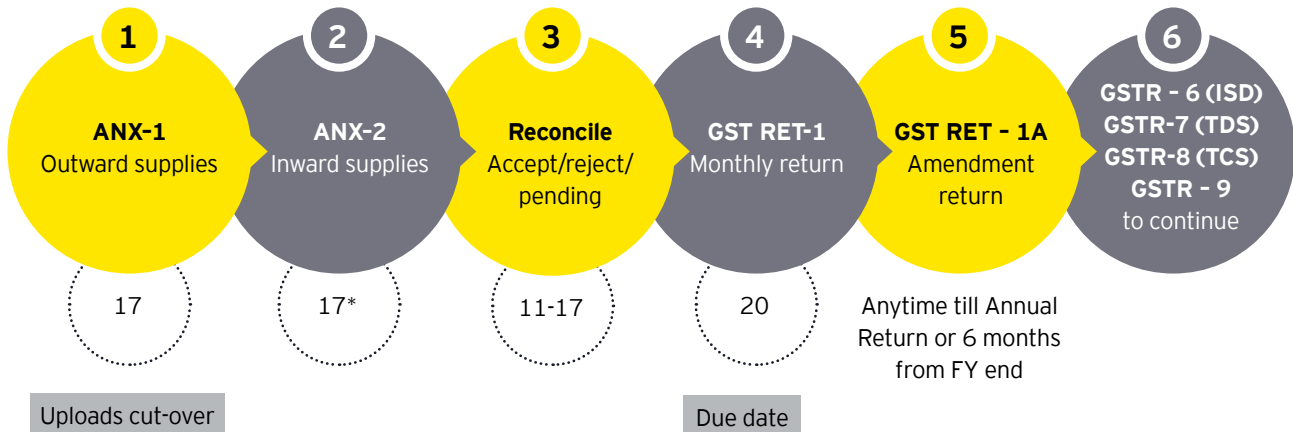


New simplified GST returns

- ▶ With an intention to bring more transparency in the trade, commerce and industry practices and to curb the excess / invalid ITC claimed by registered taxpayers under GST, the government has announced that new simplified GST returns will be introduced with effect from April 2020
- ▶ The important features of the new returns and the consequential new compliance process are as follows:
 - ▶ Filing of a single return (as against two returns currently) by the tax payer
 - ▶ Facility for continuous uploading of invoices by supplier during the month
 - ▶ Ability to view invoices reported by vendors in favor of a particular GST registered person
 - ▶ Locking of the invoices for which input credit is intended to be claimed on GST portal itself
 - ▶ Facility to claim ITC on provisional basis even if vendor has not complied

Electronic invoicing

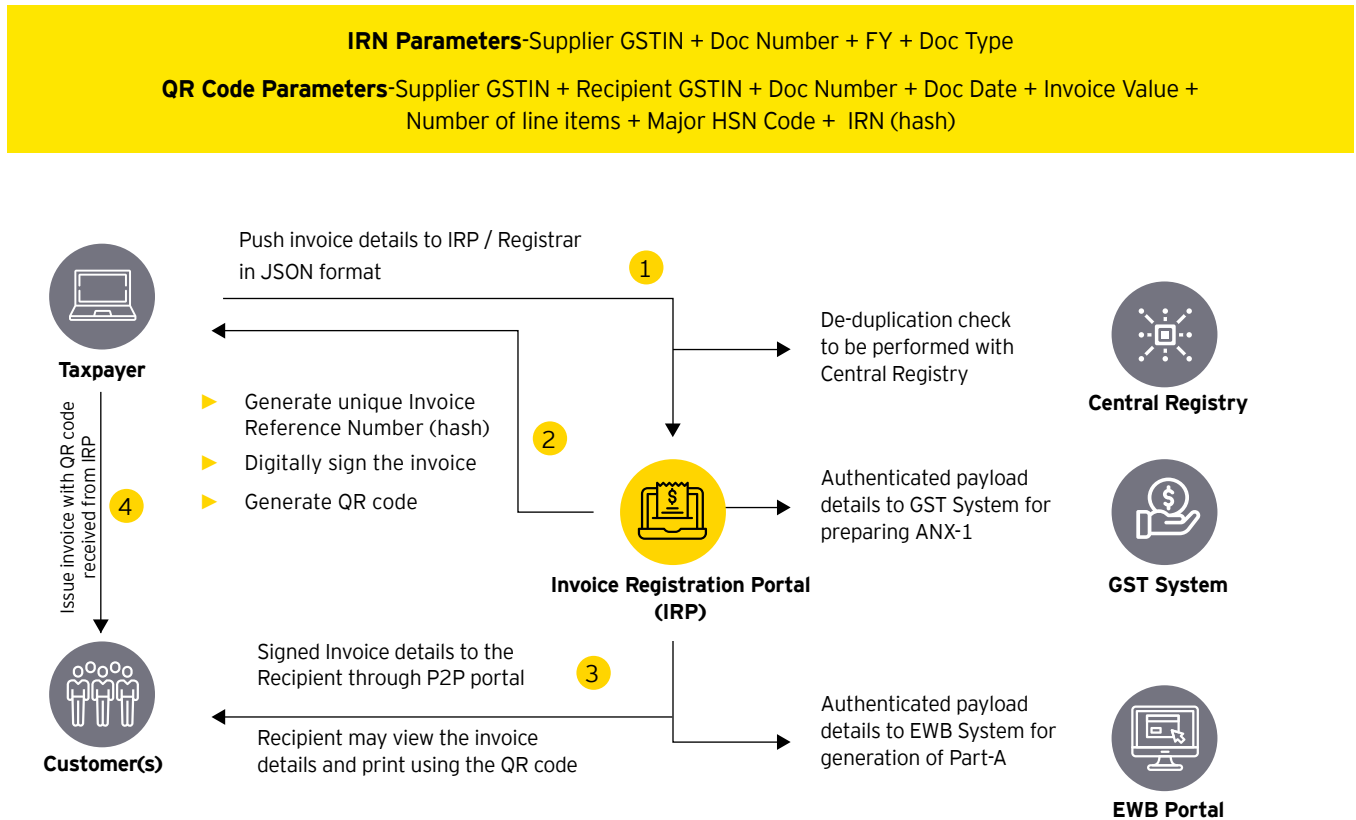
- ▶ Electronic invoice or e-invoice has been adopted by several countries across the globe including Italy, South Korea, Brazil, Chile, Indonesia, Mexico, etc.¹³
- ▶ The e-invoice system being implemented by tax departments across the globe consists of two important parts namely:
 - ▶ Generation of invoice in a standard format so that invoice generated on one system can be read by another system
 - ▶ Reporting of e-invoice to a central system
- ▶ With an intention to curb tax fraud and push digitization, the government has announced implementation of e-invoicing with effect from 1 April 2020
- ▶ E-invoicing shall be implemented in India in a staggered manner and in the first phase registered taxpayers with turnover more than INR1 billion in a financial year may be required to mention Invoice Reference Number (IRN) on Business-to-business (B2B) transactions



*ANX-2 does not have specific instructions as to whether a taxpayer can upload the responses from 18-20th of M+1

B2B transactions

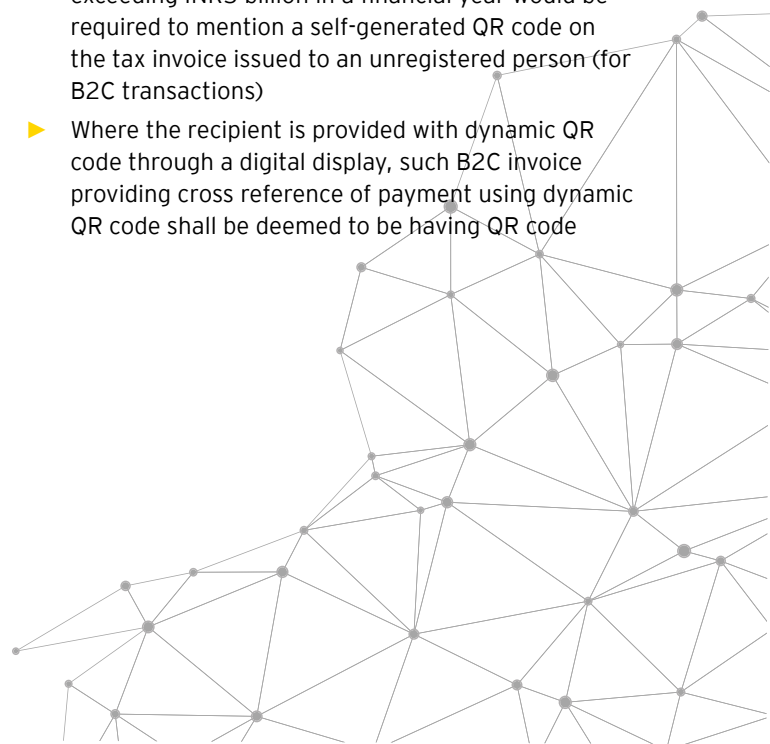
- ▶ The below is a pictorial depiction of envisaged process for carrying out E-invoicing:



1. Registered persons are required to report the transaction details on the Invoice Registration Portal (IRP)
2. The IRP will generate a unique IRN, digitally sign invoices and generate a QR code which will contain vital parameters of the e-invoice and return the same to the taxpayers who generated the document, after performing various validations such as de-duplication check with the Central Registry
3. The IRP will send a signed invoice with QR code to the buyer. It is planned that in future the authenticated payload shall be sent to the GST network for preparation of ANX 1 (the new GST return) and to the e-waybill system for part generation of the e-way bill
4. The seller will issue the e-invoice to the buyer with the QR code

B2C transactions

- ▶ Registered persons having aggregate turnover exceeding INR5 billion in a financial year would be required to mention a self-generated QR code on the tax invoice issued to an unregistered person (for B2C transactions)
- ▶ Where the recipient is provided with dynamic QR code through a digital display, such B2C invoice providing cross reference of payment using dynamic QR code shall be deemed to be having QR code





Impact of simplified GST returns and E-invoicing

- ▶ The new compliances and processes are likely to have a material impact on business across the board, including:
 - ▶ Changes in their accounting and billing systems
 - ▶ Working capital increase due to timing difference between vendor invoicing and accounting
 - ▶ Input tax credit losses in the event of non-compliances by vendors
 - ▶ Increased cash outflows on account of GST for businesses such as placement agencies
 - ▶ Changing the basis and processes for claiming GST input credit will change, such as paying only accepted invoices
 - ▶ Changes to IT / ERP systems to incorporate additional details sought in new GST returns
 - ▶ Increased frequency of reconciliation between ITC in books of accounts and in GST returns
 - ▶ With the change in the reporting mechanism and ITC availment mechanism, it will be important to have a cut-over plan to ensure seamless transition between the reporting regimes
 - ▶ The new compliance landscape will ensure that tax authorities have more information for each transaction on a real-time basis. Thus, the assessments, audits and investigations carried out by tax authorities are likely to be more focused and possibly faceless
 - ▶ The integration of information between invoices, returns and e-waybills are likely to initiate reconciliation enquiries on businesses in case of any discrepancies
 - ▶ Recently the generation of e-waybills has been blocked in cases where either of the parties to a transaction has defaulted in filing returns for two tax periods. This effectively stops procurement and sale of goods if either of the parties is not GST compliant
- ▶ Industry has also experienced blocking of GST credits by tax authorities where they feel that tax payers have claimed excess credit. This perceived non-compliance has been creating cash flow issues for tax payers who use the GST ITC for paying their liabilities
 - ▶ This trend of stern actions by authorities in case of non-compliances is likely to get more aggressive, especially with the digitization of compliances and invoices. Businesses shall be expected to be GST complaint in all aspects and non-compliances (by vendors, customers and tax payers) could have a potential of disrupting the operations and have an impact on the bottom line of organizations

Dispute resolution schemes

- ▶ GST was introduced in July 2017 and with that several erstwhile indirect taxes levied by the central and state governments were subsumed into a single tax, i.e., GST. However, pending litigation under the erstwhile indirect taxes resulted in blockage of billions of rupees
- ▶ With the intention of relieving the baggage of old litigation and to unlock potential cash collection for the exchequer, the central government and various state governments have introduced amnesty and dispute resolution schemes

Central government's scheme: Service Tax and Central Excise

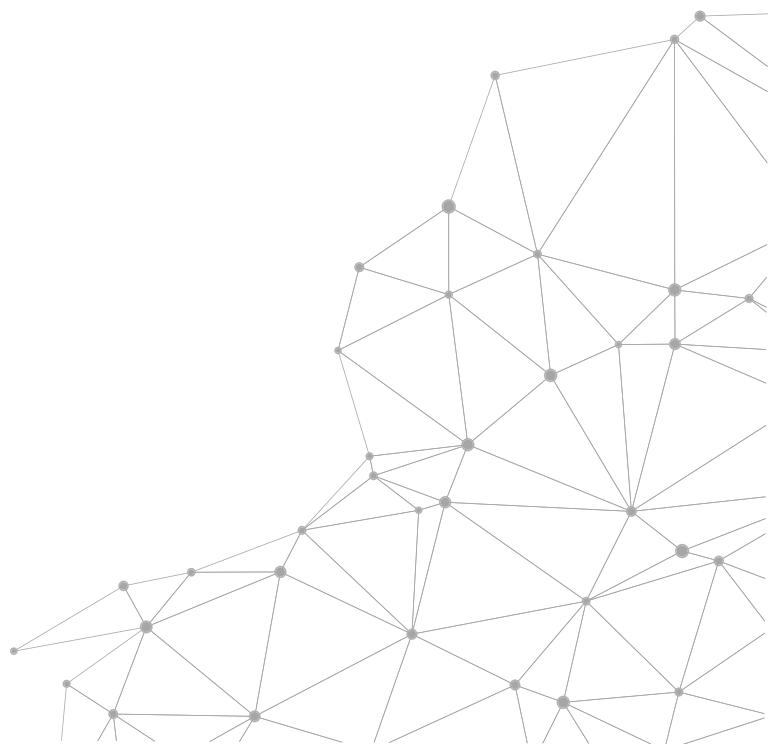
- ▶ Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 was announced by the Honorable Finance Minister during the foremost Budget of the second stint of the current government and granted the following benefits to tax payers:
 - ▶ Resolution of past disputes of central excise and service tax and to provide voluntary disclosure to non-compliant tax payers
 - ▶ Total waiver of interest, penalty and fine in certain cases
 - ▶ Immunity from prosecution
 - ▶ Relief of 70% from duty, if it is INR5 million or less and 50% if it is more than INR5 million for cases in adjudication or appeal or investigation and audit
 - ▶ For amount in arrears, relief offered was 60% of confirmed duty if INR5 million or less and 40% in other cases
 - ▶ In cases of voluntary disclosure, the declarant required to pay full amount of disclosed duty
- ▶ The Honorable Finance Minister in budget speech for FY 2020-21 mentioned that the above scheme has helped the government in settling 189,000 cases¹⁴
- ▶ This scheme allowed various organizations in the M&E sector to settle old disputes on matters which were in litigation at various forums

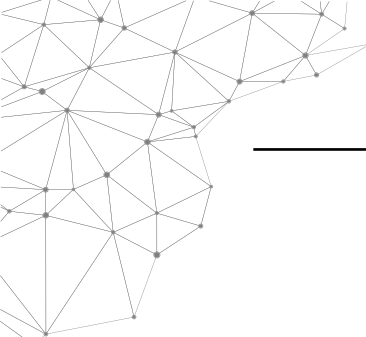
Amnesty schemes by state governments

- ▶ The state governments have unveiled/started to unveil one-time amnesty schemes to settle state-level legacy tax issues for period before roll-out of GST across VAT, CST, Entry Tax, etc.
- ▶ Government of Maharashtra, Gujarat, Karnataka, Kerala and Jammu & Kashmir have already introduced a settlement scheme to provide an opportunity to settle the arrears of tax, interest, penalty or late fee levied under tax laws of the respective states¹⁵ and the Government of West Bengal has also proposed an amnesty scheme

14. Budget Speech dated 1 February 2020

15. Scheme are state-specific and hence features of the scheme may vary from state-to-state Industry discussions; EY estimates





Recent developments impacting M&E sector

Concept of tax-free films reintroduced

- ▶ Films which could have a positive influence on society were traditionally given a tax-free status under the erstwhile Entertainment Tax regime
- ▶ With the introduction of GST, and consequential abolishing of state levied entertainment taxes, the benefit was not freely available
- ▶ However, certain state governments have decided to go ahead and provide the benefits to such socially impactful films by way of reimbursement of state government's share of GST paid by the exhibitor on ticket collections
- ▶ Various films such as Mission Mangal, Super 30, Panipat and Tanhaji: The Unsung Warrior received these benefits

GST rates on hotel accommodation were reduced

- ▶ GST on hotel accommodation above INR7,500 was reduced from 28% to 18%
- ▶ This should result in reduction of GST cost, especially in the organizations carrying out production and where GST on accommodation is a cost
- ▶ It can also help the events, MICE and concerts business

Customs duty on newsprint was reduced

- ▶ Basic Customs Duty (BCD) was enhanced to 10% in Union Budget of 2019-20 on import of newsprint and uncoated paper used for printing newspapers, and lightweight coated paper used for magazines
- ▶ The duty has been reduced to 5% in the Union Budget 2020-21, which should help organizations in the print sector reduce the cost of printing

Duty on cinematographic films was increased

- ▶ BCD has been enhanced from 5% to 10% on color positive unexposed cinematographic film and color negative unexposed cinematographic film in rolls of 400 feet and 1000 feet, instant print film, MP3 or MP4 or MPEG 4 players
- ▶ Similarly, BCD is now levied at 10% on import of cinematographic films exposed but not developed, promotional material like trailers, etc. imported in form of electronic promotion kits or beta cams, CD writers, etc.
- ▶ These might result in overall increase in cost for film companies importing films

Sector issues

GST on reverse charge on sponsorship services

- ▶ Service recipient is required to pay GST under reverse charge on sponsorship services received by corporates or partnership firms and the service provider is required to reverse the proportionate ITC
- ▶ 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 continues to impact the events and sports sector since the organizers are required to bear an additional cost for earning sponsorship for events

Local Body Entertainment Tax (LBET)

- ▶ The amendment to the Constitution of India carried out in 2016 enabling levy of GST, retained the power to state governments to levy taxes on entertainments and amusements to the extent levied and collected by local bodies
- ▶ In light of this power granted under the Constitution of India, various state governments have initiated the process of levying LBET in addition to GST already being charged on almost all supplies by businesses in the M&E sector
- ▶ While the states of Maharashtra, Gujarat and Punjab have not yet enabled the legal provisions to levy LBET, recently local bodies in the state of Madhya Pradesh were on the verge of levying the LBET at high rates but post industry representation, the levy has been put on hold
- ▶ Similarly, the Municipal Corporation of Chandigarh had also proposed to levy LBET which was rejected by the general house
- ▶ Tamil Nadu levies LBET on film tickets
- ▶ LBET has the potential of imposing an additional burden on the M&E sector specifically on films, events, cable and DTH services, etc.
- ▶ Levying LBET does 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
- ▶ The brief history of the GST era has seen many state governments wanting to levy LBET and while most of states have stayed the levy, the fear of the tax being levied shall continue to remain on the sector

ITC restrictions on genuine business expenses

- ▶ During content production, various expenses are incurred with the intention that the content produced is of good quality and viewers are attracted towards the content, including expenses on make-up, hair dressing, catering, renting of motor vehicles, etc.
- ▶ While these expenses incurred by other businesses could be personal in nature, for the M&E sector, especially film and content producers, these are genuine business expenditures incurred with the intention of garnering more revenue on which GST is paid
- ▶ However, M&E businesses are not allowed to claim ITC of GST charged on such expenses which results in increased cost of production and increased budgets



Complex rules for government advertisements

- ▶ Place of supply provisions under GST legislation mentions that value of government advertising supplies made in each state or Union Territory (UT) shall be in proportion to amount attributable to services provided by way of dissemination in respective states or UT, as may be determined in terms of contract
- ▶ In case where these terms are not agreed in the contract, value shall be determined as per the table alongside
- ▶ Complying with these cumbersome rules is a challenge for media companies and entails multiple invoices to be raised for a single campaign run by a government body over a particular platform
- ▶ While GST authorities require media organizations to follow this practice, several government organizations are yet to update the accounting processes to take into effect of this change which leads to delay in payments getting released
- ▶ The basis for arriving at the statewide allocation is based on external databases (and not GST database) and such databases (for e.g., TRAI, BARC, etc.) do not always have data for each state as envisaged by GST law
- ▶ Instead of such complicated allocations, the industry may be relieved if the taxes are deposited in one state's kitty from where the allocations can happen to other states based on the arrangement between states

Media type	Basis of determination of apportionment of value ¹⁶
Television	Viewership of such channel in such state / UT
Radio	Amount payable to radio stations
Newspaper and publications	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
cinema halls	Amount payable to a cinema hall or screens in a multiplex in a state / UT
Advertisements on the back of utility bills of oil and gas companies, etc.	Amount payable for the advertisements on bills pertaining to consumers having billing addresses in such states / UT
Advertisements through short messaging service	Based on number of telecom subscribers in such state / UT (as per figures published by the TRAI)

16. Prescribed vide Notification 12/2017 IGST dated 15th November 2017

Rationalization of GST rates on event tickets

- ▶ Admission to sporting and other entertainment events continues to remain in the 28% tax bracket under GST
- ▶ 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 INR500

Dispute on interest liability on delayed GST payment

- ▶ Delay in payment of GST entails interest to be paid by tax payers, however, there exists ambiguity among tax payers whether interest is required to be paid on gross GST liability (before utilization of ITC) or net GST liability (after utilization of ITC)
- ▶ GST Council had recommended that suitable amendment may be brought in the GST law to direct tax payers to pay interest only on net GST liability which, while announced in the Union Budget 2019-20, is yet to be made effective in the CGST Act, i.e., the Act empowering the central government to levy tax on supplies
- ▶ Meanwhile, state governments such as Maharashtra have already amended the state GST law to levy interest on net amounts, while the CBIC in a recent tweet mentioned that the states of Telangana and West Bengal are also in process of amending the provisions
- ▶ M&E businesses must have completed revenue reconciliation activity for FY17-18 which, being the first year of GST, might have identified certain discrepancies and short payments and interest computation on the same would need to be re-evaluated

Recent judicial precedents

GST on complimentary tickets

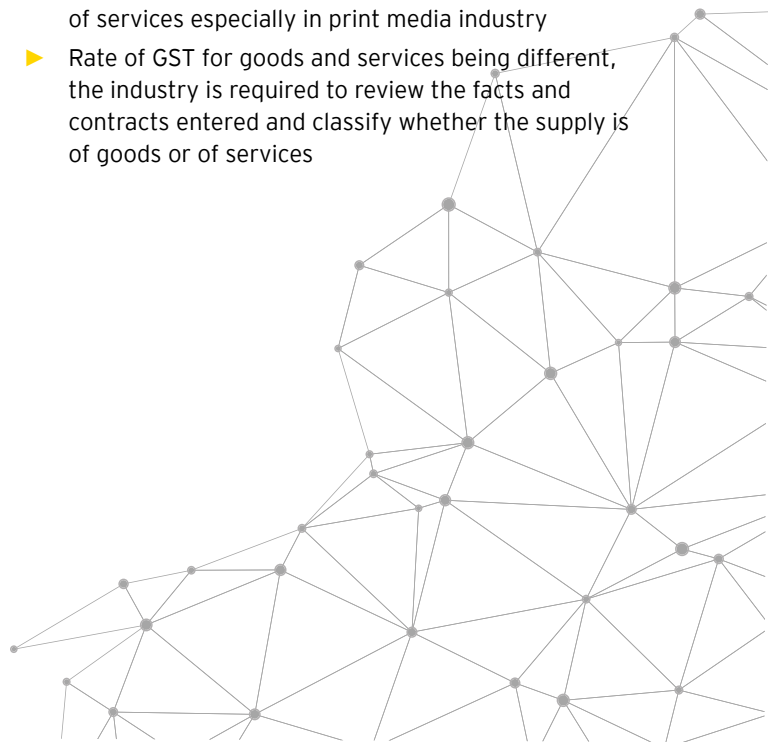
- ▶ Authority of Advance Ruling addressed the question on taxability of complimentary tickets in case of KPH Dream Cricket Private Limited¹⁷ where it observed that a person who issues complimentary tickets is displaying an act of forbearance by tolerating persons who are receiving the services without paying any money
- ▶ Thus, even complimentary tickets have consideration in the form of an act of forbearance and accordingly, activity of issuing complimentary tickets qualifies as supply as per GST law
- ▶ While the said ruling has not been challenged in the Appellate forum (because of the Appellate forum not being formed in Chandigarh), this ruling can potentially open a Pandora's box for the event industry

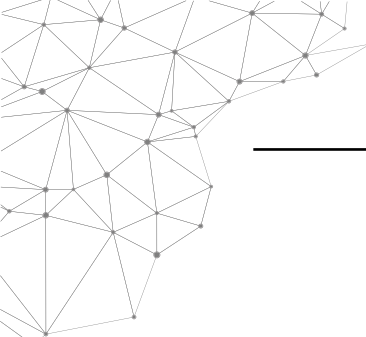
Printing of content on banners and supply of advertisement is supply of service

- ▶ Authority for Advance Ruling (West Bengal) in case of Macro Media Digital Imaging Private Limited¹⁸ held that printing of specific messages meant for customer and content are very specific to the product for which advertisement are made
- ▶ The content to be printed remains exclusive property of customer and given this, there exists a composite supply and predominant intention of the nature of contract is supply of service and not goods
- ▶ The above ruling reiterates that there is a very thin line of difference between supply of goods and supply of services especially in print media industry
- ▶ Rate of GST for goods and services being different, the industry is required to review the facts and contracts entered and classify whether the supply is of goods or of services

17. Reported as 2018-VIL-209-AAR

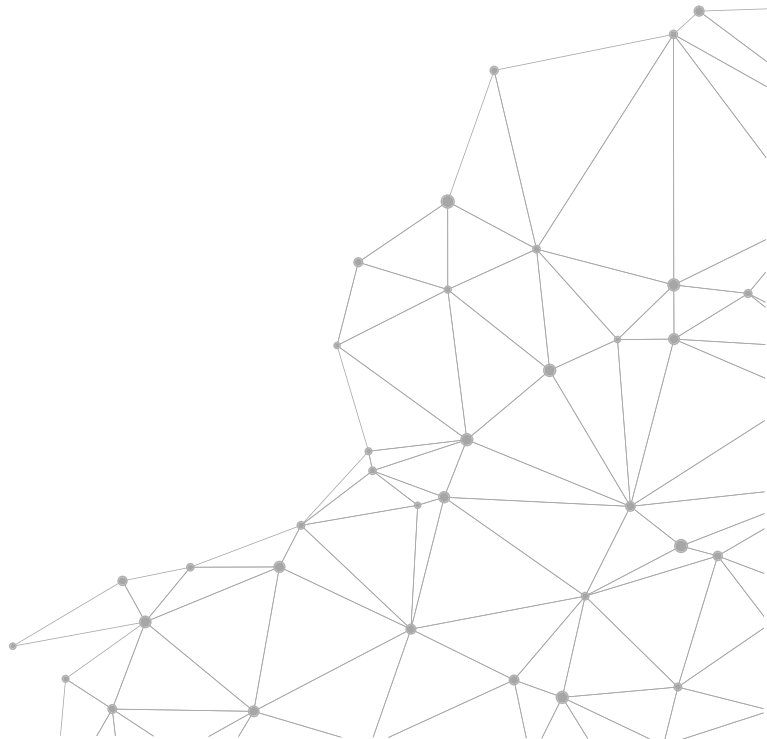
18. Reported as 2018-TIOL-62-AAR-GST





Court ruling on fantasy games

- ▶ Bombay High Court has recently ruled that activities undertaken in the case of online fantasy games do not amount to gambling or betting and it is a game of skill and not a game of chance
- ▶ The ruling mentions that GST at the rate of 18% should be payable on the participation fee collected
- ▶ Further, it was ruled that the amounts pooled in the escrow account towards prize money are actionable claim and not subjected to GST
- ▶ While an SLP was filed in the Honourable Supreme Court, the Apex Court has ruled and reiterated that the activities undertaken by online fantasy games are not gambling and stated that therefore, the only scope of review petition filed by the tax authorities was to determine levy of GST
- ▶ Accordingly, the ruling on the GST rate would be pronounced in due course



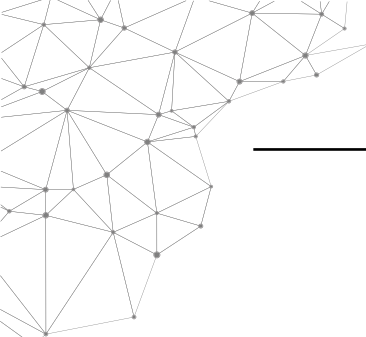
Regulatory update

Compiled by Cyril Amarchand Mangaldas



To view more by the artist; click on the picture





Recent major developments in the media and entertainment sector

Foreign Direct Investment (FDI) restricted to 26% in digital media

On 28 August 2019, the Press Information Bureau reported that the Union Cabinet had approved the proposal for a review of FDI in various sectors and that a decision was taken to permit 26% FDI under the government approval route for uploading/ streaming of news and current affairs through digital media. This was followed by release of Press Note No. 4 (2019 Series) on 18 September 2019, which formally brought about the aforesaid change. Subsequently, on 5 December 2019, the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 were also amended which notified the changes. A government approval route would essentially give power to the ministries to selectively approve FDI proposals at their discretion. This took the digital media news industry by surprise which was until then operating without any such FDI restrictions.

Under the extant FDI policy in India, FDI was capped at 49% for broadcasting companies and 26% for print media companies, under the government approval route. As there was hitherto no specific restriction on FDI in digital media, many online publishing/ streaming of news and current affairs companies have seen 100% FDI under the automatic route. It is expected that the Government will clarify the applicability of the Press Note especially in the case of those OTT video apps/sites that merely stream the news feed of linear news channels who already have the required permissions under the Uplinking and Downlinking Guidelines issued by the Ministry of Information and Broadcasting.

The Ministry of Information and Broadcasting (MIB) seeks suggestions on Cable TV Networks (Regulation) Amendment Bill, 2020

The MIB vide a notice dated 15 January 2020, proposes to amend the Cable Television Networks (Regulation) Act, 1995. Some of the proposed changes are as follows:

- a) Insertion of negative list for registration as cable operator
- b) Deletion of Section 4(3) dealing with non-registration of cable operators who do not transmit or re-transmit channels in an encrypted form through a digital addressable system in view of complete digitalization
- c) Addition of "Additional District Magistrate" in the definition of "authorised officer" under Section 2(a)

The proposed amendment, amongst others, has introduced higher monetary penalties and punishments for the violation of the Programme Code and the Advertisement Code which appears contrary to the steps taken to decriminalize offences under other Acts like the Companies Act, 2013

Television: Broadcasting and distribution

The Telecom Regulatory Authority of India (TRAI) amends the New Tariff Order on 1 January 2020

The amendments have been made after TRAI issued two Consultation Papers on "Tariff related issues for Broadcasting and Cable services" and "Issues related to Interconnection Regulation, 2017" in the months of August and September 2019 respectively. Some of the major issues identified by TRAI were the INR19 price ceiling on channels that can form a bouquet, the cap on maximum discount permissible to broadcasters while forming a bouquet, number of channels permitted in Network Capacity Fee (NCF), applicable NCF for multi-TV homes, flexibility to DPOs in offering long-term subscription plans and carriage fee payable by broadcasters to DPOs.

An amendment has been carried out to the following Acts:

- a) Telecommunication (Broadcasting and Cable) Services Interconnection (Addressable Systems) Regulations, 2017
- b) Telecommunication (Broadcasting and Cable) Services (Eighth) (Addressable Systems) Tariff Order, 2017
- c) Telecommunication (Broadcasting and Cable) Services Standards of Quality of Service and Consumer Protection (Addressable Systems) Regulations, 2017

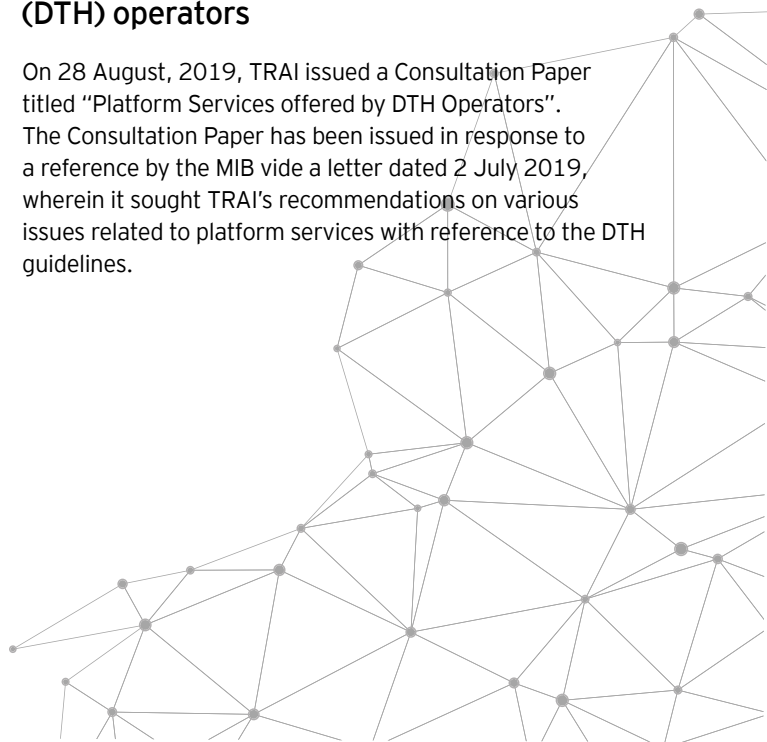
The following key amendments have been carried out by TRAI:

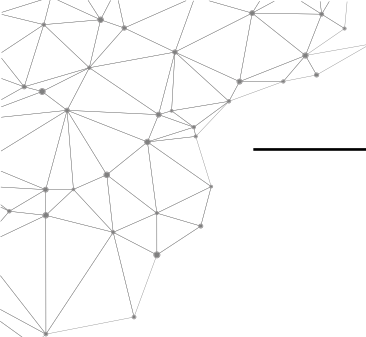
- a) TRAI has re-introduced the "Twin-Condition" to address the issue of huge discounts in the formation of bouquets by broadcasters vis-à-vis sum of a-la-carte channels to ensure that price of a-la-carte channels does not become illusionary
 - (i) the sum of the a-la-carte rates of the pay channels (MRP) forming a part of a bouquet shall under no circumstances exceed one and a half times the rate of the bouquet of which such pay channels are a part
 - (ii) the a-la-carte rates of each pay channel (MRP), forming a part of a bouquet, shall under no circumstances exceed three times the average rate of a pay channel of the bouquet of which such pay channel is a part
- b) Additionally, the maximum retail price per month of a pay channel cannot exceed the maximum retail price per month of the bouquet containing that pay channel
- c) Only those channels priced at INR12 or less will be permitted to be part of the bouquet offered by broadcasters
- d) Number of free channels under NCF of INR130 (plus taxes) has been increased to 200
- e) Channels declared mandatory by the Ministry of Broadcasting will not be included while calculating the 200 channels in point (d)
- f) DPOs cannot charge more than INR160 per month for providing all channels available on their platform
- g) In case of a multi-TV home, where more than one TV connection is registered in the name of one person, a maximum fee of 40% of the declared NCF will be charged for the second and additional connections
- h) DPOs may offer discounts on connections for six months or more
- i) To address the concerns of broadcasters regarding huge carriage fee being charged by DPOs, TRAI has mandated MSOs, Heads in the Sky (HITS) operators, IPTV service providers will not have target market bigger than States or Union Territory, as the case may be. Additionally, TRAI has proposed a cap of INR0.4 million per month on carriage fee payable by a broadcaster to a DPO for carrying a channel

The amendments have significantly changed the regulatory framework and a challenge to the same has been filed in the Bombay High Court by the Indian Broadcasting Federation and other stakeholders in January 2020. As of now, the outcome of the litigation is awaited.

TRAI issued a Consultation Paper on platform services offered by Direct to Home (DTH) operators

On 28 August, 2019, TRAI issued a Consultation Paper titled "Platform Services offered by DTH Operators". The Consultation Paper has been issued in response to a reference by the MIB vide a letter dated 2 July 2019, wherein it sought TRAI's recommendations on various issues related to platform services with reference to the DTH guidelines.





All TV channel Distribution Platform Operators (DPOs), i.e., Multi-System Operators (MSO), DTH, IPTV and Headend-in-the-sky (HITS) operators, operate certain kind of programming services which are specific to each platform and are not obtained from broadcasters. All these platform specific services being offered by DPOs, but not obtained from broadcasters, have been referred to as Platform Services (PS). DPOs use PS to offer innovative services and product differentiation. It also acts as a unique selling proposition for DPOs and also helps them meet the specific needs of their subscribers. Provisioning of such services also results in an additional source of revenue for the DPOs as they earn revenue not only from their subscription but also from the advertisements transmitted along with such PS. TRAI sought the views of stakeholders on issues related to PS in order to introduce a regulatory framework for the same.

TRAI releases the Telecommunication (Broadcasting and Cable) Services Register of Interconnection Agreements and All Such Other Matters Regulations, 2019

On 4 September 2019, TRAI introduced the Telecommunication (Broadcasting and Cable) Services Register of Interconnection Agreements and All Such Other Matters Regulations, 2019 (Register of Interconnect Regulations). The primary objective of the Register of Interconnect Regulations is to formulate the contours of a reporting system for the service providers so that they can report details of interconnection agreements executed between the broadcasters and the DPOs including any other arrangement / agreements which would have been executed between them along with commercial details to the relevant authority. It would enable the authority to maintain a Register of Interconnect as per the provisions of the TRAI Act. These Regulations have been challenged before the Delhi High Court and the Kerala High Court by the Indian Broadcasting Federation and the All India Digital Cable Federation in December 2019 and January 2020, respectively. The matters are set to be heard in February 2020.

TRAI issued a Consultation Paper on Entry Level Net-Worth Requirement of MSOs in Cable TV Services

The MIB vide a reference dated 16 May 2018, had requested TRAI to provide recommendations on the appropriate levels for fixing of entry level net-worth of MSO to operationalize cable TV digitization across the country. The Consultation Paper dated 9 April 2019, deliberates whether there is a need to fix entry level net worth requirement for MSOs in cable TV services. The Consultation Paper also seeks suggestions regarding the documents and method to assess the net-worth of an applicant, if a minimum value is prescribed.

MIB issued advisory to channels over portrayal of children in dance reality shows

The MIB vide an advisory dated 18 June 2019, has cautioned TV channels from telecasting dance reality shows which portray children in obscene, vulgar and evocative fashion. The advisory came after the MIB noticed that children are performing age-inappropriate dance moves which may have a negative impact on them. The advisory noted that all private satellite TV channels are expected to abide by the provisions contained in Programme and Advertising Codes prescribed under the Cable Television Networks (Regulation) Act, 1995 and the Rules framed thereunder. The advisory prohibits all TV channels from telecasting content that denigrates children in any manner and encourages them to not showcase vulgar language or violent scenes in programs which are meant for children. The MIB has further advised TV channels to show maximum caution and mindfulness while televising reality TV shows.

MIB advises all private TV satellite channels to carry programs with sign language interpretation for persons with disabilities

In response to concerns raised by the Department of Empowerment of Persons with Disabilities regarding the lack of assistive technology in TV programs, the MIB vide a notification dated 7 February 2019 has advised all private satellite TV channels to carry TV programs with sign language interpretation for access by differently abled people. All TV channels, News Broadcasters Association, Indian Broadcasting Foundation and Association of Regional Television Broadcasters of India were requested vide an advisory dated 13 June 2016, to carry the same language captions and audio description along with the programs and news reports by TV channels for accessing by differently abled people. However, since the advisory was not previously adhered to, the MIB has re-issued a similar advisory.

TRAI issued a Consultation Paper on Review of Television Audience Measurement and Ratings in India

Television Audience Measurement has been in a developing phase with advanced technologies being used and updated to maintain transparency and improve credibility of the system. Over the years, new issues have emerged which need to be addressed and several concerns relating to neutrality and reliability of the existing rating system have been raised by stakeholders, which necessitated a need to review the existing Television Audience Measurement and Ratings system in India. Further, issues relating to panel expansion and panel tampering have also surfaced. Since 28 July 2015, the Broadcast Audience Research Council (BARC) has been the sole provider of TV rating services on commercial basis.

The objective of the Consultation Paper dated 3 December 2018, is to solicit the views of stakeholders on regulatory initiatives/measures to be taken to make TV rating services more accurate and widely acceptable. The Consultation Paper also explores the possibilities of using new technologies to enhance credibility, transparency, neutrality and fairness in the TV rating in India.

MIB advises TV Channels to run scroll to report objectionable advertisements

The MIB advisory dated 24 January 2019 requires all programs and advertisements telecast on TV channels, transmitted and retransmitted through the cable TV network to adhere to the Programme and Advertising Codes prescribed under the Cable Television Networks (Regulation) Act, 1995 and rules framed thereunder. Rule 7(9) of the Cable Television Networks Rules, 1994 states that "No advertisement which violates the Code for self-regulation in advertising, as adopted by the Advertising Standards Council of India (ASCI), Mumbai for public exhibition in India, from time to time shall be carried in the cable service." In order to create mass consumer awareness about the self-regulatory mechanism of ASCI and for immediate and effective steps towards this goal, all TV channels are advised to run a scroller as follows: "Objectionable ads? Complain to The Advertising Standards Council of India (ASCI) 7710012345 ascionline.org".

Digital media

Over-the-top (OTT) platforms sign IMAI Code for Self-Regulation

Netflix, Hotstar, Reliance Jio, Zee5, AltBalaji, SonyLIV, Viacom18 and Arre are some of the online video streaming platforms who have signed the Code on Self-Regulation drafted by the Internet and Mobile Association of India (IAMAI). The "Code for Best Practices for Online Curated Content Providers" drafted by the IMAI aims to act as self-guiding principles for Online Curated Content Providers. In February 2020, the MIB has asked OTT content players to set up an adjudicatory body and finalize a code of conduct within 100 days¹.

1. exchange4media.com



Filmed entertainment

MIB seeks to amend Cinematograph (Certification) Rules, 1983 for mandatory display of title, castings, and credits in the language of the dialogues of the film

On account of directions given by the Committee of Petitions, Rajya Sabha to enforce the use of Hindi and other regional languages for display of credits and castings in films, the MIB on December 13, 2019 proposed to make an amendment to Rule 22(3) of the Cinematograph (Certification) Rules, 1983 for mandatory display of title, castings and credits in the language of the dialogues (Hindi/ Regional language) in the film. In addition, the same may be displayed in any other language also. The current practice of showing title, castings and credits of Hindi and regional language films in English language only, tends to deprive people who are not conversant in English of crucial information related to the cast and crew of a film.

MIB sets up “Film Facilitation Office” in National Film Development Corporation (NFDC) as the single window clearance and facilitation mechanism for film shootings

The MIB vide a letter dated 30 May 2019, has informed the film fraternity members that the MIB has set up the Film Facilitation Office in the NFDC as the single window clearance and facilitation mechanism, with a view to promote and facilitate film shootings by both domestic and foreign filmmakers in India and to enhance India's positioning in the global market as an ideal filming destination. In this regard, the Film Facilitation Office has also set up the web portal www.ffo.gov.in which allows submission of online film shooting applications from both domestic and international filmmakers.

The Supreme Court of India directs the government of West Bengal to pay INR2 million compensation to producer of Bengali film, Bhoobhishyoter Bhoot, which suffered unofficial ban

The Supreme Court of India vide an Order dated 11 April 2019 passed a landmark Judgement in *Indibility Creative Pvt Ltd. v. Govt. of West Bengal*, directing the West Bengal Government to pay compensation of INR2 million to the producer of the film *Bhoobhishyoter Bhoot*, which had to face an unofficial ban in the state. Justice Chandrachud and Justice Gupta had deliberated on the matter stating that once a movie is certified by the Central Board of Film Certification, it is not open to any authority to issue formal or informal directions preventing the producer from having the movie screened.

Print media

MIB proposes to replace Press and Registration of Books Act, 1867 (PRB Act, 1867) by Registration of Press and Periodicals Bill, 2019 (RPP Bill, 2019)

The regulation of printing presses and newspapers printed in India and their registration is currently governed by the PRB Act, 1867. The MIB has released a draft RPP Bill, 2019 dated 25 November 2019 and sought public comments aiming to replace the PRB Act, 1867. Through the draft RPP Bill, 2019, the MIB has proposed to bring digital media in the ambit of the new registration regulations and do away with prosecution provisions of imprisonment of publishers and to simplify implementation of the registration process through a Press Registrar General. Some of the main features of the RPP Bill, 2019 include:

- a) Registration of publishers of news on digital media with the Registrar of Newspapers of India
- b) Incorporating a simple system of registration of e-papers
- c) Central government and state governments can frame appropriate rules/ regulations to regulate the criteria/ conditions for issuing government advertisements in newspapers, accreditation of newspapers and such other facilities for newspapers
- d) Doing away with the existing procedure of furnishing of declaration by publishers/ printers before the District Magistrate and its subsequent authentication
- e) Doing away with the earlier provision under the PRB Act, 1867 of prosecution of publishers

Increase in import duty on newsprint

Union Finance Minister while presenting the Union Budget for 2019-20 in Parliament stated that the government would be imposing 10% customs duty on newsprint and 5% on printed books. This move was brought to encourage the domestic publishing and printing industry. The duty would be levied on both the uncoated paper used for printing of newspapers and lightweight coated paper used for magazines. Prior to this move, no import duty was levied on newsprint. This was subsequently reduced to 5% in the Budget 2020.

Radio and Music

The Delhi High Court bars 100 radio channels from streaming audio of World Cup 2019

Channel 2 Group Corporation filed a case in the Delhi High Court to prohibit other radio stations, internet and telecom service providers, and websites from broadcasting audio of the ICC World Cup 2019. The Delhi High Court passed an Order dated 3 June 2019 restricting 64 websites, 4 private radio stations and 36 internet and telecom service providers from broadcasting the audio. However, it held that the platforms may relay the scores of the cricket matches with a 15-minute time-lag.

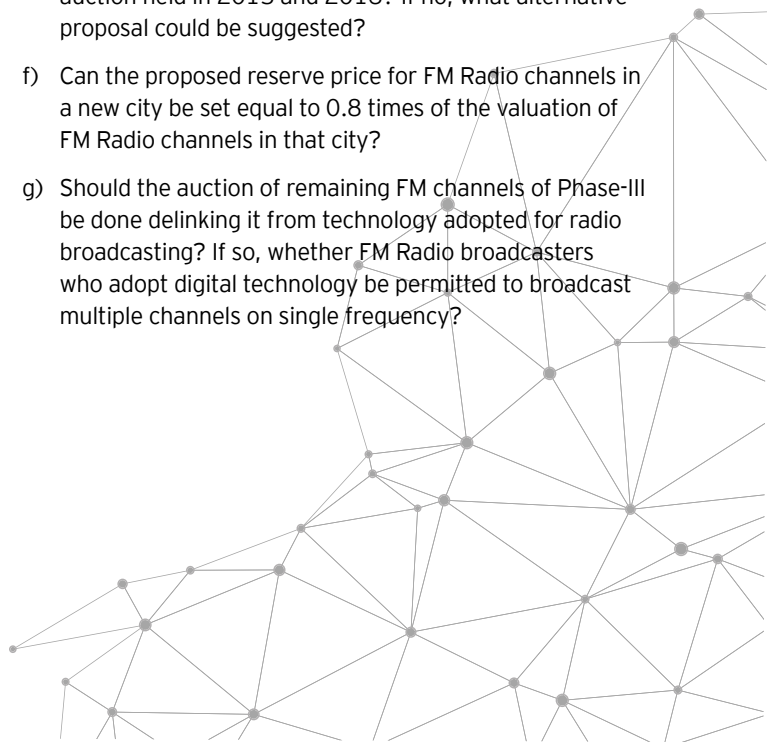
Advisory to all FM radio channels to give wide publicity to Intensified Mission Indradhanush 2.0

The MIB issued an advisory dated 27 November 2019, requesting all FM channels and private satellite TV to give adequate publicity to Intensified Mission Indradhanush 2.0 as part of their corporate social responsibility activity. Mission Indradhanush 2.0 is an initiative by the government to ensure that not a single child in the country has missed out on vaccination with a special focus on improving coverage in the areas with low immunization. FM radio channels could be used to offer support, assistance and contribution in order to make this mission a success.

TRAI releases Consultation Paper on Reserve Price for auction of FM radio channels

The Consultation Paper dated 16 October 2019 sought comments to finalize the methodology for setting reserve prices for the auction of FM radio channels. The Consultation Paper also raises the following questions:

- a) Is the methodology used in TRAI's recommendations dated 15 March 2015 for valuation FM Radio channels appropriate or could alternative approach/ methodology could be suggested?
- b) Can the Phase-III policy, i.e., the highest bid price received for a city in Phase-II continue to be the reserve price for the existing cities? If so, should the inflation be accounted for? If no, what approach/ methodology for existing cities could be suggested?
- c) Can the various technical changes, behavioral changes among the listeners, availability of devices to listen to FM Radio be duly captured by the variables - Population, Per Capita Income, listenership of FM Radio and Per Capita Gross Revenue (GR) earned by existing FM Radio operators, as recommended by TRAI in 2015, for valuation of FM radio channels in new cities? If not, what additional/ alternative variables should be considered for truly reflecting the valuation of FM radio channels in new cities?
- d) How should the present listenership of FM Radio in each state be estimated?
- e) In case methodology as recommended by TRAI in 2015 for determining reserve price for FM Radio channels in new cities is adopted, should the reference price be taken as the average of successful bids received in Phase-III auction held in 2015 and 2016? If no, what alternative proposal could be suggested?
- f) Can the proposed reserve price for FM Radio channels in a new city be set equal to 0.8 times of the valuation of FM Radio channels in that city?
- g) Should the auction of remaining FM channels of Phase-III be done delinking it from technology adopted for radio broadcasting? If so, whether FM Radio broadcasters who adopt digital technology be permitted to broadcast multiple channels on single frequency?





Online gaming

Law Commission of India issued Press Note on the Legal Framework for Gambling and Sports Betting

The Law Commission of India subsequent to its report titled "Legal Framework: Gambling and Sports Betting including Cricket in India" (Report) dated 5 July 2018, issued a Press Note dated 6 July 2018 clarifying that the Report strongly recommended that legalizing betting and gambling was not desirable.

The Press Note further clarified that in the current scenario if it is not possible to enforce a complete ban in order to prevent unlawful activities then effective regulation remains the only viable option to control gambling.

The Report also sets out a number of guidelines and safeguards that the central government or state governments may consider if they decide to regulate gambling and sports betting.

Supreme Court quashes Reserve Bank of India's ("RBI") Circular banning cryptocurrency

The Supreme Court of India vide its Judgment dated 4 March 2020 in the case of Internet and Mobile Association of India (IAMAI) v. RBI quashed the RBI Circular dated 6 April 2018 imposing the ban on cryptocurrency. RBI had issued the circular prohibiting all entities regulated by it from dealing in Virtual Currencies. IAMAI, among other stakeholders, had challenged the prohibition before the Supreme Court by way of writ petition. The Supreme Court held that the RBI Circular was liable to be set aside on the ground of proportionality. Moreover, it was also held that RBI has not found the activity of exchanging Virtual Currency to have any adverse impact on the functioning of entities regulated by the RBI.

Other important regulatory changes impacting the M&E sector

The Copyright Office allows online submission of the literary, artistic and dramatic work-related document

The Copyright Office vide an Order dated 17 January 2019, has allowed applicants to upload soft copies of literary, artistic and dramatic work related documents on its online portal. This move has been initiated to facilitate seamless registration of works. In addition, a manual explaining the process to upload an applicant's documents has been showcased on the website of Copyright Office. The documents can be uploaded in their original color scheme after paying the requisite fees.

MIB constitutes three-member committee for implementation of Supreme Court guidelines on content regulation of government advertising

The MIB in compliance with the Supreme Court of India's directions dated 13 May 2015, has constituted a three-member committee to address the issues related to content regulation in government advertising. As per the terms of reference, the committee would address complaints from the general public of violation on the implementation of the guidelines set out by Supreme Court. The committee would also take suo motu cognizance of any violation / deviation of the guidelines of Supreme Court and recommend corrective action to the ministry / department.

The Delhi High Court passes an Order on global take-down orders

The Delhi High Court in an Order dated 23 October 2019, in Swami Ramdev & Anr v. Facebook & Ors affirmed that Indian Courts can issue global take-down orders to internet intermediaries like Facebook, Google and Twitter for illegal content published by users of their platforms. The Court held that once content was uploaded "from India" and was made available globally, the removal of such content shall also be worldwide and not just restricted to India. The Court ordered the intermediaries to take down the content globally, provided they were uploaded from India. For contents that are uploaded from outside India, the Court ordered platforms to ensure that they use appropriate geo-blocking measures, so that users having Indian IP addresses were unable to access the content.

TRAI issued a Consultation Paper on Cloud Services

In response to a request by the Department of Telecommunication, TRAI has issued a Consultation Paper on Cloud Services dated 23 October 2019, to seek comments on the terms and conditions of industry body, eligibility, entry fee, period of registration and governance structure. This comes subsequent to recommendations issued by TRAI on "Cloud Services" in August 2017 which covered the legal and regulatory framework for the services, provided a comprehensive framework for data protection, interoperability and portability, etc.

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.





The background of the page is a vibrant, multi-colored marbled paper. The colors include deep blues, teals, greens, yellows, and pinks, swirling together in organic, fluid patterns. A solid yellow rectangular box is positioned in the upper right quadrant, containing the text.

About this report



Glossary

20XXE	Estimated value for the year 20XX	BTL	Below the line, or event spends
AAR	Authority for advance rulings	BWF	Badminton World Federation
ABC	Audit Bureau of Circulation	CAGR	Compounded annual growth rate
ABP	Ananda Bazar Patrika	CEO	Chief Executive Officer
ABSC	Army Boys Sports Company	CGST	Central Goods and Services Tax
Ad	Advertising	CIO	Chief Information Officer
AdEX	Advertisement expenditure	CMO	Chief Marketing Officer
AGR	Adjusted gross revenue	COE	Centre of Excellence
AI	Artificial intelligence	CPI	Consumer price index
AIGF	All India Gaming Federation	CPM	Cost per mille (thousand)
AIR	All India Radio	CPT	Cost per thousand
AIR	Average Issue Readership	CRISIL	Credit Rating Information Services of India Limited
ANX	Annexure	CRM	Customer Relationship Management
AR	Augmented reality	CRORE	Ten million
AROI	Association of Radio Operators in India	CSO	Central Statistical Organisation
ARPU	Average revenue per user	CSR	Corporate social responsibility
ATL	Above the line, or media spends	CWG	Commonwealth Games
ATP	Average ticket price	CY	Calendar year (January to December)
AVGC	Animation, visual effects, gaming and comics	DAN	Dentsu Aegis Network
AVOD	Advertising VOD	DAS	Digital Addressable System
B2B	Business to business	DAU	Daily active users
B2C	Business to customer	DAVP	Directorate of Advertising and Visual Publicity
BARC	Broadcast Audience Research Council	DD	Doordarshan
bbl	Billion barrels	DIPP	Department of Industrial Policy and Promotion
BCCI	Board of Control for Cricket in India	DMP	Data Management Platform
BCD	Basic customs duty	DOOH	Digital out of home
BEAT	Base erosion anti-abuse tax	DoS	Department of Space
BEPS	Base erosion and profit shifting	DOT	Department of Telecom
BFSI	Banking, financial services and insurance	DPIIT	Department for Promotion of Industry and Internal Trade
BI	Broadcast India survey	DPO	Distribution platform owners
BSNL	Bharat Sanchar Nigam Limited		

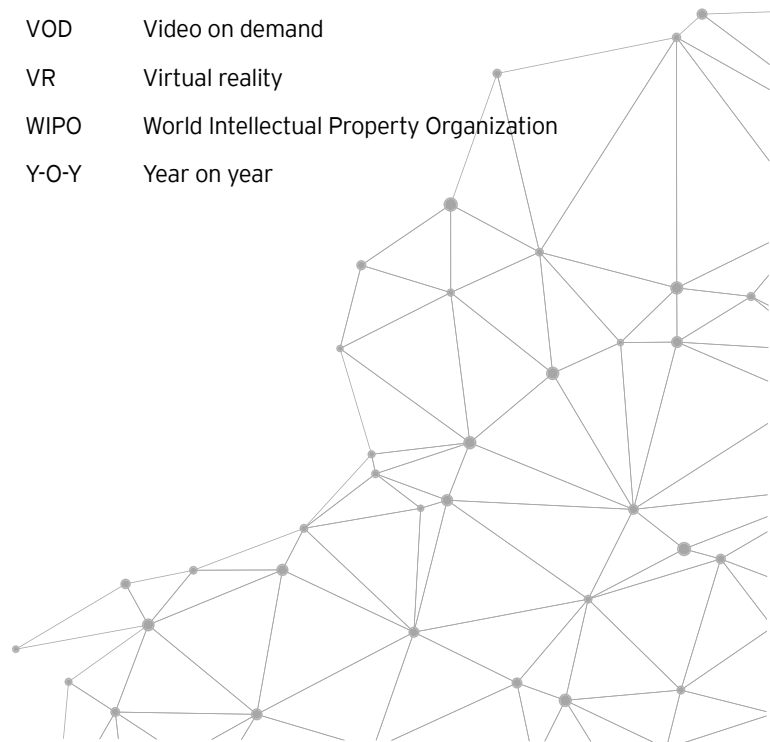
DRHP	Draft red herring prospectus	GDPR	General Data Protection Regulation
DRM	Digital Radio Mondiale	GEC	General entertainment channel
DRP	Distributor retail price	GILTI	Global intangible low-taxed Income
DSP	Demand side platform	GOI	Government of India
DTAA	Double Taxation Avoidance Agreement	GSM	Grams per square meter
DTC/D2C	Direct to consumer	GSMA	Global System for Mobile Communications, originally Groupe Spécial Mobile
DTH	Direct to home	GST	Goods and Services Tax
DVD	Digital video disc	GSTR	Goods and Services Tax Returns
EBITDA	Earnings before interest, tax, depreciation and amortization	HD	High definition
ECB	External commercial borrowing	HIL	Hockey India League
EEMA	Events & Entertainment Management Association	HITS	Headend in the sky
EMDE	Emerging Markets and Developing Economies	HNI	High Net-worth Individual
EODB	Ease of doing business	HR	Human resources
EPG	Electronic program guide	HSM	Hindi speaking markets
EPL	English Premier League	IAMAI	Internet and Mobile Association of India
EQL	Equalization Levy	IBC	Insolvency and Bankruptcy Code, 2016
ER	Effective rate	ICC	International Cricket Council
ESL	Electronic Sports League	ICO	Initial coin offering
EU	European Union	IFPI	International Federation of the Phonographic Industry
EWB	E-Way Bill	IFSG	Indian Federation of Sports Gaming
EY	Ernst & Young LLP, India	IHAF	In-House Agency Forum
F&B	Food & beverage	IIFL	India Infoline Finance Limited
FC	Football club	IMF	International Monetary Fund
FCT	Free commercial time	IMI	Indian Music Industry
FDI	Foreign direct investment	Impression Minutes of viewership reported by BARC	
FEMA	Foreign Exchange Management Act, 1999	INR	Indian Rupees
FFO	Film Facilitation Office	iOS	iPhone operating system
FIFA	Fédération Internationale de Football Association	IoT	Internet of Things
FIPB	Foreign Investment Promotion Board	IPC	Indian Penal Code, 1860
FM	Frequency modulation	IPL	Indian Premier League
FMCG	Fast moving consumer goods	IPR	Intellectual property rights (also, IP)
FMV	Fair market value	IPRS	Indian Performing Rights Society
FTA	Free to air	IPTV	Internet protocol television
FY	Fiscal year (April to March)	IRD	Integrated receiver/decoder
GB	Gigabyte	IRP	Invoice registration portal
GBO	Gross box office	IRS	Indian Readership Survey
GDP	Gross domestic product	ISL	Indian Super League



Glossary

ISP	Internet service provider	MSDE	Ministry of Skill Development and Entrepreneurship
IT	Information technology	MSO	Multi system operator
ITU	International Telecommunication Union	MVPD	Multichannel video programming distributor
JV	Joint venture	MYAS	Ministry of Youth Affairs and Sports
KBC	Kaun Banega Crorepati game show	NA	Not applicable
KPI	Key performance indicator	NAS	National Accounts Statistic
KYC	Know your customer	NASSCOM	National Association of Software and Services Companies
LBET	Local Body Entertainment Tax	NBOC	Net box-office collection
LCD	Liquid Crystal Display	NCCS	New consumer classification system
LCO	Local cable operator	NDCP	National Digital Communications Policy
LED	Light emitting diode	NFL	National Football League
LHS	Left hand side	NGO	Non-governmental organisation
LTV	Life time value	NIP	National Infrastructure Pipeline
M&A	Mergers & acquisitions	NSTC	National Sports Talent Contest
M&E	Media and entertainment	NTO	New Tariff Order
MAU	Monthly active users	OECD	The Organization for Economic Co-operation and Development
MEITY	The Ministry of Electronics and Information Technology	OEM	Original equipment manufacturer
MENA	Middle east and North Africa	OOH	Out of home
MESC	Media & Entertainment Skills Council	OTT	Over the top
MIB	Ministry of Information & Broadcasting	P2P	Principal to principal
MICE	Meetings, incentives, conferences and exhibitions	PAT	Profit after tax
MIS	Management information system	PC	Personal computer
ML	Machine learning	PDP	Personal Data Protection
MLB	Major League Baseball	PE	Permanent Establishment
MMA	Mobile Marketing Association	PFAMES	Prime Focus Academy of Media and Entertainment Studies
MNE	Multi-national enterprise	PGA	Public Gaming Act, 1867
MoSPI	The Ministry of Statistics and Programme Implementation	POS	Place of supply
MRP	Maximum retail price		
MRUC	Media Research Users Council		

PPL	Phonographic Performance Limited	TDSAT	Telecom Disputes Settlement Appellate Tribunal
PPP	Purchasing Price Parity	TRAI	Telecom Regulatory Authority of India
PSU	Public sector undertaking	TRF	The Rummy Federation
PWL	Pro Wrestling League	TSP	Telecom Service Providers
QR	Quick response	TV	Television
RAM	Radio audience measurement	UAE	United Arab Emirates
RBI	Reserve Bank of India	UBA	United Basketball Alliance
RCEP	Regional Comprehensive Economic Partnership	UDAN	Ude Desh ka Aam Naagrik
RERA	Real Estate Regulatory Authority	UEFA	Union of European Football Associations
RET	Return	UGC	User Generated Content
RHS	Right hand side	UK	United Kingdom
RMG	Real Money Games	UN	United Nations
ROI	Return on investment	US/USA	United States of America
ROOH	Real Time Out of Home	US\$	United States Dollar (US\$1 = INR71)
RPA	Robotic process automation	UT	Union Territory
SAI	Sports Authority of India	VAT	Value added tax
SC	Supreme Court of India	VC	Virtual Currency
SD	Standard definition	VFX	Visual effects
SEBI	Securities and Exchange Board of India	VOD	Video on demand
SEC	Socio Economic Category	VR	Virtual reality
SEP	Significant Economic Presence	WIPO	World Intellectual Property Organization
SGST	State Goods and Services Tax	Y-O-Y	Year on year
SME	Small and medium enterprises		
SMS	Subscriber management system		
STB	Set top box		
STC	SAI Training Centre		
SSP	Supply side platform		
SVOD	Subscription video on demand		
TDS	Tax deducted at source		



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US advertising

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Aura Art

freepik.com

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Abhishek Tyagi

Aditya Fialok

Aishwarya Ray

Anshul Pahwa

Anu Goyal

Bhavesh Laddha

Dhruvi Jain

Jenai Doctor

Jyoti Shetty

Kaushal Shah

Meher Tavadia

Mihir Date

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Pratik Sampat

Priyanka Minawala

Raghav Mani

Salome Aggarwal

Shubh Mittal

Sugandh Bhandari

Suhani Shah

Vipul Ubale

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Adarsh Chheda

Rohan Kapadia

Saumya Thakkar

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Pranjal Bhatnagar

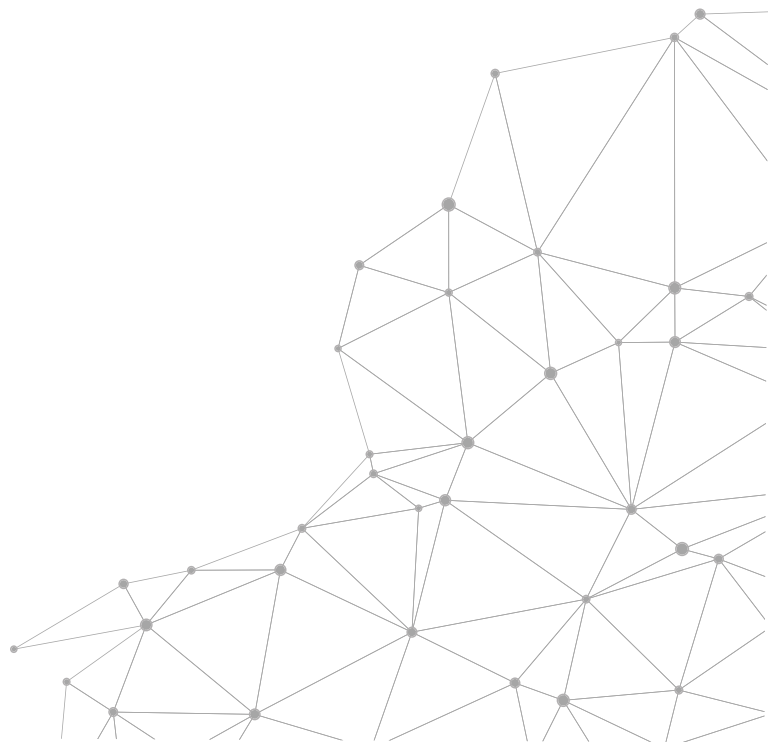
Shobhana Iyer

Design

Yashaswita Dhargalkar

Tania Dutta

Priyanka Jamoli



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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



Geetanjali Bhattacharji
Marketing ROI
geetanjali.b@in.ey.com



Atul Mehta
Transaction Diligence
atul.mehta@in.ey.com



Amiya Swarup
Marketing & Advertising Advisory
amiya.swarup@in.ey.com



Mini Gupta
Cyber Security and Privacy
mini.gupta@in.ey.com



Anshul Pahwa
Internal audit, production audit
& DAS audits
anshul.pahwa@in.ey.com



Raghav Anand
Digital Media
raghav.anand@in.ey.com



Saakshi Kishnani
Event Risk Management
saakshi.kishnani@in.ey.com



Shashank Shwet
UI/UX
shashank.shwet@in.ey.com



Jay Sampat
Business Development
jay1.sampat@in.ey.com



Mukul Shrivastava
Forensics
mukul.shrivastava@in.ey.com



Radhika Pradhan
Marketing
radhika.pradhan@in.ey.com



Parag Mehta
Library and IP valuation
parag.mehta@in.ey.com



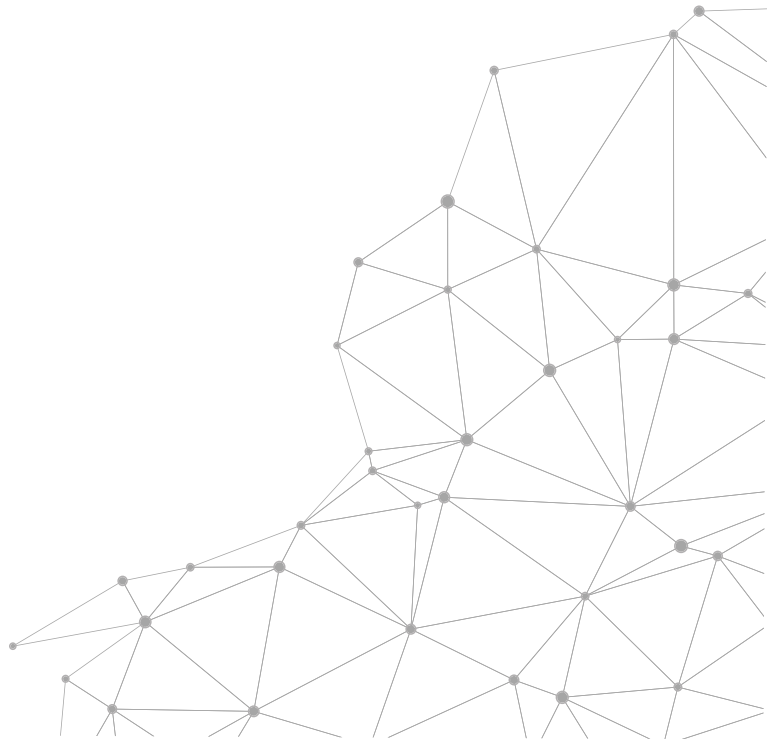
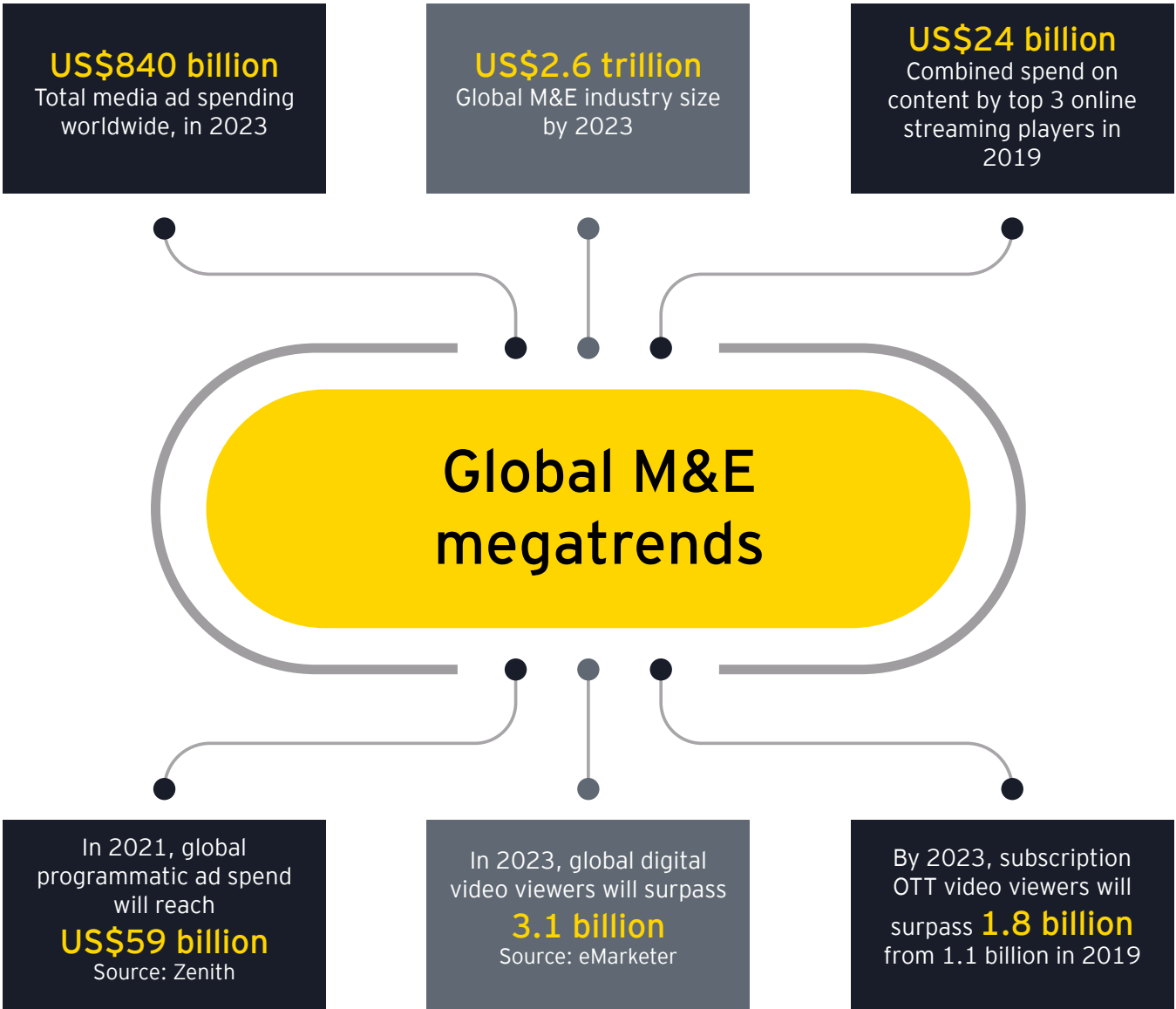
Disclaimer and sizing assumptions

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. Changes in GST rates in 2019 have been factored into the relevant segments but 2018 numbers have not been adjusted, which impacts growth rates.
3. Sales between any two segments of the M&E sector are included as revenues for the segment providing the service. Content production has not been independently sized as it is assumed to be a part of the segment it serves.
4. Digital subscription and TV distribution revenues are considered at end customer prices. Content purchased by telcos has been valued under subscription incomes of media companies and not at end customer prices of bundled data packs.
5. International ad and subscription revenues of TV broadcasting companies have not been included in sizing the television segment.
6. 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, the latter being impacted by exchange rate fluctuations.
7. Gaming captures only online gaming and no other forms of gaming.
8. OOH does not consider the large unorganised wall-painting, ambient media and retail point of sale markets.
9. The live events segment does not consider value of broadcast rights (unless the IP is owned by the event company), the large unorganized sector and pure MICE and travel companies.
10. Animation, VFX and post production revenues include those earned from domestic and export services by companies in India and are correlated to averages across the content value chain.
11. No hardware sales are included where bundled with content. Value of sporting goods is not included in the sports segment.
12. Where alternate sources of sizing exist, we have considered the most conservative, unless there is adequate justification not to.
13. 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.
14. Prior year numbers have been updated where estimates were used, to reflect actuals.
15. 2020 estimates have not been updated to reflect the impact of coronavirus as it is too soon for us to estimate the same with any accuracy.

Note: This is an abbreviated list of all assumptions used.



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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