

No laughing matter



The 3D animation industry is not just about cartoons. Globally it is a serious \$70 billion industry. Now Indian companies are trying to carve a share of that business. What is their potential? What are their handicaps? **S. Mrinal** finds out.



Movie characters such as Simba and Shrek evoke images of Hollywood, especially animators DreamWorks and Pixar. Except that films based on these characters could well be made in India. India missed the bus in 2D animation in the 1960s and 1970s, but has hopped on to 3D, an evolving industry. "That'll work well for the Indian animation studios aspiring to get on to the global bandwagon," says Nikhil Vora, VP research in the securities broking firm SSKI. "It's a shorter window to success than what the 2D animation had been."

2D animation started in the 1920s and 1930s in the US. But only in the 1960s and 1970s did studios such as Walt Disney, Warner Bros and others begin to outsource work to South Korea, the Philippines and Taiwan. In today's competitive business environment, where outsourcing is a business *mantra*, barring a few established 3D animation producers, others are looking out for low-cost outposts. 3D animation is a rapidly rising star, especially after successes of some movies such as *Toy House*, *Shreks*, *Finding Nemo*, and *Monster's Inc*. The animation industry is growing out of its narrow domain of 'children's entertainment.'

It is difficult to transfer 2D animation skills to technologically much more complex 3D animation. That is the main reason why the Philippines and Korea (after having traditionally dominated the 2D outsourcing space) have found it difficult to upgrade to 3D animation. It is here that the computer savvy skills of 3D Indian animation studios have scored. Indeed, several have even earned high praise from their international clients for the quality of their animation output.

Globally, 3D animation is a \$70 billion business. And, were one to look at it purely from a comparative advantage angle, there is a lot going for India. For example, it costs only \$60,000 to produce a half hour 3D animation programme in India. In contrast, in the US and Canada it costs as much as \$250,000 to \$400,000, and in the Philippines, which is India's nearest

rival in terms of cost competitiveness, \$90,000-\$100,000. All things remaining equal, low animator salaries make the difference in this people-dominated industry.

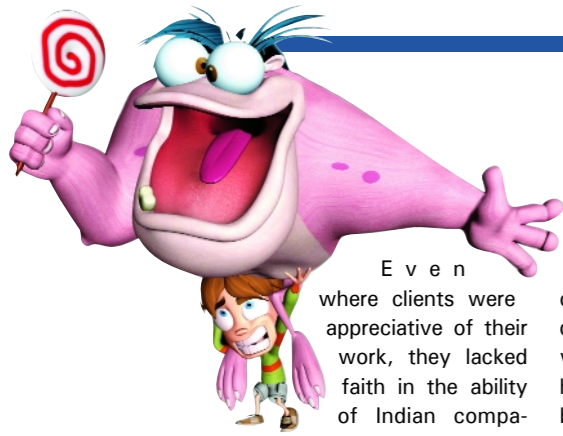
Average animator salaries in the US and Canada, the two countries that account for a dominant share of the global 3D animation market, are so high that comparisons with Indian salaries are simply absurd. But consider the Philippines, where the average monthly salary of an animator is between \$1,000 and \$1,200, or for that matter Korea, where it is over \$2,000. In contrast, in India it is only \$600. This advantage has made many hopeful of the prospects for Indian animation studios in the global 3D animation business, which is also known as computer graphics imaging, as well as computer animation.

There are several factors that have stifled the growth of the Indian animation industry. Prime among them is the absence of legislation that compels cartoon/entertainment channels to provide a certain fixed percentage of airtime to programmes based on domestic content. Hence the animation studios in India haven't had the comfort of growing in their secured home market. Indian animation producers had tried to get around this adversity by reaching out to the global markets, but there was a proverbial slip between their aspirations and acceptance by the US entertainment industry.

Since the 2D animation boom bypassed India, there was general unawareness in the US entertainment world of India's emerging animation industry. But what was worse was the initial failure of the first few Indian animation studios to live up to the expectations of US clients. It singed the image of the Indian animation industry so badly that it posed formidable difficulties to even the good 3D animation studios in winning overseas clients.

On the Web

Crest Animation: www.crestindia.com
 Maya Entertainment: www.mayaent.com



Even

where clients were appreciative of their work, they lacked faith in the ability of Indian companies to deliver to tight schedules. For example, jobs for programmes, such as TV serials that require sustained delivery over weeks on end, have been coming in only on a small scale to Indian companies. Some of them have now overcome this handicap, but it has taken them many years to do so.

"It has been a Herculean effort to crack perceptions and break marketing ground," says A K Madhavan, CEO of Crest Animation, a frontrunner among Indian firms in the field. But Color Chip's CMD, Sudhish Rambhotla, says, "Despite these difficulties, we have gradually regained respectability, especially during the last few years." Orders are trickling in. "Now there is a demand for content across all formats of entertainment," says Rajesh Turakhia, CEO of Maya Entertainment.

It was Crest's first 3D animation contract with Mike Young Productions in 2002, for 26 episodes of a TV serial, *Jakers! The Adventures Of Piggly Winks*, that broke the initial ground. This was televised on 17 channels across the US, Canada and Europe. Its nomination alongside top-rung global producers (Warner Bros, DNA Productions and Nickelodeon), gave Crest the exposure it had been craving for. But more importantly, it half opened the door for others. More recently, Maya Entertainment's Jack Frost, a Christmas Special for BBC, was put at number one slot by the channel during its Christmas Week programmes in December 2004.

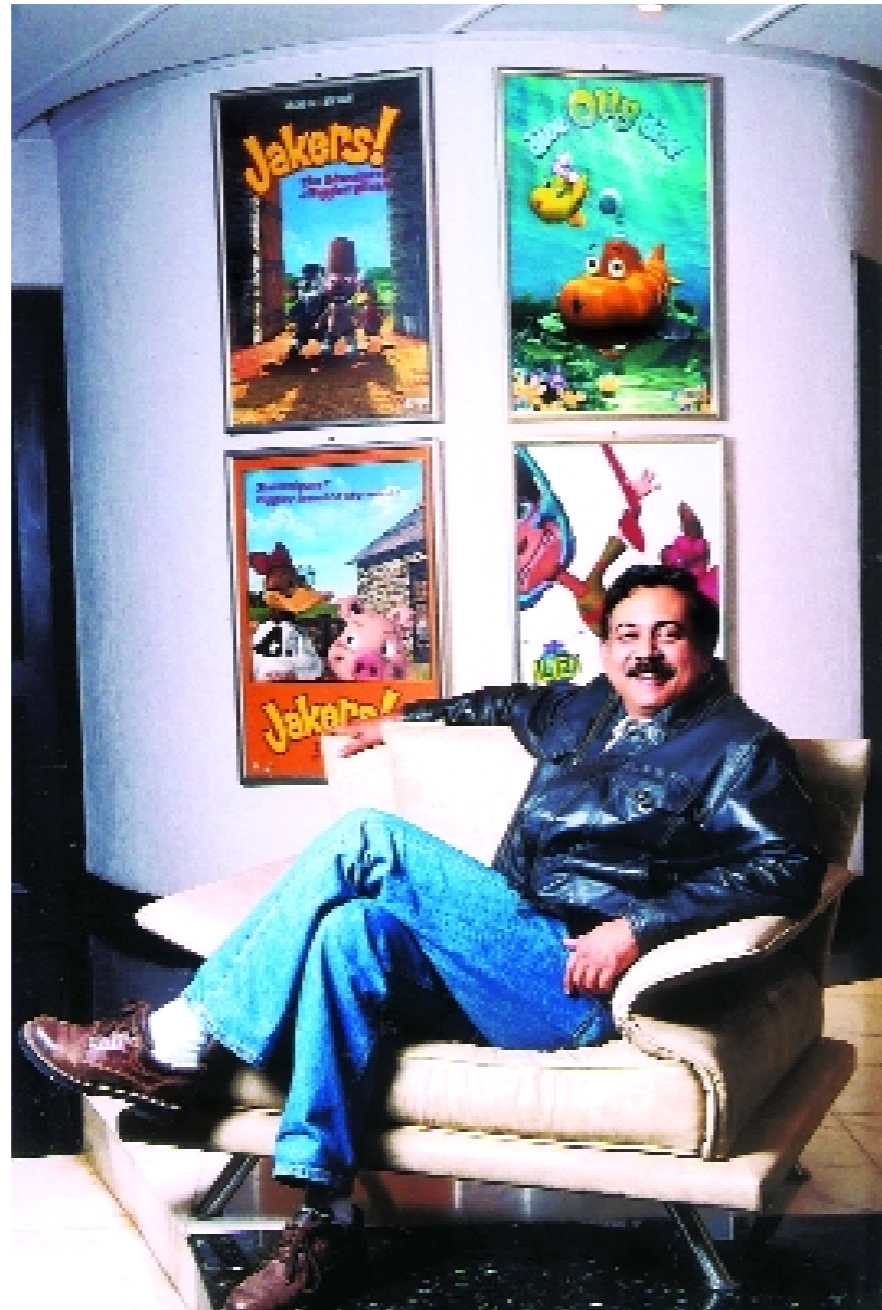
Crest's recent co-production, *Pet Alien*, with Mike Young Productions and a French company, has also received rave reviews from the czars of the US animation industry. After seeing it, Pixar's John Lasseter is known to have remarked, "The colours are rich, the designs are appealing, the characters are funny and the animation approximates feature quality (as in the *Incredibles*) on a television budget and schedule."

Though Crest is at the forefront, there are others as well who have made a mark

with prestigious assignments. Tata Elxsi's Visual Computing Lab, for example, designed the 'Liquid Gold' credits at last year's Oscars. A Bangalore-based gaming company, Dhruva Interactive, won global deals with Microsoft Games Studios to work on its latest releases, and with mobile handset vendor Nokia to develop Java-based games. Maya did Golden Eye, a 15-minute game, for Game Cinematics of the US, modelling, props and background for

the 26 episodes of *Monster by Mistake* made by a Canadian-Israeli company, DPSI. Similarly, Color Chips completed a 13-episode animation series for Benz Production of France and it is now working on a 26-episode TV series for a German production, BKN International AG.

All this of course may seem impressive, but what Indian studios have achieved thus far is to demonstrate skills. More has still to come. According to a NASSCOM survey,



TOP OF THE HEAP: Crest Animation's CEO, A K Madhavan says it's tough to gain market share



DEEP POCKETS WANTED: Maya Entertainment's Rajesh Turakhia believes financial backing and vision will spur the industry

the Indian animation industry is said to be worth between \$200 million and \$300 million but there is no scientific basis to these estimates. On the other hand, if one is to go by the web site, www.aidb.com/index.php, which lists animation companies all over the world, there are more than 200 animation studios in India.

Those that specialise in 3D animation work mainly on low-end special-effects projects. Only a few Indian studios can truly claim global clientele but even then, their revenues are modest. Crest, the largest among them, has a turnover of only \$8 million. Most others post turnovers of between \$3 million and \$5 million. They work mainly on the production side of the animation chain. But the leading firms seem to be growing at more than 100 per cent a year. Crest, on the other hand, after its acquisition of Rich Animation Studio in 2001, in the US, has positioned itself across the computer animation value chain spanning pre-production, production and post-production segments of 3D animation.

While there is no shortage of creative

THE NASSCOM FACTFILE

- ❖ Total revenues of the animation production services sector in India are estimated between \$200 million and \$300 million.
- ❖ During 2002 and 2004, 40 to 60 new animation studios were established.
- ❖ At least 70 studios are estimated to be active in television and feature film animation at present.
- ❖ Availability and incremental supply of animators continue to remain low relative to demand.
- ❖ Industry estimates the number of 3D animators to be between 3,000 and 4,000.

talent, the biggest hurdle to growth of animation firms is the acute shortage of trained animators. The industry needs 10,000 animators but only 3,000 are available. It took several years for Crest to build its animator strength to 270. And when Maya was raising its animator strength from five to 50, it found it so frustrating that it set up its own academy, Maya Academy of Advanced Cinematics. It now has 35 centres with 3,500 seats in India.

"What the industry needs at this juncture is independent institutes that can supply animators who are ready to go straight on production," says K Chandrashekhar, general manager of Visual Computing Labs at Tata Elxsi. "Without that it will fail to position itself as global destination for this kind of work." Turakhia admits Maya Academy trains students who can only be absorbed as trainees. But he says the academy is in talks for tie-ups with several universities in the US and Canada.

The capital intensive nature of the industry is an entry barrier. It costs between \$3 million and \$5 million to set up a mid-sized studio. The high investment to revenue ratio of 1:1.5 (in comparison to 1:3 for software) at this juncture of development daunts potential investors. But financial backing is crucial. "That's one reason why so many studios came up but only a few survive," says Turakhia.

But given the gumption, drive and talent, the Indian animation industry is bound to emerge as a major source for the world's entertainment business. It needs long-term financiers with a clear vision.