EXECUTIVE SUMMARY

ADVANTAGE INDIA

MARKET OVERVIEW AND TRENDS

PORTERS FIVE FORCES ANALYSIS

STRATEGIES ADOPTED

GROWTH DRIVERS

OPPORTUNITIES

SUCCESS STORIES

USEFUL INFORMATION

ENTERTAINMENT

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EXECUTIVE SUMMARY

Second largest TV market

- With household televisions increasing from 175 million in 2015 to 181 million in 2016, India is estimated to be the second largest television market, globally in 2016
- In 2016, television market is expected to generate a revenue of USD9.62 billion

One of the largest broadcasting market

- As of December 2015, India had one of the largest broadcasting industries in the world with approximately 847 private satellite television channels, 243 FM radio channels and 190 operational community radio networks.
- The Ministry of Information and Broadcasting (MIB) has already completed the second phase of digitisation, which involved digitising 10 million cable TV houses in 38 cities by April 1, 2013, while MIB has extended the deadline for Phase III & IV to December 2015 and December 2016, respectively.
- Total of 243 FM channels (21 from the Phase - I and 222 from Phase – II) are operational. The Ministry is planning to auction 1,000 new FM channels by the end of 2016. Under the phase III, the Cabinet has already given permission to 135 FM channels in 69 cities to operate

Rising no of subscribers

- Total subscriber base for Indian television industry is expected to increase to 187 million by 2019 from 106 million in 2010
- As of March 2016, registered DTH subscriber base in India stood at around 88.64 million, of which, active DTH subscriber base in the country was around 58.53 million

EXECUTIVE SUMMARY

Fast growing animation industry

- The Indian Animation and VFX industry is expected to grow from USD797 million in 2015 to USD909 million in 2016. Moreover, the industry is estimated to grow at a CAGR of 16.7 per cent during 2016-20 and reach to about USD1.68 billion by the end of 2020

Exceptional growth in film industry

- The Indian film industry in expected to grow to USD3.54 billion by 2020
- Digitalisation has played the major role in the growth of Indian film industry
- By 2019, cinema exhibition industry in India is expected to have over 3,000 multiplex screens

Advantage India

Robust demand
- Rising incomes and evolving lifestyles have led to higher demand for aspirational products and services
- Higher penetration and a rapidly growing young population coupled with increased usage of 3G, 4G and portable devices would augment demand

Attractive opportunities
- Entertainment Industry is set to expand at a CAGR of 14.50 per cent over 2016–20, one of the highest rates globally
- Television and AGV segments are expected to lead industry growth and offer immense growth opportunities in digital technologies as well.

2016E
Market Size: USD20.50 billion

2025P
Market Size: >USD62.2 billion

Increasing Investments
- From April 2000 to March 2016, FDI Inflows in Information & Broadcasting (including print media) sector reached USD4,977.02 million
- Increasing M&A activity
- More big-ticket deals such as Walt Disney-UTV, Sony-ETV and Zee-Star
- Entry of big players across all segment of industry

Policy support
- Policy sops, increasing FDI limits
- Measures such as digitisation of cable distribution to improve profitability and ease of institutional finance
- Increasing liberalisation and tariff relaxation
- In 2011, Indian Government passed the “The Cable Television Networks (Regulation) Amendment Act, 2011” for digitisation of cable television networks by 2015
ENTERTAINMENT MARKET OVERVIEW AND TRENDS
THE ENTERTAINMENT SECTOR IS SPLIT INTO NINE SEGMENTS

Note: VFX - Visual Effects
THE INDIAN ENTERTAINMENT INDUSTRY IS GROWING RAPIDLY

- In FY16, the Indian Media & Entertainment (M&E) industry is estimated to register a growth of 13.7 per cent over 2015 and reach USD20.5 billion, in value terms.

- During 2015-2020, the industry is expected to grow at a CAGR of 14.33 per cent from 2015-2020 with the market expected to reach to USD35.2 billion by 2020.

- The next five years will see digital technologies increase their influence across the industry leading to a sea change in consumer behaviour across all segments.

- The entertainment industry is projected to be more than USD62.2 billion by FY25.

Notes: Exchange rate for projections have been kept constant, for accuracy in values,
CAGR - Compound Annual Growth Rate,
P – Projected (USD1 = INR64.15)
The entertainment industry continues to be dominated by the television segment, with the segment accounting for 46.92 per cent of revenue share in 2016, which is expected to grow further to 48.56 per cent by 2020.

Television, print and films together are likely to account for 82.2 per cent of market share in 2016, in value terms.

Print media would be the 2nd largest sector in the overall entertainment industry in India, following which sectors of Gaming, Out of Home (OOH) & Radio are expected to contribute almost 2 per cent each to the entire industry by 2020.
TELEVISION, ONE OF THE LARGEST AND FASTEST GROWING SEGMENT

* In 2015, the television industry in India derived a major share of its revenue from subscription (66.6 per cent) & the rest from advertising segment (33.4 per cent)

* Nonetheless, the share of subscription in the overall revenue of the TV segment is expected to increase to 66.76 per cent by 2020

* In 2016, television market is expected to generate USD9.62 billion revenue

Note: E – Estimated, F – Forecast, TV – Television

For updated information, please visit www.ibef.org
Radio, animation & VFX, gaming and digital advertising are also emerging as fast growing segments.

During FY15-20, these segments are expected to increase at CAGRs of:

- Digital advertising (33.54 per cent)
- Gaming (13.86 per cent)
- Radio (16.94 per cent)
- Animation (16.15 per cent)

With increasing use of internet and other digital resources, Digital Advertising is expected to grow at the fastest rate among peers like print media, radio and outdoor advertising.
In 2015, total spending on advertising across all media across the entertainment industry in India stood at USD 7.4 billion, which is expected to touch USD 8.1 billion in 2016.

The Indian advertising industry is expected to grow at 13.3 per cent during 2016.

Print was the largest contributor, accounting for 39.9 per cent of the advertising share in 2015 and is projected to be 37.3 per cent in 2016.

Advertising revenue is expected to touch USD 16.3 billion by 2020, growing at a CAGR of 9.75 per cent between 2011 to 2020.

Print media & television together contributed for almost 78 per cent of total revenue from advertising in 2015, which is expected to reach about 75.7 per cent in 2016.

Television advertising is expected to generate a revenue of USD 3.13 billion in 2016.

Mobile advertising has emerged as the third largest advertising medium in India after television and print advertising. Spending on mobile advertising in India is expected to grow to USD 1.53 billion by the end of 2018.
Regional Entertainment channels comprising mostly of regional GECs (General Entertainment Channels), regional movies & regional music

GECs accounted for 29.6 per cent of the total television viewership share in 2015 followed by viewership of regional movies with 6.6 per cent

In print media, the rise in literacy rates, significant population growth, the rise in incomes in smaller towns & the entry of big players in regional markets is likely to drive future expansion of circulation and readership across India

Viewership in South India is dominant for regional entertainment as Tamil & Telugu channels together account for more than half of the total viewership. It is comparatively less for Oriya & Bhojpuri, which is equivalent to only 2 per cent each

### Key Players in the Entertainment Industry

<table>
<thead>
<tr>
<th>Television</th>
<th>Print</th>
<th>Films</th>
<th>Music</th>
</tr>
</thead>
<tbody>
<tr>
<td>Star India Pvt Ltd</td>
<td>Bennett, Coleman and Co Ltd</td>
<td>Yash Raj Films Studios</td>
<td>Saregama India Ltd</td>
</tr>
<tr>
<td>Zee Entertainment Enterprises Ltd</td>
<td>HT Media Ltd</td>
<td>Eros International Media Ltd</td>
<td>Super Cassettes Industries Ltd</td>
</tr>
<tr>
<td>Multi Screen Media Pvt Ltd</td>
<td>Living Media India Ltd</td>
<td>Red Chillies Entertainments Pvt Ltd</td>
<td>Tips Industries Ltd</td>
</tr>
</tbody>
</table>

Source: Company websites, Business Week, KPMG Report 2015, TechSci Research  
Note: M&E - Media and Entertainment  
For updated information, please visit www.ibef.org
NOTABLE TRENDS IN THE ENTERTAINMENT INDUSTRY … (1/3)

**Television**

- In 2016, television penetration in India reached to 64 per cent
- The government announced digitisation of cable television in India in 4 phases, which was slated for completion by the end of December 2016. Phase III was almost completed in December 2015, while Phase IV is expected to be completed by 31st March 2017.
- The Direct-To-Home (DTH) subscription is growing rapidly driven by content innovation & product offerings
- Television Industry has seen a tremendous growth (CAGR: 10.5 per cent) over the past 6 years (2010-16), growing from USD6.46 billion in 2010 to USD9.62 billion in 2016

**Print**

- The print industry is estimated to reach USD4.76 billion in 2016 & is expected to grow at a CAGR of 7.81 per cent between 2016-2020, with the market expected to reach USD6.43 billion by 2020
- Increasing income levels & evolving lifestyles have led to robust growth in niche magazines segment
- Considering the huge potential in regional print markets, national advertisers are entering these markets to increase their advertising share

*Notes: DTH - Direct to Home, 3D - Three Dimension, GoI – Government of India, C&S – Cable & Satellite*
NOTABLE TRENDS IN THE ENTERTAINMENT INDUSTRY … (1/3)

**Film**

- The Indian film industry is largest producer of films globally with 400 production & corporate houses involved in film production
- The revenues earned by the Indian film industry\(^1\) in 2016 would reach USD2.47 billion and are expected to further grow at a CAGR 9.4 per cent during 2016-2020. Increasing share of Hollywood content in the Indian box office and 3D cinema is driving the growth of digital screens in the country

**Animation, Gaming and VFX (AGV)**

- Growing focus on the 'kids genre' and rise in dedicated TV channels for them. As the advertising industry grows, the share of animation driven advertisements are expected to also grow
- Surge in 3D/HD animated movies in theatres and use of animation and VFX in TV advertising and gaming. Growing outsourcing of VFX and gaming to India is due to cost effectiveness of Indian players
- Content localisation such as T20fever.com, IPL, Khel Kabaddi, etc.
- AGV industry in India is expected to grow at a CAGR of 12.1 per cent to touch USD1.39 billion in 2016 from USD0.7 billion in 2010


Notes: DTH - Direct to Home, 3D - Three Dimension, GoI – Government of India, C&S – Cable & Satellite

\(^1\): India makes about 1,500 to 2,000 movies per year and it is considered to be the fastest country that makes movies as compared to other countries in 2015.
NOTABLE TRENDS IN THE ENTERTAINMENT INDUSTRY … (2/3)

Radio

- Increasing FM enabled phones and car music systems
- As of December 2015, 243 channels are operational in 86 cities in India. Further, 21 private FM channels were set up during Phase-I & an additional 222 channels were set up during Phase-II
- The GoI is planning to auction 1,000 new FM channels by the end of 2016. Liberalisation of policy on community radio took place in 2008 which led to 29 community radio stations getting operational in the country
- In 2016, the radio industry in India accounted for a market size of USD364.77 million, registering growth of CAGR 8.9 per cent during 2010–16

Out of Home and digital

- With increasing penetration of internet and digital mediums, digital segment is expected to outperform other sectors of entertainment
- Although Out-of-Home segment has a low contribution to the total of entertainment industry, in coming years it is going to witness a significant growth
- The market size for Out of Home (OOH) entertainment is anticipated to reach USD441 million by 2016

Notes: Phase I (Late 1990’s), Phase II (2006-07), Phase III (2015-ownwards), GoI – Government of India
• The music industry is on fast paced growth with increasing international associations. The Indian music industry is a consortium of 142 music companies.

• Players are looking at new ways & mediums to monetise music, such as utilising social media to promote music. Mobile phones, iPods & mp3 players – devices that enable music on-the-go – are becoming the primary means to access music.

• Digital music on mobile continues to drive music industry revenue & digital revenues are expected to reach USD321.12 million by 2020. Digital revenues contribute 55 per cent of the music industry & is expected to contribute close to 62 per cent by 2018.

Digital revenues for the music industry (2014)

- Digital: 55%
- Physical: 20%
- TV & Radio: 15%
- Public Performance: 10%


1: 2015-16
**MUSIC INDUSTRY**

- Music entertainment revenues is expected to touch USD321.12 million by 2020 from USD169.65 million in 2008, registering a growth of 5.5 per cent

- By 2020, the number of online music listeners in India will reach 273 million, while the digital music revenues is likely to cross USD507.7 million

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**Revenues for the music industry (USD Million)**

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<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>169.5</td>
<td>161.09</td>
<td>188.10</td>
<td>192.10</td>
<td>198.28</td>
<td>198.27</td>
<td>160.58</td>
<td>168.36</td>
<td>188.62</td>
<td>218.24</td>
<td>250.97</td>
<td>286.83</td>
<td>321.12</td>
</tr>
</tbody>
</table>
```

**Source:** KPMG, Economic Times, TechSci Research

**Notes:** Exchange rate for projections have been kept constant, for accuracy in values, E – Estimate, P – Projected
PORTERS FIVE FORCES ANALYSIS

ENTERTAINMENT
## ENTERTAINMENT

### PORTERS FIVE FORCES ANALYSIS

<table>
<thead>
<tr>
<th>Competitive Rivalry</th>
<th>Threat of New Entrants</th>
<th>Substitute Products</th>
<th>Bargaining Power of Suppliers</th>
<th>Bargaining Power of Customers</th>
</tr>
</thead>
</table>
| • Highly fragmented industry that is no single enterprise has large enough share to influence the entire sector  
• High fixed costs and highly perishable products | • High sunk costs are involved  
• High capital requirements  
• Access to distribution is difficult | • Film industry, print media & internet  
• Significant sporting events like World Cup, T20, etc & other cultural events | • The number of suppliers is very high which leads to the low bargaining power with them  
• Increasing number of content providers | • Increased globalisation  
• Consumers loyalty towards one channel is less, as variety of alternative sources of entertainment is available |

Source: TechSci Research

For updated information, please visit [www.ibef.org](http://www.ibef.org)
**STRATEGIES ADOPTED**

**Viewership in regional entertainment**
- Regional entertainment is growing & therefore, the suppliers are able to expand their forte in the products
- Zee Television, Star TV have their regional channels both for entertainment & news
- The South Indian television industry is one of the oldest operational television sectors across the nation & is further growing due to the regional content

**Marketing strategies**
- The manufacturing companies such as Videocon is offering combo deals such as LED/LCD sets with Videocon set-up boxes and dish services
- The Dish TV is also offering the set up boxes with many additional channels
- Increasing digitisation in the country is helping such companies to further add up to their revenues

**Television: A common medium**
- As television industry is a dominant segment in the entertainment industry even the film makers promote their films at this platform so as to reach to the mass audiences for example the reality shows, TV advertisements, etc
- Many film producers, actors, etc have shifted to the television industry so as to remain in the race & maintain their fan following
- TV programmes being used as a medium of promoting films or other entertainment events

**Audience: the ultimate consumer**
- Audience is the ultimate consumer in this industry & therefore films, advertisements, music & all the products of entertainment sector is based on the tastes & preferences of the audiences of the nation

*Source: TechSci Research*
ENTERTAINMENT

GROWTH DRIVERS
ENTERTAINMENT

STRONG DEMAND AND POLICY SUPPORT DRIVING INVESTMENTS

Growing demand
- Higher real incomes and changing lifestyles
- Falling prices, increasing penetration
- Growing young user base with high access to technology

Policy support
- Policy sops, favourable FDI climate
- Policies to enhance growing segments like animations and gaming
- Increasing liberalisation, tariff relaxation

Innovation
- Expanding production and distribution facilities in India
- Use of modern technology
- Providing support to global projects from India

Increasing investments
- Inflow of FDI in sector
- Increasing domestic investment
- Expansion by existing big companies in the sector

Source: TechSci Research
Incomes have risen at a brisk pace in India & will continue rising given the country’s strong economic growth prospects. Nominal per capita income have recorded a CAGR of 8.87 per cent over 2000–15

Rising incomes, with its positive impact on the consumer base, will be the key growth driver for the entertainment industry (across the country)

As the proportion of ‘working age population’ in total population increases, GDP is expected to grow higher

Per capita income is expected to expand at a CAGR of 5.6 per cent for the period 2010-20

Rising per-capita income in India (USD)

Notes: E – Estimated   F – Forecast

MULTIPLE FACTORS WILL DRIVE GROWTH IN DEMAND … (1/2)
Apart from the impact of rising incomes, widening of the consumer base will also be aided by expansion of the middle class, increasing urbanization & changing lifestyles.

The entertainment industry will also benefit from continued rise in the propensity to spend among individuals; empirical evidence points to the fact that decreasing dependency ratio leads to higher discretionary spending on entertainment.

Traditionally only advertising has been a key source of revenue for Media & Entertainment industry, but off late revenue from subscription & value added services has also contributed significantly. With consumers willing to pay for content & extra services, the subscription segment will play an important role in the post digitisation era.

Indian residents shifting from low-income to high-income groups

Million Household, 100%

<table>
<thead>
<tr>
<th>Year</th>
<th>Income Segment</th>
<th>2015</th>
<th>2020E</th>
<th>2030E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Globals(&gt;22065.3)</td>
<td>244</td>
<td>273</td>
<td>322</td>
</tr>
<tr>
<td></td>
<td>Strivers(11032.7-22065.3)</td>
<td>30%</td>
<td>26%</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>Seekers(4413.1-11032.7)</td>
<td>43%</td>
<td>40%</td>
<td>32%</td>
</tr>
<tr>
<td></td>
<td>Aspirers(1985.9-4413.1)</td>
<td>23%</td>
<td>25%</td>
<td>29%</td>
</tr>
<tr>
<td></td>
<td>Deprived(&lt;1985.9)</td>
<td>3%</td>
<td>6%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Notes: E:Estimated
ENTERTAINMENT

POLICY SUPPORT AIDING SECTOR GROWTH … (1/2)

Television

• Digitisation of the cable distribution sector to attract greater institutional funding, improve profitability & help players improve their value chain
• FDI limit for DTH satellite and digital cable network was raised from 74 per cent to 100 per cent by the government
• No restriction on foreign investment for up-linking & downlinking of TV channels other than news & current affairs

Film

• Co-production treaties with various countries such as Italy, Brazil, UK & Germany to increase the export potential of the film industry
• Granted ‘industry’ status in 2001 for easy access to institutional finance
• FDI upto 100 per cent through the automatic route has been granted by government
• Entertainment tax to be subsumed in the GST; this would create a uniform tax rate regime across all states & will also reduce the tax burden

Radio

• FDI limit in radio, including private FM channels have been increased from 26 per cent in 2015 to 49 per cent
• Private operators allowed to own multiple channels in a city, subject to a limit of 40 per cent of total channels in the city
• Private players allowed to carry news bulletins of All India Radio
• Further boost may be given to the radio sector by charging license fees on the basis of ‘net income’ so as to provide relief to loss making radio players

Source: TechSci Research,
Notes: FDI – Foreign Direct Investment, FII – Foreign Institutional Investors
For updated information, please visit www.ibef.org
**Print**

- FDI/NRI investment of up to 26% in an Indian firm dealing with publication of a newspaper and periodicals.
- FDI/NRI investment of up to 26% in publications of Indian editions of foreign magazines.
- FDI/NRI investment of up to 100% in publications of scientific and technical magazines/specialty journals/periodicals.

**Music**

- Parliamentary approval on the Copyright Act (Amendment) Bill, 2012, which strengthens the royalty claims of musicians, lyricists, and others in the field.
- Policies are adopted against digital piracy and file-sharing; steps have been taken to block illegal music websites.
- Adoption of revenue sharing model by Copyright Board requiring FM radio companies to share 2.0% per cent of their net advertising revenues with music companies.

**Animation, Gaming and VFX (AGV)**

- 100% FDI allowed in the sector through automatic route provided it is in compliance with Reserve Bank of India guidelines.
- The government has carved out a National Film Policy to tap the potential of the film sector mainly for the animation segment.
- State-level initiative by governments to encourage animation industry. For example: Visual effects community in Bengaluru.

**Goods and Services Tax**

- GST Bill would introduce a nationwide goods and services tax through which multiplexes would be able to evade 27% tax on ticket sale. It further states that, multiplexes would pay a GST tax to the federal government as well.

In December 2011, the Indian Government passed ‘The Cable Television Networks (Regulation) Amendment Act’ for 3rd phase of digitisation of cable television networks by 2015.

The Information Broadcasting (I&B) Ministry completed the 2nd phase of digitisation, which involved digitising 16 million cable TV houses in 38 cities by April 1, 2013 & aims to complete the 3rd phase of digitisation which includes all other urban areas (municipal corporations/ municipalities) by December 2015. The rest of the country is likely to be covered by March 2017 under phase 4 of digitisation. The digital subscribers are expected to outdo the analog subscribers by 2013-14

The cable operators under the digitisation regime are legally bound to transmit only digital signals, while the customer can access the subscribed channels through a set-top box.

The number of active DTH subscribers in India is expected to increase from 58.53 million in March 2016 to 79 million by 2020.

USD 81.2 million has been allocated for launching a pan-India programme named ‘Digital India’ & a national rural internet & technology mission for services in villages & schools, training in IT skills & e-kranti for government service delivery & governance scheme.

In its cable segment, Hathway, has launched an on-demand special feature, which helps the customers to look for additional services such on demand blockbusters movies, music videos, devotional & animated content.

### Status of digitisation

<table>
<thead>
<tr>
<th>Phase</th>
<th>Parliamentary approval for analogue shutdown</th>
<th>Digitisation including DTH</th>
<th>Gross billing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1</td>
<td>June -12</td>
<td>&gt;90% (100% excluding Chennai)</td>
<td>Started in Delhi in January 2014; Mumbai &amp; Kolkata expected to start in Feb-March 2014</td>
</tr>
<tr>
<td>Phase II</td>
<td>March-13</td>
<td>&gt;95%</td>
<td>Completed in March 13</td>
</tr>
<tr>
<td>Phase III</td>
<td>December -15</td>
<td>~50%</td>
<td>Expected to complete by December 2015 (exception of 15 states &amp; cities)</td>
</tr>
<tr>
<td>Phase IV</td>
<td>December- 16</td>
<td>~25%</td>
<td>Expected to complete by March 2017</td>
</tr>
</tbody>
</table>

**Advantages of Digitisation**

- Higher consumer preference, which lacked in the former Conditional Access System (CAS)
- Consumers will be able to select content of their choice as well as indefinitely store and access digital content
- The digital platform in films also includes the ‘video-on-demand’ feature on television
- Higher transparency; subscriber declaration level is expected to increase to 100 per cent under post-digitisation regime as compared to 15–20 per cent as declared by Local Cable Operators (LCOs) to Multiple System Operators (MSOs).
- The digital segment in India’s media & entertainment industry is set to cross USD 3208.07 million by 2020. This offers a huge opportunity for expansion of digital sector in India’s media & entertainment industry.

<table>
<thead>
<tr>
<th>Stake-holder revenues share</th>
<th>Pre-digitisation</th>
<th>Post-digitisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer ARPU</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Local Cable Operators (LCOs)</td>
<td>65–70</td>
<td>35–50</td>
</tr>
<tr>
<td>Distributor</td>
<td>5</td>
<td>0–5</td>
</tr>
<tr>
<td>Multiple System Operators (MSOs)</td>
<td>15–20</td>
<td>25–30</td>
</tr>
<tr>
<td>Broadcaster</td>
<td>10–15</td>
<td>30–35</td>
</tr>
</tbody>
</table>

*Source: Digital Dawn, KPMG Report 2015, TechSci Research*

ARPU- Average Revenue Per User
* Presence of analog cable & higher contribution has led to lower Average Revenue Per User (ARPU) level, which is around USD3.4 for a digital pay television

* However, with higher scope of introduction of new and niche channels with digitisation, ARPU levels are expected to increase in the coming years

* ARPU for DTH subscribers has seen an increase of around 12-15 per cent in 2014. The more promising trend is that DTH operators are able to increase collections from customers by providing additional services such as HD channels, premium channels & other value added services.

* HD adoptions continues to drive ARPU growth for DTH players with the average ARPU of a HD subscribers at ~1.5 to 2 times more the ARPU of non HD subscribers.

* Digital cable on the other hand, has not seen any significant ARPU increases as compared to the DTH ARPU. For digital cable, deployment of different channel packages will be the key driver to raise ARPUs

* Total number of DTH subscribers, as of 31st March 2016, stood at around 88.64 million, of which 58.53 million were active subscribers

Notes: E – Estimate, F - Forecast
Consolidation will be the major route to grow inorganically for entertainment companies in order to expand their portfolios and enter into new regions.

- Dentsu acquired 80 per cent stake in Webchutney, a digital marketing company.
- News Corp exited its non-core businesses in India by selling its investment in Star News (stake acquired by the ABP Group) and Hathway Cable & Datacom (stake acquired by Providence Equity Partners).
- In December 2015, HT Digital Media Holdings Limited invested in Planet GoGo, a mobile focused content aggregator company.
- Cumulative FDI inflows into Information & Broadcasting (Including Print Media) reached USD4.98 billion during April 2000-March 2016.
- In 2016, government agencies undertook major steps for the development of Media and Entertainment industry. The FDI limit in cable TV and DTH has increased to 49 per cent through automatic route, and beyond that through government approval.

**Trends of Investment in M & A (Volume & Value)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Deals</th>
<th>Value of Deals (USD Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>42</td>
<td>1017</td>
</tr>
<tr>
<td>2012</td>
<td>36</td>
<td>1541</td>
</tr>
<tr>
<td>2013</td>
<td>26</td>
<td>224</td>
</tr>
<tr>
<td>2014</td>
<td>61</td>
<td>2380</td>
</tr>
<tr>
<td>2015</td>
<td>57</td>
<td>1201</td>
</tr>
</tbody>
</table>


Notes: M&A – Mergers & Acquisitions
## ENTERTAINMENT

### INCREASING INVESTMENTS IN THE SECTOR - KEY DEALS AND FDI INFLOWS … (2/3)

<table>
<thead>
<tr>
<th>Acquirer</th>
<th>Target name</th>
<th>Date</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eros International Media Ltd</td>
<td>Puja Entertainment</td>
<td>June 2016</td>
<td>NA</td>
</tr>
<tr>
<td>Sony Pictures Networks India Pvt. Ltd. (SPN)</td>
<td>9X Media Pvt. Ltd.</td>
<td>April 2016</td>
<td>USD33 million</td>
</tr>
<tr>
<td>PVR</td>
<td>DT Cinemas</td>
<td>May 2016</td>
<td>USD81.89 million</td>
</tr>
<tr>
<td>Zee Entertainment</td>
<td>Sarthak TV</td>
<td>July 2015</td>
<td>USD18.83 million</td>
</tr>
<tr>
<td>Viacom Inc.</td>
<td>Prism TV</td>
<td>July 2015</td>
<td>USD153 million</td>
</tr>
<tr>
<td>Carnival Films Private Limited</td>
<td>BIG Cinemas</td>
<td>December 2014</td>
<td>USD111 million</td>
</tr>
<tr>
<td>Prime Focus Ltd</td>
<td>Reliance media Work ltd.</td>
<td>July 2014</td>
<td>USD61 million</td>
</tr>
<tr>
<td>Dainik Jagran group</td>
<td>Radio City</td>
<td>June 2015</td>
<td>USD60 million</td>
</tr>
<tr>
<td>Zee Media Corporation (ZMCL)</td>
<td>Reliance Broadcast Network (RBNL)</td>
<td>November 2016</td>
<td>USD237.79 million</td>
</tr>
</tbody>
</table>

* In November 2016, Zee Media Corporation (ZMCL) announced its plans to acquire 49 per cent of radio business of Reliance Broadcast Network (RBNL) for USD 237.79 million. Zee Entertainment Enterprises (ZEEL) would be buying TV Business of Reliance Capital for USD 44.57 million
* In April 2016, Sony Pictures Networks India signed the letter of intent to acquire 9X Media. The deal is worth USD 33 million
* In July 2015, media firm Zee Entertainment Enterprises Limited (ZEEL) acquired 100 per cent stake of Sarthak TV for an all cash deal which is valued at USD 18.83 million
* In May 2015, PVR acquired DLF’s DT Cinemas at a deal value of USD 81.89 million
FDI inflows into the entertainment sector during April 2000 to March 2016 rose up to USD 5 billion.

As of March 2016, the share of FDI in ‘Information and Broadcasting’ was 1.73 per cent of total FDI inflows into the country.

Demand growth, supply advantages and policy support are the key drivers in attracting FDI.

In 2015 admissions were at an estimated 2.04 billion, and in 2020 are predicted to be at 2.80 billion, rising at a 6.6 per cent CAGR.

Box office revenue in India, which stood at USD 1.64 billion in 2015, is expected to increase to USD 2.74 billion by 2020, exhibiting a CAGR of 10.9 per cent.

Cumulative FDI inflows into Information and Broadcasting from April 2008 - March 2016 (USD billion)

Source: Department of Industrial Policy and Promotion (DIPP), TechSci Research
ENTERTAINMENT

OPPORTUNITIES
GAMING IN INDIA AND OPPORTUNITIES FOR DOMESTIC FIRMS

- Gaming can be classified under 4 segments – ‘Personal Computer Games (PC)’, ‘Mobile Games’, ‘Console Games’ & ‘Online Games’. The growth is driven by rising younger population, higher disposable incomes, introduction of new gaming genres & the increasing number of smartphone & tablet users.
- The mobile gaming industry in India was estimated at about USD 416 million in 2015 & is projected to witness a CAGR of 42.35 per cent (2015-2018).
- The Indian digital gaming market is estimated to grow from USD 413.1 million in 2015 to USD790.34 million by 2020.
- Incentives provided by state governments, for units in SEZ, as specified in ‘Union Budget 2016’, to encourage gaming & animation industry.
- Disney India entered into an agreement with 9Apps (a part of Alibaba Group) to host & promote over 300 popular mobile games from its gaming catalogue.
- In January 2017, mobile games distributor, Gamesbond, tied up with Vietnam-based – StomStudio, for launching a series of casual arcade games, to be published under Gamesbond brand on google play, apple store & various OEM channels.

<table>
<thead>
<tr>
<th>Opportunities¹ for Indian gaming firms across the segment’s value chain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concept creation</td>
</tr>
<tr>
<td>Console</td>
</tr>
<tr>
<td>Mobile</td>
</tr>
<tr>
<td>PC</td>
</tr>
<tr>
<td>Online</td>
</tr>
</tbody>
</table>


Notes: ¹We have portrayed the intensity of opportunities in each segment based on the extent of Indian players’ current presence in that segment. ²As of September 2016.
The share of digital cable as well as Pay DTH service providers is expected to increase post-digitisation.

Total DTH subscribers have increased by around 18 per cent from 50 million in 2014 to 39 million in 2015, driven largely by increase in HD channels, premium channels and value added services.

Total subscription for DTH is expected to increase to 101 million subscribers by 2020 from 59 million in 2015.

Total subscription for Digital is expected to increase to 90 million subscribers by 2020 from 37 million in 2015.

DTH industry revenues will reach USD5.3 billion by 2020. Revenue growth will be largely driven by increasing subscriber volumes.

Notes: P-Projected
### Television
- Television industry is expected to grow at CAGR of 28.3 per cent during 2016-2020, increasing from USD 9.62 billion in 2016¹ and reaching USD 26.1 billion by 2020
- Television is projected to garner over 46 per cent of media and entertainment by the end of 2016 (as addressable digitisation is expected to cover the entire country by then)

### Animation & VFX
- The Indian animation industry was worth USD 796.6 billion in 2015 and is expected to expand at a CAGR of 16.1 per cent to USD 1.68 billion by 2020
- Growth in international animation films, especially 3D productions and the subsequent work for Indian production houses will help the growth in this segment
- Animation, Gaming & VFX industry is expected to reach USD 1.39 billion in 2016¹

### Print
- The print industry was worth USD 4.42 billion in 2015 and with a CAGR of 7.8 per cent for 2015-2020, it is expected to reach USD 6.43 billion by 2020
- Accelerated growth is forecasted in regional print and local news segments
- Print industry will reach USD 4.76 billion in 2016¹


*Notes: 2016¹ – Estimated figure from January 2016 to December 2016*
Film

• Size of the Indian film industry is expected to touch USD 3.54 billion by 2020, up from USD2.23 billion in 2015 at a CAGR of 9.7 per cent
• Increasing digital screens and 3D films are expected to help industry growth
• In order to promote India as a location destination for foreign production houses, the government is setting up a single window clearance system for shooting permissions
• To promote joint productions, co-production agreements have been signed with Italy, Germany, Brazil, UK, France, New Zealand, Poland, Spain & Canada

Radio

• Size of the Indian radio industry is expected to reach USD 675 million by 2020, up from USD 364.77 million in 2016¹
• Phase III of e-auctions for FM radio licenses will provide an impetus to the segment
• Radio advertising is another area likely to experience accelerated growth

Music

• Size of the music industry is expected to grow to USD 321.12 million by 2020, up from USD 188.62 million in 2016²
• Mobile VAS and arrival of 3G are likely to lead to a surge in paid digital downloads
• Phase III radio licensing will also help in increasing music revenues from radio

Online Streaming Services

• Recent investment of USD 3 billion was made by Amazon.com Inc., focusing primarily on the establishment of their online streaming service, Amazon Prime, in the country.

Notes: 2016¹ – Estimated figure from January 2016 to December 2016
UTV - ONE OF THE LARGEST MEDIA CONGLOMERATES

- Interactive
- Broadcasting
- Games content
- Motion pictures
- Television content

1985-90: Started as a content provider for Doordarshan
2000: Ventured into internet content creation and aggregation
2003: Launched IPO as UTV Software communications Ltd
2007: Deal with Disney to dub its content into Indian languages
2009: Disney becomes a majority shareholder with a stake of 99.7%
2005: Launched Hungama TV
2012: Became world’s first company to record over 100 million downloads on Nokia store
2013: Acquires Indiagames Ltd, enters gaming software and content
2014: Became number one company in mobile gaming
2015:

Source: Company Annual Reports, TechSci Research

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SUN TV: THE SOUTH-INDIAN BEHEMOTH

- Founded as Sumangali Publications
- ‘SUN TV’ is launched with daily three hours of programming
- Starts its first FM Channel ‘Sumangali FM’
- Launches a slew of other channels in various South Indian languages
- Launches SUN Direct to provide DTH services
- Collaborated with iTunes, YouTube
- Tamil GEC genre is topped by Sun TV with 1092231 Rat (000s) on 23rd October, 2015
- Launches four channels for age group 4-14 in different regional languages
- Enters Film Production and Distribution through ‘SUN Pictures’
- Acquires Dinakaran newspaper, Tamil Nadu’s leading daily
- Launches three pay channels and four ad-free action movie channels

Source: Company website, TechSci Research
Note: GEC-General Entertainment Channels; Rat- ratings

FEBRUARY 2017
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Dish TV – ON A HIGH GROWTH PHASE

- Dish TV is Asia's largest and India's first direct-to-home or commonly known as DTH company.
- Dish TV India Limited, a division of Zee Network Enterprise (Essel Group Venture) provides DTH satellite television.
- Dish TV ranks 5th on the list of media companies in the Fortune India 500.
- The company’s revenue rose from USD 228.78 million in FY10 to USD 340.30 million in FY16.
- During FY10-16, the company’s annual revenue rose at a CAGR of almost 6.8 per cent.

Dish TV revenues (USD million)

Source: Company website, moneycontrol.com, TechSci Research
ENTERTAINMENT

USEFUL INFORMATION
Indian Motion Picture Producers’ Association (IMPPA)
"IMPPA HOUSE", Dr Ambedkar Road, Bandra (West), Mumbai - 400 050
Tel: 91-22-26486344/45/1760
Fax: 91-22-26480757
Website: www.indianmotionpictures.com/imppa/index.html

The Film and Television Producers Guild of India
G-1, Morya House, Veera Industrial Estate,
Off Oshiwara Link Road, Andheri (W), Mumbai - 400 053
Tel: 91-22-66910662
Fax: 91-22-66910661
E-mail: guild@filmtvguildindia.org
Website: www.filmtvguildindia.org

Newspapers Association of India (NAI)
A -115, Vakil Chamber, Top Floor, Vikas Marg, Shakarpur, Delhi - 110092
Tel: 91-9971847045, 9810226962
E-mail: contact@naiindia.com
Website: www.naiindia.com
Association of Radio Operators for India (AROI)
304, Competent House, F-14, Connaught Place, New Delhi - 110001
Tel: 91- 124-4385887
e-mail: info@aroi.in
Website: www.aroi.in

The Indian Music Industry (IMI)
Crescent Towers, 7th Floor
B-68, Veera Estate, Off New Link Road, Andheri West, Mumbai - 400 053
Tel: 91-22- 26736301 / 02 / 03
Fax: 91-22-26736304
E-mail: sudhir@indianmi.org
Website: www.indianmi.org
**AGV**: Animation, Gaming and VFX

**ARPU**: Average Revenue Per User

**CAGR**: Compound Annual Growth Rate

**DIPP**: Department of Industrial Policy and Promotion, Ministry of Commerce and Industry

**DTH**: Direct to Home

**FDI**: Foreign Direct Investment

**FM**: Frequency Modulation

**FY**: Indian Financial Year (April to March)

- So FY10 implies April 2009 to March 2010

**GST**: Goods and Service Tax

**IPO**: Initial Public Offering

**M&A**: Merger and Acquisition
GLOSSARY … (2/2)

* **M&E**: Media and Entertainment
* **PPP**: Purchasing Power Parity
* **USD**: US Dollar
* **VAS**: Value Added Services
* **VFX**: Visual Effects
* Wherever applicable, numbers have been rounded off to the nearest whole number
### Exchange rates (Fiscal Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>INR equivalent of one USD</th>
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<tbody>
<tr>
<td>2004–05</td>
<td>44.81</td>
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<tr>
<td>2005–06</td>
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<td>45.14</td>
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<td>2007–08</td>
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<td>2009–10</td>
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<td>2010–11</td>
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<td>2012–13</td>
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<td>2013–14</td>
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<td>2014–15</td>
<td>61.06</td>
</tr>
<tr>
<td>2015–16</td>
<td>65.46</td>
</tr>
<tr>
<td>2016-17 (E)</td>
<td>66.95</td>
</tr>
</tbody>
</table>

### Exchange rates (Calendar Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>INR equivalent of one USD</th>
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<tbody>
<tr>
<td>2005</td>
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<tr>
<td>2006</td>
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<td>45.72</td>
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<td>2015</td>
<td>64.15</td>
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<tr>
<td>2016 (Expected)</td>
<td>67.22</td>
</tr>
</tbody>
</table>

Source: Reserve bank of India, Average for the year

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