

Indian Media & Entertainment industry to achieve growth of 11.8 percent in 2013 and touch INR 917 billion

says FICCI – KPMG report

Overall growth of 12.6 percent from INR 728 billion in 2011 to INR 820 billion in 2012

Mumbai, March 7, 2013: The Indian M&E industry grew from INR 728 billion in 2011 to INR 820 billion in 2012, registering an overall growth of 12.6 percent. While, 2012 was a challenging year for the industry, with some improvement likely in the global economy in 2013 and India's real GDP expected to be in the region of 6.1% to 6.7%, the prognosis for the Industry looks much better going forward. Given the impetus introduced by digitization, continued growth of regional media, upcoming elections, continued strength in the film sector and fast increasing new media businesses, the industry is estimated to achieve a growth of 11.8 percent in 2013 to touch INR 917 billion. Going forward, the sector is projected to grow at a healthy CAGR of 15.2 percent to reach INR 1661 billion by 2017, says the *FICCI – KPMG Media & Entertainment 2013* report.

Television continues to be the dominant segment; however, the report records strong growth posted by new media sectors, animation/ VFX and a comeback in the **Films and Music** sectors on the back of strong content and the benefits of digitization. **Radio** is anticipated to see a spurt in growth at a CAGR of 16.6 percent over the period 2012-2017, post the rollout of Phase 3 licensing.

Total advertising spend across media was INR 327.4 billion in 2012. In light of continued economic slowdown, advertising revenues saw a growth of 9 percent in 2012 as against 13 percent in 2011 and 17 percent in 2010. Print continues to be the largest beneficiary, accounting for 46 percent of the advertising pie at INR 150 billion.

Overall Industry Size and Projections:

| Overall industry size (INR Billion) (For Calendar Years) | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Growth in 2012 over 2011 | 2013P | 2014P | 2015P | 2016P | 2017P | CAGR (2012-2017) |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------------------|--------------|---------------|---------------|---------------|---------------|------------------|
| TV | 211.0 | 241.0 | 257.0 | 297.0 | 329.0 | 370.1 | 12.5% | 419.9 | 501.4 | 607.4 | 725.0 | 847.6 | 18.0% |
| Print | 160.0 | 172.0 | 175.2 | 192.9 | 208.8 | 224.1 | 7.3% | 241.1 | 261.4 | 285.6 | 311.2 | 340.2 | 8.7% |
| Films | 92.7 | 104.4 | 89.3 | 83.3 | 92.9 | 112.4 | 21.0% | 122.4 | 138.3 | 153.6 | 171.7 | 193.3 | 11.5% |
| Radio | 7.4 | 8.4 | 8.3 | 10.0 | 11.5 | 12.7 | 10.4% | 14.0 | 15.4 | 18.7 | 22.7 | 27.4 | 16.6% |
| Music | 7.4 | 7.4 | 7.8 | 8.6 | 9.0 | 10.6 | 18.1% | 11.6 | 13.1 | 15.3 | 18.3 | 22.5 | 16.2% |
| OOH | 14.0 | 16.1 | 13.7 | 16.5 | 17.8 | 18.2 | 2.4% | 19.3 | 21.1 | 23.0 | 25.0 | 27.3 | 8.4% |
| Animation and VFX | 14.0 | 17.5 | 20.1 | 23.6 | 31.0 | 35.3 | 13.9% | 40.6 | 46.9 | 54.2 | 63.1 | 73.5 | 15.8% |
| Gaming | 4.0 | 7.0 | 8.0 | 10.0 | 13.0 | 15.3 | 17.7% | 20.1 | 23.8 | 30.9 | 36.2 | 42.1 | 22.4% |
| Digital Advertising | 4.0 | 6.0 | 8.0 | 10.0 | 15.4 | 21.7 | 40.9% | 28.3 | 37.1 | 48.9 | 65.1 | 87.2 | 32.1% |
| Total | 514.5 | 579.8 | 587.4 | 651.9 | 728.4 | 820.5 | 12.6% | 917.4 | 1058.5 | 1237.5 | 1438.4 | 1661.1 | 15.2% |

Speaking about the findings of the report, **Mr. Uday Shankar, Chairman, FICCI M&E committee** said, “2012 has been one of the toughest years in recent times. But it has also been a landmark year for the media and entertainment sector with significant progress in all verticals: the signs are already evident that digitalization will fundamentally change broadcasting, films have scaled-up their ambitions, and radio and print continue to defy global trends. If anything, 2013 promises to be even more disruptive. I am certain that the insights and findings from this report will provide a comprehensive and useful lens for all of us in the industry.”

According to **Mr. Jehil Thakkar, Head of Media and Entertainment, KPMG in India**, “2012 though a challenging year for the M&E industry, was a year in which important foundations for future growth were laid. The advertising environment went through one of the toughest years in the last decade. However, the implementation of digitization, the stellar performance of the film industry backed by excellent content and digital distribution, the continued growth in regional print and the momentum in new media and the announcement of Phase 3 radio implementation have all finally provided the needed platform to boost the Indian Media & Entertainment industry.”

Key trends and themes for growth

Digitization of film and TV distribution infrastructure

Digitization of distribution has brought in the promise of more sustainable and profitable business models across media sectors. It has enabled the films sector to make a comeback this year. The industry has achieved 77 per cent digitization of screens and expects to be close to 100% digitized in the next 18 months to 2 years. These developments have resulted in increased ability to invest in differentiated content, marketing, and wider releases – all contributing to greater audience engagement and unprecedented box office success across big and small budget movies alike. Overall, digital technology is expected to drive the M&E sector’s growth in a challenging macro environment, by spurring on end-user spending and transparency.

Growth in new media

The rapid increase in mobile and wireless connections continues to drive the growth of internet penetration in India. With better access, through cheaper and smarter devices, audiences (especially the youth) are consuming more content and are getting increasingly engaged.

Key beneficiaries are emerging new media segments, which include internet advertising, online classifieds, and gaming, all of which are on a rapid growth path. Going forward, better uptake of 3G connections and the beginnings of the 4G rollout are expected to spur growth further.

With traditional media still going strong

India remains a growth market for 'traditional' media evidenced by the growth last year in TV audiences, radio listenership, and footfalls in theatres. India is an outlier country where print is still a growth market. There is growing overseas demand for quality Indian animation/VFX work at affordable pricing.

Traditional media is also increasingly offered on new media platforms. The need of the hour, of course, is the development of models for broader reach and monetization of audiences for traditional media content on these new media platforms

Greater sophistication of and segmentation in content

TV digitization is likely to be a great catalyst for greater diversity and niche television programming. Digitization is expected to improve broadcast economics significantly which in turn, could drive more investments in production quality, niche and targeted genres of content/packaging in the medium term.

Phase 3 licensing and anticipated provisions for permitting multiple frequencies in a city, would encourage investments in differentiated content for the Radio sector. Internet and mobile platforms are a cost effective enabler to reach diverse audience segments with tailored content. The Indian audiences could look forward to more targeted and engaging content in the medium term.

Regional markets remain key centers of growth

Advertisers continue to see higher growth in consumption from key regional markets. Hence regional media continues on a strong growth trajectory especially in the print and television sectors. Key media players are focusing on cherry picking acquisitions and expanding their presence in regional markets based on higher rates of advertising revenue growth, and better insulation from the slowdown than in metros, which may be close to saturation in many cases.

Examples in print include the launch of Ei Shomoy – a Bengali paper by Bennet Coleman and the acquisition of Nai Duniya by the Jagran Group

Many film studios are building a regional films pipeline. Reliance Big Pictures, Disney UTV Motion Pictures and Eros International are increasingly investing in the regional space. Hollywood films are expanding revenue potential by dubbing across regional languages such as Tamil and Telugu.

Coming LIVE to you...

With changing lifestyles, there is an increase in media consumed out of home. Brands are also increasingly keen to connect with consumers via 'experiences' to ensure greater recall and amplification of brand values. Activations/events are now increasingly a key facet of Radio and Print media solutions.

Live music events/festivals have been successful in attracting widespread audiences and engaging youth across key cities. Increased consumption of music/radio/video on-the-go via mobile and in cars provides opportunity for real time mobile geo-location advertising. The Out of Home (OOH) advertising sector has also seen higher rates of growth in transit advertising.

There is hence, an increased need to provide 360 degree solutions to advertisers and provide multiple platforms to reach out to consumers, wherever they are.

Revenue models still advertising dependent – But subscription grows for TV

M&E is still an advertising dependent industry in India. Hence, it remains sensitive to the impact of the economic slowdown.

While the print sector saw some increases in circulation revenues, and increases in cover price in some areas, cover prices are still significantly lower than global counterparts In the TV sector, digitization has potential to increase ARPUs and improve the share of subscription revenues to the broadcasters. Increasing subscription revenues is key to the long term stability of the broadcasting sector

Regulatory and policy support

Regulatory interventions have been a key enabler of growth for the sector. Anticipated events in 2013, such as continued cable DAS rollout, Phase 3 licensing for Radio and 4G rollout, will spur growth from the medium term.

There is a need for measures to aid curtailment of piracy and encourage investments to support further growth. Co-production treaties, rationalization of entertainment tax, government support to encourage formal skill development and training and incentives for animation/VFX and gaming are important areas of policy and regulation that need attention.

Gaps in availability of skilled media and entertainment professionals

The media and entertainment sector could be a noteworthy employer across creative, technical and business areas. With potential mushrooming of TV and Radio broadcast channels and growth in skill intensive sectors of film, animation, gaming, VFX, this is only set to escalate. In the talent driven media sector, companies could potentially differentiate based on ability to attract and retain the right people.

The vision set out for the sector, of engaging communities, entails reaching out and understanding multiple segments, creating greater connect, and leveraging this connect to influence for the greater social good. At the same time, it remains sensitive to the economic situation and a lot will depend on its ability to manage the risks of continued shortage of skilled manpower and the ability to spur end-user pricing across segments. It is a time for introspection and a time for innovation to see how companies can harness the powers of new technologies and convergence to realize its vision, summarizes the report.

About KPMG

KPMG is a global network of firms providing professional services. We operate in 152 countries and have 145,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

KPMG in India is the Indian member firm of KPMG International and was established in September 1993. It strives to provide rapid, performance-based, industry-focused and technology-enabled services, which reflect a shared knowledge of global and local industries and its experience of the Indian business environment. KPMG provides services to over 2,000 international and national clients in India and has offices in Mumbai, NCR, Bangalore, Chennai, Hyderabad, Kolkata, Chandigarh, Ahmedabad, Pune and Kochi.

About FICCI:

FICCI is the rallying point for free enterprises in India. It has empowered Indian businesses, in the changing times, to shore up their competitiveness and enhance their global reach.

With a nationwide membership of over 1500 corporates and over 500 chambers of commerce and business associations, FICCI espouses the shared vision of Indian businesses and speaks directly and indirectly for over 2,50,000 business units. It has an expanding direct membership of enterprises drawn from large, medium, small and tiny segments of manufacturing, distributive trade and services. FICCI maintains the lead as the proactive business solution provider through research, interactions at the highest political level and global networking.

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