cutting through complexity

The power of a billion

Realizing the Indian dream

FICCI-KPMG
Indian Media and Entertainment
Industry Report 2013

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We would like to **thank** all those who have **contributed** and shared their valuable **domain insights** in helping us put this **report** together.

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Foreword

The Promise of a Billion...

The promise of a billion consumers – this year's theme for the FICCI Frames, symbolizes the immense potential of India as a Media and Entertainment (M&E) market.

Why is this the relevant year to articulate this theme? While 2012 was a challenging year for the industry as a whole, it was also a year of significant changes; one where value chains were re-arranged and business models re-defined. These changes, while painful in the short run, will position the Indian M&E industry on a stronger footing for the future.

This year, we have included several guest columns in the report. We believe it is important to have multiplicity of perspectives. There is a wide range and breadth in the points of view offered in these columns; but we hope these opinions will enhance the value of the facts and information contained in this report.

In 2012, the economic slowdown hit the industry hard – especially advertising revenue. Advertising budgets were cut and plans had to be modified. Most companies had to revise previously robust projections to reflect a new macro – economic reality.

However, many seeds of positive change were sown this year.

The digital transformation of the industry, which we highlighted last year, has finally entered the implementation phase. Digitisation of cable in India was rolled out. Phase 1, though somewhat delayed, is now largely complete in Mumbai and Delhi and progressing in Kolkata. Phase 2 is now underway. FDI in cable and DTH was also a welcome announcement and we are likely to see significant interest from foreign strategic investors and private equity players in these sectors.

Films saw robust growth of close to 21 percent on the back of content that addressed various consumer segments. The digitisation of theatres is close to 80 percent and projected to be nearly complete in 18-24 months – improving access for audiences and the economics for the business as a whole. Also, macro factors will enable the film industry in India to continue with its robust growth for years to come – rapid urbanization, headroom for multiplex growth and increasing sophistication in production and marketing will continue to drive revenue at near 11 percent for the next several years. We are not far from achieving our next benchmark – the INR 10 billion box-office film!

Radio too, is set for the – roll out of new licenses in 294 cities as announced by the Finance Minister in his Union Budget speech of 2013 – a positive step that can accelerate the sector's growth. Print continues to grow in India unlike in most countries. It has become more competitive and vibrant over the last few years. And the industry is finally acknowledging that challenges to its business model, though not immediate, will emerge eventually. English markets will be challenged by the emergence of the digital ecosystem first followed by regional markets. However, for the foreseeable future, growth will continue at 9-10 percent CAGR.

New media also emerged as a growth driver in 2012 – we saw the impact of new media revenue for music companies reach critical mass, Youtube became a significant revenue driver, the App economy in India began to take off and OTT models are being experimented for TV.

2013 will be the year in which the promise of wireless broadband starts to find fulfillment. There is a renewed push on 3G and limited launches of 4G services – which are likely to go wider this year. This should provide content companies a whole new platform on which to reach, entertain and – engage its audience of a billion.

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