Indian Media & Entertainment industry grew by 12 per cent in 2013 and touched INR 920 billion

says FICCI – KPMG report

Despite Economic Slowdown, India's M&E Industry delivers overall growth of 12 per cent

New Delhi, March 4th, 2014: In Calendar Year 2013, the Indian Media & Entertainment (M&E) industry registered growth of approximately 12 per cent, according to the FICCI-KPMG report (to be released at the inaugural session of FICCI Frames 2014 on March 12 2014). Overall growth remained muted, largely caused by the slowdown of the Indian economy. The economic slowdown impacted advertising revenue dependent sectors such as TV and print the depreciation in the rupee also affected print, cable and DTH companies adversely but helped export oriented sectors such as animation and VFX to some degree. At the same time, this was countered by the impact of continued digitization of media products and services, and growth in regional media.

Digitization of cable saw progress of Television industry moving in the right direction, with the mandatory Digital Access System (DAS) rollout almost complete in Phase II cities. The impact was felt to the extent that carriage fees saw a reduction of 15-20 per cent overall, however the anticipated increase in ARPUs and subscription revenues for broadcasters and MSOs (Multi System Operators) is expected to be realized only over the next 2-3 years. r. Other key highlights in 2013 were the inclusion of LC1 (less than class I) markets in TV ratings, the 12 minute advertising cap ruling and the shift from TRP to TVT ratings.

The film industry recorded a double digit growth, albeit slower than in 2012, with multiple movies scoring big on box office collections. Approximately 90-95 per cent movie screens are now digitized in the country, with a shift in focus to tier II and III cities. Going forward, multiplex growth is expected to slow down, in line with the overall delays and future expectations for retail sector and commercial real estate development, impacting box office growth in the short term

The Print sector continued to buck the global slowdown trend. The sector grew at a CAGR of 8.5 per cent this year to reach INR 243 billion. Regional markets performed exceedingly well on the back of Steady advertiser spends, state election impact and new launches. However, with the validity of IRS data called into question by the industry majors, the sector in the short term suffers from the lack of a robust measurement system, critical for decisions on media planning and allocations.

The total internet user base in India grew to approximately 214 million by end of the year with almost 130 million going online using mobile devices. Mobile Internet users dominated the total internet user base capturing an overall share of 61 percent. Digital media advertising in India grew faster than any other advertising category. Streaming and download services continued to see growth in the music industry, with the growth in mobiles, in particular smartphones, contributing significantly to increased consumption of music 'on-the-go'. However, with the continued decline in physical sales, compounded by the significant fall in ringback tone revenues (following the backlash of TRAI guidelines issues in 2012), the sector saw an overall fall in size by 10 per cent in 2013. Going forward, digital revenues are expected to drive growth in the sector. Further, the vibrant live events sector is expected to continue its role as a catalyst for driving growth in artists' fan-base, and public performance royalties.

Mr. Uday Shankar, Chairman, FICCI M&E committee said, "2013 has been an extraordinary year for the media and entertainment sector - a year of challenges and significant change which saw the industry dealing with a host of issues. Television saw the implementation of the 10+2 advertising cap and significant progress in seeding of set top boxes in DAS 1 and II – setting the stage of revenue growth and expansion in genres. The film sector continued to mature on the back of multiplex expansion and a wide variety of content. Radio and print continue to defy global trends and await positive regulatory intervention that will take these sectors to greater heights. 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 **Jehil Thakkar, Head of Media and Entertainment, KPMG in India**, "2013 was a year in which many parts of the M&E industry paused and took stock. Focus shifted from top line growth to bottom line growth with companies focusing on operations and efficiency. Inspite of a very challenging macro environment, the industry grew 12%, a far better performance than many other industries. The structural changes taking place in the industry - especially in television and digital, continued to take the industry down the path of fulfilling its potential"

This year, the report also highlights opportunities that could come from tapping international markets such as the US and Middle East, with a special feature on opportunities in South Africa and Nigeria.

Going forward, there is need for continued positive regulatory intervention, such as implementation of Phase III for the radio sector. In an increasingly digitized media world, the ability to create compelling and targeted content across multiple channels, will be the bedrock for creating differentiation in a cluttered market.

FICCI Media Division