FICCI KPMG – *Indian Media and Entertainment Industry Report 2016*

Executive Summary

The year 2015 was a seminal year in many ways for the Media and Entertainment (M&E) industry. A year that sparked excitement and renewed hope but at the same time a year in which reality came to roost.

This was a year in which the global economy saw a big drop in commodity prices, with crude oil dropping from a high of near USD100 in October 2014 to below USD30 in January 20161. While this volatility rocked many economies around the world, it was a blessing for India. Lower commodity prices, lower inflation and lower borrowing costs are likely to drive consumerism in the country – benefitting the media industry. The Indian economy continued to outperform its large peers with FY 2015-16 growth estimated to be 7.3 per cent by the International Monetary Fund (IMF), accelerating to 7.5 per cent in FY 2016-172.

For the M&E industry, the year was a mixed bag. Coming off the heady days of 2014, when election spending and renewed hope drove a significant level of media spend, 2015 was a year of settling in, rolling up one's sleeves and getting down to task. This was one of those years in which the small town and rural economy did not grow as much as anticipated, depressing media spends for some players – especially in Hindi and other regional prints.

A healthy advertising environment, with close to 15 per cent growth3 – propelled several parts of the industry to unprecedented growth. However, some parts of the industry – like film and print – continue to see challenges.

Television, again performed very well, led by the General Entertainment Channels (GEC). The year 2015 saw several new channel launches and the industry's adoption of a brand new ratings system – Broadcast Audience Research Council (BARC). Digitisation of cable continued with its implementation challenges but it was encouraging that progress is being made, with Phase III substantially complete. Addressability still remains a key a challenge even after digitissation but the industry is hopeful that those challenges too, will get addressed in time.

The cable industry too, awoke to the potential of broadband and the year saw several companies restructure and raise funds from private equity or through listings.

It was a year where radio performed exceptionally well. Phase III finally saw the light of day, although some regulatory challenges remain. Radio remains the only mass medium that has restrictions of carrying news and current affairs – a fact that Industry hopes shall will change soon. Overall, radio in India remains an industry with a very bright future, with double digit growth rates forecast – at least for the next five years.

Some sectors did face challenges though. In film, Hindi Bollywood was flat while Hollywood and regional performed well. Hollywood's output of franchise films and expansion beyond DCI compliant screens helped it achieve unprecedented success while regional films continued their successful run. Baahubali - a bi-lingual film, created box-office history and set a new standard for filmmakers in India. Despite these successes, long- term growth for the film industry will remain challenging. Again, it's a story of underlying infrastructure driving sector performance. As long as India remains under screened, the pace of growth of the film industry will shall be muted.

Print too, continued to face some headwinds, especially with critical categories like real estate and education limiting ad spends. The boom in e-commerce spending, which continued in 2015, did not translate into revenue for regional publications and this created some challenges for some in a historically strong segment. Again, technology disruption is likely to come to this industry, albeit slowly, as social media and mobile applications (apps) expand their language offerings. This year, the Indian print sector saw cover prices being raised across several publications – still remaining among the lowest in the world – but at the same time, overcoming its historical aversion to increases. This helped sustain some growth in revenue overall.