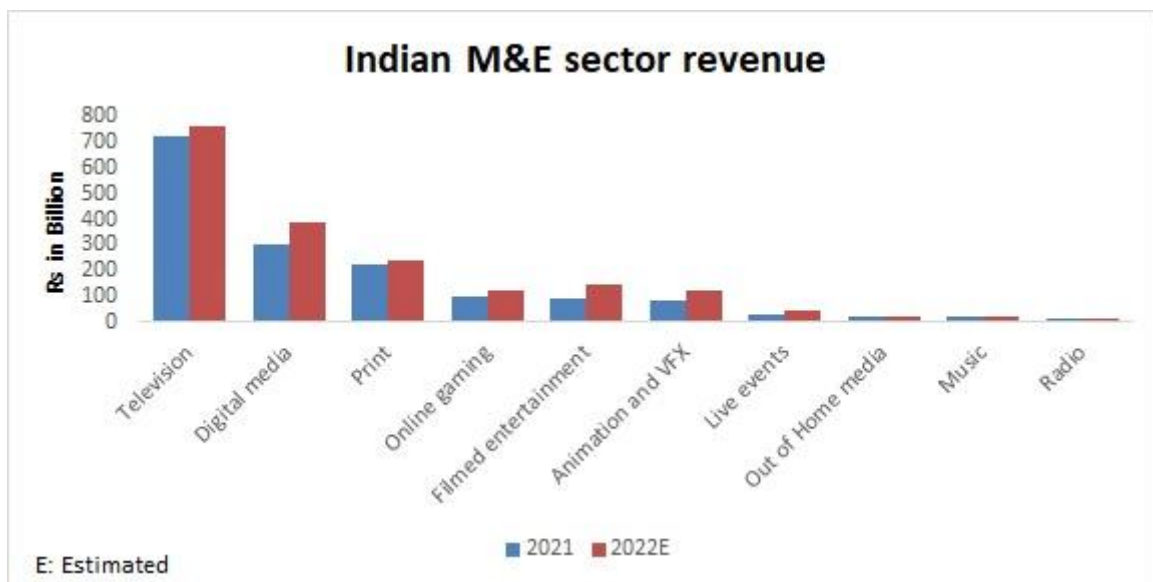


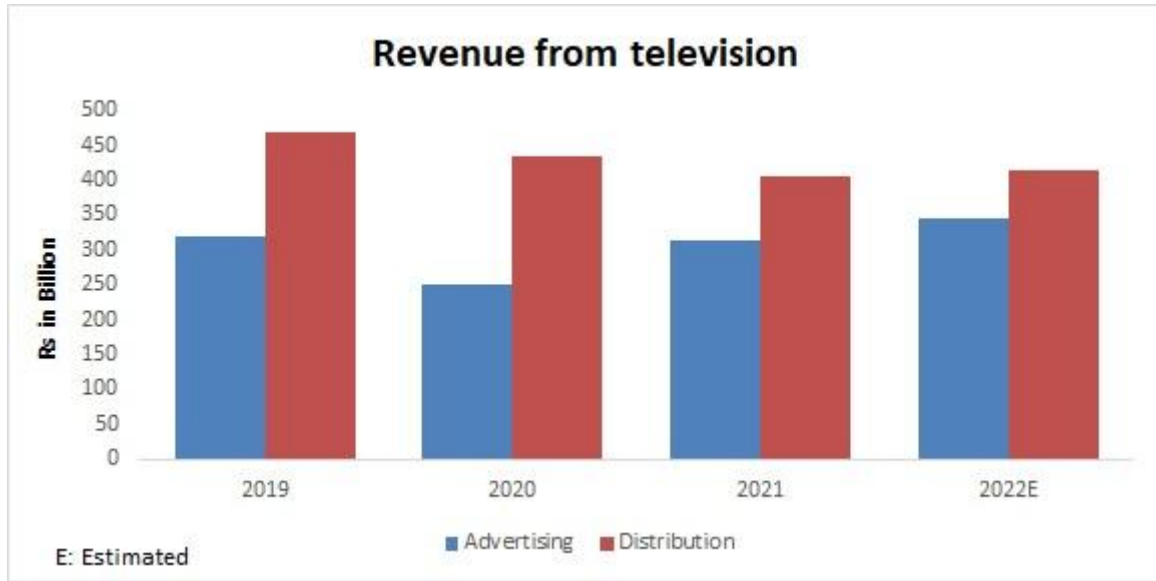
Indian Media and Entertainment (M&E) Industry Analysis

The Indian media and entertainment (M&E) industry is one of the fastest growing and the most visible in the world. M&E industry add value to the economic growth of a nation. The industry is not only limited to movies or cinema but also music, publishing, print media, advertising, gaming also become the part of it. There are opportunities and scope for a bright future of this industry in the growing digital era. It is a sunrise sector for the economy and is making significant strides. Its various segments -- film, television, advertising, prints media and music among others -- have witnessed tremendous growth in the last few years. With digitization and evolution of broadband networks, the sector offers huge potential for increased demand and business revenues. Amid of this pandemic, the love for gaming in youths has gained so much popularity. Apart from gaming the Over the top (OTT) platform has gained so much of attention not only from youths but also from all the age groups. The Indian M&E sector revenue recovered by 16.4% to Rs 1.61 trillion in 2021, still 11% short of pre-pandemic 2019 level, due to the second wave of COVID-19 which impacted the April - June quarter of 2021. The M&E sector revenue is likely to grow 17% in 2022 to reach Rs 1.89 trillion.



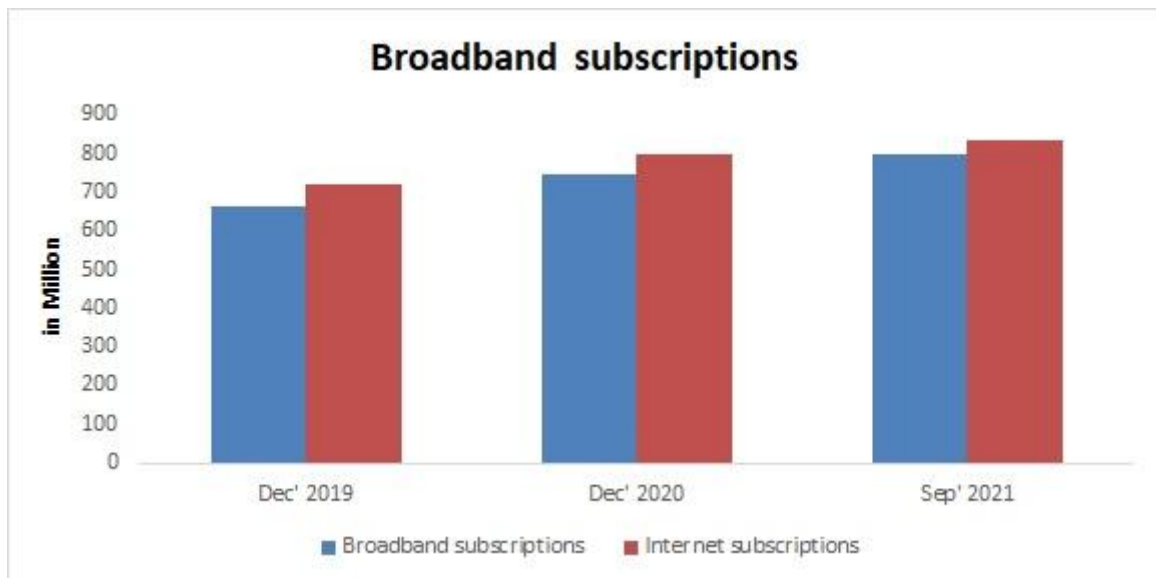
Television

Television advertising revenue grew 25% in 2021, recovering from a 21.5% drop in 2020, just 2% short of 2019 level. Ad recovery was volume-driven for most of the year. Number of television channels reduced marginally to 906 as of September 2021 over 911 in September 2020. Of the total, number of pay channels increased by 21 to 348 as of September 2021 as compared to 327 in September 2020, while free-to-air (FTA) channels reduced by 26 to 558 from 584, which reflects a move by broadcasters to build stronger subscription revenue products through bouquets.



Digital media

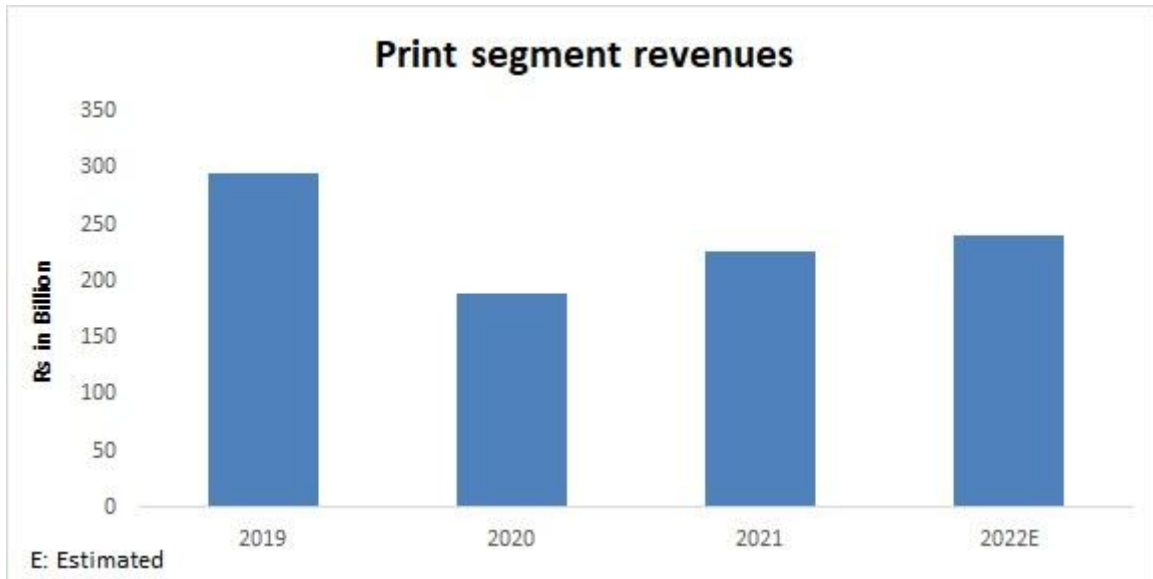
The digital media segment revenue grew 29% to reach Rs 303 billion in 2021. Internet penetration increased 5% to reach 834 million subscriptions, of which 795 million had broadband access as of September 2021. Smartphone users reached 503 million and connected TVs crossed the 10 million mark. Indians spent 4.7 hours a day on their phones in 2021, aggregating 700 billion hours of consumption (second highest in the world). Time spent by Indians on entertainment apps grew 52% since the onset of the pandemic. Meanwhile, over 100 films released directly on streaming platforms without a prior theatrical release.



Print

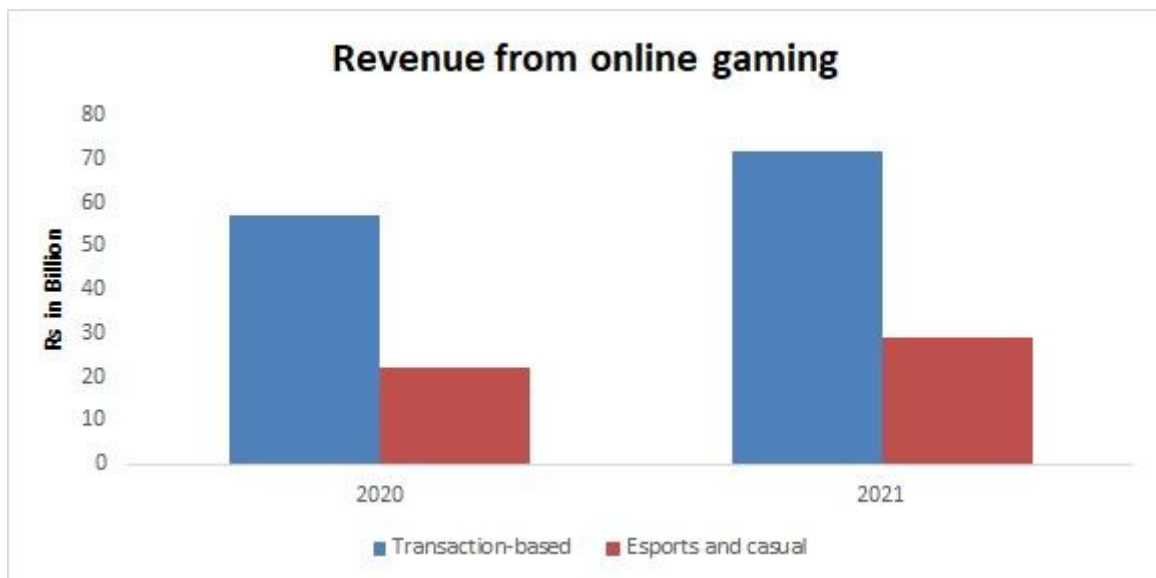
The print segment revenue grew 20% in 2021 at Rs 227.2 billion as compared to Rs 189.9 billion in 2020. It almost reached to 77% of pre-pandemic levels, when the revenue was Rs 295.7 billion in 2019. The print segment revenue is likely to grow further to around Rs 240 billion in 2022. Under print segment, overall advertising revenues were still 27% below pre COVID-19 levels at Rs 150.8 billion in 2021 as compared to Rs 205.8 billion in 2019, whereas it was Rs 121.7 billion in 2020. Revenue from print circulation recovered in

2021 to Rs 76.3 billion over Rs 68.2 billion in 2020, though it remained below pre-covid level of Rs 89.9 billion as corporate/institutional circulation remains impacted.



Online gaming

The online gaming segment revenue grew 28% in 2021 to reach Rs 101 billion from Rs 79 billion in 2020, despite people going back to work as the effects of the pandemic receded. Online gamers grew 8% from 360 million in 2020 to 390 million in 2021; daily player range however was 90-100 million. The propensity of Indians to pay for gaming increased as transaction-based game revenues grew 26% on the back of fantasy sports and rummy and esport and casual gaming revenues grew 32% due to increased interest in esports and growth in in-app purchases.



Filmed entertainment

2021 remained a subdued year for the filmed entertainment segment, with lockdowns and several restrictions on production and exhibition across states. Despite the restrictions, over 750 films were released during the year, as compared to just 441 releases in 2020. Over 100 films released directly on streaming platforms, a

trend which seems to stay for certain genres. In 2021, the filmed entertainment segment grew 28%, but remained at around half its 2019 level. In 2021, domestic theatricals grew 57%, international theatricals jumped 2-fold but remain almost 80% below 2019 level, digital rights grew to Rs 40 billion - over double their 2019 level, broadcast rights growth remained flat due to the dearth of theatrical releases and softening prices, and in-cinema advertising continued to fall around half a percent over previous year.

Animation and VFX

The segment recovered as content production resumed for television, OTT and film - it reached 88% of its 2019 levels. The segment revenue touched to Rs 83.1 billion in 2021 over Rs 53 billion in 2020, a growth of around 57 percent. Animation showed improvement as the growth of kids channels' viewership led to an increase in demand. Moreover, growth of NFTs and metaverse will open-up newer opportunities. Non-fungible tokens (NFTs) can be referred to as digital items inside a game such as collectibles, weapons, cosmetic skins, avatars etc. which are real world assets; these digital items can be further sold to other players or on marketplaces to create an internal game economy. The metaverse refers to a fusion of video games, social networking and entertainment to create new immersive experiences like interacting and supporting people in games.

Live events

This segment took a breather due to the relaxation of event curbs in a few states and increase in vaccination rates. The segment may carry on its revival in coming time with continuing relaxation of lockdowns will result in an increase in the number of on-ground events such as weddings, hybrid corporate events with a limited number of attendees, etc. Marquee sporting events seeing the light of day in 2022 viz, IPL, PKL, ISL, Asia Cup, ICC events, National Games, etc. Elections across four states in India and the build-up to general elections in 2023 may support this segment.

Out of Home (OOH) media

OOH media includes traditional, transit and digital media, but excludes untracked OOH media such as wall paintings, ambient media and proxy advertising. It grew 27% in 2021 to Rs 19.8 billion as compared to Rs 15.6 billion in 2020. The OOH segment remained over 30% below its 2019 revenue levels.

Music

Music permeates culture across all age groups, therefore India is certainly among the world's most exciting music markets. In the past few years, the country has seen a rapid transformation from physical products to digital services and the explosion of digital streaming services. The Indian Music market remained resilient in 2020 and recorded Rs15 billion in sales. Streaming revenues grew 15% however, performance rights revenues declined 67% due to country wide lockdowns, leading to overall flat industry revenues.

Radio

India had 1,203 operational radio stations. The country had 34 private FM broadcasters in 2021, operating 385 FM radio stations across 112 cities. In addition, the public broadcaster Prasar Bharti's All India Radio service operates in 479 stations in 23 languages and 179 dialects, reaching 92% of the country's area and over 99% of India's population. India had 339 operational community radio stations as on September 2021.

Current trends in media & entertainment industry:

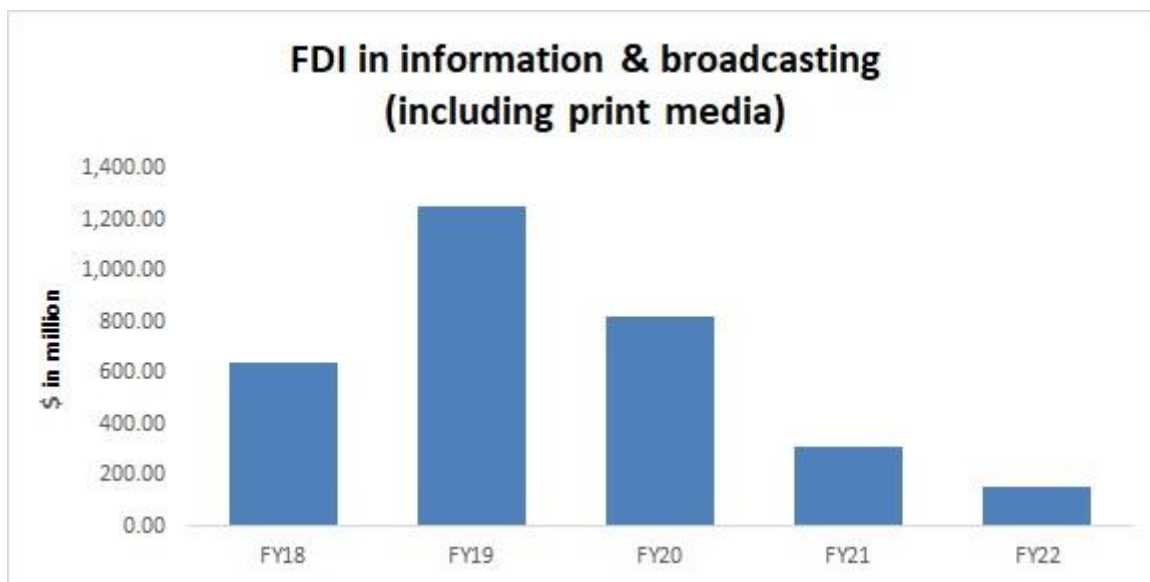
D2C video streaming: It has gained a remarkable boost during the COVID pandemic. As people stayed indoors, they looked for much diversified, engaging, and meaningful quality video content. OTT platforms like Amazon Prime & Netflix have offered exactly that. Disney was the first to offer D2C content through Netflix. The wide range of choices and cross-platform portability of OTT platforms has resulted in streaming warfare.

Blockchain to manage digital content right: With its ability to store and process data uniquely, blockchain can help identify the original owner of content which in either case (conventional methods) is not easy due to large amounts of data & chances of plagiarism. Making use of blockchain assures temper-free owing rights. As the data stored in blockchain is considerably very tough to alter.

Augmented & virtual reality: It is likely to be the emerging trends in media & entertainment industry. Augmented reality (AR) augments surroundings by adding digital elements to a live view, often by using the camera on a smartphone. Virtual reality (VR) is a completely immersive experience that replaces a real-life environment with a simulated one. AR and VR bridge the digital and physical worlds.

FDI in Information & Broadcasting

Foreign direct investment (FDI) in information & broadcasting (including print media) was \$1,252.37 million in FY19 (pre-covid), but thereafter it started declining and came to \$ 823.40 million in FY20, down by 34.25 percent. In FY21 also it came down by 61.88 percent to \$313.89 million over FY20. Further, it slipped by 51.49 percent in FY22 to \$ 152.27 million as compared to FY21. Overall, during last three year (from FY19 to FY22) FDI in the sector plunged by 87.84 percent. Meanwhile, in 2016, the government opened up India’s broadcasting sector, increasing the foreign direct investment (FDI) limit in television news channels and private FM radio, and permitting 100% overseas ownership of digital cable and direct-to-home (DTH) services.



Covid-19 impact on the industry

India’s economy was hit hardest by the Covid-19 pandemic. Almost all the sectors have been adversely affected. Due to the pandemic and subsequent lockdowns, Indian economy growth was declining. During the lockdown period, TV, gaming, digital and OTT platforms are seeing consumption growth. On the other hand, outdoor consumption models such as films, events, theme parks, are witnessing a dramatic fall with social distancing norms in place. Digital media consumption, particularly OTT, has seen a surge during the lockdown

period in terms of both time spent and newer audiences. The OTT consumption in India may start seeing a shift from the mobile screen to the large TV screen ‘owing to the lockdown effect with broadband internet’. About films, the footfalls and therefore revenues have dried up with cinema hall closures. As theatres opened, it was encouraging that audiences returned in significant numbers – clearly showing that the ‘cinema experience’ is something that is cherished.

Government initiatives and recent developments

Govt constitutes AVGC promotion task force

The Information and Broadcasting Ministry has constituted an Animation, Visual Effects, Gaming and Comics (AVGC) promotion task force. The task force will be headed by the Information and Broadcasting Secretary. It has representation from the industry, academia and State governments. Earlier, Union Finance Minister Nirmala Sitharaman, in her Budget speech, had announced the creation of AVGC promotion task force. The body will frame a national AVGC policy; recommend national curriculum framework for graduation, post-graduation and doctoral courses in AVGC-related sectors; and facilitate skilling initiatives in collaboration with academic institutions, vocational training centres and industry.

TRAI extends deadline on TV tariffs again

The Telecom Regulatory Authority of India, or TRAI, extended the deadline for the implementation of the New Regulatory Framework 2020. The deadline, which ended on June 01, 2022, has been shifted to August 31 for television broadcasters, and to September 30 for cable operators. One of the directives of the 2020 regulations was that broadcasters and cable operators had to reveal the monthly cost of TV channels - individually and in bouquets - to TRAI. TRAI framed its regulations in the language of ‘consumer protection’, or to protect viewers from inflated costs of availing multiple TV channels. Additionally, it imposed a tariff on the maximum retail prices, or MRPs, of individual TV channels - Rs 12. This is the main point of contention between the broadcasters and the regulator.

Govt launches 'Broadcast Seva' portal

The government has launched the 'Broadcast Seva' portal to facilitate application and processing of licenses, permissions and registration for broadcasters. Launching the revamped portal, Union I&B minister Anurag Thakur said it will bring ‘transparency, accountability and responsiveness to the ecosystem’. He also said the government’s Digital India initiatives is the biggest success story of New India, and that the Ministry is, through the Broadcast Seva portal, creating an institutional mechanism that will make it easy for people for licenses and approvals through a single window. The online platform will further the government’s commitment to providing ease of doing business in the broadcasting sector.

TRAI launches TV Channel Selector web portal

The Telecom Regulatory Authority of India (TRAI) launched a TV Channel Selector web portal for consumers who could not access its mobile phone app of the same name due to lack of a smartphone. The TV Channel Selector App for smartphone was launched on June 25, 2020 that enabled users to check their subscription, modify it, view all channels provided by their cable operators and choose channels of interest under a regulatory framework notified in December 2018.

TRAI releases game changing consultation paper on broadcasting, cable pricing framework

The Telecom Regulatory Authority of India (TRAI) has released a path breaking consultation paper on pricing and discounts as it seeks to address the concerns of all stakeholders in television broadcasting and cable

services. The paper, issued after the deliberations of a stakeholder committee to discuss the implementation of new regulations, is sympathetic to the challenges faced by the TV broadcasting sector while also trying to avoid likely disruption for consumers.

Government approves 100% FDI in DTH broadcasting services

The Government approved revised guidelines for Direct-to-Home (DTH) broadcasting services, allowing 100 per cent foreign direct investment (FDI) as well as increasing the licence period to 20 years. Under the revised guidelines the licenses will be issued for a period of 20 years, compared to 10 years, and will be renewed for a 10-year period. The license fee has been revised from 10 per cent of gross revenue (GR) to 8 per cent of adjusted gross revenue (AGR), which will be calculated by deduction of GST from GR. Further, broadcasting firms will have to pay the license fee on quarterly basis, rather than the annual basis.

Outlook

The Indian M&E industry is recovering very fast from covid-19 and soon will surpass the pre-covid level. The outlook of the Indian M&E industry looks optimistic in coming time with growth in digital, films and television segments of the industry. Boom in animation & VFX and online gaming, which are emerging growth drivers for the sector. Government initiatives like approving 100% FDI in DTH broadcasting services, constituting AVGC promotion task force, launching 'Broadcast Seva' portal likely to support the industry. With advanced trends like D2C video streaming, Blockchain and Augmented & virtual reality in entertainment & media industry may help industry to grow further. Usually, only advertising has been a key source of revenue for the M&E industry, but now a days revenue from subscription and value added services has also contributed significantly. With consumers willing to pay for content and extra services, the subscription segment is going to play an important role in the post-digitisation era. Rising per capita income will also aid the growth in the industry. India's per capita income at constant prices increased from Rs 85,110 in 2020-21 to Rs 91,481 in 2021-22. The per-capita income is a crude indicator of the prosperity of a country.