

Windows of opportunity

India's media & entertainment sector - maximizing across segments

April 2023





Yash
Actor

FO



The world is watching, and it's time to showcase what we're made of

Epics, fables, fantasies- storytelling has been an intrinsic part of our way of life for ages. Over the years, the Indian media and entertainment industry has taken this legacy forward and evolved to create content that is now resonating globally. We are at a tipping point where the Indian entertainment sector has blurred barriers like language and region and created a holistic experience that binds the nation as one.

With various offerings across formats and genres, our content is taking huge strides and finding its audience, right from the remote corners of our country to various parts of the world.

In this landmark year of India's G20 Presidency, the global spotlight is on us, and it's time to demonstrate the tremendous potential of our industry. India is one of the most diverse nations, which is reflected not just in our culturally rich stories but also in the creative capabilities and technical expertise of our people. This kind of untapped talent, when combined with the right kind of planning, allocation, and infrastructure, will empower the Indian M&E industry to become a global force to be reckoned with.

With the Indian M&E industry projected to reach \$100 billion by 2030, a two-pronged strategy toward accessibility is going to play a key role. Ensuring that content is within easy reach of the audience, ranging from mobile phones to the quintessential big-screen experience, is paramount. In conjunction with this, the door should always be open for the right talent. Structure, processes, and the constant pursuit to unearth and nurture talent at the grass-roots level are going to be of major significance. Recent events in the industry are testimony to the fact that when we deep dive to nurture talent in the parts of the country that haven't been unearthed, magic happens.

Fasten your seatbelts because we are just getting started!

RE WORD



Jyoti Deshpande

Chairman, FICCI Media and Entertainment Committee

India - Leading the Digital Forward way to the World!

"India is, the cradle of the human race, the birthplace of human speech, the mother of history, the grandmother of legend, and the great grandmother of tradition. Our most valuable and most instructive materials in the history of man are treasured up in India only." Mark Twain.

It is finally India's time under the sun. To Make in India and show the world. The sphere of influence wielded by Indian media and entertainment (M&E) globally is phenomenal, whether it's Naatu Naatu and Elephant Whisperers bringing home the Oscars or the explosion of content from across our country's diverse and multi-cultural M&E landscape. The perennial pillars of the sector are content, commerce and community, all of which continue to expand and grow exponentially in the face of shifting dynamics and technological innovation, fuelled by the digital revolution to connect everyone and everything, everywhere. This dovetails with Digital India, the flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy.

The Indian M&E sector powered through to a growth of 20% to reach INR 2.1 trillion in 2022, which is 10% more than its pre-pandemic levels in 2019. While Television retained its market size as the largest segment even under 10% growth and 166 million households, digital media with over 30% growth, cemented its position as a strong No 2. Smart connected TV sets will exceed 40 million daily active users by 2025. With disruption such as free digital IPL on Jio Cinema, a digital forward economy has already seen content and data consumption levels reach monumental proportions by global standards. Indians now consume nearly 20GB data per month on average, No. 1 in the world already, and expected to reach 46 GB by 2027. Online gaming is set to grow to 500 million gamers by 2025 to become the third largest segment of the Indian M&E sector, driven by 5G and conversion of feature phones to smartphones.

Advertising exceeded the INR1 trillion benchmark in 2022 for the first time. It is now 0.4% of India's GDP, much lower than developed large markets like USA, Japan and China, signalling further room to grow. Digital advertising contributed 70% of the absolute growth in advertising in 2022.

It's an exciting time to be in the M&E business, and it looks like it's only going to get bigger and better as we expect the sector to grow 11.5% in 2023 to reach INR 2.34 trillion and further grow at a CAGR of 10.5% to reach INR 2.83 trillion by 2025. It would be my dream to see us smash through these forecasts as we grow exponentially across the entire M&E value chain - be it through democratisation of the creator economy or disruption in digital distribution.

I dream of an India with infinite storytellers, finding unlimited avenues to reach their stories to the ever-growing video consumers of India and the world, platform as well as language agnostically.

I would like to thank the entire M&E fraternity for coming together and working as one to realise this vision. I would also like to thank the Information and Broadcasting Ministry for their progressive approach towards policy and regulation. Lastly the entire FICCI team and our partners who have contributed to make this detailed and prescient report.

FORE



Ashish Pherwani

M&E Sector Leader
Ernst & Young LLP

The walled gardens have fallen: it is the multi-media-multi-window era

The Indian media and entertainment (M&E) consumer base is large but heterogenous, hungry for content but willing to pay only for value, and more than ready to experiment with technology, be it streaming, digital payments, online education, virtual experiences, e-commerce, social media or gaming.

The diverse consumer base, coupled with favorable macroeconomic and demographic factors, have translated into a very exciting time for the industry. India's M&E sector achieved its highest ever revenues in 2022. Almost every single segment grew, across both traditional and new media. Media consumption increased across video, audio, text and experiences. Advertising grew 19% and crossed INR1 trillion, while subscriptions grew by 13%.

Each consumer segment of the M&E industry presents a window of opportunity - to produce relevant content, distribute it, price it and interact with it. Successful companies in this space were willing and able to segment their audience and serve every segment the way they want. Pricing innovations can traverse free trials to premium windows; product innovation from textual to 4K and then immersive; experiences from casual mobile games to hardcore VR games; cinemas from "Janta" theatres to ritzy multiplexes, and much more!

The era of walled gardens and consumption restrictions is ending; make way for the multi-media-multi-window era! This report focusses on the various audience segments and the variety of opportunities they provide for the M&E sector to continue growing.

We would like to thank the 100+ CEOs who shared their insights with us and perspectives on ground realities, as well as the 20+ data partners who provided us valuable information to size the M&E sector - as always, this report would never have been possible without your help and passion!

We hope you enjoy reading this report as much as we enjoyed putting it together for you. We are certain you would find this report to be insightful.

WORD

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EVENTS



M&E sector overview



Key trends

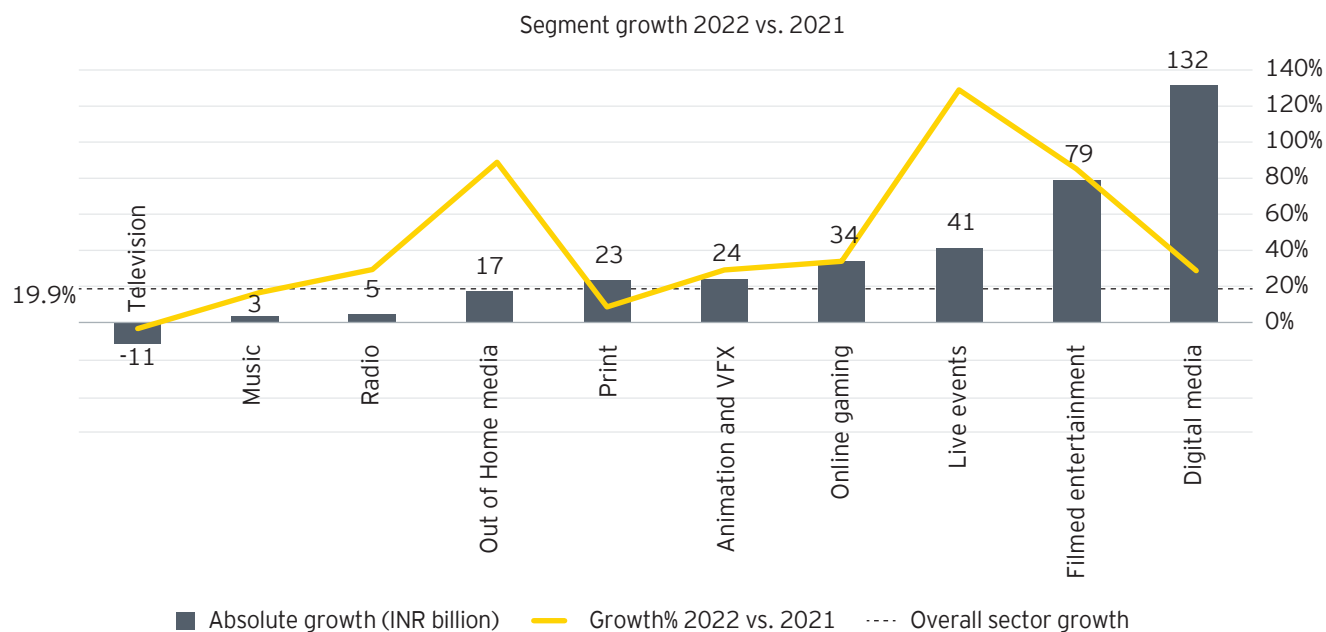
Indian M&E sector grew 20% in 2022 to reach INR2.1 trillion

	2019	2020	2021	2022	2023E	2025E	CAGR 2022-2025
Television	787	685	720	709	727	796	3.9%
Digital media	308	326	439	571	671	862	14.7%
Print	296	190	227	250	262	279	3.7%
Filmed entertainment	191	72	93	172	194	228	9.8%
Online gaming	65	79	101	135	167	231	19.5%
Animation and VFX	95	53	83	107	133	190	21.1%
Live events	83	27	32	73	95	134	22.2%
Out of Home media	39	16	20	37	41	53	12.8%
Music	15	15	19	22	25	33	14.7%
Radio	31	14	16	21	22	26	7.5%
Total	1,910	1,476	1,750	2,098	2,339	2,832	10.5%
Growth		-23.2%	19.3%	19.9%	11.5%		

All figures are gross of taxes (INR in billion) for calendar years | EY estimates

- ▶ The Indian M&E sector continued its strong growth trajectory. It grew by INR348 billion (19.9%) to reach INR2.1 trillion (US\$26.2 billion), 10% above its pre-pandemic 2019 levels
- ▶ While television remained the largest segment, digital media cemented its position as a strong number two segment, followed by a resurgent print
- ▶ The filmed entertainment segment recovered as theatrical releases doubled, and reclaimed the fourth position overtaking online gaming
- ▶ The share of traditional media (television, print, filmed entertainment, OOH, music, radio) stood at 58% of M&E sector revenues in 2022, down from 71% in 2019
- ▶ We expect the M&E sector to grow 11.5% in 2023 to reach INR2.34 trillion (US\$29.2 billion), then grow at a CAGR of 10% to reach INR2.83 trillion (US\$35.4 billion) by 2025

Analyzing the INR348 billion growth

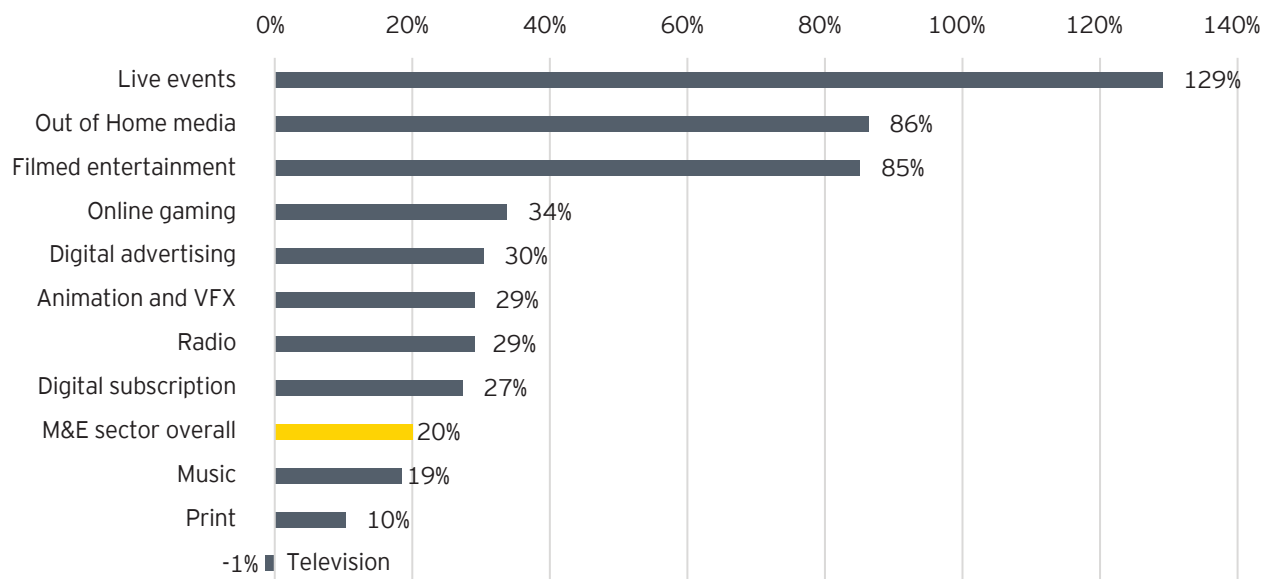


INR in billion (gross of taxes) | EY estimates

- ▶ Except for TV subscription, all M&E segments grew in 2022
- ▶ Digital media grew the most at INR132 billion and consequently, increased its contribution to the M&E sector from 16% in 2019 to 27% in 2022. If one were to include data charges associated with digital consumption in sizing, its share would stand at 50% of the total M&E sector
- ▶ Experiential (outside the home) segments recovered in 2022, and consequently, filmed entertainment and live events segments recovered by INR79 and INR41 billion, respectively
- ▶ Overall, half the growth was driven by traditional media, and the balance by digital, online gaming and VFX segments

Segmental performance in 2022

Segment growth 2022 vs. 2021



EY estimates

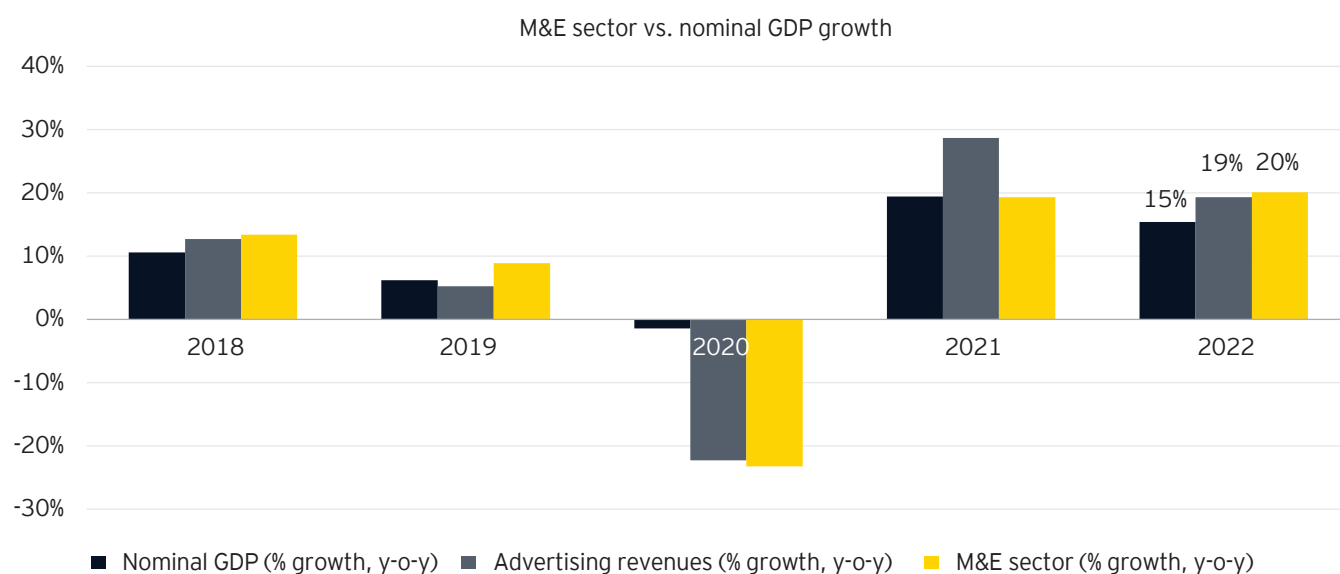
- ▶ **Television** - Television advertising grew 2% to end 2022 just behind its 2019 levels, on the back of volume growth. Subscription revenue continued to fall for the third year in a row, experiencing a 4% de-growth due to a reduction of five million pay TV homes and stagnant consumer-end ARPUs. While linear viewership declined 7% over 2021, 8 to 10 million smart TVs connected to the internet each day, up from around 5 million in 2021
- ▶ **Digital advertising** - Digital advertising grew 30% to reach INR499 billion, or 48% of total advertising revenues. Included in this is advertising by SME and long-tail advertisers of INR180 billion and advertising earned by e-commerce platforms of INR70 billion
- ▶ **Digital subscription** - Digital subscription grew 27% to reach INR72 billion. 99 million paid video subscriptions across almost 45 million Indian households generated INR68 billion, an amount which is over 60% of broadcasters' share of TV subscription revenues. Due to a plethora of free audio options, just 4 to 5 million consumers bought music subscriptions, generating INR2.2 billion while online news subscriptions generated INR1.2 billion
- ▶ **Print** - Advertising revenues grew 13% in 2022 as print remained a "go-to" medium for more affluent and non-metro audiences. Subscription revenues grew 5% on the back of rising cover prices and has stabilized at 15% to 20% below the pre-COVID-19 levels. Digital revenues remain elusive for most newspaper companies

- ▶ **Film** - The segment grew 85% to reach 90% of its 2019 levels as theaters re-opened. Over 1,600 films were released in 2022, theatrical revenues crossed INR100 billion, and fewer films released directly on digital platforms. 335 Indian films were released overseas
- ▶ **Online gaming** - New players, marketing efforts, specialized platforms and brand ambassadors all worked to grow the segment 34% in 2022 to reach INR135 billion. Regulatory clarity improved, and this could lead to more FDI in this segment. There were over 400 million online gamers in India, of which around 90- 100 million played frequently. Real money gaming comprised 77% of segment revenues
- ▶ **Animation and VFX** - As content production resumed, service demand - both domestic and exports - increased, resulting in the segment growing 29% and crossing INR100 billion for the first time
- ▶ **Live events** - The fastest growing segment of 2022, organized events grew 129% over a depleted base as weddings, corporate events and activations, government initiatives, and large marquee IP with international participation took place after a gap of almost two years
- ▶ **OOH** - OOH media grew 86% in 2022 and reached 94% of 2019 levels. Capacity utilization improved in 2022, but rates remained challenged. Digital OOH screens increased to around 100,000 and contributed 8% of total segment revenues

- **Music** - The segment grew by 19% to reach INR22 billion. Film music, which had reduced during the pandemic, returned at scale. 87% of revenues were earned through digital means, though most of it was advertising led, there being around only 4 to 5 million paying subscribers despite streaming reach of over 200 million

- **Radio** - Radio segment revenues grew 29% in 2022 to INR21 billion but were still just 66% of 2019 revenues. Ad volumes increased by 25% in 2022 as compared to the previous year, though ad rates remained 20% below their 2019 levels. Many radio companies are looking at alternate revenue streams to grow faster

Advertising growth continued to outperform Indian GDP growth



Nominal GDP is for financial years | Data for FY23 (2022) are as per advance estimates released by MoSPI on 06 January 2023

- In 2022, when India's nominal GDP grew 15%, advertising recovered 19%
- Advertising is usually around 2x to 2.5x of real GDP growth, which is expected to be 7% for FY2023¹
- However, when GDP is impacted, the discretionary nature of the M&E sector results in a disproportionately higher contraction, as was seen in 2020

¹ Economic Survey of India 2022-23, <https://pib.gov.in/PressReleasePage.aspx?PRID=1894932>

Advertising grew 19% in 2022

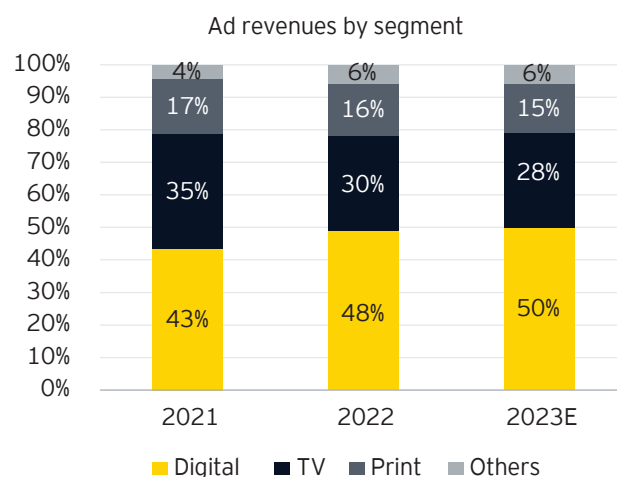
Segment	2019	2020	2021	2022
Television	320	251	313	318
Print	206	122	151	170
OOH	39	16	20	37
Radio	31	14	16	21
Cinema	8	2	1	5
Total traditional	604	404	500	550
Digital	279	282	383	499
Total	883	686	883	1,049

INR in billion (gross of taxes) | EY estimates

Note: The above numbers exclude live events, online gaming and animation and VFX segment revenues

- ▶ At INR1,049 billion, advertising exceeded the INR1 trillion benchmark for the first time
- ▶ It is now 0.4% of India's GDP², much lower than developed large markets like the US, Japan and China, which are all between 0.6% and 1%
- ▶ As per GroupM's TINY report 2023, India was ranked 8th by global ad spend, and will continue as the fastest-growing market among the top 10 ad markets in 2023

TV + digital + print = 94% of ad spends



EY estimates | Excludes event segment revenues

- ▶ Digital media comprised 48% of total ad spends, up from 32% pre-pandemic, and contributed the highest share of advertising in India
- ▶ TV comprised 30% of ad revenues, down from 36% in 2019
- ▶ Together, national media [television + digital] contributed 78% of all advertising spends, while local media [print + OOH + radio + cinema] comprised the balance 22%

Subscription grew 13% in 2022

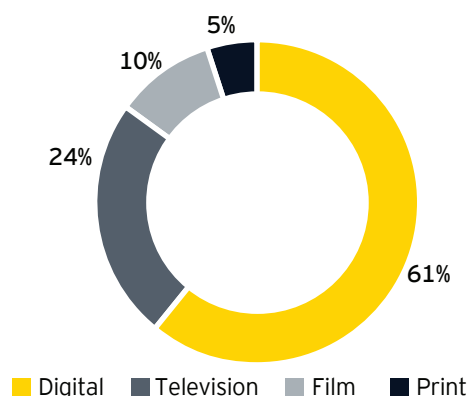
Segment	2019	2020	2021	2022
Television	468	434	407	392
Digital	29	44	56	72
Print	90	68	76	80
Film	183	71	92	168
Total	770	617	632	711

INR in billion (gross of taxes) | EY estimates

- ▶ Overall, subscription revenues were 8% below 2019 levels due to:
 - ▶ Lower theatrical revenues due to the relatively poor performance of Bollywood and ticket pricing regulations in certain states
 - ▶ Reduction in absolute print circulation, particularly in metros and English dailies, and
 - ▶ Fall in pay TV households
- ▶ Across segments, subscription is focused on the top-end of the consumer pyramid, which is resulting in a heavily concentrated subscription base
- ▶ Share of subscription reduced from 40% of total revenues in 2019 to 34% in 2022

Data charges ka oolta chashma*

Subscription revenues including data charges

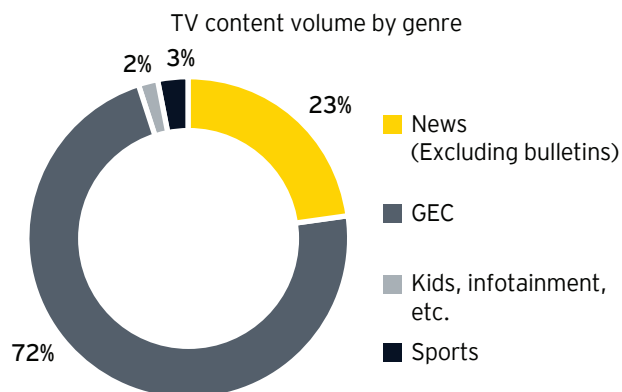


EY estimates | Only retail mobile data charges considered. Includes data used for AVOD consumption

- ▶ We estimate that the amount paid by retail consumers for data charges, if apportioned to M&E use cases (AVOD and SVOD entertainment, social media, gaming, short video, music, news, etc.) would aggregate INR940 billion
- ▶ If these data charges were to be included in our analysis of subscription revenues:
 - ▶ the size of the M&E sector would be INR3.04 trillion (US\$38 billion)
 - ▶ subscription would be INR1.65 trillion, and comprise 54% of the M&E sector
 - ▶ the subscription revenue mix would look significantly different, with digital comprising the largest portion at 61%, as compared to just 10% without data charges
 - ▶ Digital segment revenues would be ~INR1,500 billion, or around twice the television segment

* A different perspective regarding data charges

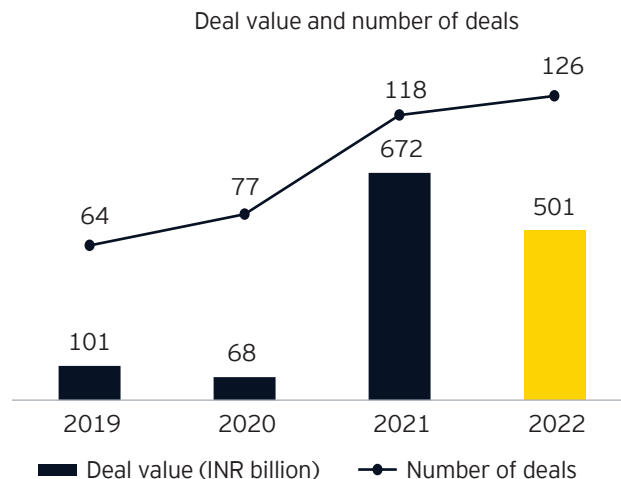
Demand for 'escapism' content continued to grow



EY estimates | Excludes news bulletins, satellite films, etc. not produced for TV and includes dubbed content

- ▶ India released 165k hours of content in 2022, excluding news bulletins and short-format user generated content
- ▶ Of this, television produced 158k hours across languages, of which 72% was general entertainment (escapist) content, while another 3% was sports
- ▶ Over 4,000 hours of filmed entertainment content was produced, and premium content produced for OTT platforms increased to an all-time high of almost 3,000 hours, at an average price of over INR8 million per episode

There were over 125 M&E deals in 2022

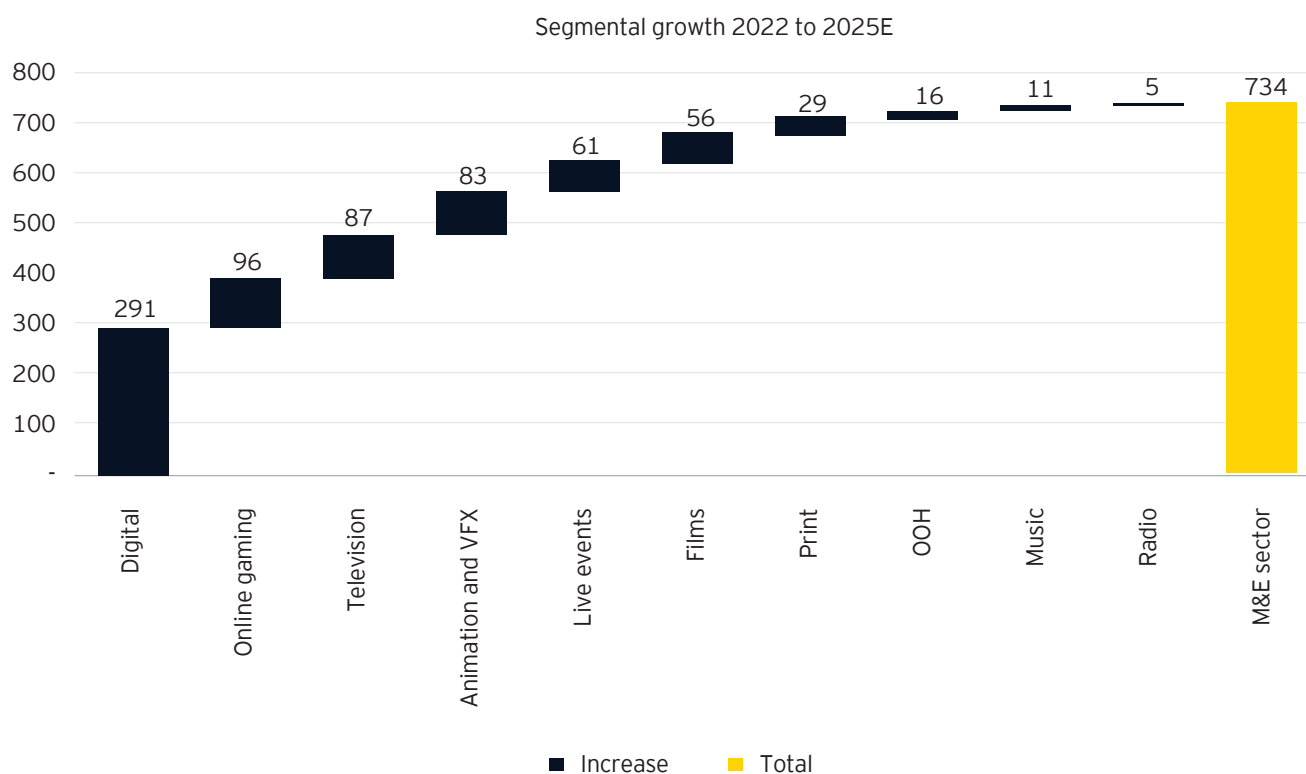


EY estimates based on publicly available information

- ▶ Digital and gaming aggregated 65% of deal volumes, but 33% of deal value
- ▶ Traditional media deals in television and film comprised 62% of deal value
- ▶ PE/ VC funds led 77% of M&E deals in 2022, contributing to 57% of the total funding

Future outlook

The M&E sector will grow INR734 billion to reach INR2.83 trillion in 2025



All figures are gross of taxes (INR in billion) | EY estimates

- ▶ The Indian M&E sector will grow at a CAGR of 10.5% and add INR734 billion in three years
- ▶ The key contributors to this growth will be digital, online gaming and television (together contributing to 65% of the growth), followed by animation and VFX (11%), live events (8%) and films (8%)

The M&E sector has become medium agnostic

	2019	2020	2021	2022	2025E
Video	55%	69%	68%	66%	63%
Experiential	22%	16%	16%	21%	25%
Textual	19%	12%	13%	10%	9%
Audio	4%	3%	3%	3%	3%
Total	100%	100%	100%	100%	100%

Revenue share | EY estimates | Includes related data consumption cost estimates

- ▶ Given that video, audio, text and experiences are available across almost all segments, the M&E sector is redefining itself across these four verticals:
 - ▶ Video - TV, video OTT, short video
 - ▶ Experiential - Online gaming, cinemas, events, OOH
 - ▶ Textual - print, online news
 - ▶ Audio - radio, music, audio OTT
- ▶ Video remained the largest earning segment in 2022, and despite resumption of normal life after the pandemic, held on to a 11% gain in revenue share since 2019
- ▶ The pandemic impacted 2020 and 2021 as regards experiential revenues, but those have now recovered, and we expect their share to keep growing as India's per capita income grows
- ▶ Text has probably seen a permanent loss due to the fall of print circulation, but will remain relatively stable as regards ad and sub growth, albeit at a slower rate than other media
- ▶ Audio revenue models remain largely digital advertising and events linked, and their revenue share will therefore remain stable

Video trends

I. The future of television

Television households in million

Consumer segment	Video consumed via	2022	2025E
Digital only	SVOD	2	10
Digital 1 st	SVOD	43	42
	Pay TV		
TV 1 st	AVOD	77	74 to 77
	Pay TV		
Free consumers	AVOD	45	50
	Free TV		
		167m	176 to 179m
TV dark		152	149 to 152
Total Indian households		319	328

Millions of Indian households | EY estimates | SVOD includes AVOD

- ▶ **Digital only:** consume content only on digital platforms, rarely access television
- ▶ **Digital 1st:** consume pay TV and at least one paid OTT service
- ▶ **TV 1st:** consume pay TV and generally only bundled/free OTT content
- ▶ **Free consumers:** do not pay for content, either on TV or OTT
- ▶ **TV dark:** do not have access to large screen television but may have access to a smart or feature phone and consequently some households may access YouTube and AVOD platforms before TV

Bi-directional television households will reach 52 million (or cross 100 million)

- ▶ From 45 million households paying for one or more SVOD services, the number will grow to 52 million by 2025, if current pricing is maintained
- ▶ The slowdown in growth will be on account of affordability of OTT services
- ▶ However, if pricing is reduced to INR1 per day or thereabouts for a popular streaming service or a strong bundle of popular content is created for upto INR1,200 per year, the reach could cross 100 million households within three years as an add-on to linear television

Linear television households will remain stable

- ▶ The linear television universe will remain comparatively stable at 166 to 169 million
- ▶ The pay TV universe will continue to shrink, albeit at a slower pace, to 116 to 119 million active households by 2025, as the net impact of new pay subscribers is expected to be lesser than the conversion of households from linear TV to bi-directional (broadband) TV
- ▶ In our estimate, 10 million new Indian households will be created by 2025, and a similar number will take to television
- ▶ Television dark households will remain relatively flat unless something is undertaken along the following lines:
 - ▶ Creation of lower priced FTA packs
 - ▶ Differential pricing and bundling for rural markets, in agreement with TRAI
 - ▶ Reactivation of the millions of inactive set-top boxes through incentive schemes
 - ▶ Creating relevant content bundles for under-penetrated markets

Free television consumer base will grow

- ▶ The mobile phone is usually purchased prior to a TV at a household level, thereby reducing the pressure to buy a TV set
- ▶ However, we expect the free consumer base to grow as progress continues to spread among the television dark homes
- ▶ Initiatives which can increase the uptake of free television (i.e., convert television dark households) include:
 - ▶ Provide television hardware for free to below-poverty-line households
 - ▶ Incentives and tax concessions to reduce the hardware cost for the household
 - ▶ DTT enablement in top 40 cities to enable linear TV viewing on mobile

II. Connected TV sets will exceed 40 million

- ▶ Smart connected TVs will exceed 40 million (daily active users) by 2025, thereby ending the monopoly of broadcasters on the large screen and leading to around 30% of content consumed on large screens to be social, gaming, digital, etc.
- ▶ The unified interface - whether on app, device or platform - will become the new landing page and earn placement and marketing revenues
- ▶ OTT aggregation will be a key driver of growth on CTV

III. The 2 x 4 LCO model will be the de facto reach driver

- ▶ LCOs will rejuvenate their last-mile distribution businesses with digital offerings, and will drive connectivity for India, supported by larger telcos and ISPs
- ▶ The LCO will evolve to provide two wires into each home - a linear TV connection for live television and a broadband connection
- ▶ Last-mile digital services will include aggregation of content (across TV and OTT), data, smart home capabilities and community social interaction and news

IV. First-time user growth in mobile video reach will slow down

- ▶ As the price of entry-level smartphone handsets has increased significantly since the onset of the pandemic due to supply chain issues and a depreciating Indian Rupee, the number of feature phone users who are converting to smartphones has been slower
- ▶ Of the installed base of mobile phones, new smartphone users coming from feature phones was 6.1% in 2019, which fell to 5.7% in 2020, 5.6% in 2021, and 5.4% in 2022, according to Counterpoint Research³
- ▶ The smartphone cost factors are not expected to ease significantly over the next two years
- ▶ Accordingly, first time user growth in digital video reach will remain muted as compared to previous years as per industry discussions, at between 10 and 20 million, unless low cost phones are launched

V. New content windows and segments will emerge

- ▶ Monetization will be at the mercy of consumers' willingness to pay, and unlike international markets, Indian markets are more heterogenous and need to be finely segmented
- ▶ Accordingly, premium SVOD, theatrical, SVOD, bundled SVOD, satellite, TVOD and finally free television windows could come into existence for different types of content

³ <https://telecom.economictimes.indiatimes.com/news/feature-to-smart-phone-migration-conversion-may-pick-up-pace-in-2023/96330922>

Experiential trends

I. Online gamers will touch 500 million

- ▶ Online gaming will continue to grow and reach 500 million gamers by 2025 to become the third or fourth largest segment of the Indian M&E sector, driven by 5G and conversion of feature phones to smartphones
- ▶ The segment will grow across all its verticals viz, esports, fantasy sport, casual gaming and other games of skill, but revenue growth will be led by mobile-based real-money gaming
- ▶ Gaming event IP will come into being, in the form of esports leagues, national online gaming events and multi-game platforms where gaming will be united with social interaction and commerce

II. Gaming will integrate with other media

- ▶ With the split of sports media rights across four major broadcasters, the opportunity for play-along games will increase significantly
- ▶ With over 80,000 digital OOH screens in India, the infrastructure for gamified advertising is now in place
- ▶ And content based around gaming - game play live streaming as well as movies and episodic content - will increase

III. Cinema will focus on two different segments

- ▶ High-end cinemas will evolve into "experience zones" to cater to top-end multiplex audiences who watch movies for their spectacular experience and to enjoy an evening out with friends and family - a market we estimate at around over 100 million customers / 40 million households by 2025
- ▶ In addition, a set of lower-priced "cinema products" will emerge for the next 100 to 150 million audiences across the top 75 cities of India, which will also require a change to the type of content being produced for these audiences, and which could even see regional OTT products releasing in a windowed manner
- ▶ We expect more exhibition pricing innovation in future around loyalty programs, discounting, group pricing, rentals, etc.

IV. Premium OOH assets will drive growth

- ▶ The difficult-to-reach higher SEC audiences at airports, in premium trains and commercial and entertainment establishments, would provide impetus to marketers to invest in the OOH medium
- ▶ The share of DOOH would increase to 12% of total OOH revenues as the number of screens in premium catchment areas increases, without hurting the growth of traditional OOH assets, as budgets would get more integrated with digital media purchasing
- ▶ A good deal of entertainment, sports and cultural venues are being set up in tier II and III cities, which will provide a further boost to addressable OOH inventory and revenues

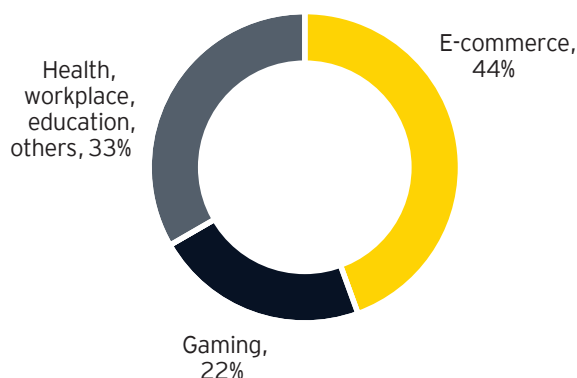
V. Events will continue their growth trajectory

- ▶ We expect the events segment to recover pre-pandemic levels in 2023
- ▶ Organized events will grow to INR134 billion due to growth across all its verticals:
 - ▶ Corporates and brands will spend more on events - our survey of marketers indicated that 57%⁴ of respondents planned to increase their event spends in the next few years, while 27% would maintain them
 - ▶ Ticketed events, across sports and concerts, backed by several new properties and a growing middle class
 - ▶ Government events to support its several new initiatives and the upcoming elections in 2023 and 2024
 - ▶ Weddings and personal events catering to a growing segment of rich families

⁴ EY marketer survey 2022

VI. And finally, the M word

Revenues in the metaverse in 2022



Statista

- ▶ Over 70% of the Indian M&E consumption is on escapism, and the metaverse can enable the ultimate escapism
- ▶ Products like Second Life which enable people to adopt avatars and become who they wish they were, and lead a life in virtual worlds they could only imagine till now, will increase in popularity – a trend already being seen in developed markets with high-quality broadband
- ▶ This could be one of the most important use cases for the Metaverse in India and we estimate over 50 million avatars to be created by 2025, leading to an incredible virtual commerce opportunity
- ▶ Global spends on the metaverse market were US\$45 billion in 2022, and are expected to reach US\$490 billion by 2030 led by e-commerce (US\$200 billion) and gaming (US\$163 billion)⁵

Textual trends

I. Reach of online news will grow

- ▶ In 2022, Comscore data indicates that online news had a reach of 473 million as compared to 538 million smartphones in India. By 2025, we expect this reach to grow to over 550 million
- ▶ A majority of this news consumption is now in vernacular languages and we believe vernacular news portals will see increased penetration with the proposed launch of the low-cost smartphones by telcos

II. Print revenues will grow at 3.7% CAGR till 2025

- ▶ Print will reach a steady state with a loyal reader base in the next three to five years, most of which will probably come from the growing base of educated people entering the workforce who need news and information to build their careers
- ▶ Some products or brands could witness small drops as their faithful audiences age and cover prices continue to increase – resulting in multiple products in a household getting rationalized as stronger brands sustain while others struggle
- ▶ Given that most print companies earn less than 5% of their revenues from digital news products (we estimate that digital news generates less than INR10 billion, including digital native brands), the focus of print companies will remain on the core print product to increase its utility and appeal to loyal audiences, while digital initiatives of publishers will evolve into a separate enterprise that goes wider than just news

III. Subscription focus will increase

- ▶ Cover price growth is critical for the print segment, in order to reduce the variable loss incurred on each newspaper printed by most print companies, and India could see a 25% to 50% growth in average newspaper cover prices by 2025
- ▶ Custom news and information solutions will emerge for specialist and niche groups, as well as corporates with teams in the knowledge economy
- ▶ Online subscription models for digital products have become prolific since 2021 and should keep seeing increased interest over the next few years to generate INR2.4 billion by 2025, or INR5 billion if bundled aggressively

⁵ <https://www.statista.com/chart/29329/metaverse-revenue/>

Audio trends

I. Over 80% won't pay for music

We expect the market to be driven by three major segments:

- ▶ The premium segment (top 3% to 5% or so) will pay for music streaming and music experiences like concerts, themed dining options, merchandise, etc.
- ▶ The aspirational segment (the next 10% to 15%) will consume music on streaming, television, etc., so long as it comes bundled with data, e-commerce, or cable television bundles
- ▶ The mass segment (the rest) will consume only free and ad supported options like FTA channels, YouTube, radio, etc., on their smart phones and/ or feature phones

II. Subscription focus will need to increase

- ▶ From 4 to 5 million paid music streaming subscribers, the segment will grow to 8 million by 2025. The limited growth being due to several free options available to users
- ▶ The need to grow this subscriber base will be the focus of streaming platforms which currently struggle with profitability, who will try various innovations around music quality, limited free song listens, delayed access, etc., to facilitate this

III. Video OTT will positively impact the music segment

- ▶ Content produced for the video OTT segment will begin to play a more important role in creating, using and promoting music - akin to Bollywood's age-old link to music
- ▶ We expect the OTT segment to use/ create 500 to 600 songs annually by 2025

IV. International monetization will improve

- ▶ India generates over 85% of its audio revenues from digital media
- ▶ Countries like Nepal, Bangladesh, Pakistan, Sri Lanka, etc., are now witnessing/ starting to witness a surge in digital adoption
- ▶ This has led to increased uptake of popular international platforms like TikTok, YouTube, Instagram, etc., in these countries
- ▶ Indian music has always been popular in these countries. In fact, the leading artists across Pakistan, Nepal, Bangladesh, The Maldives, Sri Lanka, Afghanistan and the UAE on YouTube in 2022 were Indian

Seismic shifts in Indian M&E

The steady overall YoY growth of India's M&E sector, especially after the trough triggered by the pandemic, conceals several seismic shifts. Just as a bird's eye view of India's digital transformation is seen foremost in the stupendous success of UPI payments and e-commerce, which are indeed riveting, a similar view of our **US\$26.2 billion** sector reveals **a consumer who's readiness to embrace innovation is at an all-time high.**

However, a closer look at the segments that make up India's M&E sector shows that there are a few large tectonic plates beneath that are also shifting, silently, rapidly, and permanently.

Expectedly, the epicenter of this movement is the ubiquity of data, which has transformed, almost beyond recognition, our consumer, and consequently our industry and the way in which our primary product - content - is created, marketed, and consumed by them today. As this happens, **we are also being compelled to re-examine our understanding of the consumer along any traditional SEC boundaries and loyalty to any specific media, and instead, train our focus to serving millions of Indians who are making their M&E preferences decidedly in the direction of digital, such as OTT or online gaming.** From just ~200 million screens in 2016 to over a billion screening devices today, M&E is now no longer a 'push' industry but one that is being defined by its capability to target its offerings sharply and specifically to the individual.

As the industry refashions itself to this new reality, it also has the advantage of an India that has not only made data access incredibly pocket-friendly but which continues to become infra-ready, such as by **investing in high quality content delivery with the roll-out of 5G.**

Together, this heralds a revolution in the sector where **segmentation is the key and must increasingly become the next unlock for creativity, content, and strategy.** Unrestrained by the one-size-fits-all approach, the best performers have already begun this journey by experimenting with technology to keep delivering custom-like content to their discerning consumers, wherever they may on the value chain based on affordability, gender, interests, language preference, literacy, and last but not the least, a keen anticipation of their emerging needs. And as people make more conscious choices from the plethora of options now on offer, the sector too will benefit from this clarity.

As these consumption trends take even deeper roots, **the industry has the opportunity to achieve ambidexterity by revving up on not just one but both its engines of monetization, advertising and subscription.**

As one of the hallmarks of a healthy economy, the advertising spend to GDP ratio has much headroom for growth and an increase in consumer prosperity, and the more fuller participation of SMEs in the digital economy is set to strengthen this further. As time spent online sees an upward incline, **the Connected TV phenomenon, already at 25 million+ monthly users, will expand even further.** Equally, **in the backdrop of improved affordability, the quest for subscription-based revenues is also set to undergo a paradigm shift,** and the data throughputs on which these are based will grow to benefit M&E as well as the wider ecosystem.

As India reaffirms its place in the global order on the mantle of the G20, the M&E sector also has the unique privilege to contribute to India's growing global soft power. A fresh look at the tyranny of the old established business models will ready our sector to take the next leap forward.



Sanjay Gupta
Ex-chair, FICCI M&E committee

Segment & maximize



Segment & maximize

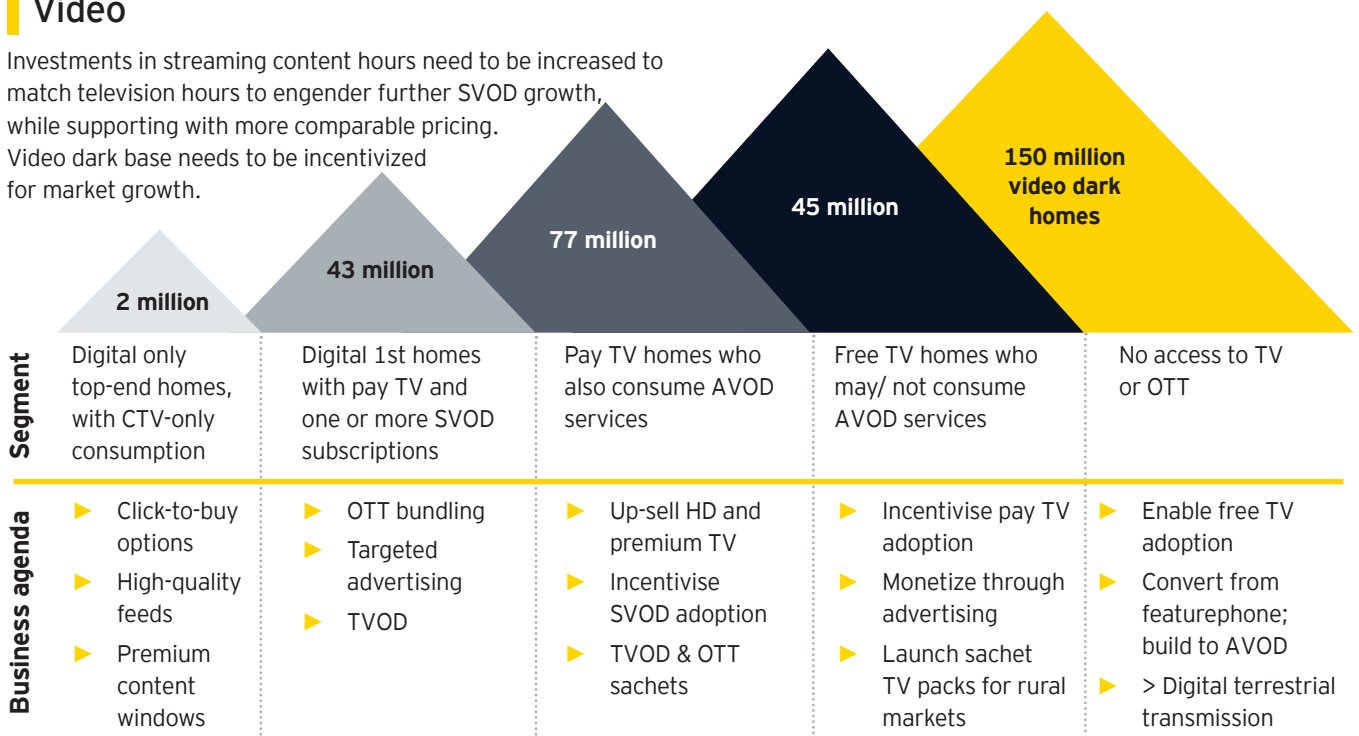
As digital media creates new ways to engage, and direct to consumer relationships are getting built, consumers are more than willing to try new media options and this is **increasing cross-media consumption** like never before.

Media companies have realized that **erstwhile boundaries and walled gardens are breaking down**, as is conventional “window” thinking. Revenue maximization is moving towards a **multi-media-multi-window** era, where each consumer segment is identified, and served a different product at a comfortable value.

This section provides various **emerging segments** and **monetization opportunities** for each. Segment sizes are indicative and should be used directionally only.

Video

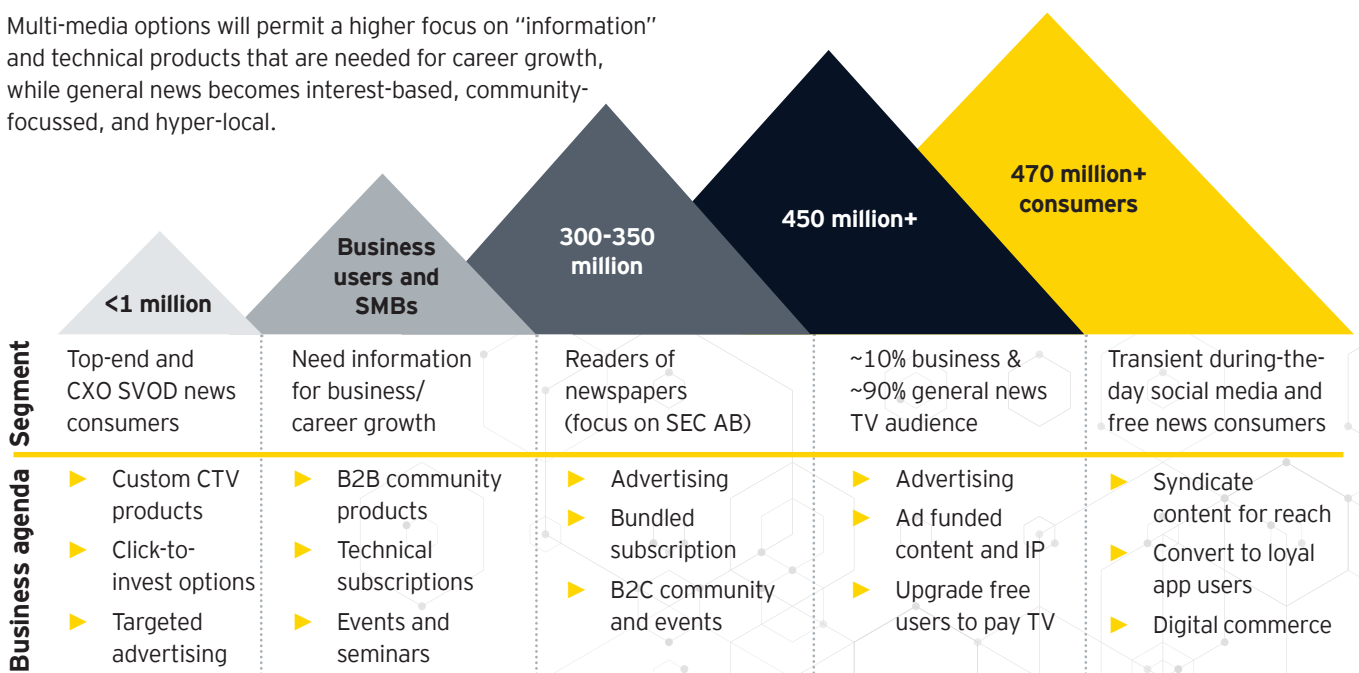
Investments in streaming content hours need to be increased to match television hours to engender further SVOD growth, while supporting with more comparable pricing. Video dark base needs to be incentivized for market growth.



Comscore, BARC BI, TRAI, NIC, Industry discussions, EY estimates

News and information

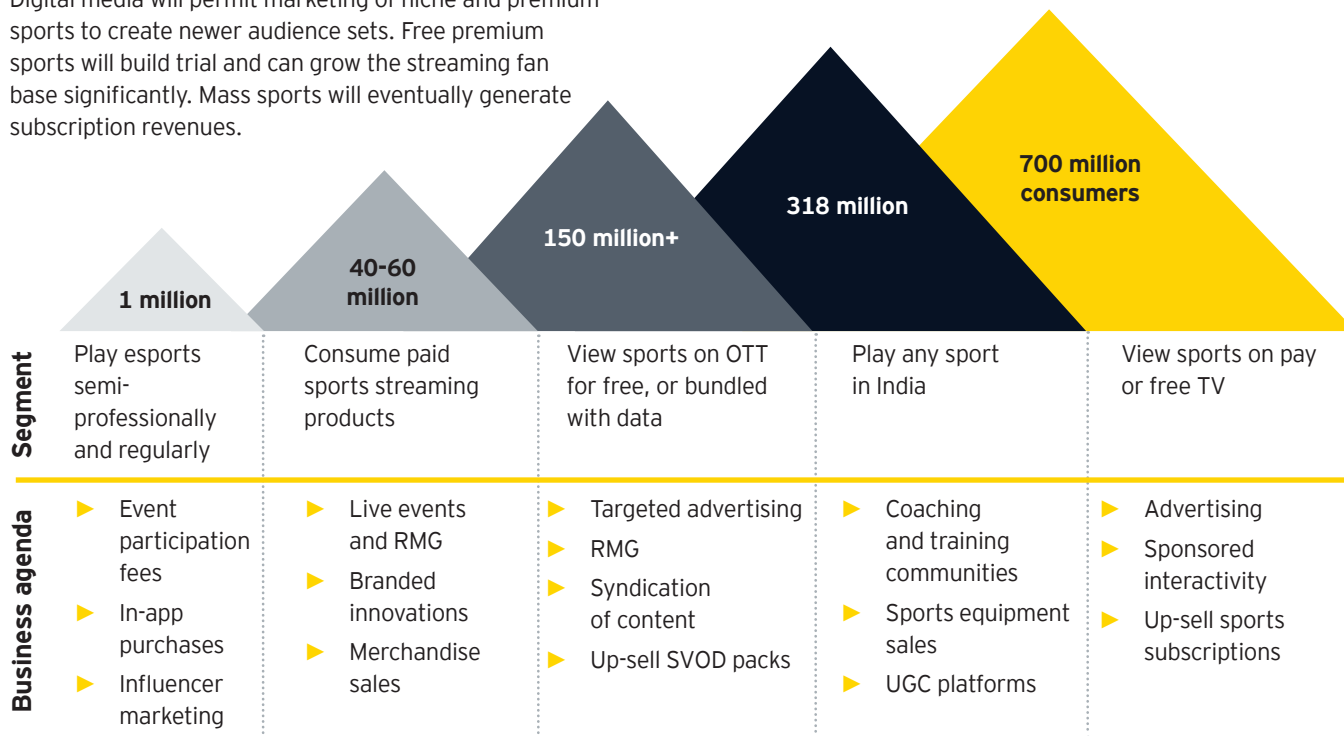
Multi-media options will permit a higher focus on “information” and technical products that are needed for career growth, while general news becomes interest-based, community-focussed, and hyper-local.



Comscore, BARC, Industry discussions, EY estimates | Segments are not de-duplicated

Sports

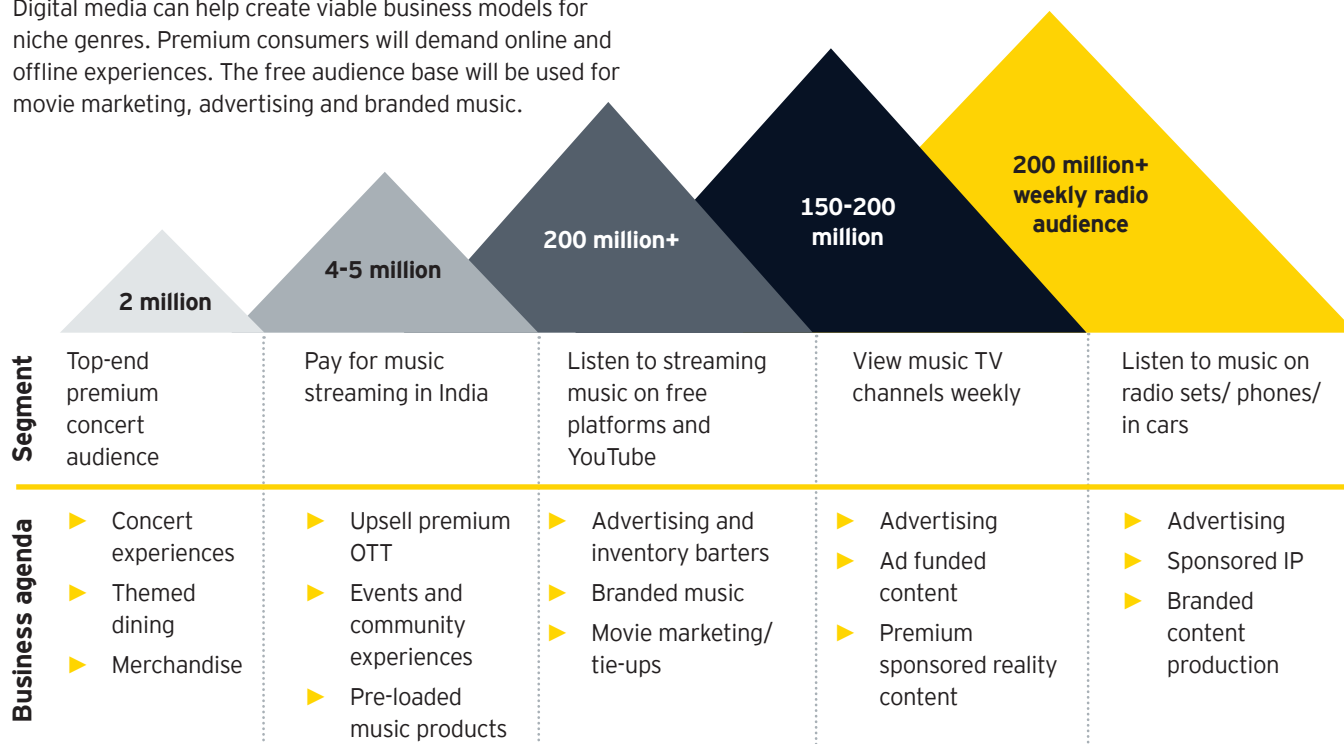
Digital media will permit marketing of niche and premium sports to create newer audience sets. Free premium sports will build trial and can grow the streaming fan base significantly. Mass sports will eventually generate subscription revenues.



Nodwin, Ormax, BARC, Industry discussions, News articles | Segments are not de-duplicated

Audio

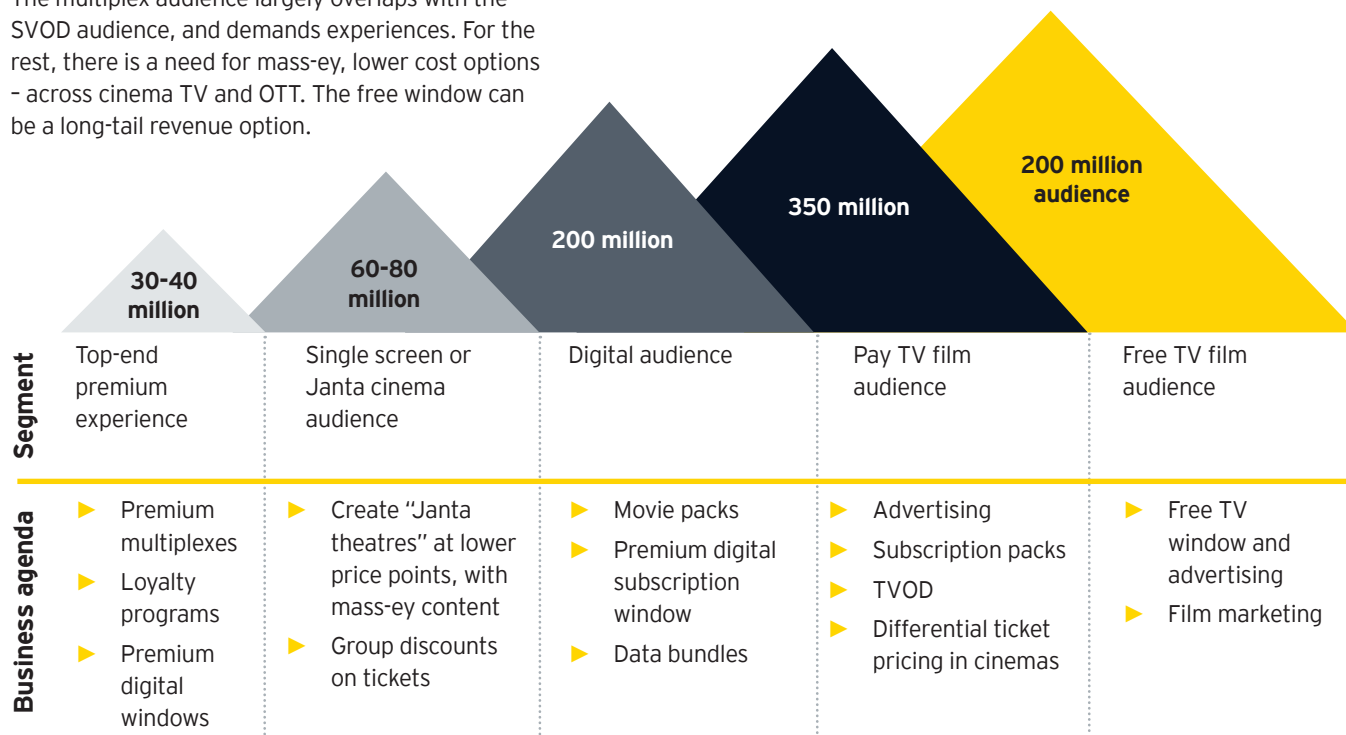
Digital media can help create viable business models for niche genres. Premium consumers will demand online and offline experiences. The free audience base will be used for movie marketing, advertising and branded music.



Comscore, BARC, Industry discussions | Segments are not de-duplicated

Films

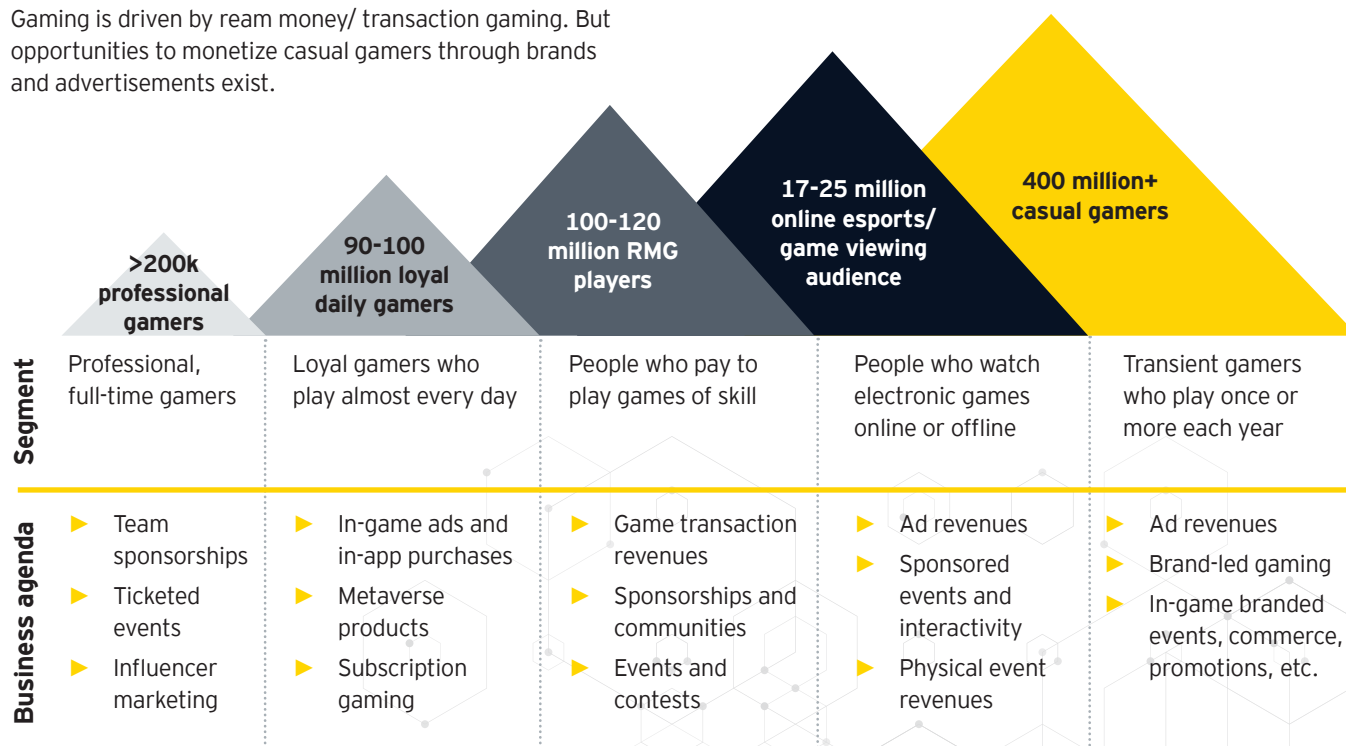
The multiplex audience largely overlaps with the SVOD audience, and demands experiences. For the rest, there is a need for mass-ey, lower cost options - across cinema TV and OTT. The free window can be a long-tail revenue option.



EY estimates, News articles, BARC, Comscore, Industry discussions | Segments are not de-duplicated

Online gaming

Gaming is driven by ream money/ transaction gaming. But opportunities to monetize casual gamers through brands and advertisements exist.



AIGF, Industry discussions, OutlookIndia.com, EY estimates | Segments are not de-duplicated

What's next for Indian digital advertising?



What's next for Indian digital advertising?

Digital advertising is heading to INR1 trillion by 2027/28

- ▶ Across the consumer lifecycle, marketers are increasingly deploying unique digital interventions to drive effective business outcomes, such as:
 - ▶ hyper-localized targeted campaigns
 - ▶ programmatic and geo-targeted out of home (OOH) campaigns to accelerate contextual purchases
 - ▶ one-to-one marketing for direct-to-consumer brands
 - ▶ behaviour enriched cohorts in a connected commerce ecosystem
- ▶ The resultant effect of such disruption is that digital advertising has been the fastest growing ad segment over the last 5 years and is now, at INR499 billion, the largest component of the overall advertising ecosystem, contributing 48% of the total advertising market in 2022¹
- ▶ The key channels of spends on digital remain social media (30%), followed by online video (28%) and paid search (23%)²
- ▶ Going forward, we expect digital advertising to reach INR765 billion by 2025 and INR1 trillion by 2027 or 2028³, but growth will be led by many different themes which are discussed below

Acceleration of digital media consumption in 'Bharat'

- ▶ With 780 million internet users and an average of around 7.3 hours per day spent on smartphone⁴, the volume of digital media consumption in India is second only to China
- ▶ Yet, tele-density is significantly skewed towards urban India (138%) as compared to rural India (58%)⁵
- ▶ In addition, there are more than 250 million active feature phones in India, which will continue to convert to low-cost smartphones over the next four to five years⁶
- ▶ With the consequent growth expected in digital video consumption in Tier-II and III towns, over 50% of digital advertising spends for sectors like FMCG, Auto and BFSI are expected on online video, e-commerce platforms and social media in these markets⁷

Influencer marketing and transaction-driven models

- ▶ Today, 96% of internet users (16 to 64 years) in India watch video content every week⁸ and 30.6% of internet users (16 to 64 years) in India watch influencer videos and vlogs every week
- ▶ Many of the influencers from India come from towns and cities beyond the traditional metro markets
- ▶ Several start-ups and D2C brands have grown to multi-million dollar brands on the back of social and influencer marketing, particularly in categories like beauty and personal care, fashion, health and lifestyle, etc. which have adopted an "always-on" influencer marketing strategy
- ▶ This trend is also leading to the growth of transactional and live video commerce, providing brands with new opportunities to engage with their customers and reduce the depth of the purchase funnel
- ▶ It is expected that influencer marketing will grow from INR12.75 billion today to INR24.57 billion in 2025⁹

More e-commerce options

- ▶ 42.5% of internet users (16 to 64 years) in India use search engines as a primary source of information when researching brands compared to 47.2% in 2021, while 33.4% of internet users in India use product or brand sites directly¹⁰
- ▶ Search trends in India align with the international trend, where 46.7% of product searches start on Amazon and 34.6% are initiated from Google¹¹
- ▶ Improvements in e-commerce/ brand website search engines coupled with availability of reviews and product pictures all in the same place are enabling consumers to directly go to their preferred shopping platforms for product research, circumventing the need for Google, Bing, etc. to redirect them, which is expected to impact advertisers' marketing mix decisions who already allocate over 20% of total digital ad spend on paid search¹²
- ▶ Consumers are also going to have more online shopping platform options than ever:
 - ▶ The launch of Open Network for Digital Commerce (ONDC) with its lower commissions (8-10% versus 18-40% at some online retailers)¹³ is expected to increase the number of online shoppers and shopping options
 - ▶ The proliferation of D2C platforms, which is already a INR960 billion industry, growing at 40% CAGR¹⁴

¹ EY estimates, gross of taxes

² Dentsu E4M Digital advertising report 2023

³ EY estimates, gross of taxes

⁴ Times of India (<https://timesofindia.indiatimes.com/gadgets-news/india-internet-trends-2022-what-indians-bought-and-watched-during-the-year/articleshow/96685610.cms>)

⁵ TRAI

⁶ Industry discussions, ICEA

⁷ Dentsu E4M Digital advertising report 2023, Industry discussions

⁸ <https://datareportal.com/reports/digital-2023-india>

⁹ INCA-e4m Influencer Marketing Report 2022

¹⁰ <https://datareportal.com/reports/digital-2022-india>

¹¹ <https://brandequity.economictimes.indiatimes.com/news/business-of-brands/amazon-is-the-new-google/88883793>

¹² Industry discussions

¹³ <https://www.newindianexpress.com/business/2022/oct/04/ondc-to-charge-retailers-one-fourth-of-amazon-flipkart-2504764.html>

¹⁴ Shiprocket-CII India D2C report 2022

SME ad spends

- ▶ India's SMEs contribute to just 30% of India's GDP today compared to 40% in other emerging economies¹⁵ and this percentage is expected to grow on the back of government support through bank guarantees, MSME platforms, ONDC, One District One Product initiative, etc. which encourage production and export across each district of India
- ▶ On Google Play, India has the highest number of new SMEs created outside of China, with an estimated 0.8 to 1 million of them advertising on digital media platforms¹⁶
- ▶ We expect SME digital ad spends to double from around INR180 billion in 2022 to INR360+ billion in 5 years¹⁷

Branded interactivity

- ▶ Brands will want to be part of the 400 million+ phone users who play games¹⁸
- ▶ Today, online gaming generates INR11 billion in digital advertising revenues¹⁹, with growing advertiser interest towards exploring the relatively newer concept of blended in-game ads that mimic the feeling of real-life sports and games²⁰
- ▶ We can expect more integration between brands and games, which can take advertising up to INR20 billion by 2025²¹

Generative AI search

- ▶ Although currently at a nascent stage, generative AI has the potential to be a game changer in the advertising space, offering benefits like increased efficiency and productivity, reduction in cost and providing new revenue opportunities
- ▶ We believe some interesting use cases for generative AI could be around:
 - ▶ contextual advertising and in-content native advertising as content becomes more optimized for generative search queries
 - ▶ new commercial ad models across a multitude of search engines, including paid content partnerships
 - ▶ new workflows that enable advertisers, creators, and producers to generate, edit and customize content advertising at scale
- ▶ Products like ChatGPT, Dall-E 2, MidJourney, etc. can supplement content creators by taking up lower-end and repetitive creative tasks that do not rely on deep subject matter knowledge and industry specialization, as well as provide an initial smorgasbord of ideas on which to build creative stories

Experiential/ Web3.0 marketing

- ▶ XR is enabling brands to create new environments for their customers to **explore→ engage→ evaluate→ transact→ share** brand experiences, in the form of virtual or augmented reality
- ▶ Although XR users are currently sparse, we expect the top 10-15 million Indian households will experience AR and VR by 2025, as well as creating over 50 million virtual avatars²²
- ▶ New models based on "recommendations" between friends and family, tracked using Web3.0 technologies can create a new marketing channel build on consumer trust
- ▶ It is exciting to see the possibilities of experiential media that XR can offer for marketers in general, and specifically for the top-tier households mentioned above

¹⁵<https://www.livemint.com/news/india/msmes-are-the-growth-engine-of-india-contribute-30-to-the-gdp-11663347449050.html>

¹⁶Google India, Amazon India, industry discussions

¹⁷https://www.business-standard.com/article/companies/digital-ad-spends-in-india-to-touch-21-bn-in-next-five-years-redseer-122122700497_1.html; EY estimates

¹⁸AIGF, industry discussions

¹⁹AIGF

²⁰Inmobi Mobile game advertising report 2022

²¹EY estimates

²²EY estimates

Rethinking spends in a cookie-less world

- ▶ More than 75% of advertisers surveyed indicated that due to the withdrawal of third-party cookies (delayed now to the first half of 2024), core drivers of performance, such as audience matching, campaign management, reporting, user acquisition and retargeting, will be affected²³
- ▶ Building first-party data has thus become crucial, as has efficiently integrating it with and using anonymous third-party data
- ▶ This opens the door to “hyper-personalization” in advertising, in which artificial intelligence holds great potential:
 - ▶ AI is expected to spearhead data-driven marketing campaigns centralized around collection, activation and modelling of first-party data
 - ▶ It can help automate previously manual marketing processes around creative analytics, cross-media attribution models and data-driven insight dashboards
 - ▶ Identify audience cohorts through “hidden similarities” in consumer profiles available on large platforms
- ▶ To succeed in a cookie-less world, marketers need to:
 - ▶ Rethink and redirect their media spends to capture more first party data sources and explore second party data partnerships
 - ▶ Leverage single domain names for easier customer tracking and mapping with integration of durable IDs, thereby increasing accuracy of data collected
 - ▶ Redefine the customer experience with more relevant and meaningful content and integrate direct channels like feedback-gathering for data collection
- ▶ Publishers, on the other hand, can consider merging their first party data with that of diverse groups of publishers to create large pools of de-duplicated first party data sets, using blockchain-based anonymous techniques, that can offer scaled audiences to brands

Personalized messaging

- ▶ Growing internet penetration across various SECs and cultural segments, growth of e-commerce, a mobile-first market, and large communities have led to an increased need for personalized and targeted digital advertising
- ▶ Big data and analytics solutions are enabling brands to become more aware of consumer behaviour and preferences, both at an individual consumer level for their D2C audiences, as well as using hidden patterns to target other audience cohorts
- ▶ As a result, it is likely that we will continue to see an increasing focus on personalized digital advertising in India in the coming years which will require:
 - ▶ Significant use of contextual marketing
 - ▶ Development of multiple communication planks and ad creatives for different audience cohorts
 - ▶ Real-time audience analysis

Going forward: many roles of the future marketer

One can expect exciting times ahead for Indian digital advertising - the marketer will have to provide experiences to the consumer through an amalgamation of data, technology and creativity like never before, in effect becoming a content creator (Chief Content Officer), a community curator (Chief Revenue Officer), owner of consumer data (Chief Data Officer) and driver of innovation (Chief Innovation Officer).



Raghav Anand
Partner, Digital media & convergence
EY LLP (India)

²³“First-party data and customer trust: The keys to succeed in APAC’s new privacy era”

5G use cases in M&E

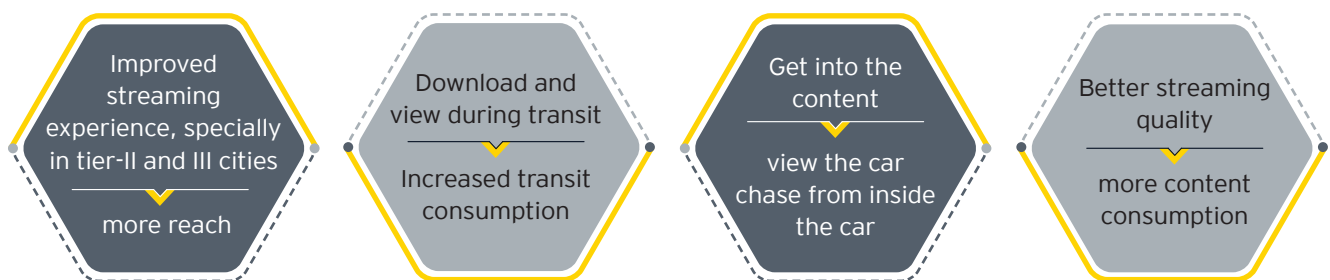


5G can add INR400+ billion to Indian M&E in three years

We asked the EY M&E team what their favourite 5G use cases were, and we received some incredible ideas! This section summarizes some of these and their potential business case which we estimate can add INR400-500 billion to the M&E segment within three years.

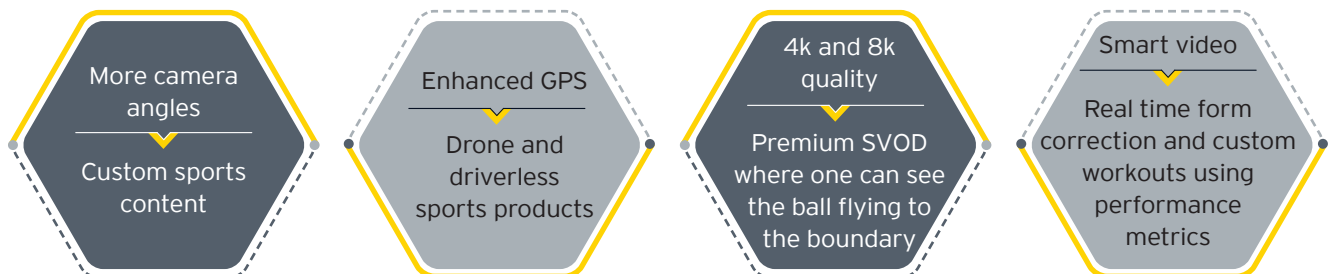
Entertainment

5G will add new dimensions to entertainment by putting the audience into the content. Currently content is sent to 4 screens (TV, mobile, laptop, audio devices). Higher bandwidth quality will not only increase uptake of consumption on those four screens, but will ignite content consumption on watches, glasses, durables, walls, vehicles, outdoor screens, etc.!



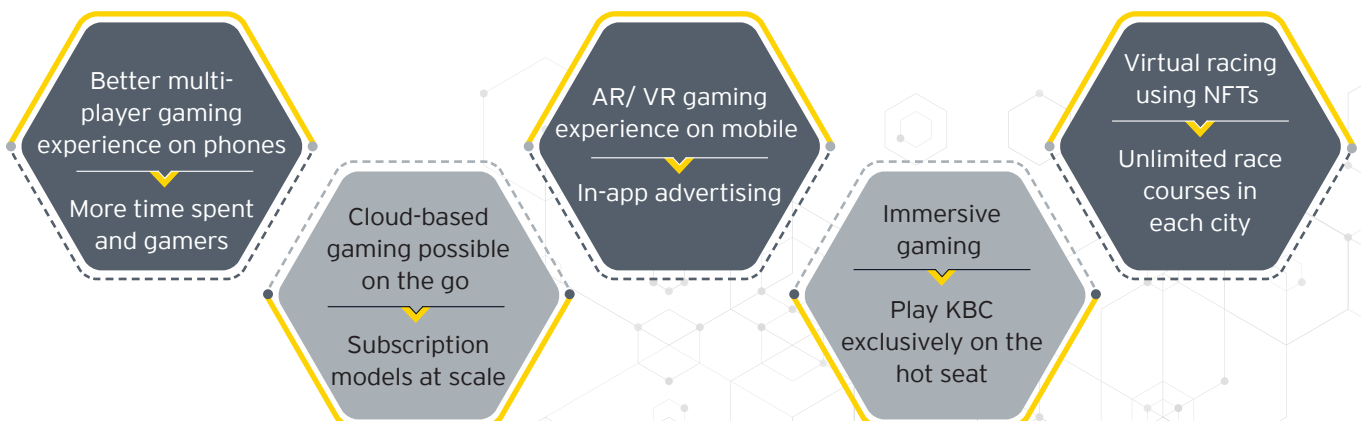
Sports, health and fitness

5G will blur the line between life, human interaction and content by bringing together people to collaborate and create together, and bring the outdoors into the home.



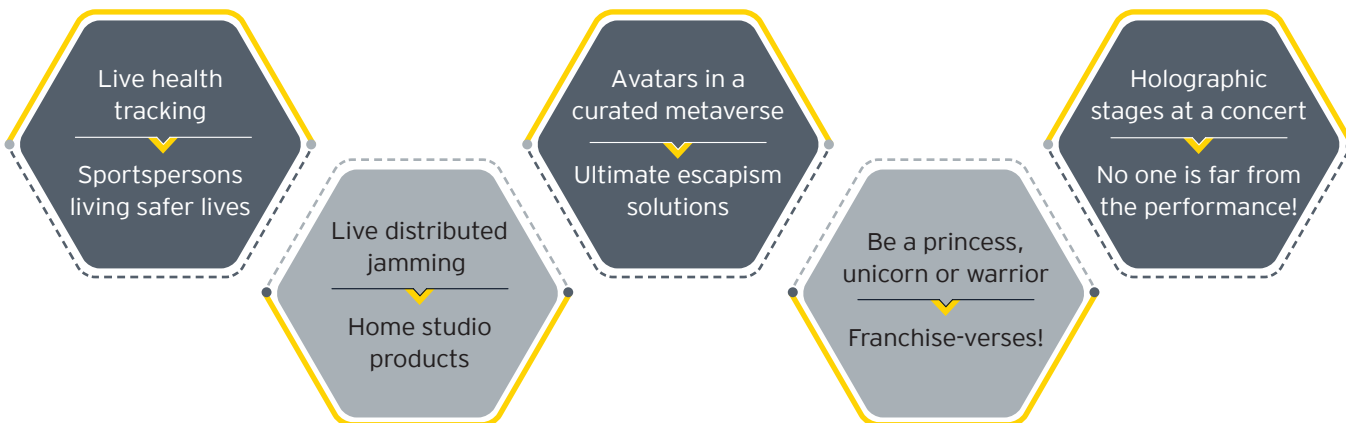
Gaming

5G will increase the potency of low-end gaming phones and take top-end games to the masses. Virtual and augmented reality gaming will build an entirely new segment of premium experiences.



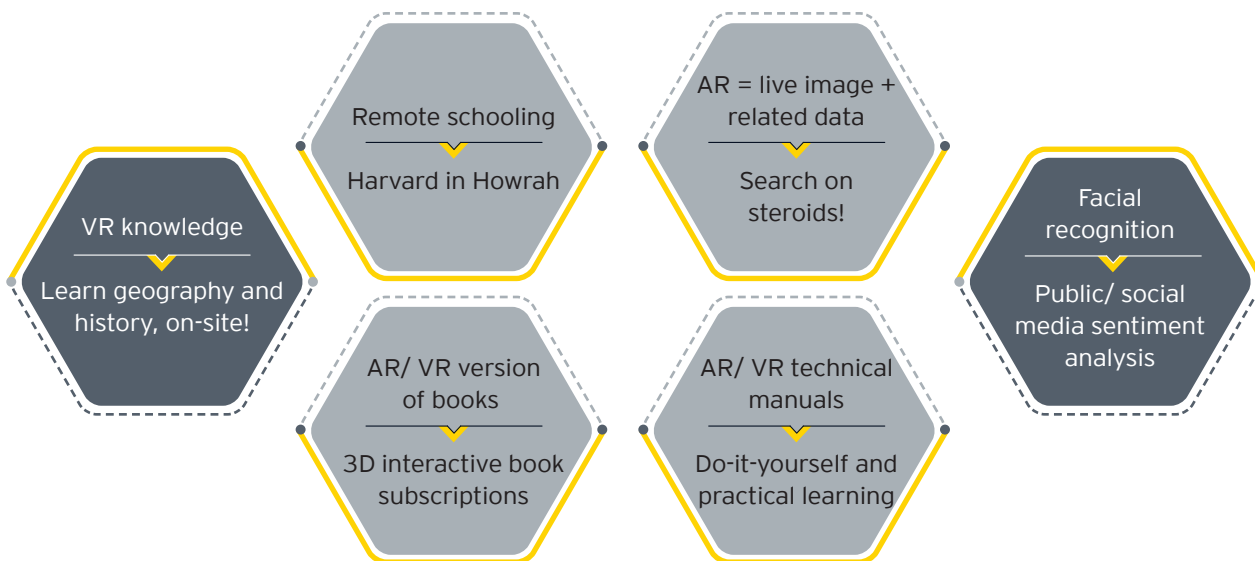
Experiential

4G enabled audiences became content creators and blurred the lines between viewers and creators. 5G will blur the lines between content creation & going live, physical and virtual, human vs device, etc.



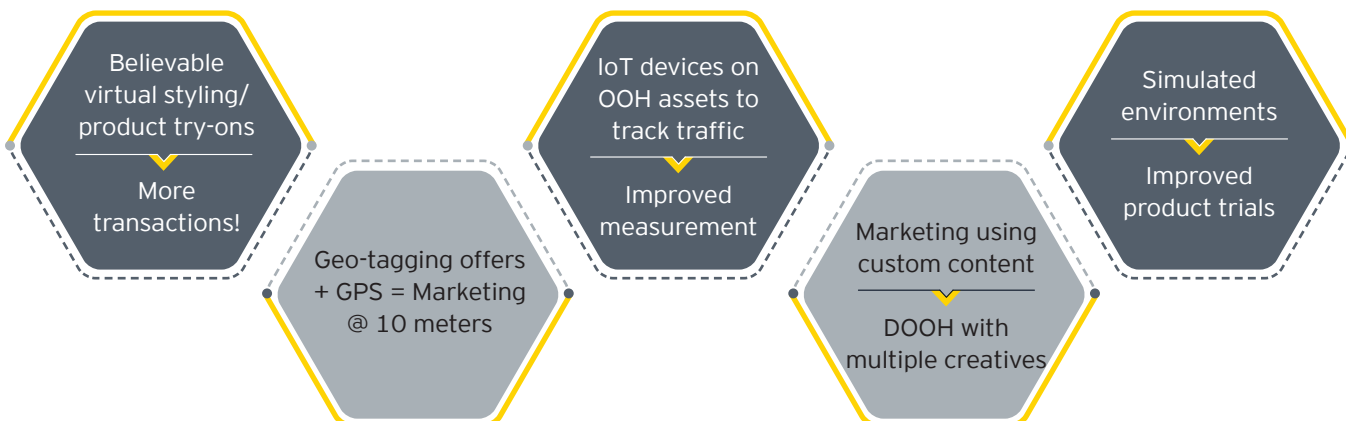
Knowledge and information

5G will make knowledge available on tap and on-location. It will democratise real-time status or information for better decision making, reducing errors of judgement and building efficiencies.



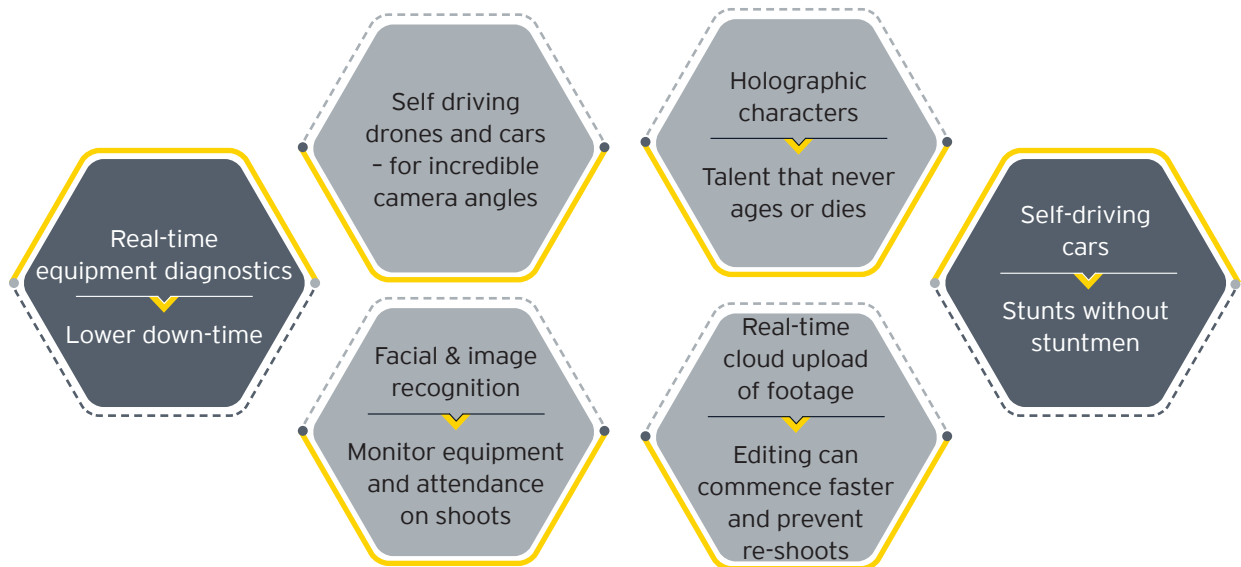
Commerce and marketing

5G will propel new payment mechanisms e.g., chip-based payments, auto deductions based on wearables, device specific plans, etc. It will integrate AI into all parts of the media value chain including consumption, transaction and advertising optimization.

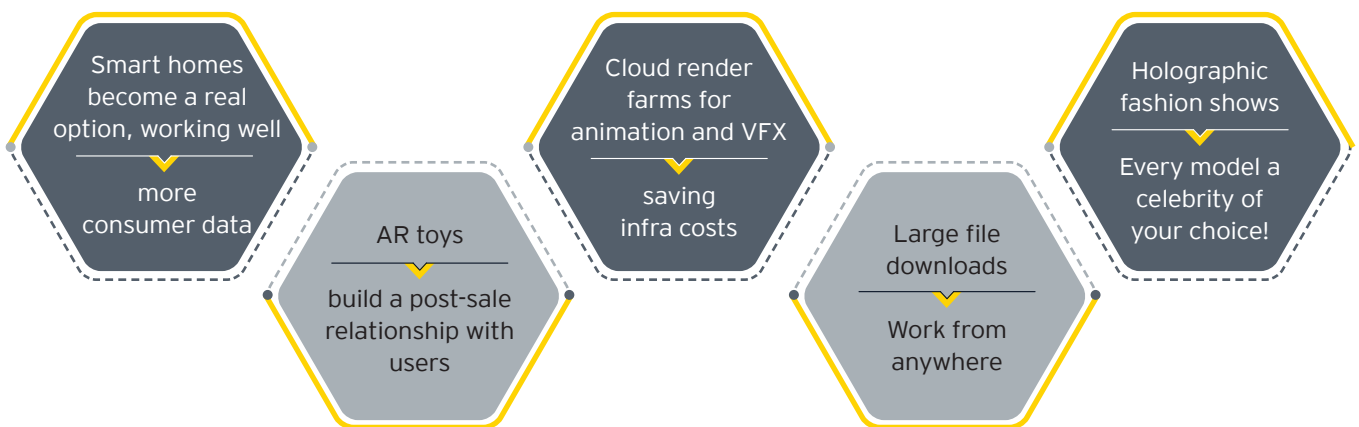


Content production and transmission

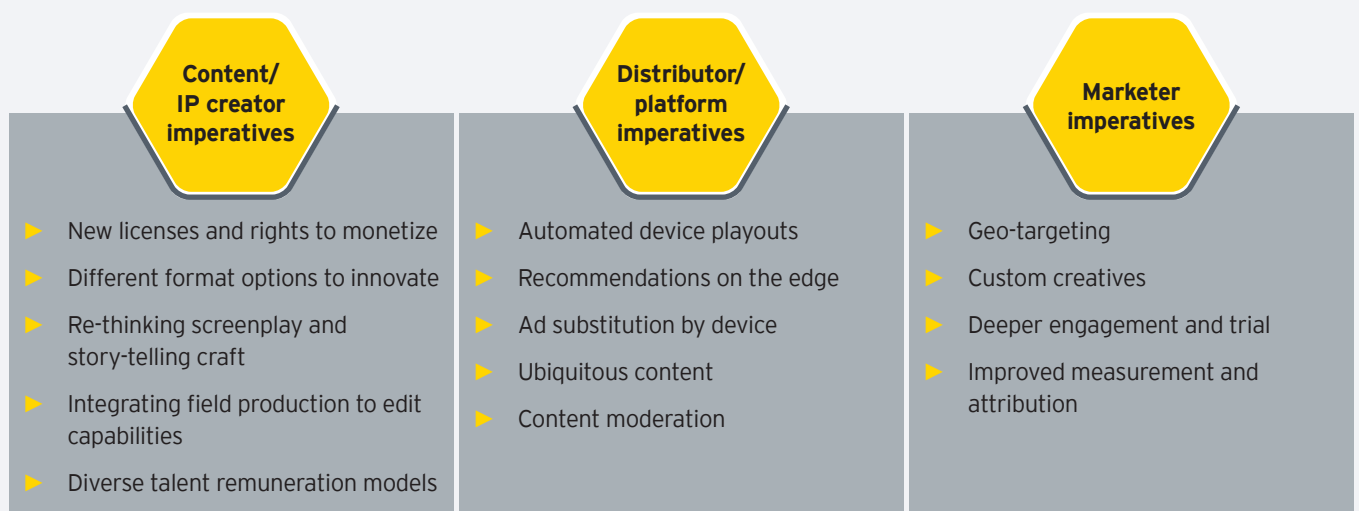
5G will increase content production efficiencies, and enable production of never-imagined content and treatments, while increasing the life-span of talent indefinitely.



Other areas



A 5G starter kit



Global perspective on M&E



Global perspective on M&E

As the calendar turns to 2023, M&E leaders are taking decisive action to achieve ambitious growth plans and position their companies for future success as the industry continues its ever-evolving transformation. The business of content creation, distribution, advertising, and monetization is more fluid and uncertain than ever before, and media companies are racing to adapt. Here are five trends in the M&E sector to watch in the year ahead as competition intensifies and the stakes rise.

Streamers bundle up to brave the elements

If we have learned anything in the past few years, it is that long-term success in streaming requires establishing a **durable subscriber relationship**. Building on the long and successful legacy of the cable TV model, nearly all media companies that are active in the direct-to-consumer (DTC) arena today are now aiming to offer consumers a bundled offering of streaming content and other services.

Along with boosting sign-ups and reducing churn – thereby increasing subscriber lifetime value – **bundles allow media companies to improve efficiency in marketing spend and technology investment**. Consumers benefit by paying a lower all-in price compared to à la carte buying, while also gaining access to a broader array of content in a single offering. Shrinking the aggregate number of subscriptions that consumers must manage is another plus.

Initially, streamers offered “soft” bundles, with separate DTC services packaged together for a favorable monthly rate. **Going forward, media companies will fully integrate distinct streaming services into one application, creating a true “hard” bundle of content**. Consumers will be able to toggle seamlessly within the app for content that was previously delivered through separate platforms and interfaces. By offering a greater selection of content on a common platform, and at an attractive relative price, DTC providers will have fertile ground to keep consumers engaged on, and subscribed to, their app.

To further strengthen the DTC customer relationship and raise switching costs, **media companies are looking to attach other services to their streaming bundles**, replicating the success that some of the large, digital-native platforms have had linking the video subscription to e-commerce, music, fitness, and other lifestyle offerings. Media leaders will also seek to leverage their portfolios of assets, or those of partners, to encourage lasting streaming relationships.

Streaming companies that lack content scale today and choose not to engage in a bundling strategy are at a risk of being marginalized in a market, where the consumer holds the power to cancel at any time and is being trained by the industry to seek a good deal. Owners of stand-alone DTC services will need to double down on their niche offering and core customer base to remain relevant.

Media deals are still a gigantic piece of the puzzle

The intensifying pressure from investors to achieve DTC profitability will be a catalyst for further consolidation activity, especially for the group of relatively smaller players that rely on cash flows generated by fading linear assets. Strategic combinations will simplify the streaming marketplace for consumers, generate cost savings that can be utilized to fund investment in better content, marketing and technology, and rationalize an industry landscape that is driven by global heavyweights today.

Predicting when Mergers & Acquisitions (M&A) will happen is very difficult, of course, even when the strategic rationale for action is clear. There are diverse forces influencing the timing of media deals. Some players are still integrating prior acquisitions and are busy working to realize synergies that will improve future financial positioning. Others are highly focused on clearing tax and regulatory hurdles that will allow for efficient transactions and a more certain path to closing. Conditions in the capital markets and the broader economy are also major factors in any deal – and current visibility is low in both areas.

Regardless of the specific timing and list of criteria for dealmaking, media leaders have a proven track record of executing creative transactions to achieve their ambitions. **In the year ahead, asset sales and spin-merge transactions may be more likely than whole-company deals**. Reshaping the industry for the DTC era will require fitting the media puzzle pieces together in a manner that creates the greatest strategic value and competitive advantage while simultaneously threading the needle through potentially challenging deal structuring considerations.

If outright M&A is not possible for some media players, the imperative for consolidation is powerful enough that they will look at other options. **Partnerships and joint ventures with industry peers can accelerate market entry, share investment and deliver synergy benefits**. While often more complicated than executing a straightforward acquisition or a sale, strategic commercial deals and partnerships are alternatives that many players in the industry will explore.

Regional sports media is changing the channel

Regional sports network (RSN) revenues are facing significant pressure as subscriber counts decline due to consumer cord-cutting and loss of carriage from pay TV operators, who are choosing to drop the networks rather than pass along pricey affiliate fees to customers.

The combination of lower revenues with a high fixed-cost expense base (i.e., rights payments to teams) is driving a structural decline in cash flow and existential questions about the viability of the RSN business model.

Professional sports teams and leagues are looking ahead to the expiration of existing RSN rights deals. They have concerns about the durability of a critical source of team income, given the financial stress in the RSN landscape. This dynamic is a major focus for baseball, basketball and hockey teams that rely heavily on RSNs to support fan engagement throughout lengthy regular-season schedules.

To address the potential for disruption, teams and leagues are studying – and sometimes, executing on – transactions to purchase RSNs and position the business for transition to DTC streaming. Acquiring an RSN would vertically integrate content (game broadcasts and shoulder programming) with distribution and allow teams or leagues more robust connectivity with their customers. **RSN ownership would also enable creative bundling opportunities.** Offerings could include discounted game tickets and concessions, exclusive fan experiences, team-branded merchandise, NFTs, and tie-ins with sports betting – all geared to motivate fans to sign up for the DTC service. Advertising and sponsorship revenues are additional sources of revenue.

However, acquiring an RSN and making the pivot to streaming comes at a considerable risk. DTC pricing must be high enough to offset current payments for rights fees while also being affordable enough for subscribers to discourage churn in the team's off-season or during periods of poor team performance. This may require multiple pro teams participating in a streaming venture together to facilitate a year-round programming schedule.

Movie theaters look for more action

Despite the tangible momentum gained for the big blockbusters at theaters this year, studios and exhibitors are working through a recalibration of the movie business. Box office revenue is over 30% below annual totals in pre-pandemic years, according to BoxOfficeMojo.com. The total number of films released in 2022 is tracking well below the 10-year average leading up to 2020, leaving consumers with fewer options when they are considering a trip to the theater and driving down admissions industry wide.

Studios are reviewing which genres “work” economically for theatrical releases versus a straight-to-streaming approach. Action, superhero, horror, family-friendly, rom-com and so on all bring different budgets, marketing plans, potential audience breadth and, ultimately, monetization opportunities for studios. Studios are basing release plans on a corporate agenda that is now centered on maximizing DTC – ultimately determining that some films are best suited for a streaming release.

In response, theater owners will need to recalibrate their business and financial models to account for less film product flowing through their multiplexes while staying nimble enough to capture the returns from the mega blockbusters. **Theater owners are taking tactical action around loyalty programs and other steps to stay engaged with consumers.** Strategically, some exhibitors are restructuring their balance sheets and shrinking theater portfolios to align with current market realities. Studios can assist too, by managing release calendars to ensure that a steady supply of films hit theaters in a cadence that includes traditional busy periods like summer while also load-balancing the schedule throughout the year. This will help support the operations of exhibitors and enable them to deliver a positive customer experience to moviegoers.

Metaverse is on the long-range radar

While the excitement around NFTs and visions of a metaverse-driven future may have cooled in late 2022 as macroeconomic factors took center stage, **media companies continue to prepare for the next age of interactivity.** Investment areas include strategic planning, research and development, consumer research and technology, with a goal of maintaining optionality as the metaverse comes into view.

Media leaders are studying how consumers will access content, engage with advertising, transact, and socialize within an immersive internet experience. Blockchain-based digital assets, including NFTs, may become a key element of the media value chain in the metaverse, enabling digital identity, asset ownership, royalty tracking and payments, and providing offline linkages to “IRL” experiences.

Today’s experimentation will become the business plan of tomorrow and the revenue generation beyond. To execute, media companies will stay on the path of taking purposeful steps, appointing dedicated metaverse champions and supporting them with technology, finance, legal, and creative talent to frame out scenarios and drive innovation.

Capital allocation to metaverse-related initiatives will remain modest over the near term, but not minimal – there is commitment across the industry to stay proactive and engaged with this emerging opportunity.

For 2023, all signs point to another year of excitement and change for the M&E industry. These five trends – and many others influencing the industry – will require leaders to make bold moves to survive and thrive during this era of great disruption.



John W. Harrison

EY Americas Media & Entertainment Leader





Segmental trends



Television



Television

Television segment fell 1.5% in 2022

	2019	2020	2021	2022
Advertising	320	251	313	318
Distribution	468	434	407	392
Total	787	685	720	709

INR billion (gross of taxes) | EY analysis

Advertising

- ▶ Television advertising grew 2% in 2022, almost equalling its pre-COVID-19 levels
- ▶ Ad growth was driven by volume, which grew at 2% while rates remained constant on average

Subscription

- ▶ Subscription revenue continued to fall for the third year in a row
- ▶ It experienced a de-growth of 3.8% compared to 2021 mainly due to a reduction of five million pay TV homes, with ARPU remaining relatively flat

Viewership and reach

- ▶ There were 120 million active pay TV homes and 45 million free TV homes
- ▶ Time spent on linear television fell 7% in 2022 due to a fall in both Hindi and regional language viewership
- ▶ Smart TV sets, however, increased to 25 million though only 8 to 10 million connected to the internet daily

Future outlook

- ▶ Total television screens (linear and bi-directional) are expected to reach 206 million by 2025 from 180 million today
- ▶ However, the mix would be different
 - ▶ We estimate that growth of overall television households shall be driven by connected TVs which could cross 40 million by 2025 and free television which could cross 50 million
 - ▶ Pay TV households are expected to decline by two million in 2023, before falling slowly to 116 million households by 2025
- ▶ Subject to implementation of ad caps and regulatory restrictions on pricing, we expect pricing growth will be around half of inflation for subscription and inflationary for advertising, and hence television revenues will overall continue to grow to INR796 billion by 2025

Reach

Number of television channels reduced marginally to 885

	September 2020	September 2021	September 2022
FTA	584	558	532
Pay	327	348	353
Total channels	911	906	885

MIB website; TRAI Performance Indicators Report

- ▶ 60% of channels were free-to-air as compared to 64% in 2020¹, reflecting the impact of the NTO, where many broadcasters converted FTA channels into pay
- ▶ News channels comprised 44%² of total channels

The number of distribution platforms remained stable

	December 2020	December 2021	December 2022
MSO	1,702	1,747	1,747
DTH	5	5	5
HITS	1	1	1

MIB website

- ▶ MSO registrations remained constant in 2022 at 1,747
- ▶ The Indian market is serviced by four paid DTH providers and one free DTH provider as of December 2022
- ▶ DTH platforms include Dish TV, Tata Play, Airtel DTH, Sun Direct and DD FreeDish
- ▶ NXT Digital continues to operate the lone headend in the sky (HITS) service in India

¹FTRAI Services Performance Indicators report, April-June 2022

²TRAI, MIB - List of permitted private satellite TV channels

Four large broadcast networks pulled out of broadcasting on DD FreeDish in 2022

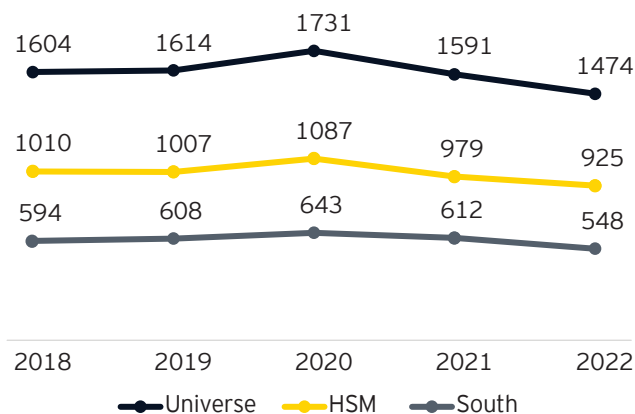
Date	Channel count
December 2018	80
December 2019	104
December 2020	161
December 2021	164
December 2022	179

<https://www.freedish.in/p/dd-freedish-channel-list-by-package.html>, accessed February 14, 2023

- ▶ As of January 2023, DD FreeDish hosted 179 channels including 91 Doordarshan channels (including 51 educational channels launched during the pandemic) and 79 private channels³
- ▶ The FreeDish service also delivers All India Radio's audio programming content of around 48 satellite radio channels⁴
- ▶ Four large broadcast networks, Star India, Viacom18 Media, Zee Entertainment Enterprises and Sony Pictures Networks India, pulled out their content from DD FreeDish in early 2022
- ▶ Interviews with over 20 dealers of FreeDish consumer premise hardware indicated that the demand for customer premise equipment had remained stable in 2022, though was less than during the pandemic⁵

Television consumption

Overall, time spent on TV decreased 7% over 2021



BARC | Impressions (AMA) in billions | Wk1 to Wk52

- ▶ Overall impressions dropped for the second year in a row with a 7% decline over 2021 levels
- ▶ While Hindi-speaking markets (HSM) saw a 6% drop, south markets dropped by 10%
- ▶ Viewership of HSM as well as south markets is at its lowest level since 2018, which appears to be driven by the following factors:
 - ▶ Availability of high quality and niche content on OTT streaming platforms
 - ▶ Rising popularity of YouTube, which has around 475 million monthly users⁶ and provides a relatively free multi-lingual and individually curated Indian and global content palette, including certain content from Indian broadcasters and studios
 - ▶ Growth of social media and gaming, which both compete for free time of the consumer, have achieved a reach in excess of 400 million⁷
- ▶ Industry sources also claimed that availability of TV content on OTT delayed recharges of subscriptions

³Prasar Bharati

⁴Prasar Bharati

⁵EY interview of FreeDish equipment retailers, conducted during October and November 2022

⁶Comscore, December 2022, mobile + desktop unique users

⁷Other sections of this report

Almost all demographic segments have reduced viewership in 2022 vs the 2020 pandemic-induced high

Category	Targets	2020	2022	Change
All audiences	2+ All Individuals	1,00,579	84,664	-16%
NCCS	NCCS A	19,945	20,158	1%
	NCCS B	28,489	26,859	-6%
	NCCS CDE	52,145	37,648	-28%
	NCCS ABC	90,989	78,500	-14%
Age	2-14 years	21,099	17,336	-18%
	15-21 years	16,170	13,427	-17%
	22-30 years	13,811	10,712	-22%
	31-40 years	15,926	12,808	-20%
	41-50 years	15,273	13,008	-15%
	51-60 years	10,196	9,418	-8%
	61+ years	8,104	7,955	-2%
Gender	Male	50,129	41,289	-18%
	Female	50,450	43,375	-14%

BARC | change in impressions (AMA in million) 2022 vs 2020

- Overall viewership (2+ all individuals) saw a 16% drop in viewership based on minutes of viewing from the pandemic year 2020, which had witnessed an abnormal increase in time spent on television
- Lower socio-economic classes (NCCS CDE) saw the largest drop of 28%; however, the NCCS A segment witnessed a marginal 1% increase in viewership
- The highest drops were noted in the age group of 20 to 40 years, as people went back to work, which is also reflected in a higher drop in male audiences as compared to female audiences

Sports witnessed a growth in viewership on television

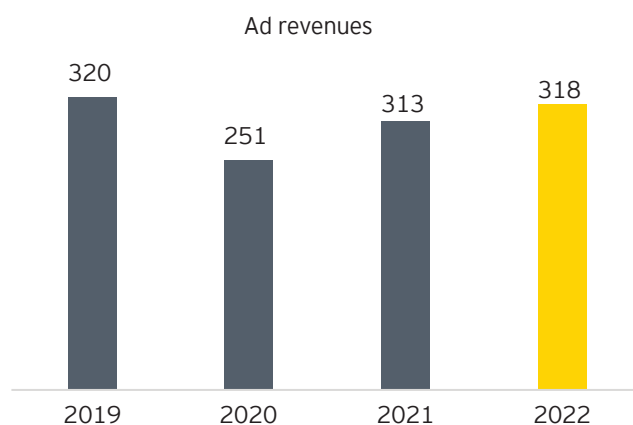
	2021	2022	Change
Cricket	32,272	31,822	-1%
Other sports	8,184	11,046	35%
Total	40,455	42,868	6%

BARC | MF 2+ Ind UR, Period: Jan-Dec 2022, Gross AMA in million

- While cricket's viewership remained stable as compared to 2021, non-cricket sports grew at a healthy 35%
- Kabaddi, soccer and wrestling together generated 23% of viewership as compared to 74% generated by cricket

Advertising

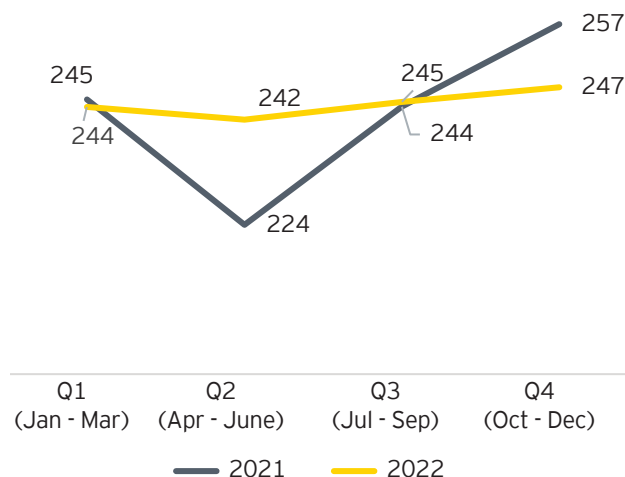
TV advertising revenue grew 2%⁸



INR billion (gross of taxes) | EY estimates

- ▶ Television advertising grew 2% in 2022, recovering for a second consecutive year after the sharp decline in COVID-19 affected 2020 and has now almost equalled its 2019 levels
- ▶ Ad growth was seen across volume, which grew at 2% while rates reduced marginally by 0.4% on average, particularly post the Diwali festive season
- ▶ Television remains the most effective mass medium from an ad rate perspective

Ad volumes grew 2% in 2022



TAM AdEX

- ▶ Ad insertions were significantly higher Y-o-Y in the second quarter of 2022 (which quarter had been impacted by the pandemic in 2021)
- ▶ Q4 of 2022 was 4% below the ad volumes in Q4 of 2021, as caution overtook marketers' sentiments due to the Ukraine war and the threat of recession in developed markets, despite the FIFA World Cup 2022, ICC Men's T20 World Cup and Gujarat state elections being held during this period
- ▶ Apart from bleak economic forecasts, other factors which impacted ad volumes included:
 - ▶ Reduced venture capital funding for D2C-based start-ups which advertised heavily in 2021
 - ▶ The ban on gaming, betting and crypto currencies
 - ▶ Shortage of supply in sectors like automobiles where waitlists for cars became the norm and hence reduced the need to spend on advertising
 - ▶ Layoffs at global tech companies which impacted their domestic discretionary spends

FMCG and e-commerce drove the growth in spends on television

Product category	Category contribution 2021	Category contribution 2022	Contribution to growth
FMCG	46%	45%	35%
E-commerce	18%	20%	42%
Education	6%	4%	-16%
Auto	5%	5%	6%
Telecom	4%	3%	-4%
Household durables	4%	4%	5%
Real estate and home improvement	3%	4%	5%
Banking, financial services, insurance	3%	3%	4%
Others	11%	12%	22%
Total	100%	100%	100%

Pitch Madison Advertising Report for 2022

- ▶ 45% of ad spends on TV were contributed by FMCG, which remained the largest sector to advertise on television
- ▶ E-commerce was the largest contributor to revenue growth for the second year running, contributing 42% of the absolute growth
- ▶ Education and telecom reduced spends on television though the ad base widened with 'Others' growing 22%

Advertising volumes moved to national from regional channels

- ▶ Regional channels (816 hours/ channel) received 19% more ad volumes than national channels (686 hours/ channel) in 2022 as compared to 2021⁹
- ▶ However, in 2021, the skew towards regional channels (836 hours/ channel) was even higher, with them receiving 26% more ad volumes than national channels (664 hours/ channel)

38 channel genres saw an increase in the number of advertisers

Top 5 channel genres	Count of new advertisers
DD regional	117
Marathi news	112
Religious	108
Sports	102
Bengali news	98

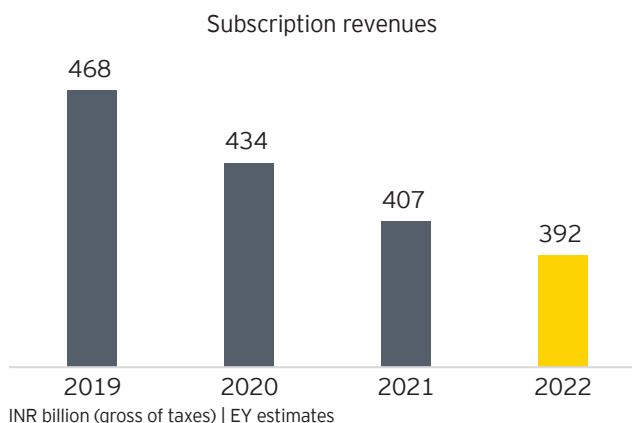
TAM AdEX

- ▶ 9,245 advertisers used television in 2022 as compared to 8,932 in 2021, resulting in an increase in advertiser base for the first time in three years
- ▶ Of these, 4,705 advertisers used only television as a medium for advertising and were not present in print and radio
- ▶ Three of the top five genres which saw the highest increase in new advertisers all pertained to regional languages
- ▶ The widening of the advertiser base on sports genre is indicative of the growing interest and viewership of non-cricket sports in India

⁹TAM AdEX

Distribution

Distribution income continued to fall in 2022



- ▶ Television subscription revenues in India decreased 4% in 2022 due to a reduction in the paid subscriber base by around five million television homes, while ARPU remained stable as channel pricing was not increased during the year
- ▶ The fall in pay television homes has been attributed to both cord-cutting at the top end as well as movement to free television (DD FreeDish) at the bottom end of the customer pyramid

Active paid subscriptions continued to reduce in 2022

	2020	2021	2022
Cable*	72	68	64
DTH*	56	55	54
HITS*	2	2	2
Free TV**	40	43	45
Total	171	168	165

Television subscriptions in millions | Industry discussions, billing reports, TRAI data, EY estimates

*Net of inactive/ temporarily suspended subscribers

** Free TV is derived as a balancing figure after reducing paid and pirated TV homes from total TV universe less temporarily deactivated homes

- ▶ While HITS remained relatively stable, DTH saw a decline of one million homes while cable lost four million homes¹⁰
- ▶ The fall in paid subscriptions is attributed to:
 - ▶ subscribers who are churning out and moving to free TV and/ or digital streaming, including social media, short video, and gaming platforms
 - ▶ some number of subscribers moving consumption to connected TVs
- ▶ Broadcasters whom we interviewed claimed to have earned revenues for between 107 to 115 million paid subscriptions in 2022, as compared to 110 to 130 million reported in 2021, indicating a potential base of pirated connections between five and ten million homes¹¹

FreeDish continued its growth trajectory

- ▶ Free television, on the other hand, continued to grow its base to reach an estimated 45 million subscribers¹² on the back of less-expensive television sets, economic issues, and addition of new channels to the platform¹³
- ▶ FreeDish distributors we spoke to mentioned year-on-year growth has remained strong, though demand was lower than in 2021

Connected TV sets reached 25 million

- ▶ At the other end of the cost spectrum, connected smart television sets continued their explosive growth
- ▶ While certain months of 2022 witnessed 25 million unique sets connecting to the internet, many were infrequent and transient, connecting less than two to three times a month, while around 8 to 10 million connected daily¹⁴
- ▶ Several platforms and manufacturers have started providing advertising services on their smart TV platforms to the extremely desirable “top of pyramid” audience
- ▶ In addition, increased acceptance of permanent and temporary work-from-home culture has created a large “laptop audience” - possibly a reason why second TV sets are not getting reconnected, and a good case for parity-pricing between linear feeds on TV and on OTT
- ▶ Connected smart TV sets are expected to reach 40 million by 2025¹⁵, given the imminent large-scale roll out of 5G services in India and continued growth of wired broadband

End-customer prices were flat

- ▶ End-customer prices remained stable at an average of INR223 per month (net of taxes), given that regulations prohibited pricing changes for a large part of the year
- ▶ Industry discussions indicated that most consumers opted for packs created by the DPOs and LCOs with minimal customization, however, periods of temporarily suspended connections increased marginally as alternate - and even free - entertainment options were available on mobile phones, which reduced the need to recharge in a timely manner

¹⁰EY estimates

¹¹EY analysis; industry discussions; subscriber reports

¹²Industry discussions, EY estimates based on total active TV universe less pay TV estimates

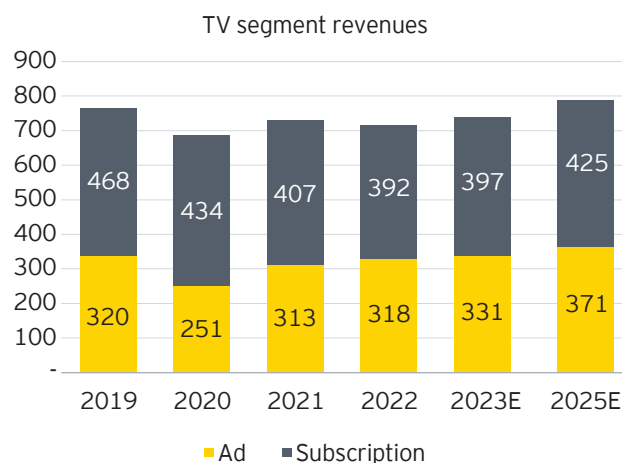
¹³Based on our discussions with suppliers of set top boxes

¹⁴Industry discussions, EY analysis

¹⁵EY estimates

Future outlook

We expect television revenues to grow to INR796 billion by 2025



INR billion (gross of taxes) | EY estimates

- ▶ We expect television advertising to grow at a CAGR of 5.3% to reach INR371 billion by 2025, driven by:

- ▶ End of the Russia-Ukraine crisis, resulting in a stable global economy that would restore supply chains, reduce costs and, in turn, increase consumption
- ▶ Strong performance of regional channels and sports on Free TV
- ▶ Growth of India's per capita income from approx. US\$2,500 today to US\$3,000 by 2025¹⁶
- ▶ State elections in 2023 and national elections in 2024
- ▶ However, risk factors do exist, such as:
 - ▶ Rise of a new sector to replace ad income lost from sectors such as gaming, crypto and betting
 - ▶ Free IPL on digital and its impact on TVs share of ad revenues from the property

- ▶ Subscription income will see a 2.7% CAGR growth to reach INR425 billion by 2025, on account of several conflicting factors:

- ▶ Television households will grow due to:
 - ▶ Growth in population will increase Indian households by nine million till 2025¹⁷
 - ▶ Low entry barrier to consume free television
 - ▶ Continued electrification of rural areas
 - ▶ Distribution of free STBs (as envisaged by Prasar Bharati)¹⁸ and subsidized STBs by private players
 - ▶ Relative pricing of television to broadband remains – currently – much in favor of television
 - ▶ Availability of television sets for as low as INR6,000¹⁹
- ▶ But active television homes will face downward pressures as well:
 - ▶ Continued movement of the pay TV base to OTT platforms as broadband and 5G penetration increase
 - ▶ Increased time spent on alternate platforms like YouTube, social media, and gaming platforms, which are vying for a share of free time
 - ▶ Inability to completely pass on inflationary pricing growth to end consumers in a falling market
- ▶ In view of the above, total television segment revenues are expected to grow at a CAGR of 4% to reach INR796 billion by 2025

¹⁶EY publication "India @100"

¹⁷Worldometers.info

¹⁸<https://www.businessinsider.in/india/news/govt-to-provide-dd-free-set-top-box-to-over-8-lakh-families-in-remote-and-border-areas/articleshow/96739914.cms>

¹⁹Amazon.in accessed February 16, 2023

TV will reach 200 million homes by 2025

	2020	2021	2022	2025E
Pay TV (cable + DTH + HITS)	131	125	120	116
Free TV	40	43	45	50
Unidirectional TV	171	168	165	166
Connected TV (bi-directional)	5	10	15	40
Total TV subscriptions	176	178	180	206

EY estimates | millions of subscriptions

- ▶ Overall TV connections will keep growing at a healthy pace to reach 206 million by 2025
- ▶ The market is clearly segmenting into pay TV, free TV, and connected TV, each being sizeable in itself
- ▶ Content studios, broadcasters and distributors will need to address the needs of each of these segments separately, to effectively monetize their products and services
- ▶ There is a need to create custom products for connected television consumers who need more than just linear feeds
- ▶ Windowing and other strategies can help monetize the free television audience as well, which is growing due to increased channel count and entry into regional language markets
- ▶ Syndication of content to create newer windows and across non-television products will also be key in an era of increasing content costs

Free IPL streaming can impact TV revenues

- ▶ With the announcement of IPL being provided free on digital streaming, we expect this viewership to increase significantly, and this could make it difficult to grow ad revenues on TV as viewership will split across platforms
- ▶ For context, while 44% Indian sports fans watch live sports only on TV, a sizeable 36% are using both traditional and digital media to watch live sports, while the remaining 20% are watching exclusively on Digital²⁰

Need to find a driver sector for accelerated ad growth

- ▶ The composition of industry sectors advertising on TV has seen a massive shift in the last year:
 - ▶ Automobile companies and white goods manufacturers stayed away as demand outstripped supply due to the chip shortage
 - ▶ The FMCG sector cut their marketing spends as input costs increased, hitting their margins
 - ▶ Bleak economic forecasts led to drying up venture capital funding for D2C-based start-ups which advertised heavily in 2021
 - ▶ Chinese phone manufactures have drastically reduced spends on TV advertising
 - ▶ The ad ban on gaming, betting and crypto ventures further affected ad volumes
- ▶ The 'next big sectors' could be from amongst those promoting inclusion or basic lower ticket price products viz., banking, insurance, low cost housing, digital services, FMCG, e-commerce and government schemes. The regulatory clarity around online gaming should also increase the segment's ad spends. Enabling SMEs to easily advertise on television will also be important

The proposed ad cap rule could significantly impact revenues

- ▶ The Telecom Regulatory Authority of India (TRAI) has approached the Delhi High Court against seeking stricter implementation of the 12-minute ad cap rule, to bring about a level playing field and the matter is currently sub judice
- ▶ Implementation of the ad cap will significantly affect ad volumes, especially for news channels and some entertainment channels for their key impact properties, that have been historically airing ads for more than the earlier prescribed limit of 12 minutes per hour
- ▶ To compensate for the drop in revenue due to limited ad volume, ad rates would need to increase significantly, which we believe will be extremely difficult and lead to a 10% to 15% drop in ad revenues²¹

Film and niche genres may continue to struggle on pay TV networks

- ▶ Viewership of film channels will continue to decline as audiences move away from TV to OTT for convenience of viewership
- ▶ As the habit of watching new films at home takes root for upper SEC audiences (which has been helped by the pandemic with direct-to-digital releases and shortening digital release windows), the TVOD film model can gain traction and can be a new window of opportunity
- ▶ Reduced uptake for infotainment and niche genres could also be on the cards as several of these businesses move on to multimedia communities and expand their scope to more than content – this may force broadcasters to shut channels operating in these genres

The road to growth will require innovation and incentives

- ▶ Multi-window innovation, i.e., formats, packaging, and pricing across TV consumer segments
- ▶ Broadcasters will need to create smart bundles – at differential price points – for different audiences, subject to regulatory permissions
- ▶ Public-private partnership to incentivize TV dark homes to buy televisions through:
 - ▶ Free distribution of sets under government programs
 - ▶ Subsidized distribution of television sets and STBs
 - ▶ Creating a low-cost India TV + receiver product
- ▶ Industry action to enable activation of the current base of several million deactivated boxes
- ▶ Increased adoption of HD channels to enable differentiation
- ▶ Custom two-pronged strategy, apart from linear channel distribution on CTV platforms:
 - ▶ Custom content packages for premium consumers, e.g., a 10-to-15-minute morning and/ or evening news capsule based on subjects that interest a viewer
 - ▶ Time shifted viewing of linear content

²¹EY estimates

Collaborative regulations to engender growth

We are in the era of rapid technological developments and the regulatory framework needs to keep pace. Ensuring smooth adoption of the new technologies and protection of interests of all stakeholders including consumers remains an ongoing activity. The primary area which requires attention of the regulatory regime is the convergence of content. Today, the same content is available on Television, smart connected screens as well as smartphones. Owing to the difference in the distribution mechanism on these platforms, they pose a regulatory challenge. Therefore, in the new technological world of convergence, **we need to deliberate on the possible alignment of regulatory regime keeping in view the scenario of 'Multiple Screens, Same Content'.**

India's TV viewership has been on a decline, with a fall of over 10 million pay television homes over the last few years²². This fall is due to a combination of factors, including changes in the media landscape. **The broadcast media sector in India is continuously witnessing shifts, trends and disruptions** owed to new market entrants and changing consumer demands and habits. One can see continuous changes in consumer behaviour with demand for digital media growing significantly.

In terms of viewership and consumer engagement, there is still a huge gap between TV and digital, TV being the medium that delivers the highest reach. **Therefore, it is important to find the solutions to arrest the decline.** It is our continuous endeavour to identify and address the regulatory or policy impediments.

Some initiatives towards this goal are detailed below:

- ▶ In 2022, TV penetration at an all-India level stood at approximately 60%, with over a 100 million Indian households yet to gain access to it²³. A bulk of **growth can come from the under-penetrated rural households**. Entry price for Pay TV continues to be affordable in India, being amongst the lowest in the world.
- ▶ The share of locally manufactured equipment/ devices in the broadcasting distribution networks remains quite low. Bulk of the deployments in the television broadcast sector are being met through imports. **Pro-manufacturing policy support** like Make in India and PLI schemes will help reduce the cost of television sets or other equipment. This will enable penetration of TV sets among the rural households. TRAI is examining the **gaps in R&D** in the sector to help in design & development of locally suitable products.
- ▶ TRAI aims to create a light-touch regulatory framework. Our stated goal has been to **bring in a forbearance-based regime**.
- ▶ To increase efficiencies, we are focused on **greater technology integration** in various processes. To address the procedural hold-ups, we are focused on enhancing Ease of Doing Business. Many improvements in processes have already happened in recent months, while few others are underway.
- ▶ To **promote media plurality** and prevent concentration of media ownership we are working with stakeholders on the need, nature, and level of safeguards required. Our focus has been to enable competition and to remove entry/ exit barriers.

²² FICCI-EY M&E sector report 2023

²³ FICCI-EY M&E sector report

- ▶ To enhance transparency in the value chain of the broadcasting sector, **CAS and SMS framework** is under implementation.
- ▶ To prevent unauthorized redistribution of digital media and restrict piracy of commercially marketed material, **DRM standardization** is necessary. We are working on enabling provisions for a DRM ecosystem with all relevant stakeholders.
- ▶ **Direct to Mobile (D2M)** is another area of focus wherein content can be broadcast/ multicast to mobiles directly. This will not only pave the way for evolving of different revenue models for content delivery but also help in effective delivery of messages/ content during disaster situations.

We would like the industry to also work towards local manufacturing, forming appropriate measures to monitor the growth of OTT platforms, and devise steps for improving **audience measurement**. In addition, **review of license fee**

for different class of service providers including the private FM Radio operators, better quality of service for consumers including the users of DD Free Dish and better **regulations to control piracy** are the focus areas.

TRAI is putting its efforts with the long-term vision of creating an enabling environment for sustainable growth of the broadcasting sector. TRAI believes in collaborative regulation and hopes for a joint effort in enabling the sector. Specifically, TRAI is reviewing its extant regulations with respect to **Network Capacity Fee, Carriage Fee and Quality of Service norms**.

Consumers remain in our focus and our regulations are introduced with a vision to engender growth.



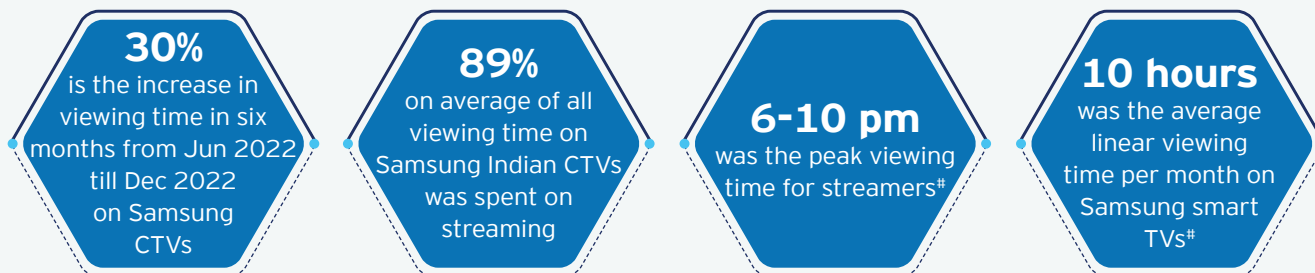
Anil Kumar Bhardwaj
Advisor Broadcasting Services
TRAI



Trends India connected TV

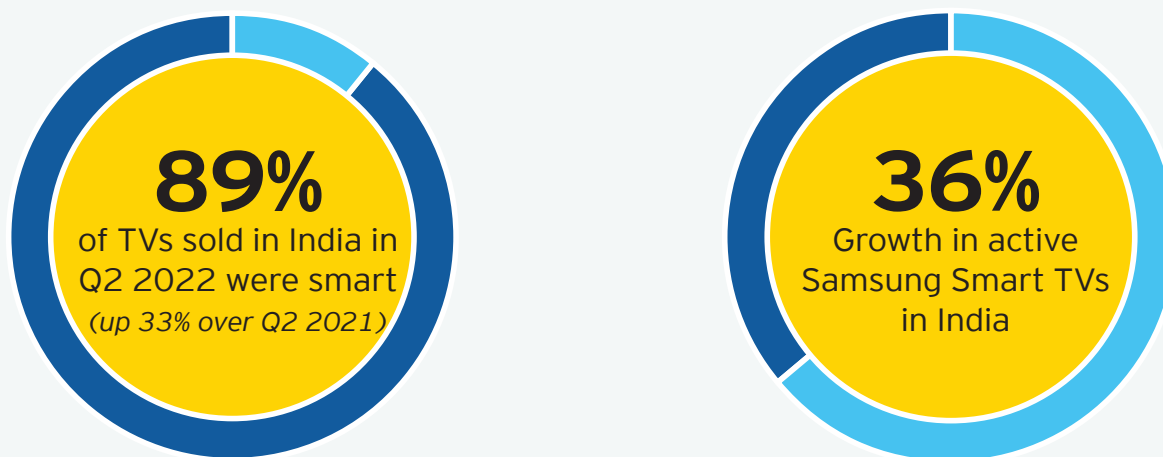
Powered by Samsung Ads

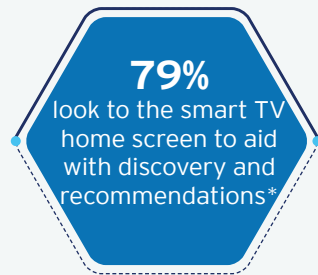
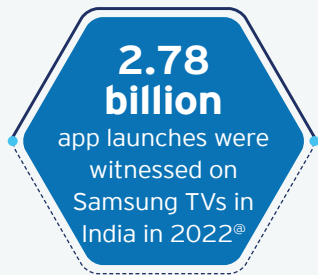
Viewership



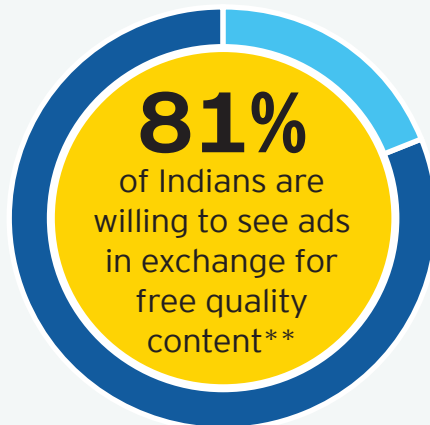
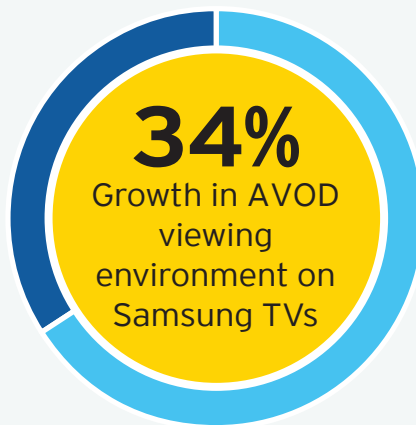
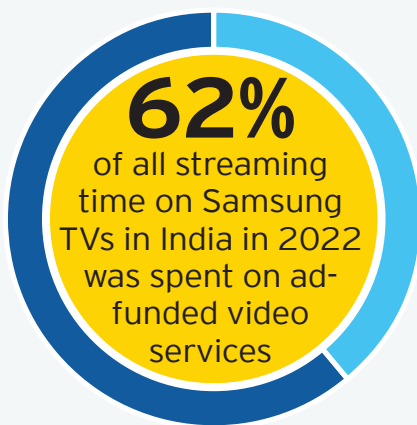
*Getting closer to the CTV audience, IPSOS study Nov 2021 | [#]July 2022 only | [#]Jan-Dec 2022, Samsung Proprietary ACR Data India Dec 22 to March 23

CTV hardware





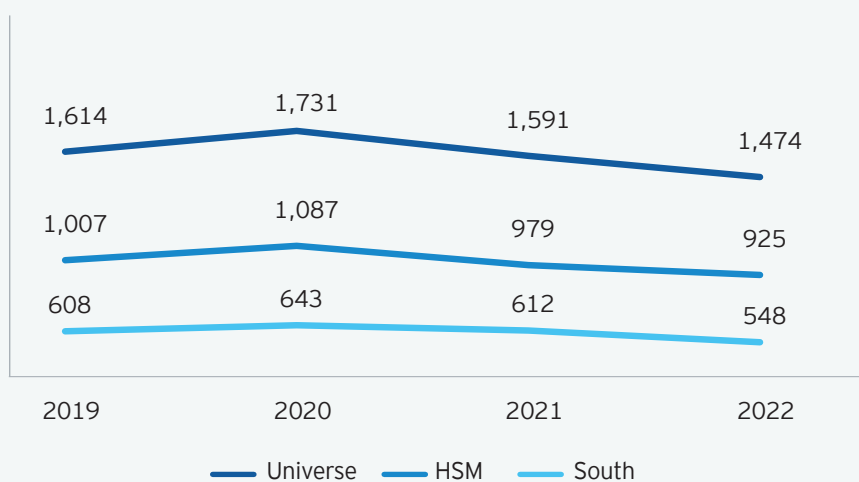
AVOD



**TV Ad Engagement Report India: VERVE 2022

Trends Television viewership

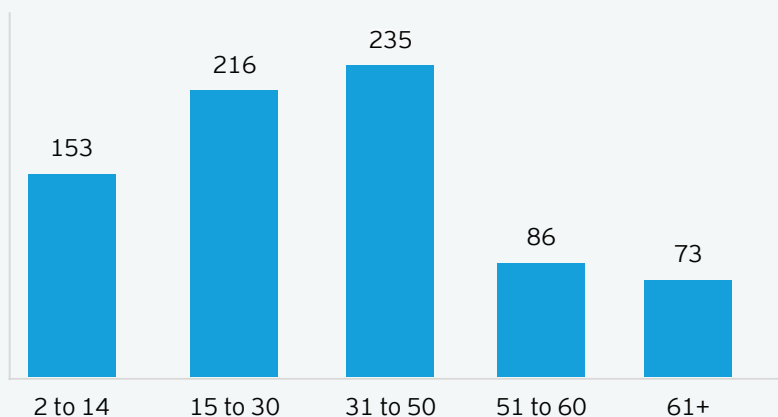
Powered by



AMA/Impressions (in billions) | All India 2+ | Wk1 to Wk52

Indians spent
1.47 trillion
minutes watching
television

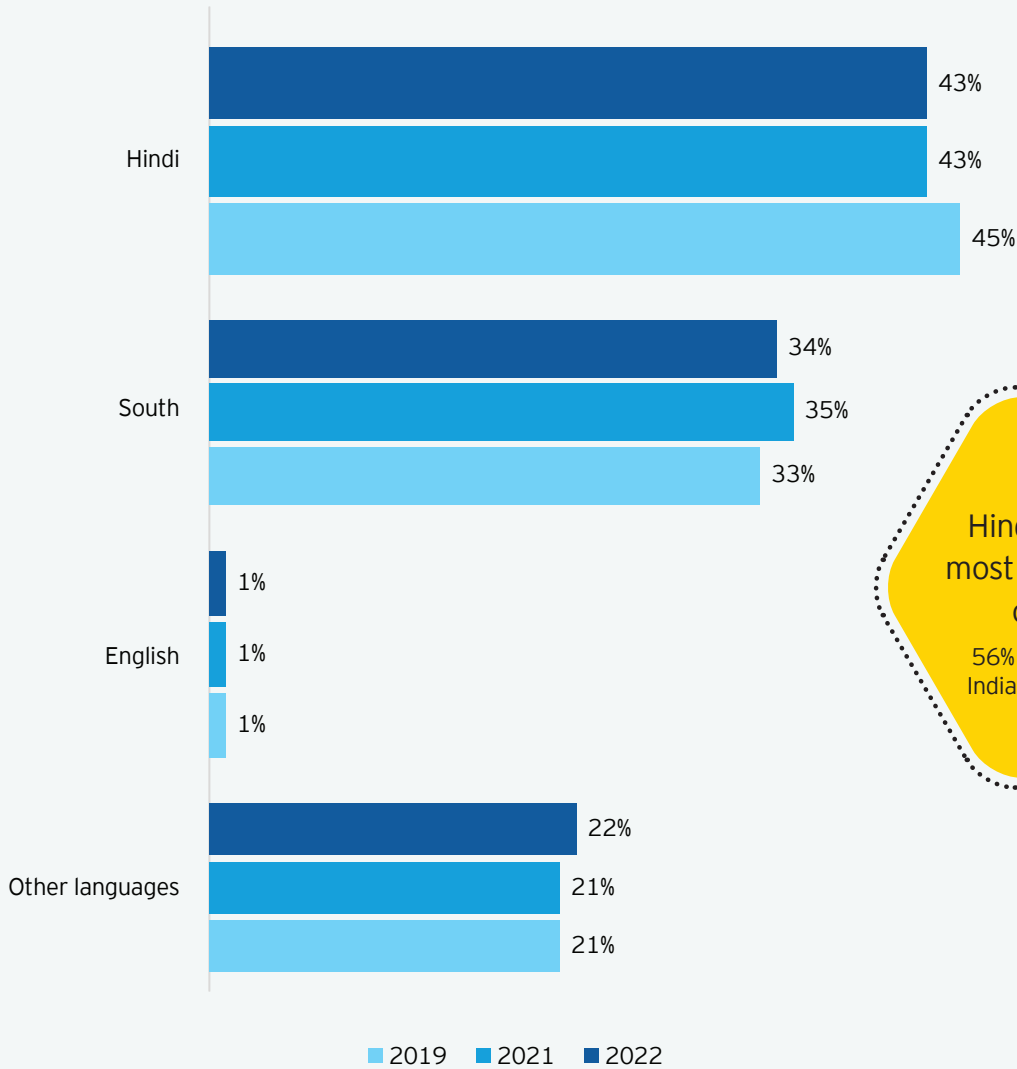
Age-wise TV viewership



AMA/Impressions (in billions) | All India 2+ | Wk26 to Wk52 2022

79% of the
TV viewership was
people **under 50**
years of age

Share of language viewership



At 43%,
Hindi remained the
most viewed language
on television

56% of viewership was in
Indian regional languages

All India, Wk1 to Wk52 2019, 2021 and 2022 | Based on Weekly Average Viewing Minutes

**TV's daily
average reach
was 565 million
homes**

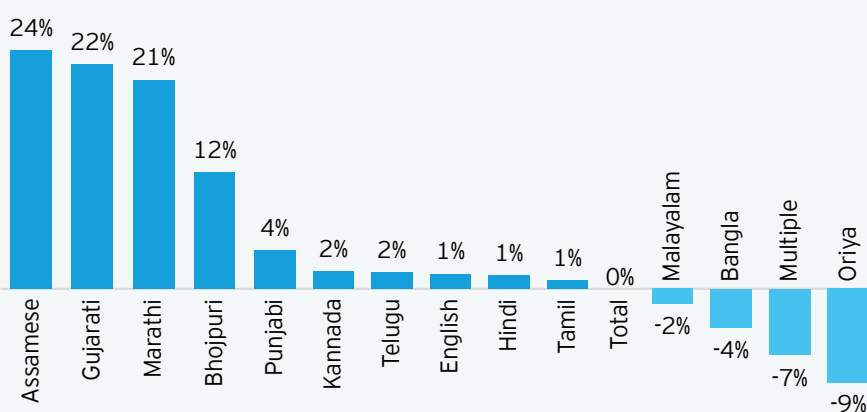
making it the largest
medium in India
by far

2022	Daily average reach (million)	Weekly cume reach (million)	Average time spent	Weekly AMA (billion)
India	565	760	3:35:00	28.3
HSM	379	523	3:21:17	17.8
South	186	237	5:02:54	10.5

All India, Wk1 to Wk52 | 2022 | 2+

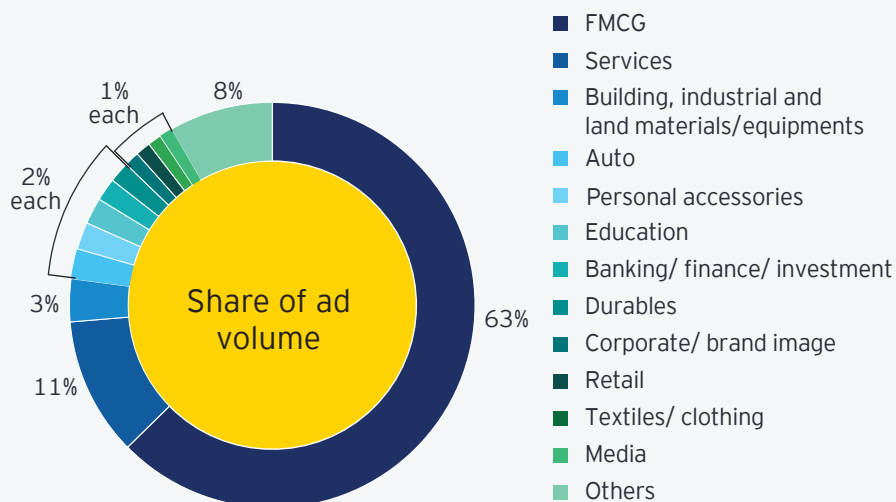
Assamese, Gujarati, Marathi and Bhojpuri channels saw the **largest growth in reach** in 2022

Percentage change in reach 2022 vs. 2021



All India 2+ | Wk 1 - 52 | Cume Rch'000 (weekly average)

FMCG sector contributed **63%** of ad volumes



FMCG: baby care, food & beverages, hair care, household products, laundry, personal care/ personal hygiene, personal healthcare;

Education: excludes online and digital classroom

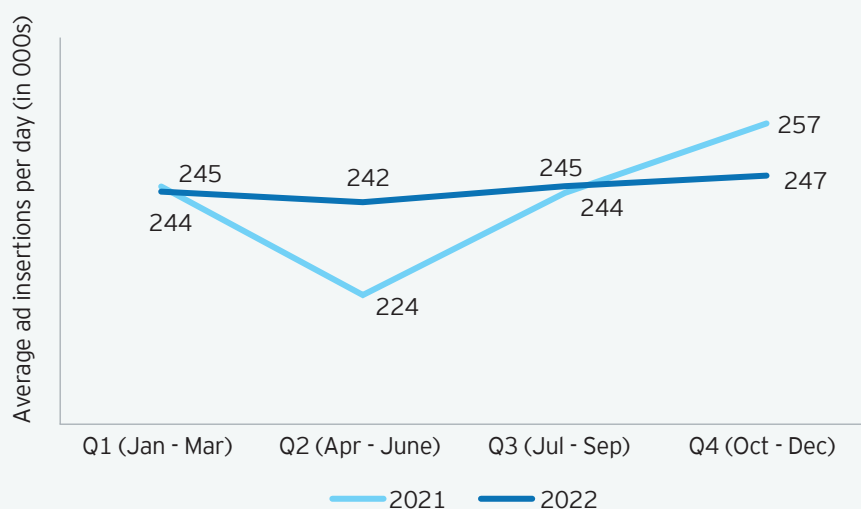
Top 20 advertisers in 2022

contributed 46% of
total ad volumes on
television

Rank	Top 20 advertisers in 2022	Industry classification	Ad volume (Million seconds)
1	Reckitt Benckiser (India) Ltd	FMCG	211
2	Hindustan Lever Ltd	FMCG	187
3	Godrej Consumer Products Ltd	FMCG	48
4	Brooke Bond Lipton India Ltd	FMCG	39
5	Cadburys India Ltd	FMCG	39
6	Coca Cola India Ltd	FMCG	38
7	Ponds India	Personal care	31
8	Procter & Gamble	FMCG	26
9	ITC Ltd	FMCG	25
10	Colgate Palmolive India Ltd	FMCG	20
11	Pepsi Co	FMCG	19
12	Procter & Gamble Home Products	House products	19
13	Amazon Online India Pvt Ltd	E-commerce	19
14	Britannia Industries Ltd	FMCG	16
15	Marico Ltd	Conglomerate	15
16	GCMMF (Gujarat Coop Milk Mkt Fed)	FMCG	15
17	L'Oreal India Pvt Ltd	Personal care	14
18	Glaxo Smithkline	Pharma	14
19	Wipro Ltd	Conglomerate	13
20	Lakme Lever Ltd	Personal care	12
	Total		820

Trends TV advertising

Powered by Tam AdEX
(A division of TAM Media Research)

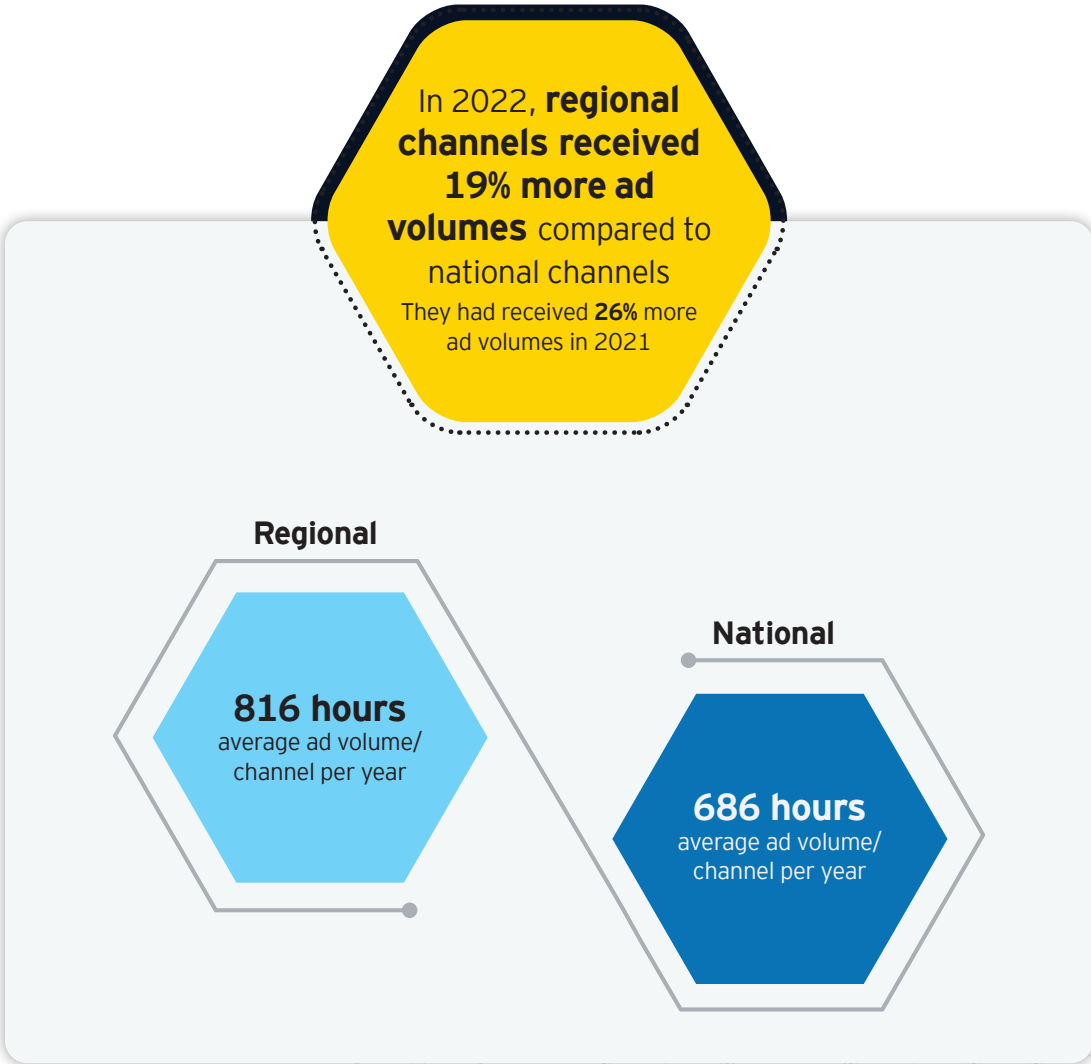
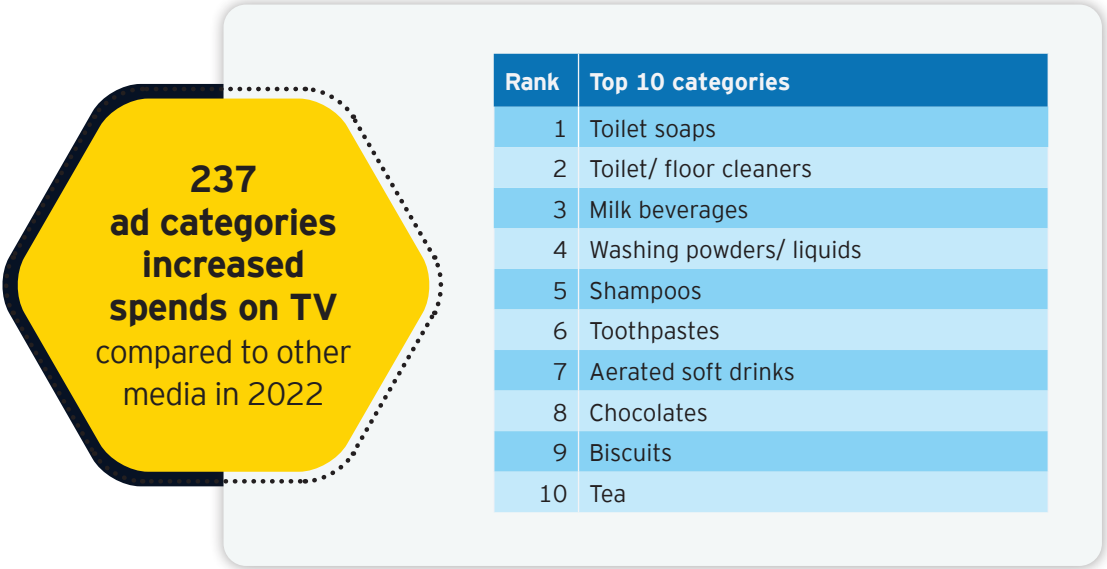


TV ad volumes remained stable in 2022

They were 26% above pre-COVID-19 levels

While the number of **advertisers and brands using television increased in 2022**, they were still below 2019 pre-COVID-19 levels

	2020	2021	2022
Categories	489	486	480
Advertisers	9,225	8,932	9,245
Brands	13,992	13,698	14,180



GEC and news genres garnered the highest share of ad volumes

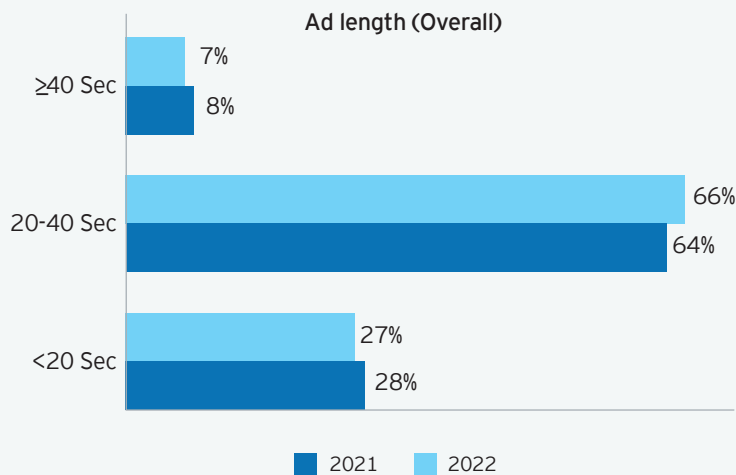
Between them, they aggregated 56% of all television ads

Rank	Main genres	Share	
		2021	2022
1	GEC	28%	28%
2	News	28%	27%
3	Movies	21%	20%
4	Music	12%	12%
5	Kids	3%	4%

Top 10 channel genres contributed 44% of total ad volumes

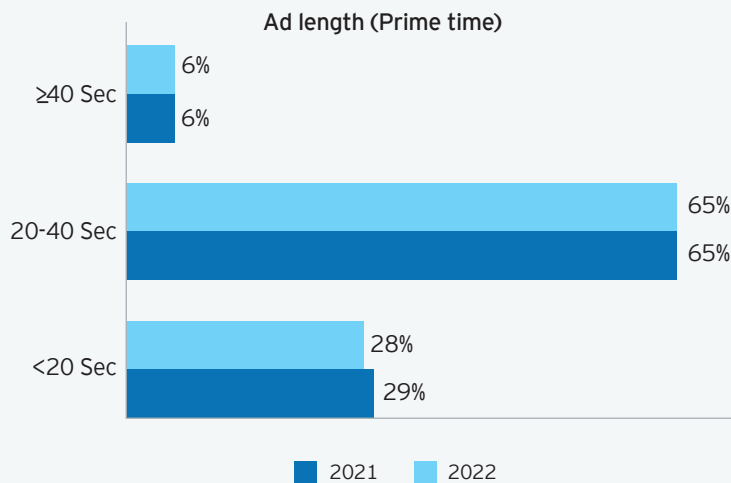
Bengali news entered the top 10 channel genres for the first time

Rank	2021		2022	
	Channel language genre	Share	Channel language genre	Share
1	Hindi movies	9%	Hindi movies	9%
2	Hindi GEC	6%	Hindi GEC	7%
3	Hindi news	5%	Hindi news	5%
4	Tamil GEC	4%	Tamil GEC	4%
5	Music	4%	Music	4%
6	Hindi regional news	3%	Hindi regional news	3%
7	Telugu GEC	3%	Telugu GEC	3%
8	Bengali GEC	3%	Bengali GEC	3%
9	Malayalam GEC	3%	Malayalam GEC	3%
10	Kannada GEC	3%	Bengali news	2%
11	Others (71)	57%	Others (70)	56%



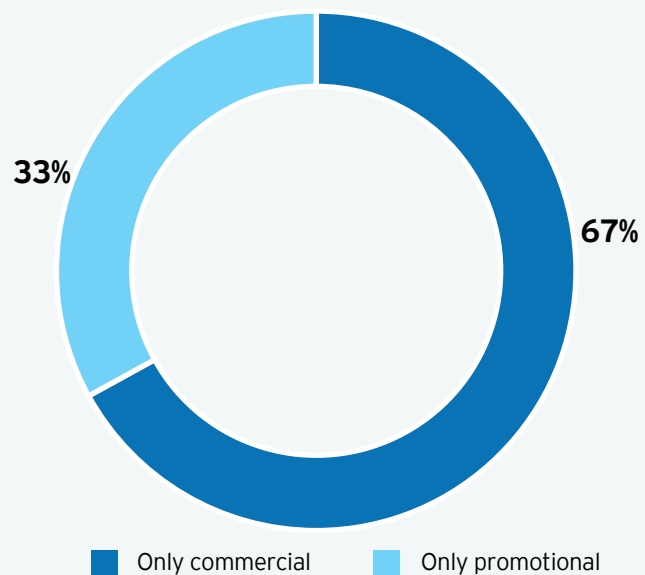
Commercials with a duration of 20-40 seconds were the most preferred

There was a slight increase in the share of shorter ads



2/3rds of non-program inventory was commercialized

A third was used for channel and program promos



Top five advertising sectors contributed 69% of volumes

Top three sectors encompassed more than 50% of advertising on TV

Rank	2021		2022	
	Top five sectors	Share	Top five sectors	Share
1	Food and beverages	21%	Food and beverages	21%
2	Personal care/ personal hygiene	18%	Services	16%
3	Services	13%	Personal care/ personal hygiene	15%
4	Personal healthcare	8%	Household products	8%
5	Household products	7%	Personal healthcare	8%

Rank	Top five advertisers	Share
1	Reckitt Benckiser India	12%
2	Hindustan Unilever	11%
3	Godrej Consumer Products	3%
4	Brooke Bond Lipton India	2%
5	Cadburys India	2%

The top two advertisers contributed 23% of TV advertising volumes

Down from 26% in 2021

Top five ad categories contributed 17% of total ad volumes

Rank	2021		2022	
	Top five categories	Share	Top five categories	Share
1	Toilet soaps	4%	Toilet soaps	4%
2	Toilet/ floor cleaners	4%	Toilet/ floor cleaners	4%
3	Milk beverages	4%	Ecom-media/ entertainment/ social media	3%
4	Ecom-media/ entertainment/ social media	3%	Milk beverages	3%
5	Shampoos	3%	Washing powders/ liquids	3%

**29% of commercial
ads were endorsed
by film celebrities**

Up from 27% in 2021

Top five film celebrities	Share	Top five TV celebrities	Share	Top five sports celebrities	Share
Akshay Kumar	10%	Ronit Roy	14%	MS Dhoni	24%
Vidya Balan	6%	Divyanka Tripathi	13%	Virat Kohli	16%
Amitabh Bachchan	5%	Raju Shrivastav	9%	Rohit Sharma	6%
Alia Bhatt	4%	Pooja Gaur	8%	Sachin Tendulkar	5%
Ranveer Singh	4%	Supriya Pilgaonkar	6%	Rishabh Pant	5%

Share refers to percent share of ads of the celebrity compared to total ads featuring film / TV/ sports celebrities. Excludes south Indian TV and film celebrity ads.

**38 channel genres
witnessed increased
advertiser counts
in 2022 vs. 2021**

DD's regional channels saw
the maximum benefit from
amongst these

Channel genre	Count of advertisers
DD Regional	117
Marathi News	112
Religious	108
Sports	102
Bengali News	98

Number of advertisers increased over 2021

Expert speak



Punit Goenka

Zee Entertainment
Enterprises

Indian M&E is at a tipping point with spurring investments in content and technology, leading to consolidation across segments to achieve scale. This coupled with the consumers' increasing propensity to pay, will result in enhanced entertainment formats and mediums that will redefine the way content is consumed and delivered. Enabling an agile and diversified business model will ensure companies match the pace of change across the industry and capture the resultant opportunities to drive robust growth.



NP Singh

Sony Pictures Networks India

The Indian M&E industry is at a critical juncture, where compelling content and captivating storytelling are paramount. While debate on the future of linear TV is ongoing, investing in digital platforms to leverage emerging technologies such as 5G and AI is essential. In doing so, the M&E industry can unlock its potential and revolutionize the entertainment experience.



Simran Hoon

The Qyou

The Television landscape has altered rapidly given the shift in consumption patterns of the price conscious consumer. Free will ride over Pay, multi-platform distribution & monetisation models will be compelled to reinvent themselves in 2023.



Aditya Pittie

IN10 Media

The bottom of the economic pyramid, what we would like to term the 'dark side', is being added to the existing television universe on a large scale. We believe the new television viewers, primarily being catered by DD FreeDish, will drive the overall television growth in the coming decades.



Kalli Purie
India Today Group

With the proliferation of connected devices and consumption on mobile, news organizations are investing in cutting-edge technology and evolving towards a more accessible news experience. With the launch of CTV products and innovations like AI anchors, we have taken another step towards providing a personalized, always-on news experience to viewers.



Gaurav Dwivedi
Prasar Bharati

Adapt, innovate, keep track of consumer behaviour and prioritize diversity and social responsibility - the way forward for the M&E industry to stay relevant and have a positive impact on society.



Avinash Kaul
Nework18

Future of News was is and will continue to be bright. News is genre, device and platform agnostic. Data mining the news consuming cohorts to understand the news playlist of consumers, and fine-tuning digital delivery customised to the user, is where the gold pot at the end of the rainbow is.



Barun Das
TV9

The news media landscape in India is observing a tumultuous change, but the good part is that the genre is acknowledging some out-of-box ideas. The news consumer expects and deserves the best as India gears up for the mega news event - the general elections - a few months from now. The viewer will stick to the platform that serves him or her the best.



Avinash Pandey
ABP News

With rising consumer demand, improving advertising revenue, low-cost internet and growing VFX capabilities, the M&E sector is on the cusp of great times ahead. If it continues to grow at the same pace, the sector will certainly be a game changer in India's economic growth.



Harit Nagpal
Tata Play

Both the content and distribution sectors of broadcast segment have hyper competition due to presence of multiple players. Hence the sector can be left on its own without micromanagement for the most efficient to survive and serve the customers in the long run.



Shashwat Sharma
Airtel

The size and diversity of Indian consumers, and the emergence of a wide range of access technologies from Satellite, Fiber and 5G, has made the media and entertainment landscape extremely dynamic and filled with innovation today. The industry will transform dramatically over the next 5 years.



Anil Dua
DishTV India

While television will continue its dominance in certain genres, relevancy of content will determine the pull for few other categories of programming. As viewing habits evolve and ease of viewing takes centre stage, OTT aggregation, hybrid boxes, broadband combos and OTT-TV bundles will define the future of entertainment.



Vynsley Fernandes
NXTDIGITAL Limited

Emergence of new technologies has not just fuelled the democratisation of content delivery platforms but is also driving its "commoditisation". Distribution companies need to ensure rapid adoption and adaptation of these delivery mechanisms to stay ahead of the curve and compete effectively for consumer eyeballs.



Nakul Chopra
BARC

TV remains the definitive entertainment screen in an Indian home. The mass audience TV provides & the cost efficacy of the medium is unmatched by any other medium. In addition the broadcast industry together with the broadcast ecosystem can take credit for 'independent 3rd party' audience measurement via the largest measurement panel in the world. Other mediums will grow – but TV will retain its dominant position for quite some time.



Rahul Johri

Zee Entertainment Enterprises

Growing purchasing power in mid-tier markets coupled with growth in discretionary consumption across segments lend robustness to the Indian marketplace, further assisted by the positive momentum on NTO 3.0, robust investments in quality content and evolving technologies.



Ajit Varghese

Disney Star

Despite economic headwinds, the outlook for advertising revenue in the M&E space remains positive. Television continues to witness growth and strong viewership even as OTT consumption grows. With the rapid pace of technological innovation, we can expect to start seeing newer ways in which advertisers engage with viewers for improved outcomes.



Ashish Sehgal

Zee Entertainment Enterprises

TV will continue growing with favorable demand side drivers. Especially in brand building, it has no challengers. With CTV also emerging, the TV medium will remain the preferred avenue for clients looking to create brands



Mahesh Shetty

Viacom 18 Media

The last couple of years witnessed new categories like ed-tech, crypto, gaming etc giving a big boost to Adex. The next couple of years will be dominated by the traditional categories like FMCG, E-commerce, Auto and durables. Easing input costs and semi conductor chips supply chain will provide the much needed impetus to these categories to aggressively invest in advertising to drive sales growth.



Sandeep Mehrotra

Sony Pictures Networks India

Customer centricity, value creation, innovation and customized brand solutions will hold the key in enabling broadcasters to derive maximum benefits, by earning the trust of customers in the Indian M&E space.



Atul Das

Zee Entertainment Enterprises

We are happy that the television industry is in the process of implementing NTO 3.0. On our part, we will collaborate with DPO partners for a seamless transition to the new pricing regime. We are looking forward to an opportunity of renewed growth in the sector, which will allow us to deliver better quality content to consumers.



Rajesh Kaul

Sony Pictures Networks India

With broadband ARPUs increasing and India having the lowest pay TV ARPU, there is a strong belief of balance and growth among Pay TV, OTT and FTA



Anuj Gandhi

Plug & Play Entertainment

We are transitioning from broadcasters fighting for TRPs to content creators (across genres, formats, long and short form, established and UGC) fighting for consumers' screen time, the size of screen being immaterial now!



Amit Arora

Indiacast

Indian viewers are extremely discerning and demand choice to watch content based upon their convenience. The key to successful distribution today is to make the content accessible across all platforms and devices, at the right price point.

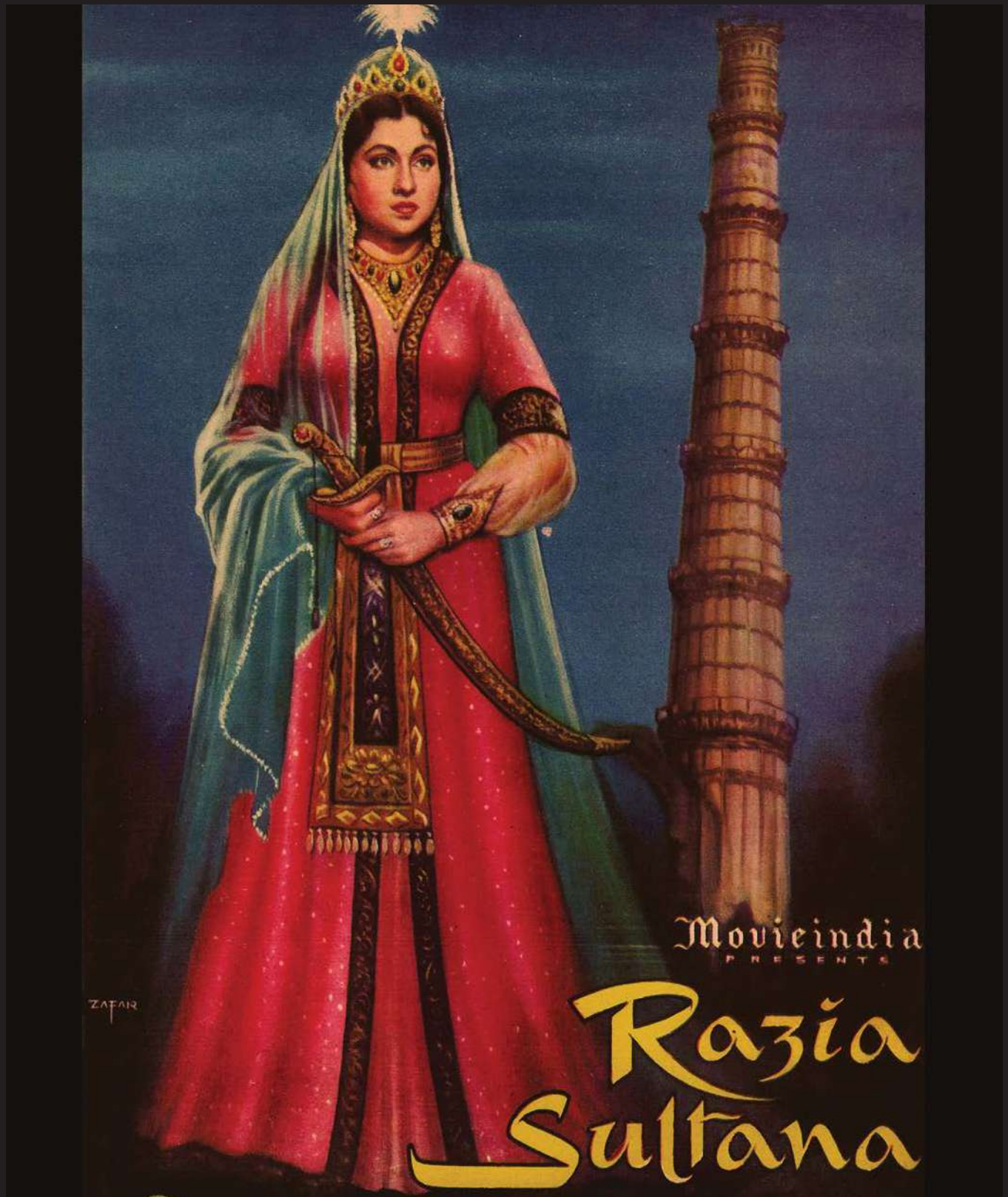


Gurjeev Singh Kapoor

Disney Star

TV has an unparalleled reach of 900 million viewers and is the largest media platform in India. With less than 70% of homes in the country having a TV, the market remains under-penetrated, offering significant potential for growth in the years ahead.

Digital media



Digital media

Digital media grew 30% in 2022

	2021	2022	2023E	2025E
Advertising	383	499	594	765
Subscription	56	72	77	97
Total	439	571	671	862

INR in billion (gross of taxes) | EY estimates

I. Digital infrastructure

- ▶ Telecom subscriptions remained stable at 1.17 billion in 2022
- ▶ Internet penetration increased by 4% to 866 million subscriptions in December 2022
- ▶ With over 800 million broadband subscriptions, India has the second largest broadband subscriber base in the world, after China
- ▶ Smartphone users reached 538 million in 2022. Growth has tapered down since mid-2021 since the average cost of buying a smartphone increased, resulting in just 35 million new smartphone additions during 2022
- ▶ 32 million Indian households had a wired broadband connection
- ▶ On average, 25 million smart TVs connected to the internet each month. However not more than 8 to 10 million of them connected to the internet on a daily basis

II. Online consumption

- ▶ At 4.9 hours per day, Indians came eighth in the world for the most amount of time spent on phone apps in 2022, a 32% growth since 2019
- ▶ Indians downloaded almost 28.9 billion apps in 2022, the second most in the world, at a growth of around 8% over 2021
- ▶ In terms of revenue, India lagged many smaller markets and did not feature in the top 20 revenue generating markets in 2022
- ▶ Average monthly mobile data usage per smartphone was 25GB per month in 2022, and this is set to increase at a CAGR of 14% to reach 54GB by 2028.

III. Online video

- ▶ Video viewers increased 6% (30 million) in 2022 to reach 527 million
- ▶ In 2020, 30% of OTT originals were in regional languages and this increased to 50% in 2022

- ▶ In 2022, almost 3,000 hours of fresh, original content was produced for streaming platforms, which is 19% higher than 2021
- ▶ Total online video content investment in India stood at INR82 billion in 2022
- ▶ Around 75 films released on streaming platforms directly, without a theatrical release, which is lower than the 100+ such film releases in 2021

IV. Digital advertising grew 30% in 2021 to reach INR499 billion

- ▶ Digital advertising grew 30% to reach INR499 billion in 2022, almost half of total ad spends in 2022
- ▶ Included in the above, approximately 600k to 800k SME and long tail advertisers spent INR180 billion on digital media, primarily on performance advertising on Google, Facebook, and e-commerce platforms¹
- ▶ Of the total, share of ad revenues generated by e-commerce platforms increased to over INR70 billion, crossing 14% of total digital advertising (12% in 2020)
- ▶ Ad insertions increased 52% in 2022 vs. 2021 and there were over 360 categories which had higher insertions on digital than on print, television or radio

V. Digital subscription grew 27% to reach INR72 billion

- ▶ Video subscription revenues grew 27% in 2022 to INR68 billion
- ▶ Paid video subscriptions reached 99 million in 2022, across almost 45 million households in India, with a total viewership of around 135 to 180 million users
- ▶ Audio subscription grew 37% in 2022 as paying consumers reached around 4.6 million
- ▶ News subscription reached around INR1.2 billion primarily for premium and exclusive content
- ▶ We estimate around 1.5 million paid subscribers across all news platforms, which can double by 2025 on the back of more speciality news and custom knowledge products
- ▶ We expect digital subscriptions to grow at a CAGR of 11% till 2025

¹ We have included this amount in our estimates this year and adjusted prior year numbers accordingly

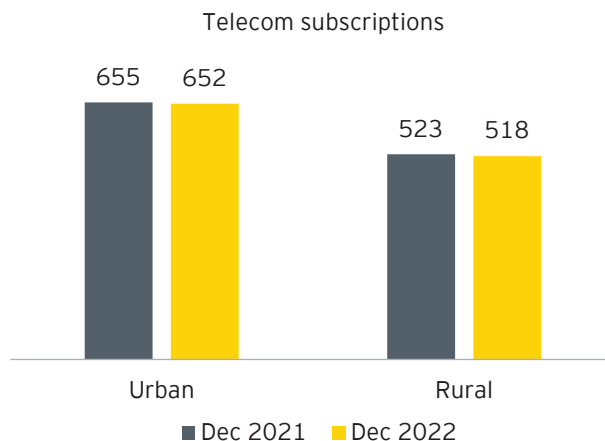
VI. Future outlook

- ▶ We estimate that the digital segment will grow to INR862 billion by 2025, at a 15% CAGR
- ▶ Digital advertising will grow at a 15% CAGR; its share will increase from 48% of total advertising in 2022 to 50% by 2023, and further to 54% by 2025
- ▶ SME and long-tail advertising, included in the above, will grow from INR180 billion in 2022 to INR276 billion by 2025
- ▶ E-commerce advertising will reach INR150 billion by 2025
- ▶ Entertainment OTT platforms, including sports, will generate around INR60 billion of advertising by 2025
- ▶ ChatGPT, Bard, etc., will impact news publishers' revenues if they scale significantly
- ▶ To build first party data, we expect a higher focus on registrations, contests, and interactivity
- ▶ Subscription revenues will grow at 11% CAGR to reach INR97 billion in 2025
- ▶ Paid video subscriptions will increase to 114 million across 52 million households if current pricing is maintained; however, they could exceed 100 million households if pricing is reduced to around INR1,000 per year for 3-4 services
- ▶ Bundling of various OTT platforms by ISPs and telcos will gain scale
- ▶ TVOD, could generate over INR10 billion by 2025
- ▶ The share of vernacular content will increase to over 62% of total content produced as regional OTTs flourish and achieve scale on the back of dubbing and subtitling
- ▶ Custom recommendation-based connected TV products to serve top-end audiences will come into being, both ad supported and subscription-based, across many areas of interest
- ▶ Demand for original content will increase from 3,000 hours in 2021 to over 4,000 hours by 2025

Digital infrastructure

A billion+ telecom subscriptions

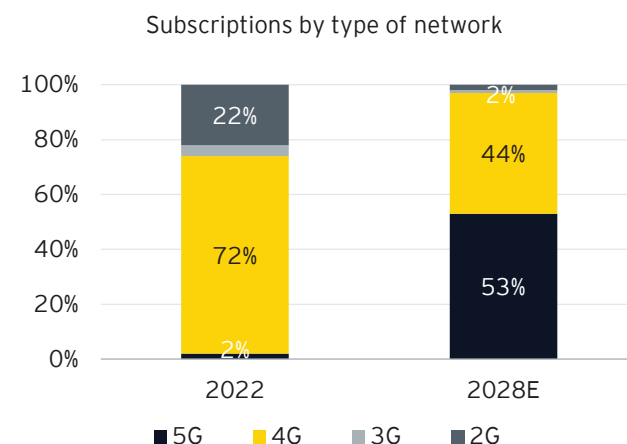
I. Telecom subscriptions remained stable at 1.17 billion in 2022²



TRAI | Subscriptions (in million)

- ▶ Total telecom subscriptions were 1,170 million in December 2022 as compared to 1,178 million in December 2021
- ▶ Urban subscriptions comprised 56% while rural subscriptions were 44%
- ▶ The tele-density number in India is now 85%, but is heavily skewed to 134% in urban areas and just 58% in rural areas

II. 4G dominated Indian mobile subscriptions



Ericsson Mobility Report, November 2022

- ▶ 5G services were launched towards the end of 2022 in India on a trial basis, though price plans for the same have yet to be formally announced. Ericsson estimates around 31 million users have already upgraded their phones to start consuming the service till the end of 2022
- ▶ 72% of telecom subscriptions used 4G technology and another 2% used 5G, while 26% of subscriptions were still using 2G or 3G technology in 2022

- ▶ This is expected to change significantly by 2028, where 5G is estimated to become dominant and reach 53% of subscriptions, whereas 4G will still comprise 44% of subscriptions due to the conversion from feature phones to smartphones

III. Internet penetration increased by 4%³

Internet subscriptions (In million)	Dec 2020	Dec 2021	Dec 2022E ⁴
Narrow band (a)	48	37	34
Broadband (b)	747	792	832
Urban (a)	482	496	516
Rural (b)	313	333	350
Total (a + b)	795	829	866

- ▶ 74% of telecom subscriptions accessed the internet, up from 68% in December 2020⁵
- ▶ 96% of those accessing the internet used broadband, of which 4% used wired broadband and the rest used wireless services
- ▶ While narrow band subscriptions fell 8%, broadband subscriptions grew 5% between December 2021 and December 2022
- ▶ Urban internet subscriptions, which comprise 60% of all internet subscriptions, grew 4% while rural internet subscriptions grew 5% in 2022
- ▶ To put India's internet penetration in perspective:

Service	% of population
Electricity	99%
Basic drinking water	91%
Basic sanitation	71%
Internet subscriptions	61%
Earns less than INR300/ day	45%

We are Social Report 2023

- ▶ Growth has tapered down since mid-2021 since the average cost of buying a smartphone increased on account of the semi-conductor shortage and a depreciating Rupee. This, in turn, resulted in smartphone manufacturers prioritizing higher-end models, adding just 35 million new smartphone users during 2022

IV. Broadband subscriptions reached 832 million⁶

Subscriptions (In million)	Dec 2020	Dec 2021	Dec 2022 ⁷
Wired broadband	22	26	32
Wireless broadband	725	766	800
Total broadband	747	792	832

- ▶ With over 800 million broadband subscriptions, India has the second largest broadband subscriber base in the world, after China
- ▶ Currently, less than one in ten Indian households has a wired broadband connection
- ▶ Data published by Ookla in January 2023 indicates that Indian consumers can expect to receive⁸:
 - ▶ Median mobile internet connection speed via cellular networks: 18.26 Mbps
 - ▶ Median fixed internet connection speed: 49.09 Mbps

V. India was among nations that had the lowest data charges in the world

Average cost of 1GB of mobile data in 2022 (US\$)

Israel	0.04
Italy	0.12
India	0.17
France	0.23
China	0.41
Spain	0.6
UK	0.79
Germany	2.67
Japan	3.85
US	5.62
Switzerland	7.37
South Korea	12.55
Saint Helena	41.06

<https://www.cable.co.uk/mobiles/worldwide-data-pricing/>

- ▶ India's low data prices are the key reason for growing telecom internet user base, and consequently, the growth being witnessed across online entertainment, audio streaming, gaming, social media, etc.
- ▶ Despite the low prices, there are still an estimated 300 million feature phone users⁹ who are yet to migrate to smartphones

³TRAI Performance indicator reports & Telecom subscription data press releases

⁴TRAI, EY estimates

⁵EY analysis

⁶TRAI Telecom subscription data press releases

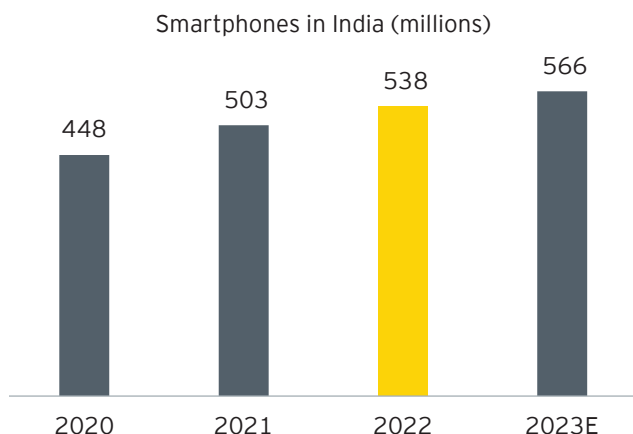
⁷TRAI, Telecom subscription data press release, Dec 2022

⁸<https://datareportal.com/reports/digital-2023-india>

⁹ICEA

Smart device growth continued unabated

I. Smartphone users reached 538 million in 2022



EY analysis

- ▶ The smartphone user base increased to 538 million in 2022 from 448 million in 2020 - this indicates penetration into around 38% of India's population base
- ▶ Smartphone telecom subscriptions are expected to cross 900 million in 2023 from 890 million in 2022 at an average of 1.6 subscriptions per smartphone, growing at a CAGR of 5%¹⁰
- ▶ Government of India has introduced a Production Linked Incentive (PLI) scheme (in August 2021) to provide all electronics manufacturing companies with 4% to 6% incentives on incremental sales if produced within Indian boundaries and 25% incentive on capital expenditure for production of electronic component¹¹, which will hopefully lead to companies making smartphones at affordable prices, hence increasing their demand further
- ▶ Government tenders for smartphones are also expected to drive demand in 2023. For instance, the government of Rajasthan has floated a tender to acquire smartphones that will be distributed among women¹²

¹⁰Ericsson Mobility Report, November 2022; EY estimates⁵<https://www.exchange4media.com/ipl-news/disney-stars-ipl-2022-score-15-tv-13-digital-sponsors-118811.html>

¹¹"Smartphone market in India 2021", Netscribes, accessed 18 January 2022

¹²Counterpoint, <https://www.livemint.com/technology/tech-news/india-smartphone-market-to-grow-10-in-2023-after-a-dip-this-year-report-11671799024972.html>

¹³Industry discussions; EY estimates

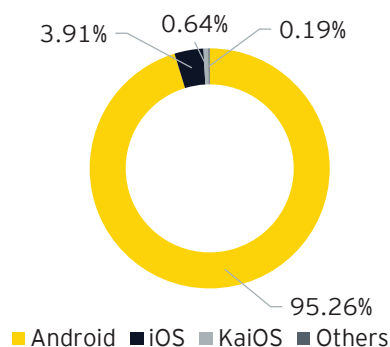
¹⁴"Connected TVs take centre stage as HD falls behind", e4m (GroupM and Kantar report), <https://www.exchange4media.com/digital-news/connected-tvs-take-centre-stage-as-hd-falls-behind-125089.html>

II. Connected TVs crossed the 25 million MAU mark¹³

- ▶ In May 2022, over 60 million people in India streamed YouTube on their TVs, and in 30% of instances, they watched together with other people¹⁴
- ▶ Industry discussions indicate that on average, 25 million smart TVs connect to the internet each month. However, not more than 8 to 10 million of connect to the internet on a daily basis
- ▶ Number of connected TVs are projected to grow in 2023 as the availability of a popular property like IPL for free on CTV is likely to further increase its popularity among viewers

III. Android remained the most preferred operating system in India¹⁵

Share of web-page requests originating from mobile handsets



Statcounter, Dec 2021 - Dec 2022

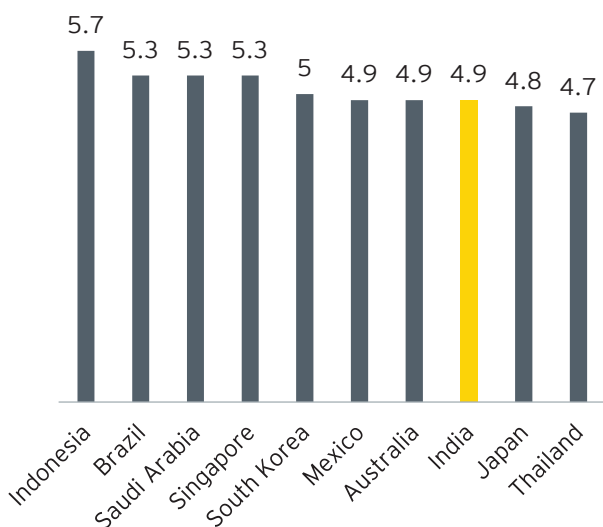
- ▶ iOS market share increased by 0.88% compared with December 2021, whereas Android, KaiOS, and others decreased marginally

¹⁵"Mobile Operating System Market Share India", Statcounter, <https://gs.statcounter.com/os-market-share/mobile/india/#monthly-202112-202212-bar>, accessed 30 January 2023

Content consumption

Overall consumption trends

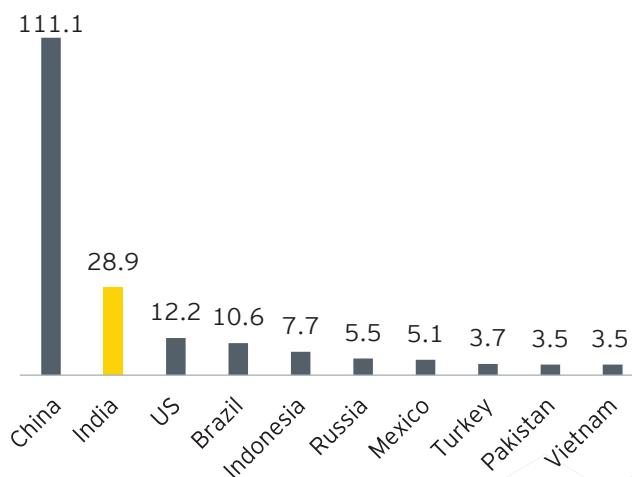
I. Indians spent 4.9 hours a day on their phones



Data.ai | State of Mobile 2023

- ▶ At 4.9 hours per day, Indians came eighth in the world, for the most amount of time spent on phone apps in 2022, a 32% growth since 2019
- ▶ Consumers spent 748 billion hours on mobile in 2022, up 6.8% from 700 billion hours in 2021

II. Indians downloaded 28.9 billion apps in 2022, but India lags on monetization

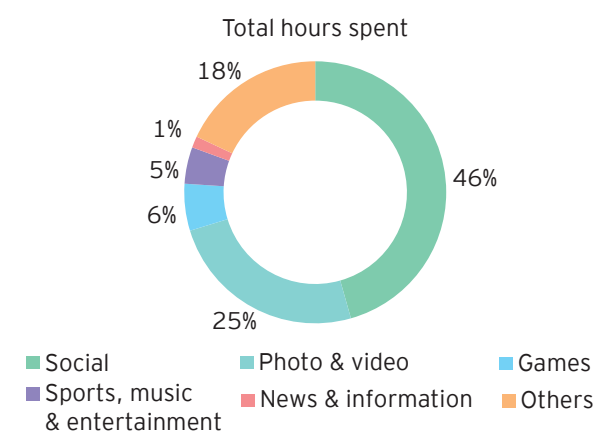


In billion	China	India	US	Brazil	South Korea	Japan
Downloads	111.1	28.9	12.2	10.6	NA	2.4
Hours spent	1,188	748	208	196	46.7	51.6
Consumer spend (US\$)	58.1	0.3	42.2	1.4	6.3	17.8

Data.ai | State of Mobile 2023

- ▶ India remained the second largest market by app downloads in 2022, behind only China
- ▶ Indians downloaded almost 28.9 billion apps in 2022, a growth of around 8% over 2021
- ▶ In terms of revenue, India lagged many smaller markets and did not feature in the top 20 revenue generating markets in 2022

III. Indians spent most time on social media apps



data.ai | Hours spent on apps by category in 2022, Android phones only

- ▶ 82% of the time spent on mobile phone apps by Indians is on media and entertainment
- ▶ Games comprised 6%, as did [sports+ entertainment + music + news]
- ▶ Others includes productivity, tools, health, lifestyle, shopping, etc.

IV. Average mobile data consumption increased 25% in 2022¹⁶

- ▶ In India, average monthly mobile data usage per smartphone was 25GB per month in 2022, and this is set to increase at a CAGR of 14% to reach 54GB by 2028
- ▶ Growth was driven by increased adoption of 4G and 5G, which grew to 74% of total subscriptions as compared to 68% in 2021
- ▶ Globally, video traffic is estimated to account for around 70% of all mobile data traffic, a share that is forecast to increase to 80% in 2028
- ▶ Media and entertainment, including news, books, music, video and gaming, contribute to over 62% of data consumption in India¹⁷

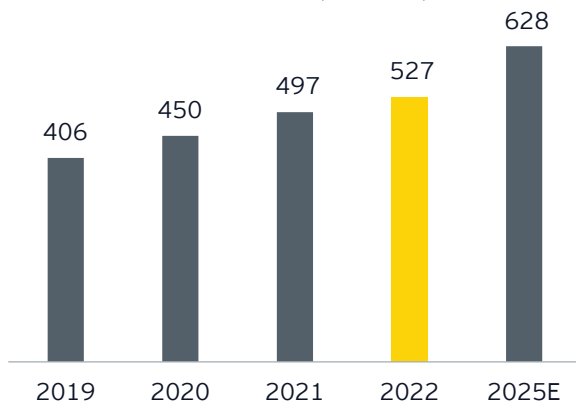
¹⁶Ericsson Mobility Report, November 2022 and 2021

¹⁷Industry discussions; EY estimates

Online video

I. Video viewers continued to grow

Video viewers (in million)

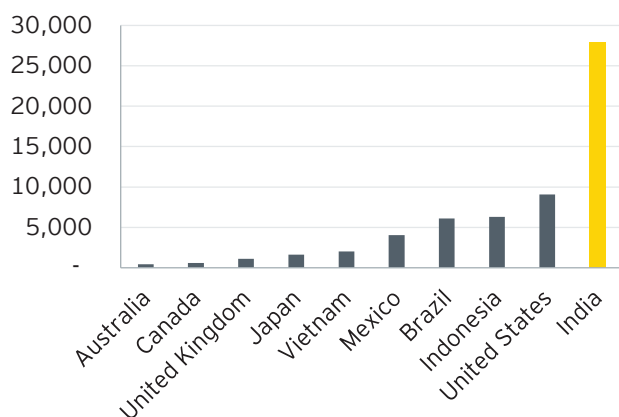


EY estimates

- ▶ Video viewers increased 6% (30 million) in 2022 to reach 527 million, which is around 98% of smartphone owners and wired broadband subscribers
- ▶ We estimate video viewers will cross 620 million by 2025
- ▶ The above data includes consumers from YouTube, which has 467 million users, i.e., 18.68% of global users from India¹⁸

II. Indians spent over 25 billion hours on entertainment apps

Total hours spent on entertainment (million)

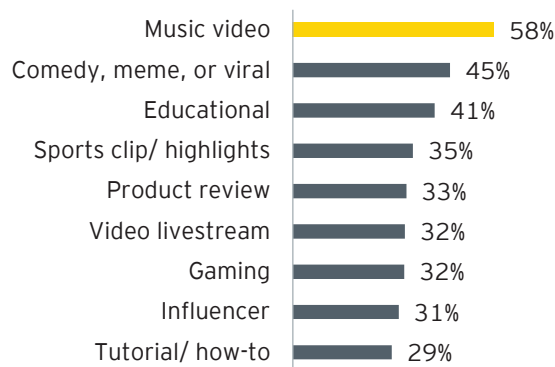


Data.ai | Total hours spent on entertainment apps 2022 for select countries | Android phones only

- ▶ Indians spent 52% more time streaming entertainment content in 2022 as compared to 2019
- ▶ In terms of absolute hours on Android phones, Indians spent around three times the time spent by Americans, which came second after it

III. Music videos were the most popular type consumed

Type of video consumed



We are Social Report 2023 | Internet consumers aged 16 to 64, survey-based findings

- ▶ 96% of survey respondents watched any kind of video in a week
- ▶ Music and short viral videos were the most preferred kind
- ▶ Educational videos have been increasing in importance, and some UGC platforms we met claimed to have almost 20% to 30% of their video uploads in this category

IV. Top performing apps of 2022

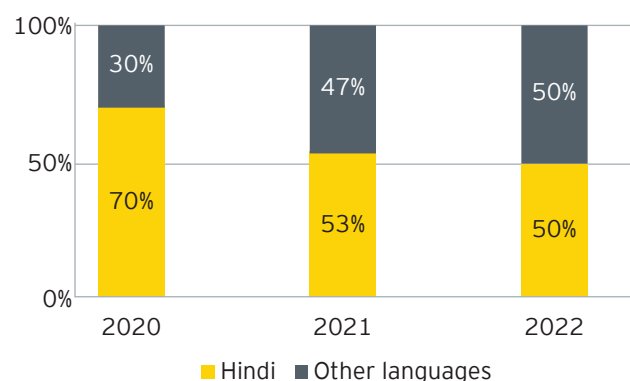
By downloads	By revenue
MX Player	Tango Live
Disney+ Hotstar	Disney+ Hotstar
Zee5	YouTube
Jio TV	Sony Liv
Jio Cinema	Ola Party

Combined iOS and Google Play; Market-level rankings. | Downloads do not include pre-loaded apps like YouTube | Revenues are only those earned through the iOS and Play stores | data.ai

¹⁸<https://www.demandsage.com/youtube-stats/>

V. Language content was critical

Titles produced by language

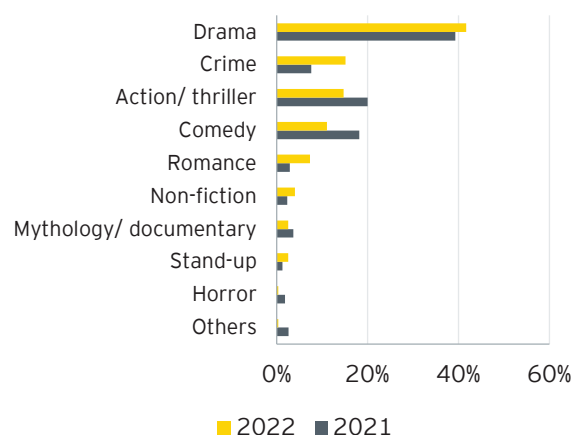


EY production audit team estimates | Based on available information

- ▶ In 2020, 30% of OTT originals were in regional languages and this increased to 50% in 2022
- ▶ Several SVOD regional OTT platforms are now following a new-release-each-week formula, driving up demand for regional content creation
- ▶ Industry discussions with several OTT platforms indicated that while the majority of viewership is in the top eight Indian languages (Hindi, Marathi, Bengali, Kannada, Tamil, Telugu and Malayalam), content consumption is inching up in other languages such as Bhojpuri, Gujarati, Punjabi, Assamese, etc.
- ▶ 93% of YouTube viewers watch content in Hindi or other regional languages¹⁹
- ▶ OTT platforms desirous of a national reach will require focusing on at least eight to nine languages, and each language will require at least eight to ten pieces of content across film and episodic

VI. Drama, crime and action were the top genres

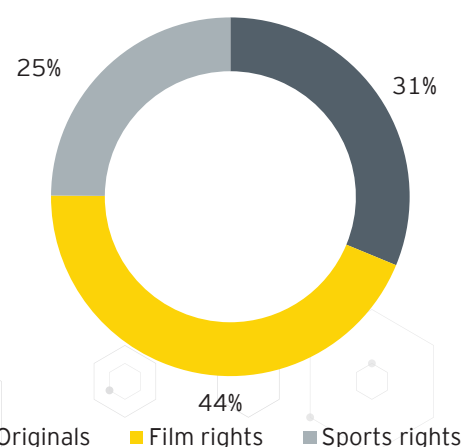
Genre wise content releases on OTT



EY production audit team estimates

- ▶ Of the titles we analyzed, almost 72% belonged to the drama, crime or action genres
- ▶ Comedy comprised 11% of titles
- ▶ These genres are amenable to multiple seasons and hence investing in them pays dividends for platforms, whose customer acquisition costs are benefited
- ▶ Non-fiction also increased with properties like Bigg Boss and Lock-up
- ▶ In 2022, almost 3,000 hours of fresh original content was produced for streaming platforms, which is 19% higher than 2021 levels and 47% higher than 2019 levels

Composition of OTT content spends



EY estimates

- ▶ Total online video content investment in India stood at INR82 billion in 2022

²⁰EY production audit team estimates

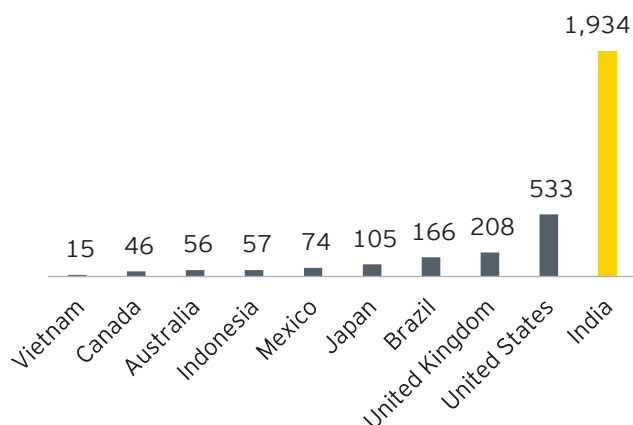
¹⁹<https://www.financialexpress.com/brandwagon/youtube-brandcast-2021-93-of-youtube-viewers-prefer-watching-content-in-indian-languages/2330697/>

VII. Fewer films released directly on digital platforms in 2022²⁰

- ▶ We estimate that around 75 films released on streaming platforms directly, without a theatrical release, which is lower than the 100+ such film releases in 2021
- ▶ Most of these films were smaller budget, specifically commissioned films
- ▶ During the pandemic, consumers started to get into the habit of watching new films online, and we believe this trend is here to stay
- ▶ Amazon Prime Video has claimed that its top performing films have been watched across over 4,000 Indian cities and towns, as well as across over 200 countries

VIII. Indians loved online sports

Hours spent on sports apps (million)



Data.ai | Android phones

- ▶ At over 1.9 billion hours, Indians spent among the most time on online sports in the world
- ▶ In 2021, Indians spent 1.5 billion hours
- ▶ Their time spent equated almost a third of global time spent on sports apps

Online audio

I. Audio streaming users crossed 200 million in 2022

- ▶ Around 208 million people streamed music online in 2022²¹
- ▶ 73% of streamers surveyed by the IMI stated that they used unlicensed sources as a way to consume music, i.e., they indulged in music piracy²²
- ▶ India had just 4 to 5 million paid music streaming subscriptions in 2022 and this projected to cross 8 million paid subscriptions by 2025²³
- ▶ IFPI and IMI have together coordinated the first successful blocking action targeting stream ripping sites in India. As per the new ruling, ISPs will have to block access to 20 stream ripping sites in India²⁴

II. Total time spent listening to music increased²⁵

- ▶ In India, the average time people spent listening to music increased by 3.8 hours per week from 21.9 in 2021 to 25.7 in 2022, which was higher than the global average of 20.1 hours a week
- ▶ An average listener spent 6.7 hours a week listening to music on audio streaming services (both paid and ad-supported)
- ▶ Music consumed through paid audio streaming increased from 3.3 hours a week in 2021 to 4.3 hours a week in 2022, with consumption being highest among 25 to 34-year-olds
- ▶ While the use of overall music streaming services was the highest in the youngest age group surveyed by the IMI and IFPI (16 to 24), the group showed the lowest rate in the use of paid tier of music streaming, reasons being the presence of YouTube
- ▶ India demonstrated one of the highest levels of domestic music listening with almost 70% of the respondents listening to artists of their own country
- ▶ Of the top ten favorite genres of music, half were associated with Bollywood, reiterating the importance of film music in India

²¹Comscore; industry discussions

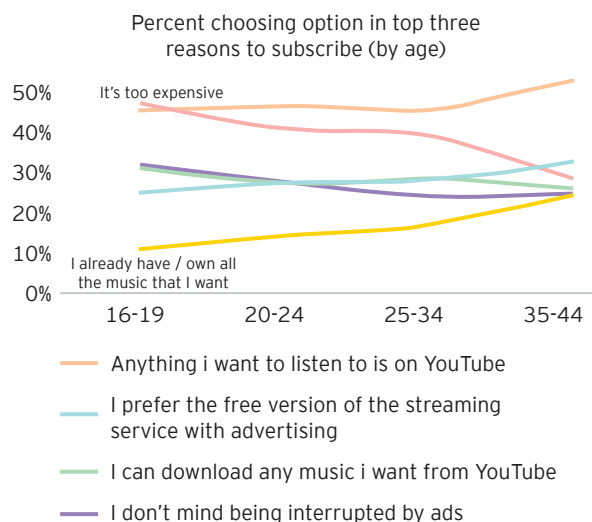
²²IMI-IFPI digital music study 2022

²³EY estimates

²⁴IFPI|IMI, <https://www.ifpi.org/recording-industry-successful-in-first-ever-stream-ripping-blocking-case-in-india/>

²⁵IFPI, https://www.ifpi.org/wp-content/uploads/2022/11/Engaging-with-Music-2022_full-report-1.pdf, accessed 14 December 2022; IMI-IFPI digital music study 2022

III. YouTube remained the medium of choice for music consumption



IMI-IFPI digital music study 2022

- ▶ The preferred way to stream music reveals the prevalence of international services over domestic services
 - ▶ 46% of the respondents preferred YouTube for streaming their music, a trend that has continued since 2021, although this year recorded an 11% drop from 2021
 - ▶ This trend is also indicative of the peculiar preference of the Indian respondents to visually engage with music due to Indian music's heavy correlation with films
 - ▶ 20.1% preferred Spotify, while 7.9% preferred YouTube music
 - ▶ Nearly three quarters (77.4%), therefore, said that YouTube or Spotify were their favorite music streaming services
- ▶ Listeners are likely to not pay for music streaming on account of the following reasons: presence of YouTube, cost of streaming services, preference for the free tier, ability to download music from YouTube, tolerance for ads

IV. Discovery of music was driven by YouTube and other social media platforms²⁶

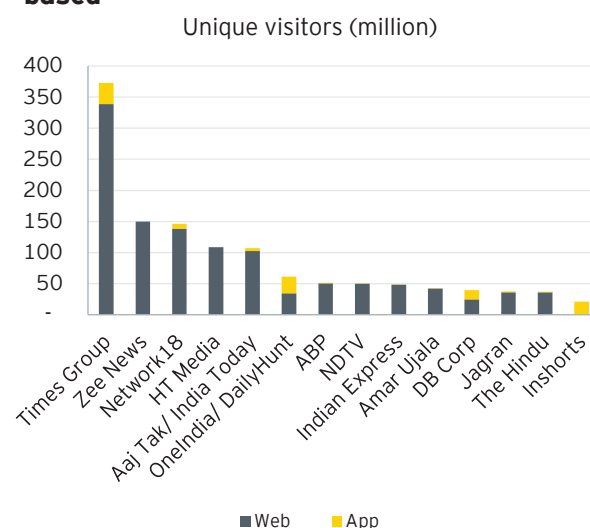
- ▶ 53% discovered new music through YouTube, the most popular source, once again hinting at the Indian respondents' inclination towards video streaming of music
- ▶ 31% discovered new music through social media platforms, such as Facebook and Instagram, making them key sources for discovery in India

Online news

I. Online news audience grew to over 470 million in 2022

- ▶ Online news reach grew in 2022 to 473 million unique users across mobile and desktop users of news sites, portals and aggregators²⁷
- ▶ This is approximately 55% of internet users²⁸
- ▶ Times Internet and Network18 were the two news media sites in Comscore's top-10 sites in December 2022, apart from Google and Facebook sites

II. Online news audience was primarily web-based



Comscore | Data is for select companies and has not been de-duplicated; does not include Google News; aggregated across key platforms at a group level

- ▶ Google News, Inshorts and Dailyhunt are some of the leading news aggregation platforms in India, and as can be seen above, focus relatively more on loyal app audiences
- ▶ Except for Times Group and DB Corp, most news publishers had an extremely low proportion of app-based audiences
- ▶ Most news publishers generate over 90% of their MAUs on their websites, which serve fleeting and transient traffic, in effect becoming an ad-rate arbitrage business with extremely high churn
- ▶ Given that most print companies generate less than 5% of their revenues from online news²⁹, their focus on this space needs to be directed towards news++ offerings and monetizable communities

²⁶ IMI-IFPI digital music study 2022

²⁷ Comscore

²⁸ EY analysis, Comscore, TRAI

²⁹ Industry discussions and EY estimates

III. Social media and news remained heavily connected

Rank	Platform	Survey respondents who use for news
1	YouTube	53%
2	Whatsapp	51%
3	Facebook	43%
4	Instagram	32%
5	Twitter	22%
6	Telegram	21%

Reuters Digital News Report 2022

- ▶ 63% of visitors on news sites were redirected from social media platforms
- ▶ All the top platforms were international brands

IV. Focus on vernacular languages continued

- ▶ Google news is available in eight main languages and content in several other languages is also aggregated
- ▶ Although vernacular platforms remain lower on reach than national platforms, these platforms provide extremely high engagement
- ▶ Indian Express Group launched ieGujarati.com, its fourth regional website in October 2022³⁰
- ▶ Jagran New Media has launched its new platform Gujarati Jagran to target regional language readers³¹

V. Hyperlocal news content services continued to grow

- ▶ Hyperlocal news app Way2News raised US\$16.75 million to expand user base in southern states³²
- ▶ In Oct 2022, ABP Majha launched a 15-minute news capsule show 'On the Spot' to present hyperlocal news³³
- ▶ Many news platforms enable selection of city-based news apart from national news
- ▶ Hyperlocal news poses a threat to the recovery of regional newspapers, though it can be used to augment the regional news round-the-day offering by them

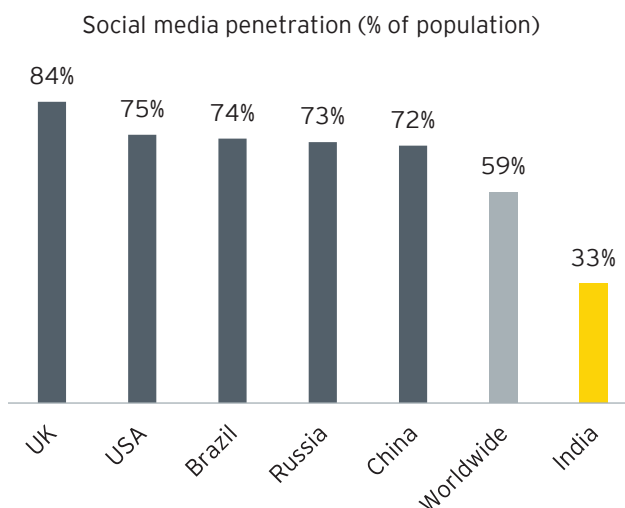
VI. Subscription revenues remained elusive

- ▶ While several brands launched, bundled or promoted subscription products like e-papers, ad-free news or exclusive content, scale remained elusive due to the plethora of free news platforms available, resulting in syndication deals

³⁰<https://indianexpress.com/article/cities/ahmedabad/indian-express-group-to-launch-iegujarati-com-today-4th-regional-website-8184981/>
³¹<https://bestmediainfo.com/2022/09/jagran-new-media-launches-gujarati-jagran-portal-for-regional-language-audience>

Social media

I. Social media penetration remained at 33% in 2022



We are Social | Meltwater | Based on a survey of 16 to 64-year-old internet users

- ▶ Social media user base of Indians aged 16 years and above in 2022 remained flat at 33%, as was in 2021
- ▶ Though this is lower in percentage terms than many other countries, in absolute terms, India is the second largest market by the number of users³⁴

II. Social media users grew to 470 million in 2022³⁵

- ▶ 470 million Indians were active on social media as of September 2022, a growth of 13 million unique users from September 2021
- ▶ 85% of social media users accessed it on mobile exclusively, while another 10% used both mobile and desktop
- ▶ Most social media users subscribed to multiple platforms but did not use each platform daily, though 67.5% of India's total internet user base (regardless of age) used at least one social media platform in January 2023³⁶

³²<https://inc42.com/buzz/hyperlocal-news-app-way2news-bags-16-75-mn-to-expand-user-base-in-southern-states/>²²IMI-IFPI digital music study 2022

³³<https://www.exchange4media.com/industry-briefing-news/abp-majha-set-to-launch-15-minute-news-capsule-show-on-the-spot-123353.html>

music study 2022

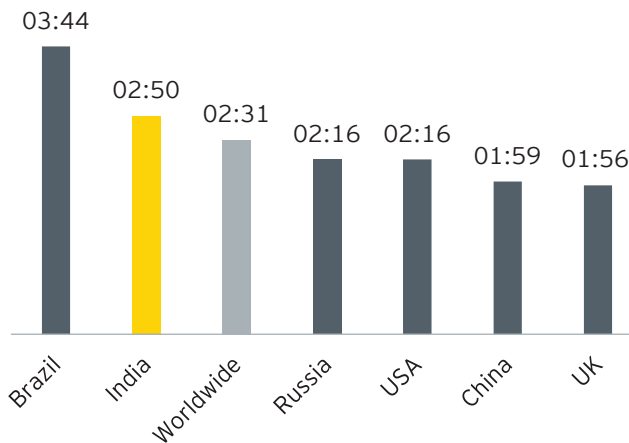
³⁴<https://www.demandsage.com/social-media-users/>

³⁵Comscore India Interact Report 2022

³⁶<https://datareportal.com/reports/digital-2023-india>

III. Indians spent almost three hours each day on social media

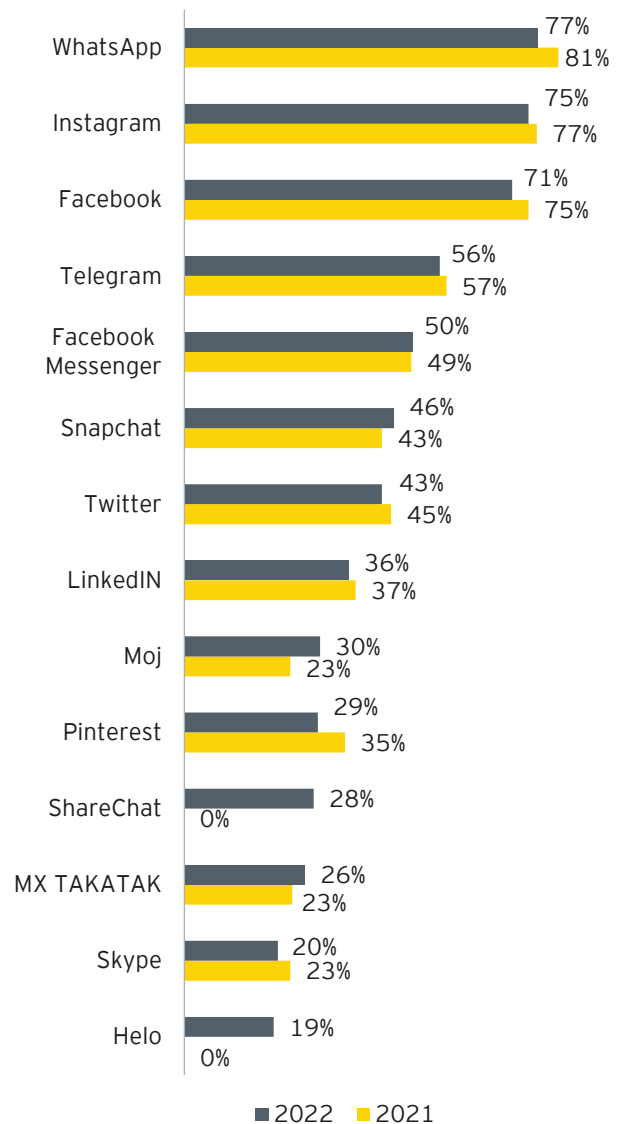
Hours and minutes per day spent on social media



We are Social | Meltwater | Based on a survey of 16 to 64-year-old internet users

- ▶ Indians spent an average of over 2:50 hours per internet user per day in 2022, an increase of 14 minutes as compared to 2021
- ▶ Indians spend a larger quantum of time as compared to the world average, ahead of other large countries like China, US, etc.
- ▶ Indians spent 44% of their online time on social media apps in 2022, highest in the world
- ▶ Time spent in India with social media sites grew by 163% between Jan 2019 and Sep 2022³⁷

IV. Meta's apps had the highest reach



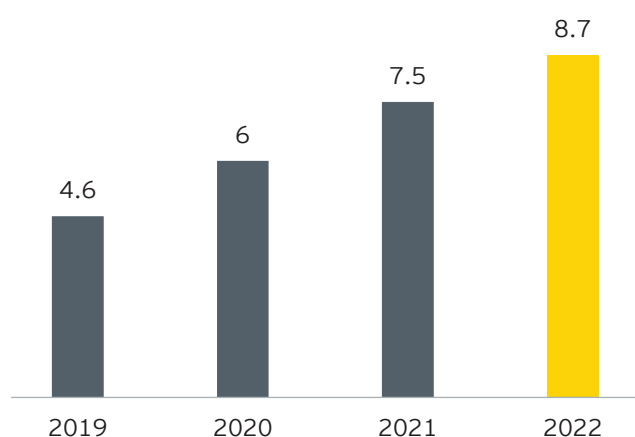
■ 2022 ■ 2021

Meltwater, We Are Social report, January 2023 and 2022: Based on a survey of 16 to 64-year-old internet users who use each platform each month | 0 indicates data not available

- ▶ WhatsApp remains India's favorite messaging app, while Meta took the top three spots with Instagram and Facebook as well
- ▶ Local apps including Moj, ShareChat, MX Takatak, and Helo have gained significant market share compared to 2021

V. Social commerce made a strong beginning³⁸

Annual hours spent on shopping apps in India
(billion hours)

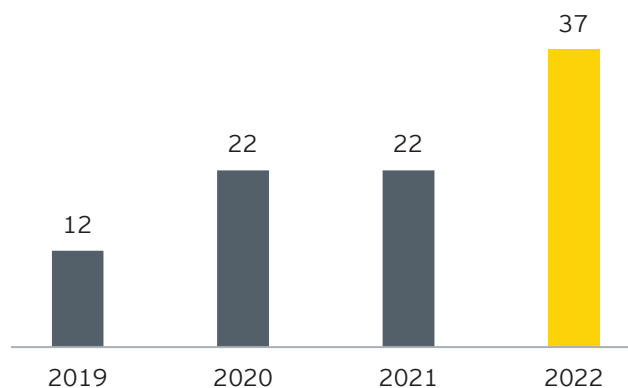


data.ai

- ▶ Social commerce (the process of selling products directly on social media platforms) has emerged in India is powered by social reselling platforms, such as GlowRoad, EarnKaro, Shop 101, Meesho, Bulbul, SimSim, etc.
- ▶ Coupon and rewards apps increased their downloads the most in 2022, growing by 179% over 2021
- ▶ The sheer number of buy and sell groups on Facebook are a testimony to the fact that online socializing and online shopping make a highly compatible pair
- ▶ Indian e-commerce market is estimated to grow at a steady pace to about US\$400 billion by 2030 at an estimated CAGR of 18.9%, while the social commerce market is expected to grow to hit US\$70 billion by 2030³⁹

VI. Social app consumer spending increased

Social app consumer spending (US\$ million)



Data.ai | Consumer Spend across iOS, Google Play. Spend is gross – inclusive of any percent taken by the app stores.

- ▶ Included under overall social commerce, social apps consumer spending increased by 68% in 2022 vs. 2021
- ▶ Top apps for consumer spends were Tango Live, Tiki, Ola Party, ShareChat and Yoyo
- ▶ Live streaming and short videos apps were the top subgenre by consumer spending
- ▶ Key drivers of growth included:
 - ▶ Increased use of influencer marketing
 - ▶ Regional ad supported content
 - ▶ Ease of payment mechanisms
 - ▶ Brands and platforms experimented with live purchasing options, e.g., click to buy, add to cart, video/ image searches, etc.
- ▶ According to industry sources, tipping, gifting and other impulse micro transactions now provide an INR50 million a month revenue opportunity

VII. Live streaming gained popularity

- ▶ Live streaming across verticals like gaming, astrology, agony aunts, education, investments, skills, etc., gained significant popularity
- ▶ In-app purchases for a significant portion of creator revenues in the form of gifting, donating, celebrating, building communities based on regional languages, etc.
- ▶ Some creators have even started charging a subscription fee for live interactions
- ▶ Platforms like Rooter, Loco, and the recently launched JioGamesWatch are seeing rapid adoption from streamers and viewers alike⁴⁰

³⁸Comscore India Interact Report 2022

³⁹<https://inc42.com/resources/how-social-commerce-platforms-are-tapping-into-indias-hinterlands-with-micro-nano-creators/>

⁴⁰<https://timesofindia.indiatimes.com/city/bengaluru/game-streamers-increasingly-shift-to-desi-platforms/articleshow/96469433.cms>

Monetization

Digital advertising

I. Digital ad spends grew 30% in 2022

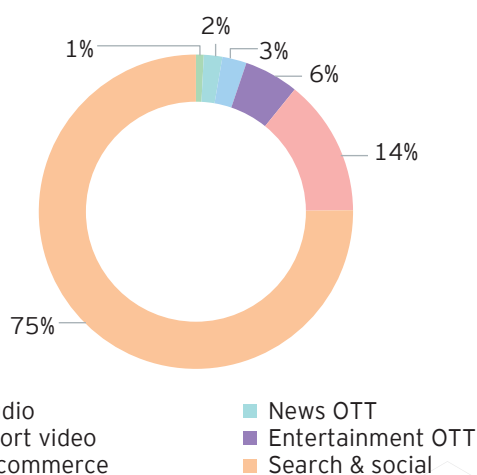
	2021	2022	2023E	2025E
Large advertisers	246.5	319.0	379.6	488.9
SME and long tail	136.4	180.0	214.2	275.9
Total	382.9	499.0	593.8	764.8

INR billion (gross of taxes) | EY estimates

- ▶ Digital advertising grew 30% to reach INR499 billion in 2022, as several categories increased the share of their ad spends on digital media
- ▶ Included in the above, approximately 800,000 SME and long tail advertisers spent INR180 billion on digital media, primarily on performance advertising on Google, Facebook, and e-commerce platforms⁴¹
- ▶ Of the total, share of ad revenues generated by e-commerce platforms increased to over INR70 billion, crossing 14% of total digital advertising (12% in 2020)
- ▶ Ad insertions increased 52% in 2022 vs. 2021 and there were over 360 categories which had higher insertions on digital than on print, television or radio⁴²
- ▶ Programmatic advertising witnessed a 15.8% growth as compared to 2021⁴³

II. E-commerce advertising achieved scale

Composition of digital ad revenues



EY estimates

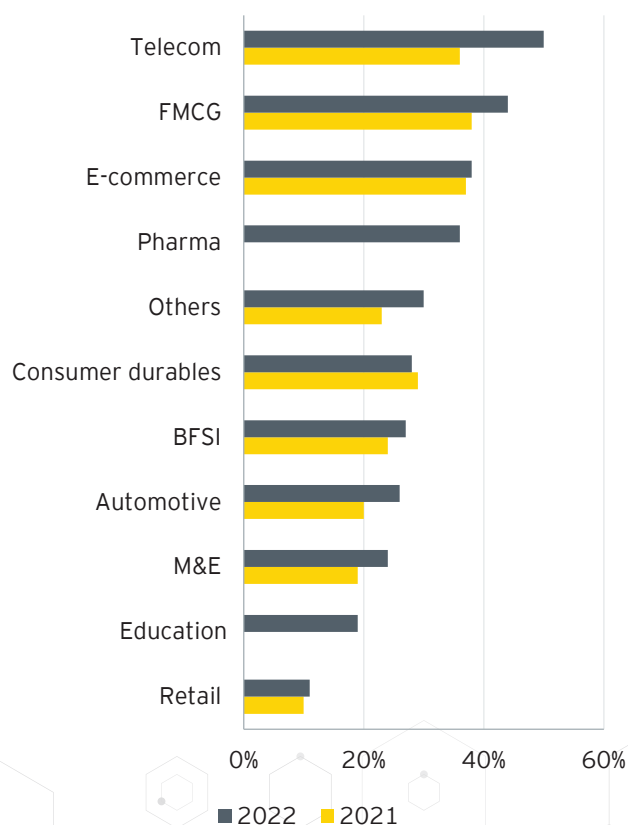
- ▶ Search and social media across different platforms continued to provide 75% of digital ad revenues
- ▶ E-commerce advertising crossed INR70 billion to garner 14% of total digital advertising as more brands used online channels like Amazon, Flipkart, Ajo, Nykaa, Myntra etc., to drive sales, these platforms being seen as being closest to the point of purchase
- ▶ OTT platforms of broadcasters and news companies garnered just 8% of digital ad revenues, led by Hotstar and Times Internet

III. Small and medium enterprise (SME) advertiser base grew⁴⁴

- ▶ We estimate that SME advertisers spent over INR180 billion in 2022
- ▶ Large ad platforms claim that there are now over 800,000 small and medium enterprises who advertise on them, to generate business in India and abroad, with spends as low as INR25,000 per year⁴⁴
- ▶ Industry discussions indicate that this number is growing significantly and could reach a million advertisers within three years
- ▶ SME spends are focused on performance advertising - predominantly search, social and classifieds - on platforms like Google, Facebook, Flipkart, Amazon, Just Dial, etc.

IV. Eight categories spent over 20% of their total ad spends on digital

Percentage of ad spends on digital by category



Dentsu Digital Advertising in India report 2023 and 2022

- ▶ Four categories spent over 30% of their ad spends on digital, while another four categories spent over 20%
- ▶ Most categories increased spends on digital media in 2022 as compared to 2021

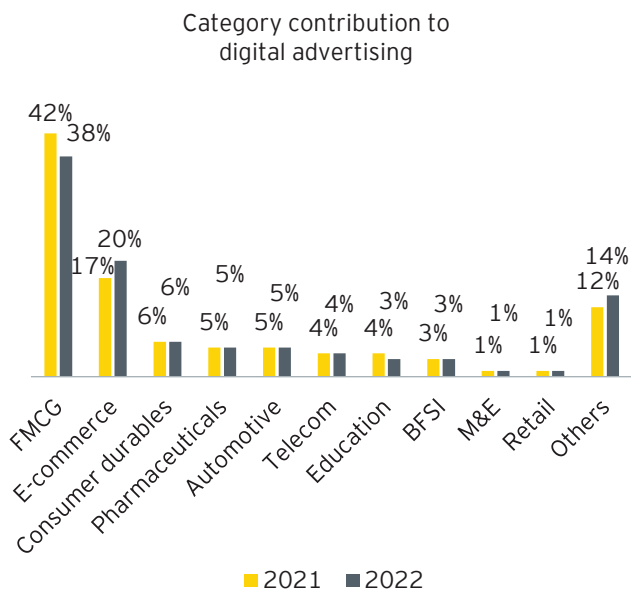
⁴¹We have included this amount in our estimates this year and adjust prior year numbers accordingly

⁴²htTAM AdEX

⁴³hWe are Social Report 2023

⁴⁴Industry discussions

V. FMCG and e-commerce contributed to 58% of the total digital ad spends



Dentsu Digital Advertising in India report 2023 and 2022

- ▶ FMCG tempered its digital spends as the effects of the pandemic wore off and physical channels recovered
- ▶ E-commerce platforms continued to spend on digital media, buoyed by apps such as Nykaa, JioMart, Tata Neu, etc.
- ▶ The top five national advertiser categories contributed almost three-fourths of the total digital ad spends

VI. Various initiatives were made to increase rates

- ▶ As programmatic ad share increased, specially for categories like news, various initiatives were taken to increase rates
- ▶ Guaranteed programmatic deals saw an increase, as per our industry discussions, as did floor prices for programmatic
- ▶ Other innovations like native, contextual and interactive ads were seen to increase
- ▶ More video was seen along with text on textual platforms as it garnered a higher rate

Digital subscription

I. In 2022, digital subscription grew 27%

	2021	2022	2023E	2025E
Video	53.9	68.5	73.0	91.2
Audio	1.6	2.2	2.8	3.6
News	0.9	1.2	1.6	2.4
Total	56.4	71.9	77.4	97.2

INR billion (gross of taxes) | EY estimates⁴⁵

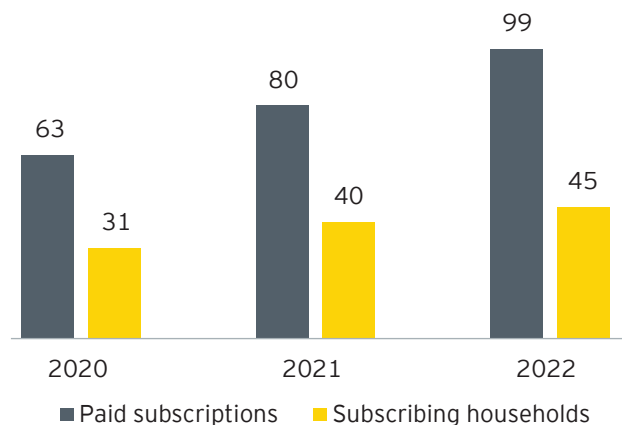
- ▶ Video subscription revenues grew 27% in 2022 to INR68.5 billion
- ▶ Paid video subscriptions reached 99 million in 2022, across almost 45 million households in India, with a total viewership of around 135 to 180 million users
- ▶ Audio subscription grew 37% in 2022 as paying consumers reached around 4.5 million
- ▶ News subscription reached around INR1.2 billion primarily for premium and exclusive content
- ▶ The percentage of paying subscribers to total OTT consumers remained less than 10% and 2.5% for video and audio, respectively
- ▶ We expect digital subscriptions to grow at a CAGR of 11% till 2025

⁴⁵ Amazon Prime Video revenues have been estimated using an apportionment of their total end customer subscription price between various bundled services

II. Online video

45 million households paid for 99 million video OTT subscriptions

Subscriptions and subscribing households

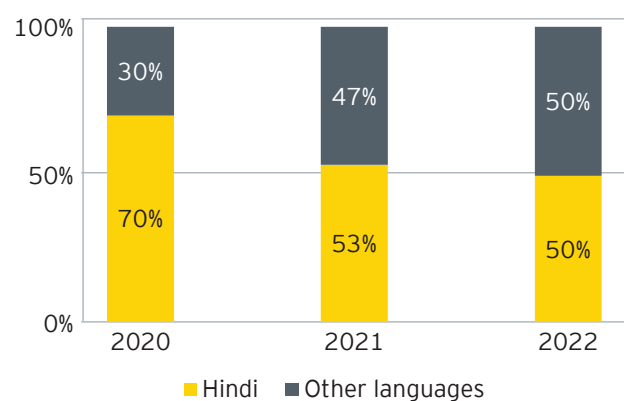


EY estimates

- ▶ 45 million Indian households paid for 99 million OTT video subscriptions in 2022
- ▶ Actual OTT video users / audience could be estimated at 135 to 180 million individuals as subscriptions were shared amongst family and with friends⁴⁶
- ▶ Top six metros contributed 33% to total paid subscriptions in India⁴⁷
- ▶ Over 3,000 hours of original content were created for OTT platforms - including over 75 (mostly small budget) direct to digital films⁴⁸ - which were extensively marketed, and led to increased demand for OTT subscriptions
- ▶ Other key drivers for growth included live sports, bundling, exclusive reality content and pricing changes

Regional content investments increased, as did consumption⁴⁹

OTT content produced by language



EY production audit team estimates | Original content only

- ▶ Half the original content produced was in Hindi, down from 70% of content in 2020, showing a clear shift towards regional language audiences; platforms claimed their content was viewed across 99% of Indian pin-codes
- ▶ Films releasing directly on OTT were watched across over 4,000 towns and cities in India, which compare favorably as against the erstwhile "mega movie releases" which peaked at 3,000 cinema screens
- ▶ Most large platforms adopted a strategy of eight languages (Hindi, four southern languages, Bengali, Marathi, English) or more
- ▶ Dubbing and subtitling of movies and original content across Indian languages became the norm for most marquee releases

⁴⁶EY estimates based on industry discussions

⁴⁷Ormax OTT Audience Sizing Report, <https://www.ormaxmedia.com/data/library/TheOrmaxOTTAudienceReport-SVOD-Segments-2022.pdf>
<https://www.businessinsider.in/india/news/indias-ott-universe-grew-to-424-million-users-in-2022-up-by-20-from-2021/articleshow/96053777.cms>

⁴⁸EY production audit team estimates

⁴⁹Industry discussions with Netflix, Amazon, Zee5, Hungama, Hotstar, Eros Now, etc.

III. Audio subscription reached INR2.2 billion⁵⁰

- ▶ The number of monthly music streamers remained stable at around 200 million in 2022⁵¹
- ▶ The percentage of paid subscribers was low at 2.5%, due to the prevalence of several free options across all large streaming platforms and on YouTube
- ▶ Consequently, the low profitability of audio streaming platforms remains a concern and could result in consolidation or platform shut-downs in the medium term
- ▶ We expect music streamers to cross 400 million by 2025 as 5G penetration increases, subject to there being no significant increases in data charges
- ▶ However, so long as free options are available, such as FM radio, YouTube, etc., it will be difficult for streaming platforms to grow paying subscribers, which may just about cross 8 million by 2025

IV. News subscription reached NR1.2 billion⁵²

- ▶ With the abundance of free news available online and through aggregators, news subscription was primarily driven by exclusive and premium content
- ▶ We estimate around 1.5 million paid subscribers across all news platforms, which can double by 2025 on the back of more speciality news and custom knowledge products
- ▶ Individual creators, generating up to INR50 million a year each, fragmented the SVOD news industry, providing advice and/ or a point of view to niche communities on areas like finance, investing, career growth, technical knowledge, health, etc.

V. SVOD benefited from digital payment changes

- ▶ As UPI payments continued to gain scale in 2022, M&E benefited from the same; some platforms claimed to receive 75% of their payments via this digital channel
- ▶ Permitting the auto-renewal of subscriptions up to INR2,000 is also expected to help manage churn, though tokenization of credit cards did have negative impact

⁵⁰EY estimates

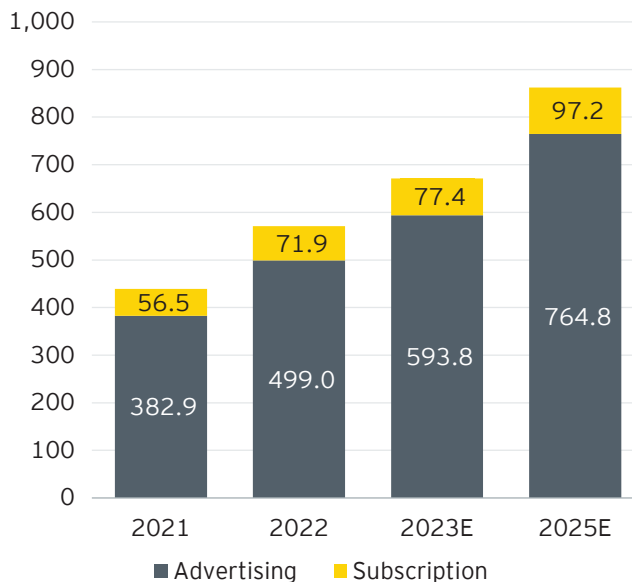
⁵¹Industry discussions; Comscore; EY analysis

⁵²EY estimates

Future outlook

Digital segment is expected to grow to INR862 billion by 2025

Digital segment revenue projections



INR billion (gross of taxes) | EY estimates

- ▶ We estimate that the digital segment will grow to INR862 billion by 2025, at a 15% CAGR, reflecting the changing consumption patterns being witnessed due to growth in connected televisions, mobile phones and broadband connectivity
- ▶ The segment became the second largest segment in 2020, overtaking print, and we expect it to continue to reduce the gap with television as digital infrastructure (screens, broadband connections, e-commerce, digital payments etc.) continues to grow

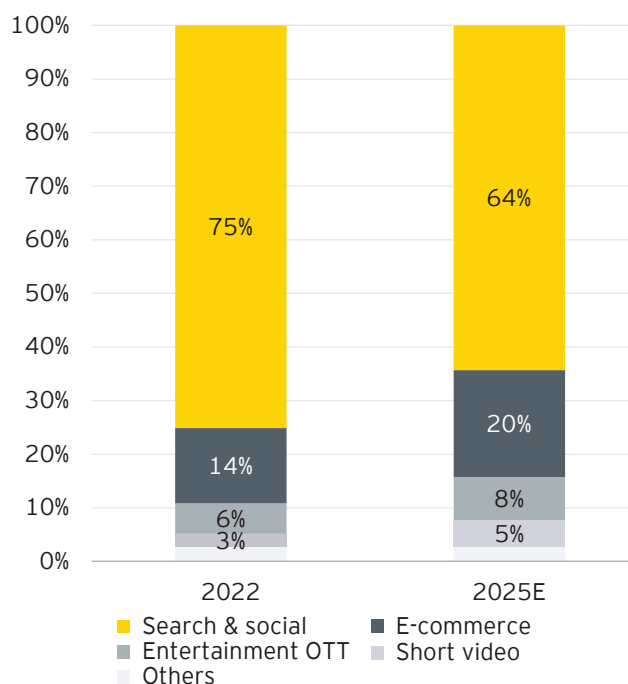
Digital advertising

I. Digital ad growth will outpace all other segments

- ▶ Digital advertising will grow at a CAGR of 15%. Its share will increase from 47% of total advertising in 2022 to 50% by 2023, and further to 54% by 2025
- ▶ SME and long-tail advertising, included in the above, will grow from INR180 billion in 2022 to INR276 billion by 2025 on the back of growth in SME advertiser base ONDC, access to national and global markets, etc.⁵³

II. E-commerce and entertainment OTT will gain ad share

Digital ad revenue mix



EY estimates

- ▶ E-commerce advertising will reach INR150 billion by 2025 as e-commerce players like Amazon, Flipkart, Jio Platforms, Tata, Zomato and others grow their reach and active users
- ▶ Entertainment OTT platforms, including sports, will generate around INR60 billion of advertising by 2025
- ▶ The CPT will emerge as the common metric for cross-media measurement and the M&E sector will need to provide models to measure it
- ▶ More advertisers will implement ad fraud management solutions and validate ad spend efficiency as digital becomes a larger portion of their media mix

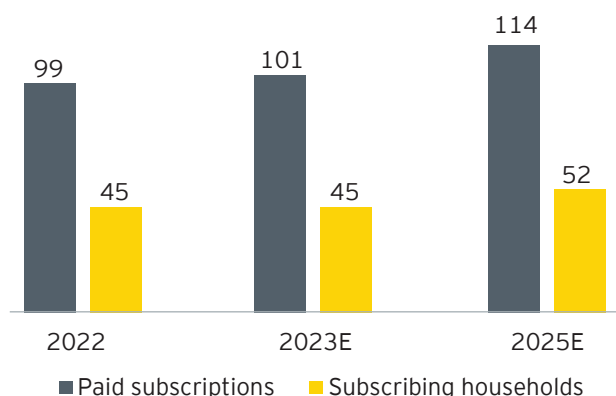
⁵³EY estimates

⁵⁴EY estimates

Digital subscription

I. SVOD can grow two ways

Subscriptions and subscribing households

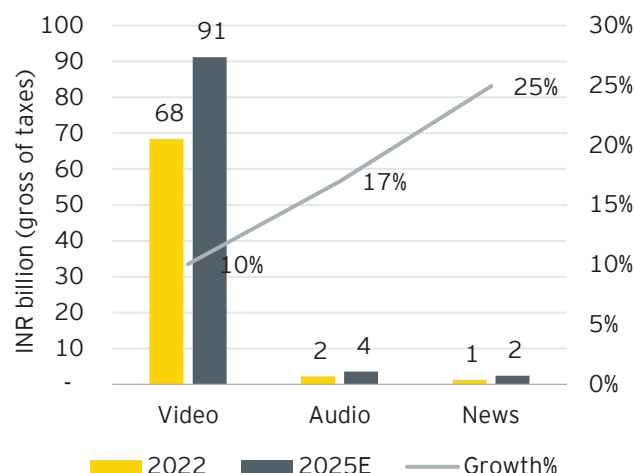


EY estimates | Assumes no significant changes in content or data prices

- ▶ A consumer subscribing to three large OTT video subscriptions today will spend around INR3,000 per year, which is not an insignificant amount and could well limit the growth of OTT subscribing households to 52 million by 2025, accounting for 114 million subscriptions
- ▶ However, in the event large platforms launch more affordable packages (at around INR1 per day, for example) or aggregators bring the bundled price down to INR1,500 or so per year, we estimate that the number of households paying for one or more SVOD service can reach 100 million, and total digital video subscription can increase to around INR110 billion by 2025
- ▶ Our estimates for 2023 are flat as they factor in the expected free streaming of the IPL on JioCinema, which could impact paid subscriptions. SVOD platforms will need to increase their content investments to grow and retain paying subscribers, and we expect to see leaders and challengers alike increasing content budgets

II. Video will continue to drive digital subscription

Subscription revenue projections



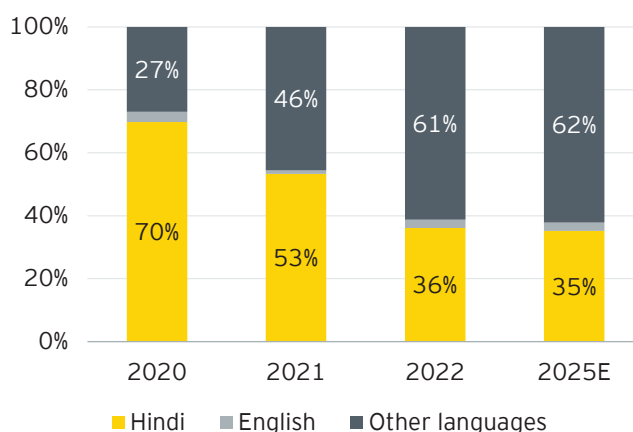
EY estimates

- ▶ Subscription revenues will grow at 11% CAGR to reach INR97 billion in 2025
- ▶ Paid video subscription households can grow to 52 million if prices remain at today's rates, or grow to 100 million if they are rationalized, reaching between INR91 billion and INR110 billion
- ▶ Increases in subscribing households will also depend on growth in per capita income, data pricing, growth of high-quality broadband, and the arbitrage between television and OTT pricing
- ▶ Paid audio subscriptions will cross 8 million by 2025, generating INR3.6 billion, as youth increasingly take to subscription products
- ▶ Newspaper digital products will increasingly go behind paywalls for exclusive content, custom knowledge, and passion content, and we expect news and related products to generate subscription revenues of INR2.4 billion by 2025, which could increase to INR4.8 billion through bundling
- ▶ The sharing economy will not pass by the digital media space - we could see group subscription products across families, friends, neighbours, colleges and corporates come into being
- ▶ Syndication opportunities will increase across telcos as well as D2C platforms of brands, as well as across increased windows like TVOD, which could generate over INR10 billion by 2025⁵⁴
- ▶ E-commerce apps will provide a significant opportunity to license news, library and interactive content on to their platforms to increase reach and visitations

Consumption

I. OTT content will break language barriers

Language mix of original OTT content



EY's production audit practice estimates

- ▶ Demand for original content will increase from 3,000 hours in 2021 to over 4,000 hours by 2025
- ▶ The share of vernacular content will increase to over 62% of total content produced as regional OTTs flourish and achieve scale on the back of dubbing and subtitling. This could also lead to increased costs for regional content production
- ▶ As production costs keep increasing, we expect to see the mix of high: medium: low budget content getting skewed towards medium and low-cost production, as well as more IP co-ownership and sharing deals

II. News OTTs will focus on quality audiences

- ▶ If generative AI tools like Bard and ChatGPT which use artificial intelligence scale and include current data, it could have an impact on news publishers' reach and revenues
- ▶ News platforms will need to aggregate sticky and loyal customers, and thereby build first party data, for which they will need to drive more user registration and build app audiences as compared to transient web audiences
- ▶ Consequently, we can expect to see a string of common-interest communities come into existence, with increased content than just news, and transaction-led monetization capabilities
- ▶ Given that a majority of new internet users are expected to come from non-metro markets, news companies will launch hyper-local news services to compete with the quality of multi-edition vernacular print products, through creation of massive stringer networks across their target markets

- ▶ By 2024, there will be more rural internet users than metro users⁵⁵ and hence locality and village perspectives and interactivity will become a USP for news brands
- ▶ Custom recommendation-based connected TV products to serve top-end audiences will come into being, both ad supported and subscription-based, across areas of interest

III. Newer monetization models will emerge

- ▶ We believe TVOD services will gain scale to bring in audiences from a trial perspective, starting with sports, events and movies, and will be especially important for the next 100 million smartphone consumers
- ▶ AVOD models will evolve to include increased advertiser funded content, since break-even on pure advertising platforms can only be achieved if content cost is extremely low
- ▶ Bundling of various OTT platforms by ISPs and telcos will gain scale - they will in effect play the role that DPOs played in the television sector - but the customer will need to be provided with the choice of choosing different OTT platforms to bundle
- ▶ We may also see the birth of a new window where ageing OTT content gets syndicated to television. This will also act as a trial inducement for Television and AVOD consumers

IV. Navigating a cookie-less world will need a comprehensive data strategy

- ▶ In a world without cookies, OTT platforms' data around viewers' and their content consumption preferences, interests and purchase choices can be a powerful input for marketers
- ▶ To build first party data, we expect a higher focus on registrations, contests, and interactivity
- ▶ While clearly first party data will be critical for advertisers, we can expect to see more powerful and value accretive data integrations across OTT and other e-commerce platforms
- ▶ All of which will also require targeted ad serving technology at scale

⁵⁵Industry discussions, TRAI, EY estimates

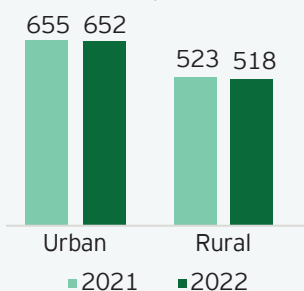
Trends

Digital infrastructure

**There were
1.17 billion
telecom
subscriptions in
2022**

Similar to 2021
and 2020

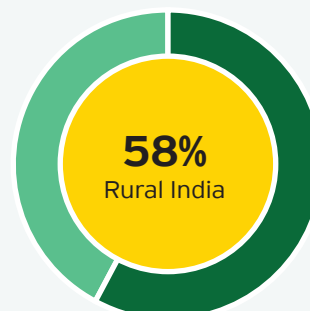
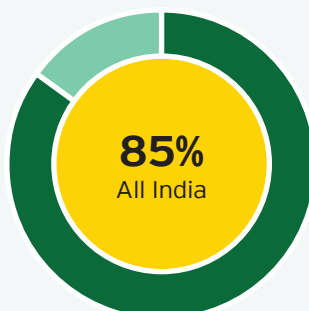
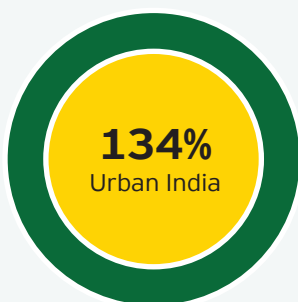
Telecom subscriptions (in million)



	2021	2022
Wireless	1154	1143
Wireline	24	27
Total	1,178	1,170

Press Release No.13/2023 (as on 31 Dec 2022) Press Release No.12/2022 (as on 31 Dec 2021)

Teledensity
is heavily
skewed
towards urban
markets

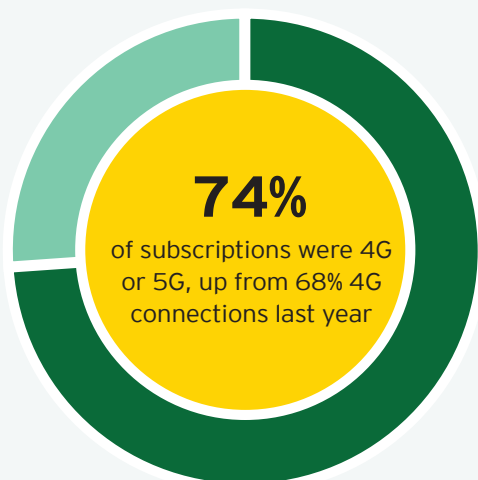


Press Release No.13/2023 (as on 31 Dec 2022)

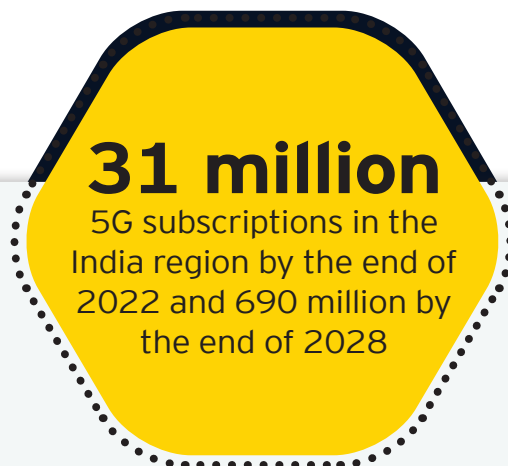
Internet subscriptions	Dec 2020	Dec 2021	Dec 2022E
Total	795	829	866
Narrow band	48	37	34
Broadband	747	792	832
Urban	482	496	516
Rural	313	333	350

**Internet
penetration
grew 4%**
96% of
subscriptions were
broadband

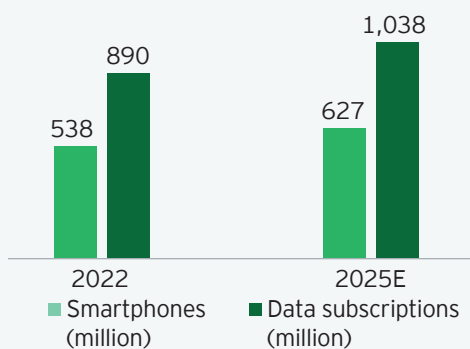
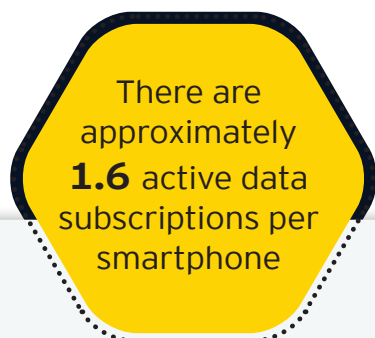
The Indian Telecom Services Performance Indicators July - September 2022, October - December 2021, October - December 2020, EY estimates



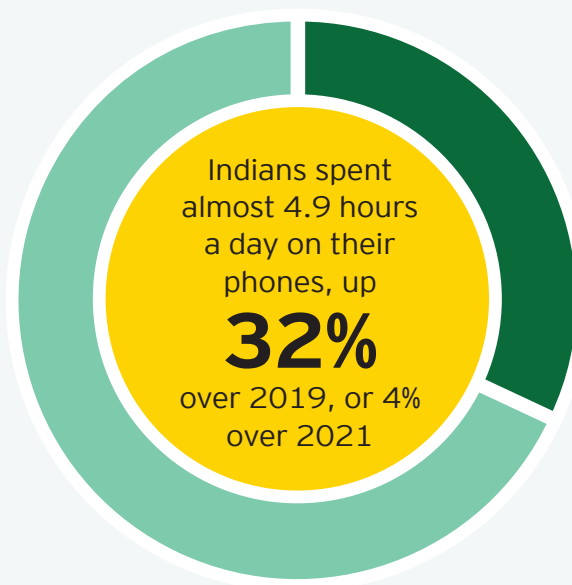
Ericsson Mobility Report, November 2022 and 2021



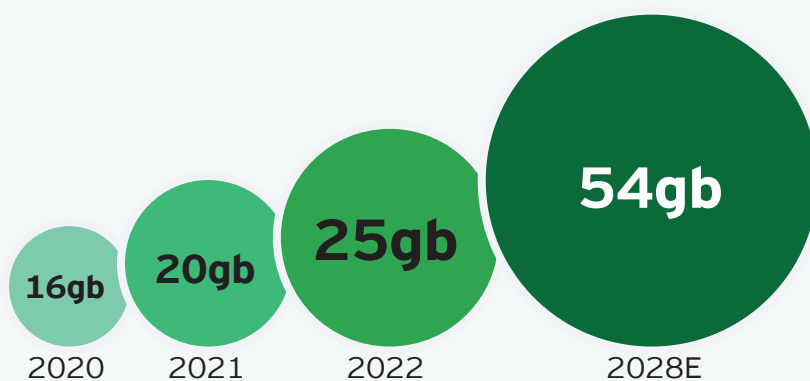
Ericsson Mobility Report, November 2022



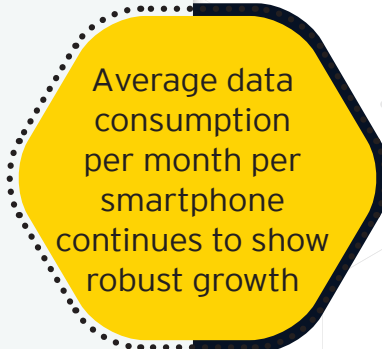
Comscore & EY analysis (smartphones in use), Ericsson Mobility Report, November 2022 (data subscriptions)



Ericsson Mobility Report, November 2022 and 2021



Ericsson Mobility Report, November 2022 and 2021



Trends Digital reach

Powered by  comscore

	2019	2020	2021	2022
Smartphone users	385	445	461	468
Desktop/ laptop/ PC users	94	101	107	110
Total online audience	406	468	485	510

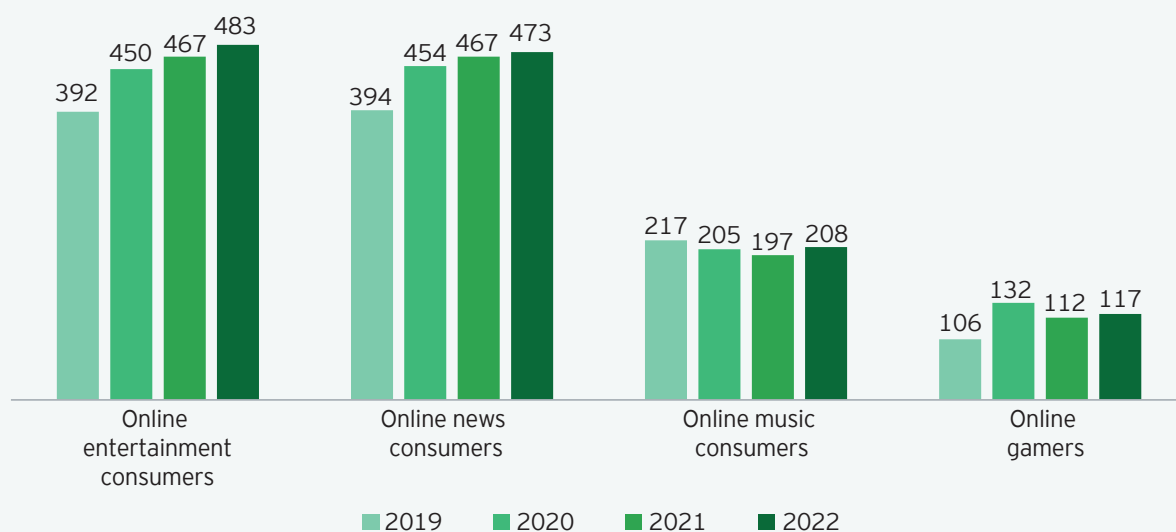
In million

Total online audience crossed **500 million** in 2022

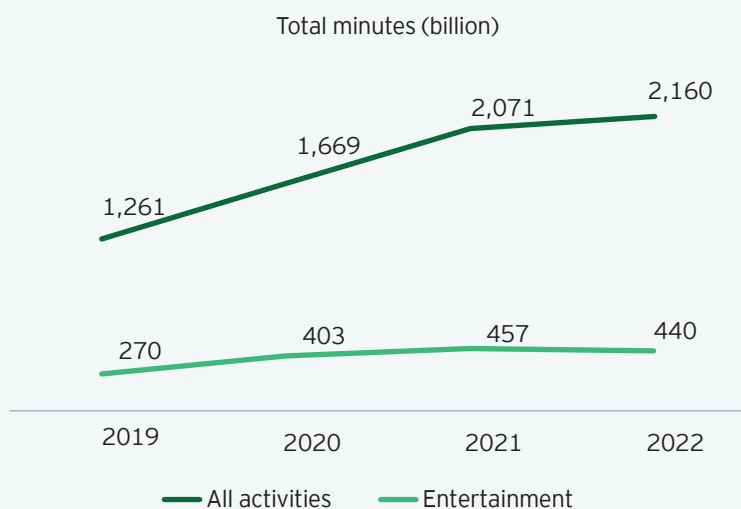
Smartphone users are de-duplicated unique visitors on Android & iOS smartphones and tablets. Total online audience is de-duplicated reach on Desktop & Mobile.

Reach of online entertainment surpassed news in 2022

Reach (deduplicated, in million)



Deduplicated reach on Desktop/PC/Laptop & Mobile. Entertainment includes video and music.



Time spent
online continued
to grow

Top 10
most visited sites/
platforms online
by Indians

Property	December 2021		December 2022	
	Total unique visitors/Viewers (in million)	Total minutes (in million)	Total unique visitors/Viewers (in million)	Total minutes (in million)
Google sites	481	614,415	493	608,090
Facebook	457	517,377	465	516,012
Amazon sites	355	22,712	358	20,322
Times Internet Limited	370	32,774	310	30,367
Flipkart sites	278	19,973	294	18,226
Paytm.com	228	8,562	260	13,216
Truecaller.com	229	35,620	239	51,605
Reliance Jio Digital Services	213	10,006	234	11,992
Network18	216	6,198	228	9,791
Telegram.org	201	21,359	217	22,786

December 2022 & December 2021 - India | Desktop: 6+ Home and Work, Mobile: 18+ Smartphone and Tablets iOS and Android

Trends

The Indian app story

Powered by  data.ai

18.4 billion

New app downloads
in 2022
-31% compared to
2021

**US\$454
million**

App store spend
+9% compared to
US\$414 million
in 2021

9.7 billion

Gaming app
downloads
+4% compared to
2021

**US\$190
million**

Gaming app spend
+15% compared to
2021

4.9 hours

Daily time spent
per user
+4% compared to
2021

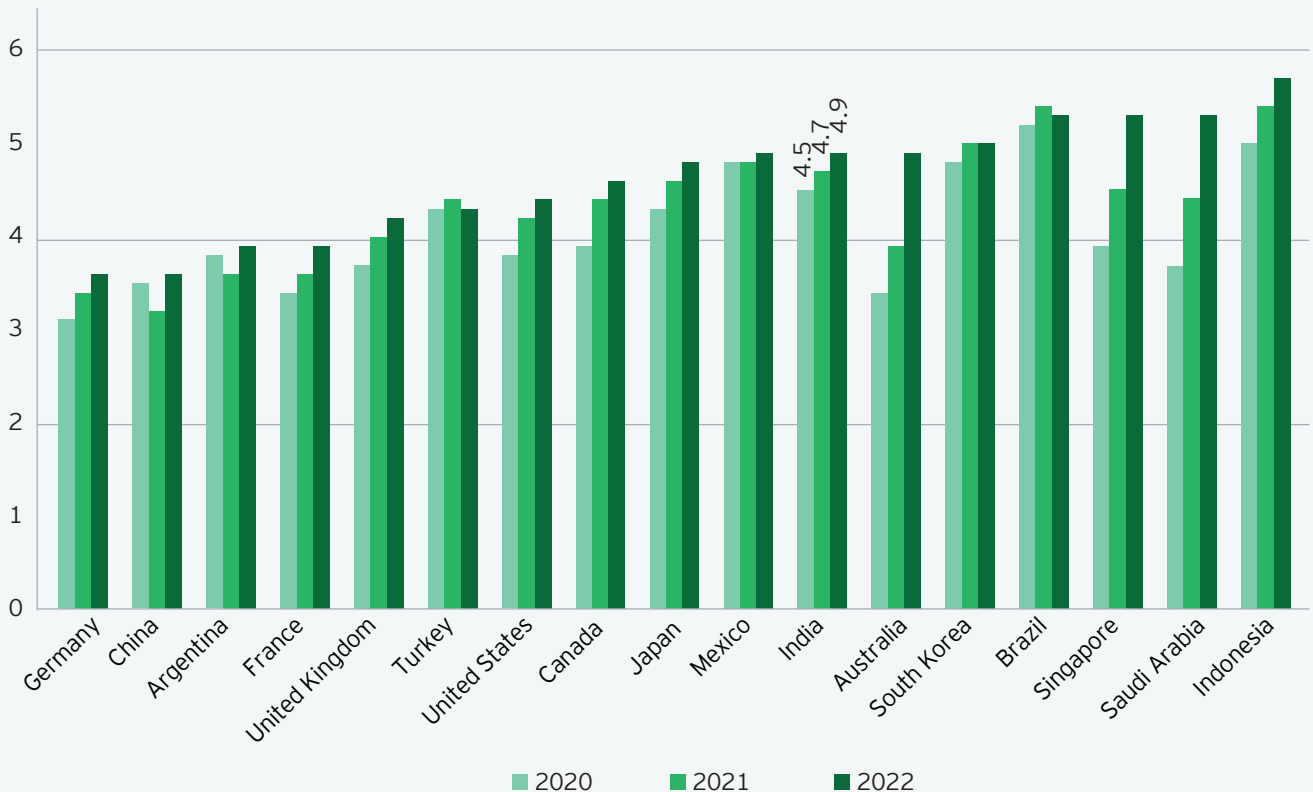
193.8 billion

Hours spent
watching video
streaming apps

Note: Downloads and Consumer Spend across iOS and Google Play; Time Spent across Android phones only.

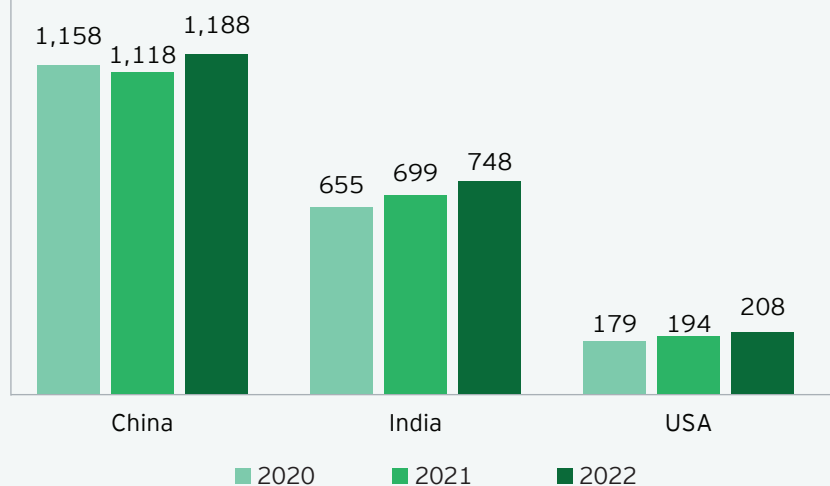
Indians spent an average of 4.9 hours everyday on their mobile devices, up from 4.5 hours in 2020

Average daily time spent on mobile (hours; Android phones)

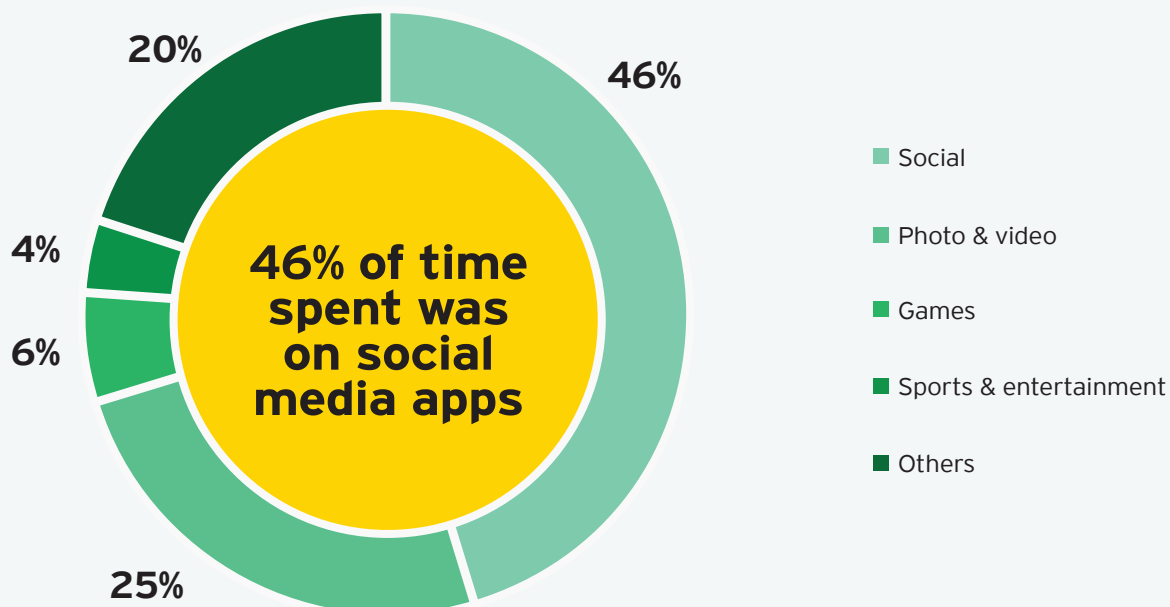


Indians spent almost 748 billion hours on their phones in 2022!

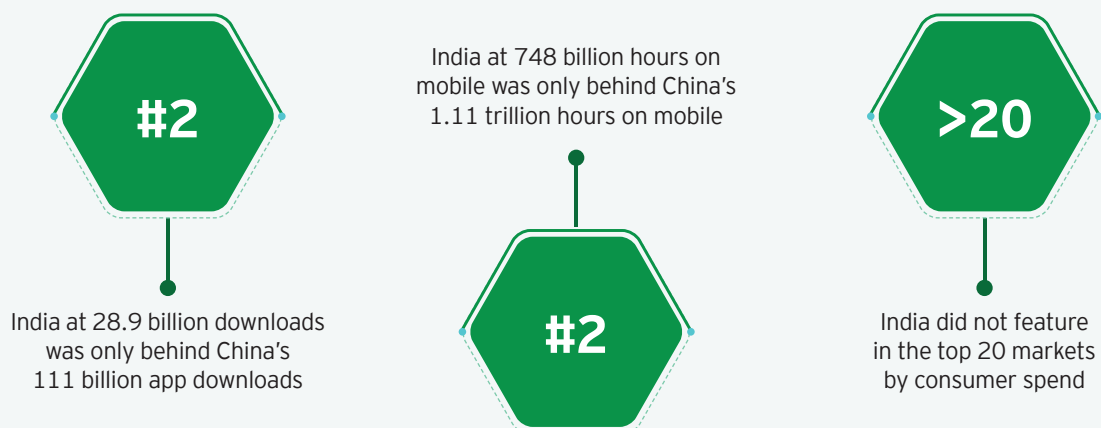
Hours spent on mobile (in billion)



Hours spent by category in India in 2022



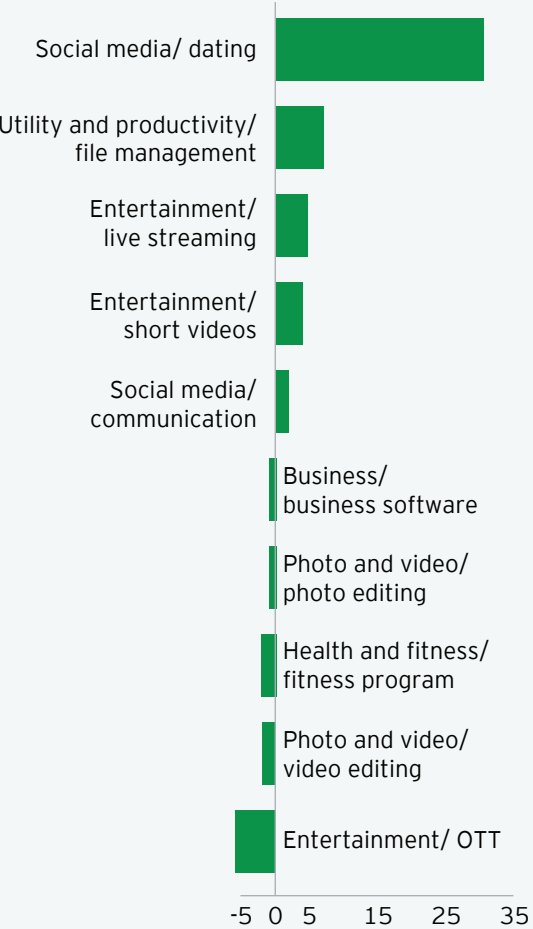
While India was the **2nd largest market by app downloads** and hours spent on mobile, it did not feature in the top 20 markets on consumer spending on mobile



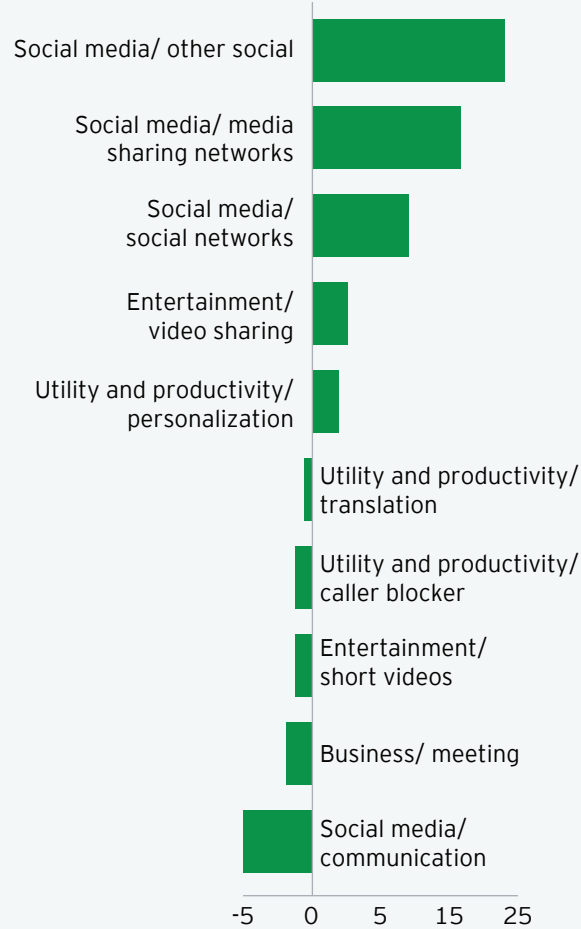
Note: Download across iOS Google Play and third-party android in China combined; Time spent is Android phones only; Spend is gross - inclusive of any percent taken by the app store

4 of 5 growth categories in 2022 were related to social media

Consumer spend (US\$ million): App growth 2022 YoY



Time spent (hours in billion): App growth 2022 YoY



Note: Consumer spend across iOS and Google Play; spend is gross - inclusive of any percent taken by the app stores.
Time spend on android phones; based on App IQ taxonomy as of Jan 4, 2023

App preferences vary by age group and gender

Younger audiences trend more towards social media and entertainment, male audiences trend towards sports, betting and dating apps, while female audiences prefer e-commerce, video editing and stress reduction

Top apps by MAU by likelihood of use		
Rank	18-24	25+
1	Instagram	WhatsApp Messenger
2	True Caller	Facebook
3	Flipkart	PhonePe
4	MX Player	Amazon
5	Telegram	Facebook Messenger

2022, Android phone, based on top 20 apps by average MAU per genre

Top apps by MAU by likelihood of use		
Rank	Male	Female
1	Facebook	WhatsApp Messenger
2	Instagram	Snapchat
3	True Caller	Meesho
4	PhonePe	ShareChat
5	Amazon	Moj

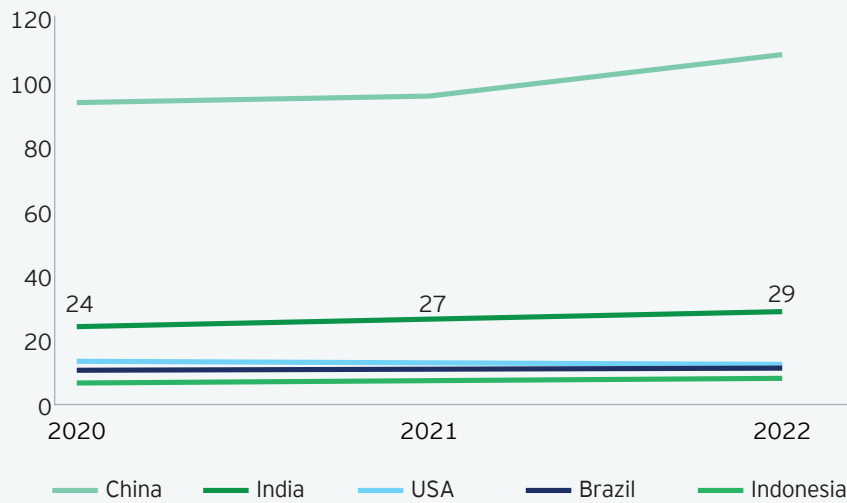
2022, Android phone, based on top 20 apps by average MAU per genre

Most searched apps on iOS app store in 2022 in India

OTT	Short video	Dating	Sports betting	Sports TV
Netflix	Instagram	Tinder	1xbet	Fancode
Hotstar	YouTube	Bumble	Parimatch	Formula 1
MX player	Insta	Grinder	Betway	ESPN
Amazon Prime Video	Sharechat	Hinge	Bet365	Sports
Voot	Sharechat	Grindr	Pari match	Fan code
Zee5	Music+	Happn	Bet	Live cricket TV HD
Prime Video	Music.	Omegle	Betting	Sky sports
Disney Hotstar	YouTube	Azar	Bet 365	Fc
Sony Liv app	IG	Dating apps India	Betfair	Sports live TV
Ullu app	moj	Jeevansathi.com	Cricket betting	Cricket mazza

iPhones, ranked by average search volume

App downloads in billion



**Indians
downloaded the
2nd highest
number apps in
the world**

Downloads across iOS, Google Play and third party Android in China combined

App rankings

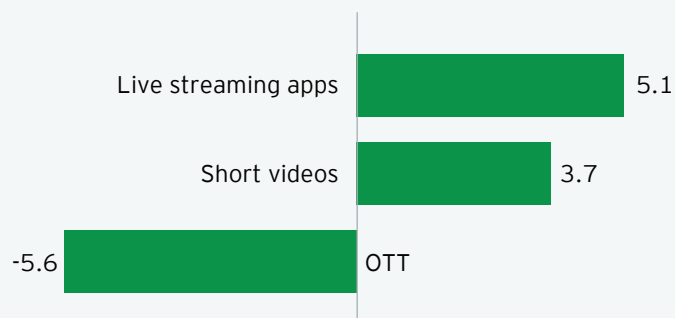
Rank	By downloads	By monthly active users	By consumer spend
1	Instagram	WhatsApp Messenger	Chamet
2	Meesho	Facebook	Google One
3	Facebook	Instagram	Bumble
4	Snapchat	Truecaller	Tango Live
5	Shopsy	PhonePe	Tinder
6	Flipkart	Amazon	Hotstar
7	PhonePe	Facebook Messenger	LinkedIn
8	Truecaller	Flipkart	Truecaller
9	WhatsApp Business	MX Player	YouTube
10	WhatsApp Messenger	Paytm	Tiki

Note: Downloads and consumer spend based on combined iOS App Store and Google Play. MAU based on combined iPhone and Android phone monthly active users.

Excluding pre-installed apps. Market - level rankings. App genres are classified using data.ai's App IQ taxonomy as of January 5, 2023.

**Consumer
spend increased
on live
streaming and
short video
apps**

Consumer spend on video streaming apps
(Year-on-year change in US\$ billion)



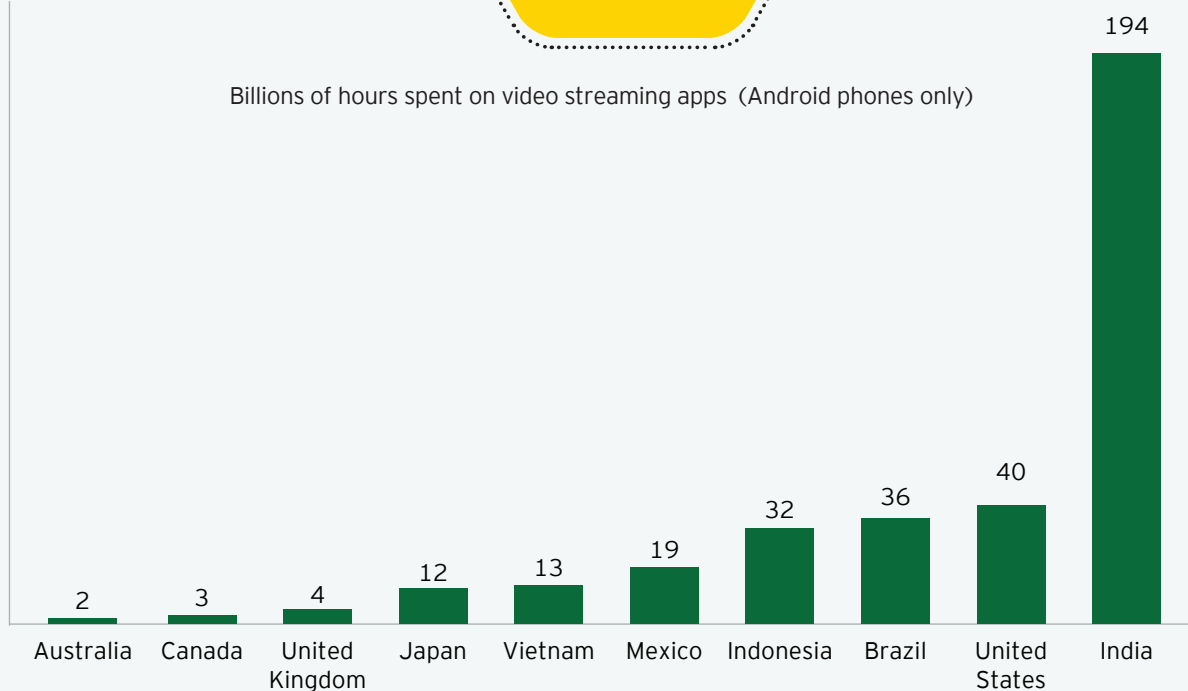
Top video streaming apps covered a wide spectrum of genres...

Rank	By downloads	By consumer spend
1	MX Player	Tango Live
2	Hotstar	Hotstar
3	Zee5	YouTube
4	JioTV	Sony LIV
5	JioCinema	Ola Party
6	Amazon Prime Video	Zee5
7	Voot	Ullu
8	Sony LIV	Netflix
9	Rooter	Voot
10	YouTube Kids	SuperLive

Note: Top apps by yearly downloads and consumer spend across iOS, Google Play. Excludes other/ direct payments
Video streaming apps are classified from Entertainment - 'OTT', 'Live streaming', 'Video sharing' subgenres using data.ai's App IQ taxonomy as of January 5, 2023

...making India
the largest
market by time
spent

Billions of hours spent on video streaming apps (Android phones only)

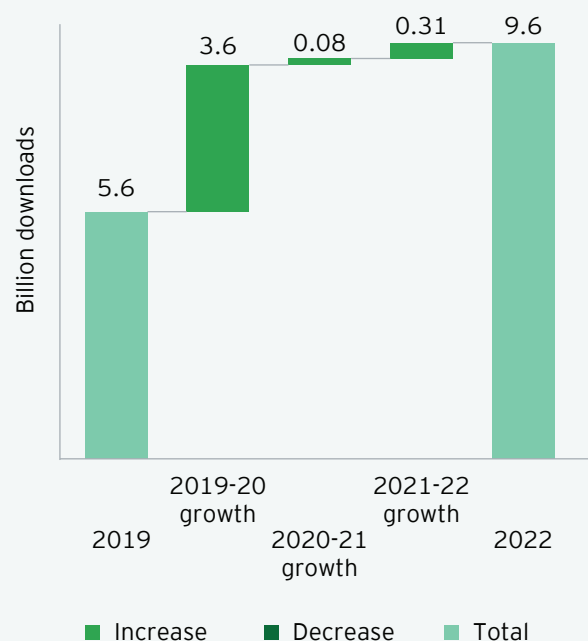


Mobile game downloads remained stable and spends increased, though not to pandemic levels

Mobile game consumer spend growth



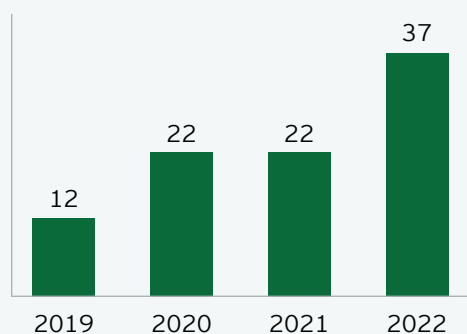
Mobile game downloads growth



Note: Spend is gross – inclusive of any percent taken by the app stores

Indians spent almost **70%** more on social media apps as compared to 2021...

Social app consumer spend (US\$ million)



Note: Consumer Spend across iOS, Google Play. Spend is gross – inclusive of any percent taken by the app stores. Social apps are classified using data.ai's App IQ taxonomy. Excludes Dating apps.

...but the most downloaded social media apps did not generate the highest **consumer spend**

Rank	By downloads	Consumer spend
1	Instagram	Tango Live
2	Facebook	Tiki
3	Snapchat	Ola Party
4	WhatsApp Messenger	ShareChat
5	Telegram	YoYo
6	ShareChat	Imo
7	Moj	SuperLive
8	Josh	Facebook
9	Facebook Messenger	Skype
10	Chingari	Yalla

Note: Top Apps by yearly Downloads and Consumer Spend across iOS, Google Play. Social apps are classified from Social Media (excluding Dating) and Entertainment - 'Short Videos' and 'Live Streaming' subgenres using data.ai's App IQ taxonomy as of Jan 5, 2023.

Trends Meta India

Reels in India

97%

of people surveyed
have shared Reels with
friends or family

77%

of people surveyed have
purchased a product or
service after watching Reels

Top motivators for Reels users in India:

87%

to be entertained

87%

to have fun

82%

to improve my mood

Reels users in India most like watching videos about:

68%

comedy

36%

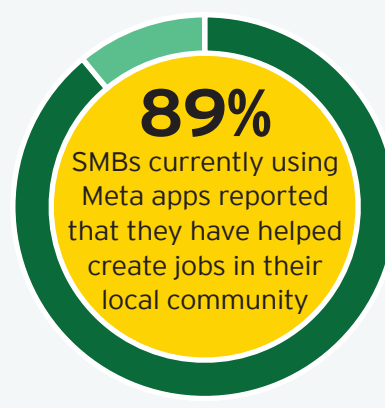
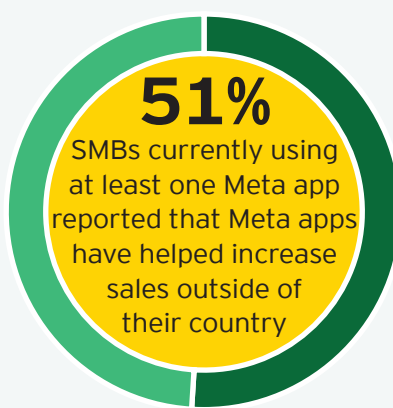
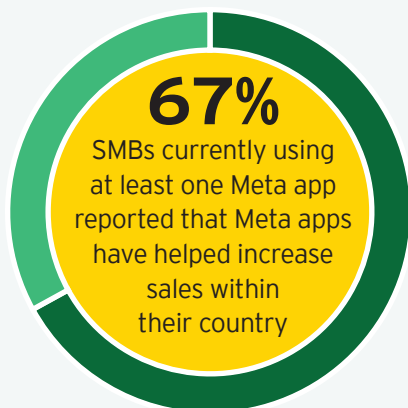
education & learning

34%

animals & pets

Source: Global Consumer Short-Form Video Survey by Factworks. (Meta-commissioned)

SMBs on Meta platforms



Source: 'Global Ipsos Survey of Small Businesses by Ipsos Public Affairs' - Shared by Meta India

Non-metro cities

among the 100 most followed business pages with up to 2 million followers in India are from non-metro cities



among the 100 most followed Instagram businesses with up to 3 million followers in India are based in non-metro cities

For the purpose of this data, Meta defined metro cities as Delhi and New Delhi, Mumbai, Bangalore/ Bengaluru, Hyderabad, Chennai, and Kolkata

Women entrepreneurs



Instagram business accounts that self identify as women owned

business pages on Facebook with female admins were set up in the last 3 years

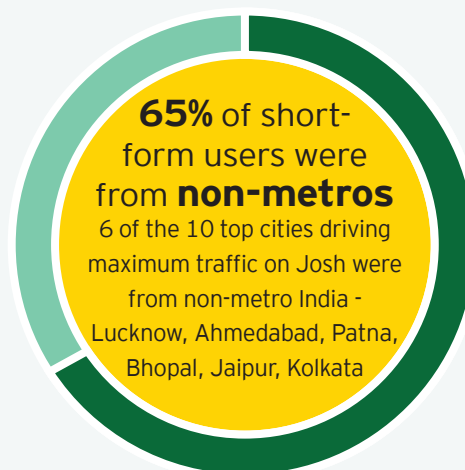
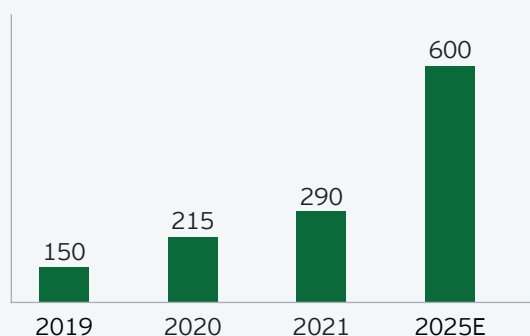


Facebook Groups related to 'entrepreneurship' have been created by women in the last 3 years

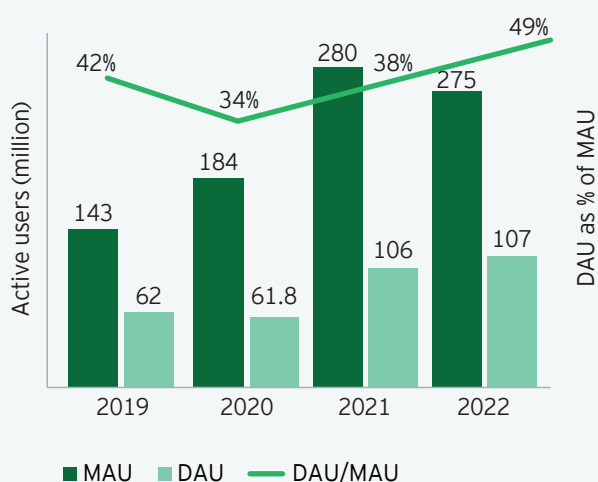
Trends Short video

Powered by VerSe Innovation

The popularity of short video platforms is increasing
Yearly active users (in million)

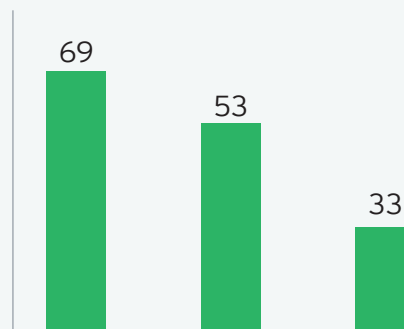


Stickiness
remained steady
in 2022



2022 data is as at September

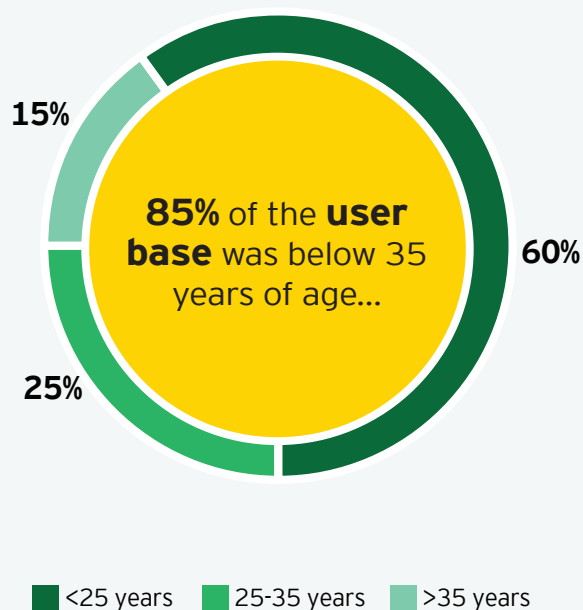
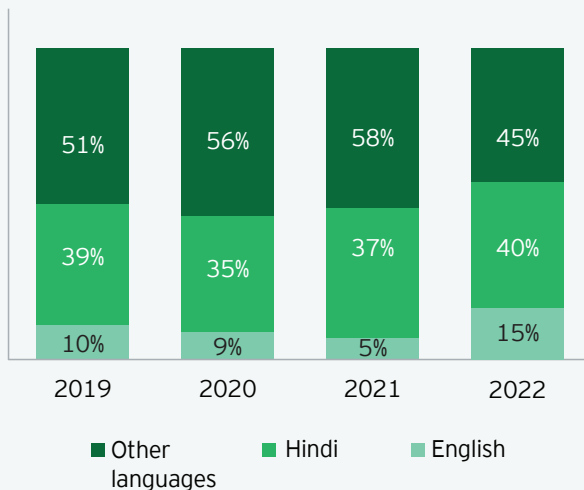
Average minutes per DAU per day



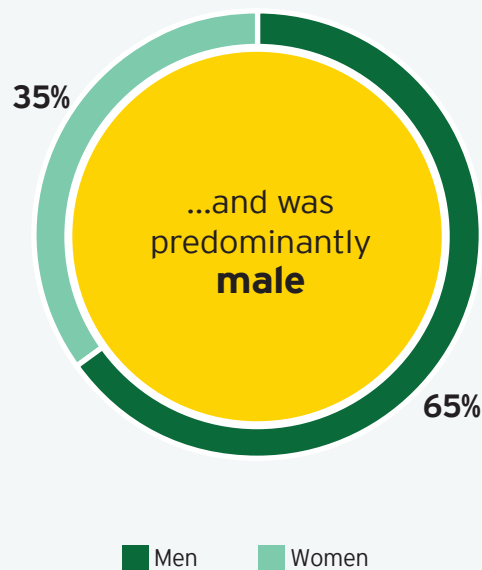
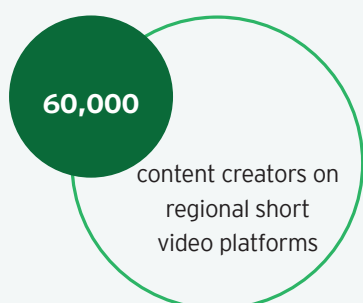
Average time spent per day on short video apps remained steady at **33 minutes**

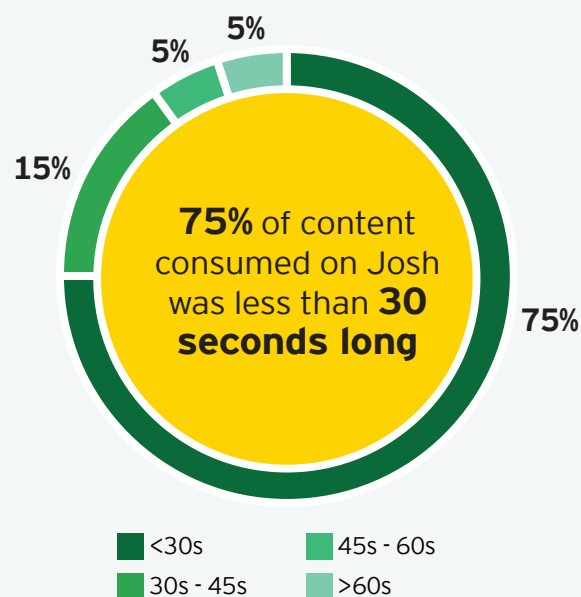
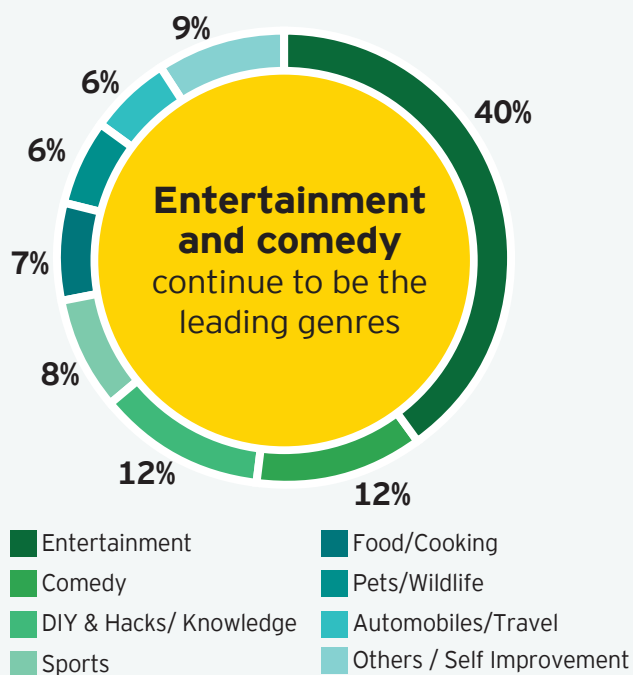
The data has been compiled by VerSe Innovation from various sources including RedSeer, GroupM, Kalaari Capital, Bain & Co, internal data and other reports. It has not been independently verified by EY. It has been consolidated and averaged for presentation purposes.

85% of consumption was in Hindi and other languages

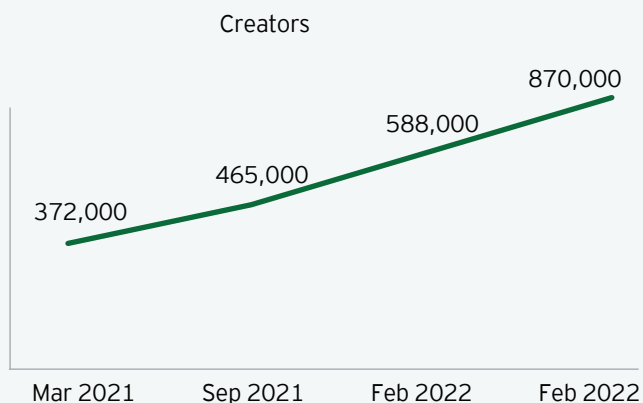
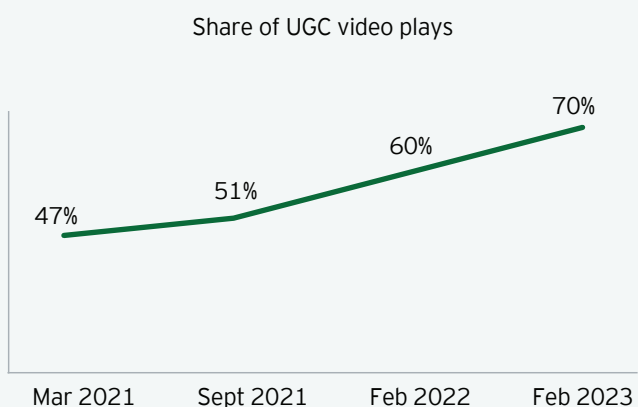


Short video is creating significant employment opportunities





70% of video plays on Josh were UGC. It added 282,000 creators in the last one year



Short-form video projections

India's short-form
video advertising
market in FY2022

**US\$50
million**

**US\$
80-90
million**

India's short-form
video advertising
market in FY2023

**US\$
3-6
billion**

India's short-form
video advertising
market by FY2030

**US\$
1.7
billion**

Virtual gifting on
short-form video
platforms in India
by FY2030

**US\$
3-4
billion**

Social commerce
market in India
by FY2030

All projections from Redseer 2023 report

Expert speak



Sajith Sivanandan
Disney+ Hotstar

Subscription revenues for the OTT market in India are poised to touch US\$3 billion by 2024 but our prerogative in the interim, as an industry, needs to be on unceasingly improving the user experience while at the same time continuing to wow our audiences with pioneering and edge-of-the seat content.



Danish Khan
Sony Liv

OTT businesses, after the early days of chasing headline subscription numbers, are finally settling down to a matured business with focus on sustainable profitable growth - therefore prioritising ARPUs, rationalising content and marketing costs and creating multiple distribution models to monetise.



Gaurav Gandhi
Prime Video

Indian video streaming is powering the M&E industry – with constant innovation in technology, content and access, to match the evolving consumer habits of a delightfully diverse India. Streaming will be the medium that takes truly Indian content to a global audience, creating greater appreciation for our local stories and unlocking opportunities for Indian storytellers and talent.



Monika Shergill
Netflix

In India and globally, audiences are opening up to experimentation like never before across formats, languages and genres, watching six genres on an average every month. The future of streaming will be defined by innovation and consistent delivery of high quality content.



Sandhya Devanathan
Meta India

We're seeing exciting momentum on short-form videos, business messaging, AI and immersive technologies not just on our apps but also across the industry. We believe that these trends are going to define the future of how consumers and businesses connect with one another and will play a leading role in India's Techade.



Satya Raghavan
YouTube

As the viewer base has broadened, so has the variety of multi-format content, from creator-driven and traditional episodic content, to shorts, music and podcasts, in numerous languages and regional dialects. Looking ahead, we're excited about the seamless crossover viewers are making with online video from their smartphones to their connected TVs.



Amarjit Batra
Spotify

One of the key trends in the audio steaming industry is the consumer's increased willingness to pay for music. This is attributable to streaming becoming more mainstream and listeners seeking a seamless experience, as well as the variety of subscription plans and modes of payment available to them



Amit Goenka
Zee Entertainment Enterprises

The media value chain is being redefined as interactivity and personalisation for consumers increasingly take centre-stage. The digital segment still remains under-penetrated across the country. With rising data, demand and delivery mechanisms, the industry is all set to witness a wave of transformation led by technological advancements.



Umang Bedi
VerSe Innovation

The M&E industry is poised for exciting advancements, with emerging technologies and innovative content formats paving the way for immersive and personalized experiences along with new monetisation models ready to drive unprecedented growth.



Neeraj Roy
Hungama

India has the potential for 500 Million subscribers across services. With 5G, the stage is set for ubiquitous and seamless engagement across segments: audio, video, gaming, live and XR, all eventually leading from content consumption to commerce.



Deepit Purkayastha
InShorts

Galloping smartphone penetration has made mobile advertising a mainstay and we've cracked the code, helping brands connect effectively with consumers through hyper-targeted content delivered via innovative and experiential ad formats.



Karan Bedi
Times Internet

We have reached a point where OTT has become the primary medium of mass entertainment in India, dethroning TV.



Ali Hussein
Eros Now

Going forward AI, ML, Augmented and Virtual Reality, and refined use of data, will play a more dominant role in addressing existing barriers such as understanding audiences and learning about them, to help media organizations take informed business and creative decisions.



Gourav Rakshit
Voot

Premium entertainment consumer propositions will be redesigned to address a billion mobile video consumers and 100 million connected TV households, riding the tailwind of lightning speed connections for all!! New sustainable models will emerge, and the streaming industry, which has been operating in investment mode, will look to turn the corner on profitability by 2025.



Ferzad Palia
Viacom18 Digital Ventures

The Indian OTT space is about to undergo a major disruption over the next 24 - 36 months with new entrants, revenue models and the impending 5G roll-out. The future will look radically different.



Gulshan Verma
Jio Ads

Areas where I see digital advertising growth are in India 2 and 3, and digitally connected homes - including large screen media and set top boxes. Retail media will continue to expand outside of pure e-commerce advertising players and will include in-store opportunities like Retail DOOH.



Ajit Thakur
Arha Media

OTT is all about a personalised viewing experience and language is one way to deliver that. Language is going to drive the OTT growth engine over the next few years provided investments sustain.



Pawan Aggarwal
db.com

The amalgamation of radio with digital will drive the next phase of growth in this industry as it is a seamless transition to utilize the power of technology and establish wider reach.



Vishnu Mohta
HoiChoi

We expect regional content to take centre stage over the next few years as the creator ecosystem and audience transition to digital accelerates.



Bharat Gupta
Jagran New Media

While Content, Technology & Policy are the fundamental building blocks of a new-age media company, it is the Purpose, Experience & Community that now defines content efficacy. Clearly, only meaningful engaged communities will open doors to sustainability.



Archana Anand
ZEE5 Global

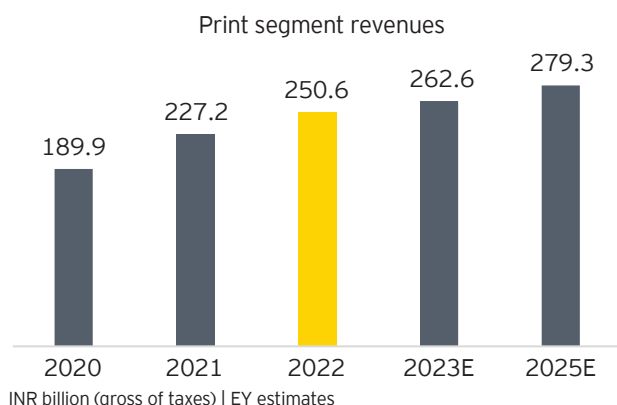
With content at the forefront of the global cultural exchange, now is the time to take South Asian stories beyond the diaspora and into mainstream conversation. There are many RRRs waiting to wow the world, and streaming platforms recognizing the power of the South Asian narrative will be the catalysts of this new world order.

Print



Print

The print segment grew 10% in 2022 to reach 85% of the pre-pandemic levels



Advertising grew 13%, while circulation grew 5% in 2022

	2020	2021	2022	2023E	2025E
Advertising	121.7	150.8	170.3	182.2	198.9
Circulation	68.2	76.3	80.4	80.4	80.4
Total	189.9	227.2	250.6	262.6	279.3

INR billion (gross of taxes) | EY estimates

Newspapers grew 11% and magazines grew 2%

	2020	2021	2022	2023E	2025E
Newspapers	184.9	220.5	243.8	255.6	272.2
Magazines	5.0	6.7	6.9	7.0	7.1
Total	189.9	227.2	250.6	262.6	279.3

INR billion (gross of taxes) | EY estimates

Advertising revenues grew 13% in 2022

- ▶ Overall ad insertion volumes increased 16% over 2021
- ▶ However, advertising revenues were still 17% below pre-COVID-19 levels as rates remained impacted
- ▶ Advertising in English publications recovered to 71% of pre COVID-19 levels, while advertising in Hindi and regional language publications recovered to around 90%
- ▶ Share of advertising to total income of print segment stood at 67%, up from 63% in 2020

Circulation revenues grew 5% in 2022

- ▶ Many publishers opted for an increase in cover prices
- ▶ Circulation copies were still 23% lower than their pre-pandemic levels, with English language, corporate sales and metro circulations more impacted
- ▶ Circulation revenues are currently at 89% of pre-COVID-19 period

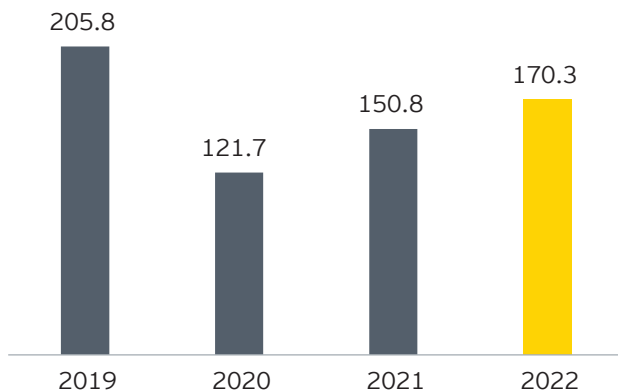
Future outlook

- ▶ Print is a medium which is required for effective brand building and to reach educated and elusive affluent audiences and consequently, we expect print to grow to INR279.3 billion by 2025 at a 4% CAGR
- ▶ Circulation will rationalize to core loyal readers, as extra copies in the home get voiced. Market leaders will continue to thrive while less strong brands will lose copies
- ▶ Given that over 90% of all revenues are generated from the physical product, publishers will continue to focus on the core physical newspaper, and increase its utility through hyper-local content and community initiatives
- ▶ Events and activations will again provide an opportunity for print companies to engage their audiences, through both sponsored and ticketed events, at a local level and could increase to 8 to 10% of the topline in three years
- ▶ Events and other such initiatives will be used by print companies to attract younger audiences to the medium - both in school and at the workplace - this being a critical area of focus for the entire print segment
- ▶ While digital news revenues will see an evolutionary growth, developing a 1st party data strategy will be critical to compete with large digital ad platforms

Advertising

Advertising revenues grew 13% in 2022

Print advertising revenues



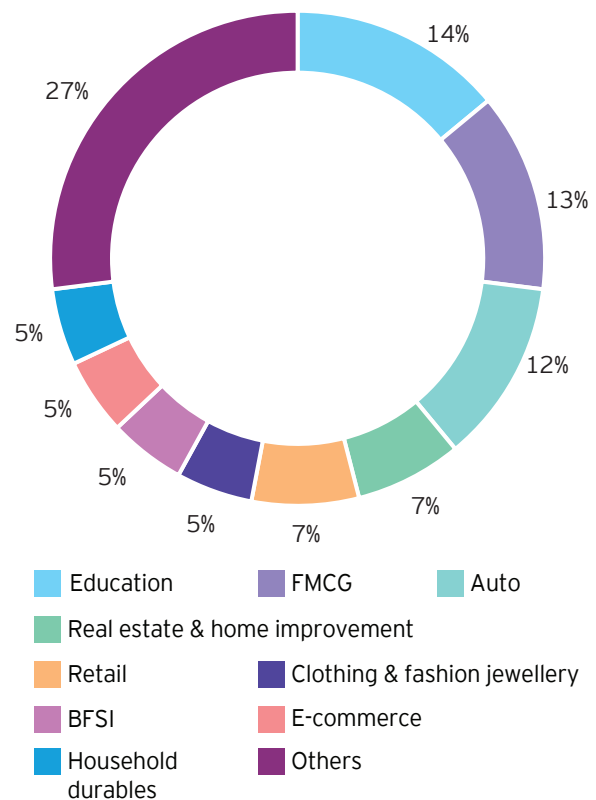
INR billion (gross of taxes) | EY estimates

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- ▶ However, advertising revenues were still 17% below pre COVID-19 levels as rates remained impacted
- ▶ Advertising in English publications recovered to 71% of pre COVID-19 levels, while advertising in Hindi and regional language publications recovered to around 90%²
- ▶ Share of advertising to total income of print segment stood at 68%, up from 64% in 2020

Ad revenue analysis

I. Education, FMCG, auto and real estate continued to be the largest spenders on print

Composition of print ad revenues



Pitch Madison Advertising Report 2022

- ▶ Top five categories of FMCG, education, auto, real estate and home improvement and retail contributed 53% of ad revenues
- ▶ They all spent over INR12 billion on print in 2021
- ▶ The highest contributor to growth was the clothing, fashion and jewelry category, followed by household durables

II. Average ad size increased

- ▶ The growth in Tier-II and III markets helped several news brands to take rate increases until the Diwali festive season, though some had to reduce rates in December
- ▶ However, ad rates remained below their pre-COVID-19 levels, which prompted larger ad sizes
- ▶ While ad insertions increased 10%, the average ad size increased by 6% over 2021 as per our estimates

¹TAM AdEX

²Based on analysis of select companies, and may not represent an industry-wide picture

Digital revenues remained elusive

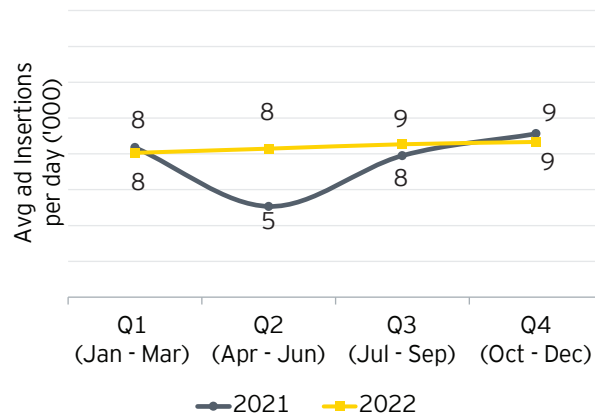
- ▶ While the reach, time spent and revenues of online news apps and websites of newspapers continued to grow, the deflation in digital ad rates resulted in muted revenue growth
- ▶ Digital revenues for publishers remained between 5-7% of their physical print revenues on average
- ▶ In addition, customer acquisition costs increased, resulting in miniscule margins for some digital brands

Event revenues revived

- ▶ Events and activation revenues increased for most print companies; they were between 3% and 6% of the total revenues for most publications we interviewed and up to 15% in some cases
- ▶ Both ticketed events and sponsored events saw growth, with some publishers we interviewed saying that they were gaining advertiser share of wallet through bundling of events with ad space
- ▶ Events like concerts and sports leagues also helped print brands build a stronger connect with younger audiences

Ad volume analysis

I. Overall ad insertion volumes increased by 16% over 2021



TAM AdEX (which covers around 870+ publications)

- ▶ Average ad insertions per day remained steady throughout all the four quarters at an average of 8.3K
- ▶ There were over 150,000 advertisers and 185,000 brands which used print during 2022, compared 140,000 advertisers and 170,000 brands on print in 2020
- ▶ Services was the largest sector on print with a 16% share, followed by Education, Auto and Retail
- ▶ The top two categories by ad volume were Cars and Properties/real estate in 2022
- ▶ 180+ categories increased their ad volumes in print compared to TV, radio and digital of which the top categories were -theaters, eye care, balance sheet, readymade garments, and lotteries
- ▶ Five states contributed more than 50% of newspaper ad volumes viz, Maharashtra, Uttar Pradesh, Tamil Nadu, Karnataka and Andhra Pradesh

II. English and Hindi publications garnered 64% of newspaper ad volumes

Rank	Publication language	Share	
		2021	2022
1	Hindi	40%	38%
2	English	25%	26%
3	Marathi	9%	9%
4	Telugu	5%	5%
5	Kannada	5%	5%
6	Tamil	5%	5%
7	Gujarati	3%	3%
8	Malayalam	3%	3%
9	Oriya	2%	2%
10	Bengali	1%	1%
Others (3)		1%	1%
Total		100%	100%

TAM AdEX

- ▶ Even though Hindi continued as the largest contributor to ad volumes, given it has the largest reach of any language in India, its share reduced marginally by 2%
- ▶ English language publications gained 1% volume share since 2021
- ▶ The share of advertising volumes from regional language newspapers increased by 1% to 36% in 2022 from 35% in 2021

III. National publications earned 48% of magazine ad volumes

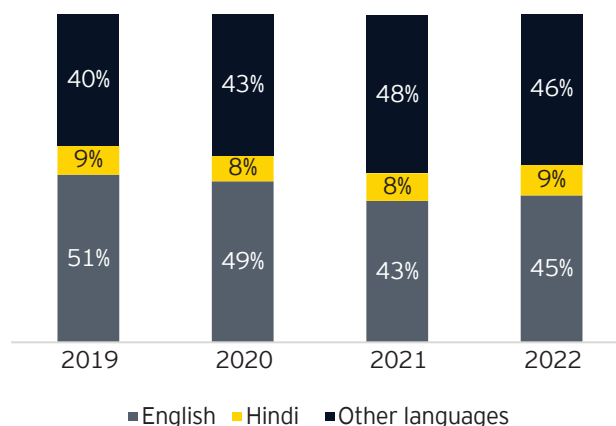
Rank	Publication language	Share	
		2021	2022
1	National	45%	48%
2	Maharashtra	12%	11%
3	Kerala	11%	11%
4	Tamil Nadu	7%	7%
5	West Bengal	6%	6%
Others (6)		19%	17%
Total		100%	100%

TAM AdEX

- ▶ National magazines continued to command the largest share of ad volumes, with an increase in their share by 3% in 2022
- ▶ Maharashtra lost 1% share in 2022, but retained the position of top state in magazine advertising with 11% share in ad volumes

IV. English & Hindi language magazine ads increased their share

Magazine ad volumes by language

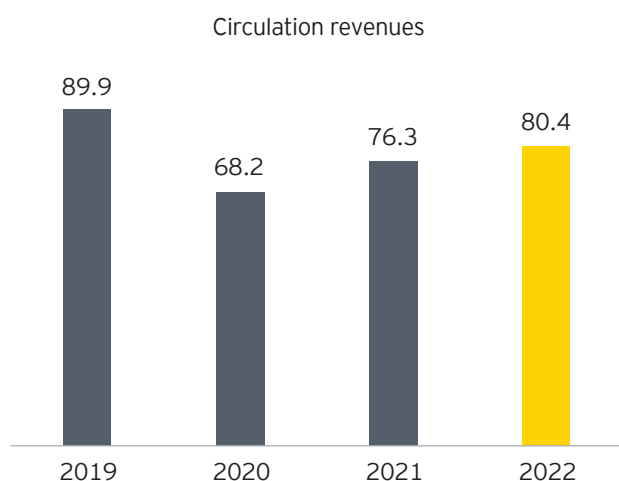


TAM AdEX

- ▶ English magazines garnered 45% share of the total magazine advertising, up from 43% share in 2021, but still short of their pre-COVID-19 levels
- ▶ Four south Indian languages together contributed 25% share of ad volumes in 2022

Circulation revenues

Circulation revenues grew 5% in 2022



INR billion (gross of taxes) | EY estimates

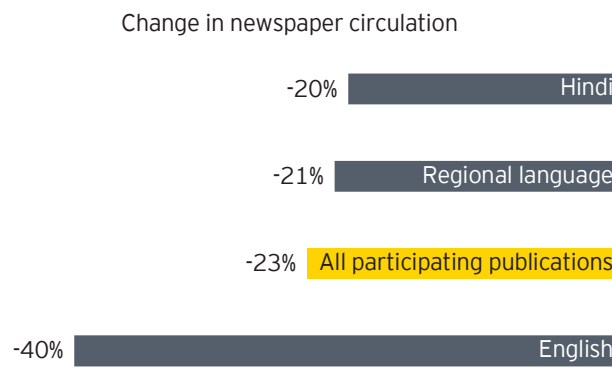
- ▶ Many publishers - mainly for regional language publications - opted for an increase in cover prices in 2022
- ▶ Circulation copies were still 23% lower than their pre-pandemic levels, with English language, corporate sales and metro circulations more impacted
- ▶ Circulation revenues are currently at 89% of pre-COVID-19 period levels

Several circulation innovations were noted

Industry discussions noted several innovations in newspaper circulation during 2022:

- ▶ Bundled offerings were introduced across:
 - ▶ different newspaper genres or languages
 - ▶ newspapers and magazines
- ▶ Physical print + premium digital news offerings were tried by many publications
- ▶ Premium products were launched at high cover prices for niche audiences
- ▶ Several newspapers took cover price increases to offset the increased costs of newsprint and distribution
- ▶ Many companies extended the geographical coverage of editions to neighbouring areas - sometimes with increased hyperlocal news coverage - to grow the reader base
- ▶ Bulk digital deals were introduced to replace lost corporate sales

Circulation remained 23% below pre-pandemic levels

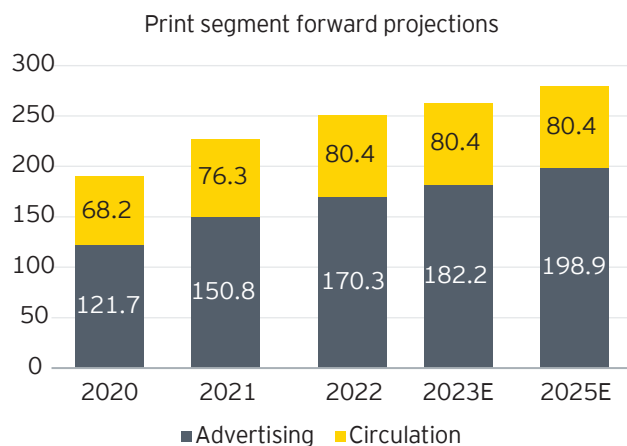


ABC Jan-Jun 2022 vs Jul-Dec 2019 | for publications which participated in both audit periods

- ▶ While several publications did not participate in the ABC circulation survey, those who did witnessed a 23% fall in average daily circulation
- ▶ ABC data shows a higher impact on English dailies as compared to Hindi and regional language dailies
- ▶ Pagination for most dailies remained at 20-40% lower than pre-COVID-19 levels as per industry discussions

Future outlook

Print segment can grow to INR279 billion by 2025



INR billion (gross of taxes) | EY estimates

- ▶ Print will reach a steady state with a loyal reader base in the next three to five years, most of which will probably come from the growing base of educated people entering the workforce who need news and information to build their careers
- ▶ We expect the print segment to grow at 3.7% CAGR till 2025
- ▶ Advertising will grow at a 5.3% CAGR, driven by access to increasingly elusive NCCS A audiences
- ▶ Subscription revenues will see a flat growth on the back of cover price increases while market leaders hold on to readers and other papers start to see declining trends

I. Core print - continued focus

- ▶ Given that most print companies earn less than 5% of their revenues from digital news products (we estimate that digital news generates less than INR10 billion, including digital native brands), the focus of print companies will remain on the core print product to increase its utility and appeal to loyal audiences, while digital evolves into a separate enterprise which goes wider than just news
- ▶ The core business of news and information will evolve with several innovations around:
 - ▶ Hyperlocal news and events
 - ▶ Information and knowledge to help build and succeed in business and career - e.g., STEM, financial & economic literacy, exam preparation etc.
 - ▶ Commerce and savings products for growing aspirations of Indians, as the percentage of middle-class households continues to grow
 - ▶ Community/ speciality news around areas of interest that consequently become affordable as per-capita incomes increase

II. Digital news - evolutionary growth

- ▶ Digital news, per se, will also need an innovative approach e.g.:
 - ▶ Creation of an industry-wide India news stack where leading brands come together to offset customer acquisition costs, as well as provide a superior customer experience through automated/ algorithmic curation of content across multiple trusted brands and formats
 - ▶ Creating curated e-papers for corporate and hospitality clients to offset a reduction in these segments
 - ▶ Direct sales to the large SME community
 - ▶ Improved integration with search engines and news aggregators as even in the next 5 years a significant portion of news publisher's content discovery will be through search and social

III. Other growth - revolutionary growth

- ▶ Other thinking innovations will include:
 - ▶ Building communities to monetize loyal audiences across not just news, but more of their needs e.g. ticket sales for a film-based community
 - ▶ Brand extensions into areas where audiences and communities need trusted products and services e.g., real estate, financial services, insurance, automobiles, health, food products, etc.
 - ▶ Dominant regional platforms (state or district level) which combine news with entertainment, e-commerce, utilities, services, classifieds, etc.

Circulation will rationalize

- ▶ The increased newsprint cost and the Russia-Ukraine war, along with the depreciation in the INR, have put pressure on newsprint prices, and this will continue to impact print businesses
- ▶ Overall circulation is only at 75-80% as compared to pre-COVID-19, although some leading publications are faring better
- ▶ The end of the Russia-Ukraine war and reduction in inflationary pressures are critical to maintain profitability in 2023
- ▶ In the next 5 years, we expect circulation numbers to stabilize - some products or brands could witness small drops as their faithful audiences age and cover prices continue to increase - resulting in multiple products in a household getting rationalized

Advertising will target the wealthy and educated

- ▶ The poor international economic environment is forcing not only the global brands but the Indian companies also to hold back on advertising as a precautionary measure and there is caution in the market as we enter 2023
- ▶ At times like these, spending power remains with the more affluent, and print will benefit from this due to its higher NCCS and educated audience base
- ▶ Several state elections have also been announced and hence print should continue to see ad volume and revenue growth in 2023 and 2024
- ▶ However, ad rates are a concern as they have not increased and will remain difficult to increase without the help of premium properties, events and communities
- ▶ Publishers will create IPs focused on NCCS A audiences to engage them based on specific interest areas

Developing a 1st party data strategy will be important

- ▶ With Google announcing the phasing-out of third-party cookies in 2023, building 1st party data is key for any media company to remain attractive to advertisers
- ▶ As per Comscore, news is consumed by over 470 million people online in India, and getting this consumer data will be important for news companies to monetize their reach
- ▶ Retargeting will be highly impacted and 360-degree customer view will become critical - the need for a futuristic data strategy has never been higher

Brands will re-focus on attracting younger audiences

- ▶ While youngsters continue to spend time on the print medium, the numbers are less than before according to industry discussions
- ▶ The print segment will re-focus on increasing the number of new entrants into print, both at the school level as well as at the point where students join the workforce

Events will be a opportunity

- ▶ Publishers will focus on developing specific premium event IPs building on their brand identity and consumer trust
- ▶ With physical events recovering their pre-pandemic levels, this will be a good revenue opportunity for publishers to explore, particularly in state capitals, tier-II and III towns, as well as provide state-wide brand activations

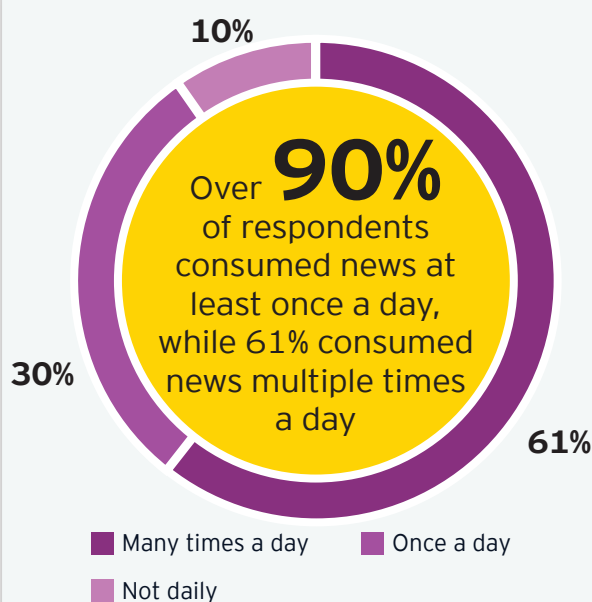
Hyperlocal packaging will grow

- ▶ National advertising is decreasing as advertisers see saturation in some metro markets
- ▶ Advertisers are looking for more hyperlocal connect in tier-II and III cities
- ▶ Ad packages across regional print, TV, radio and OOH could find increased uptake in 2023



Trends News consumption

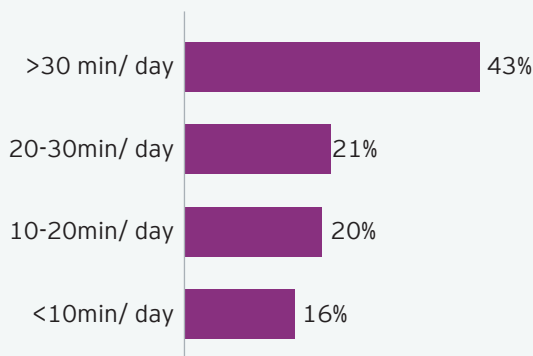
In collaboration with ABP News



Younger audiences accessed news more times a day as compared to older audiences

64% of respondents spent more than 20 minutes a day consuming news

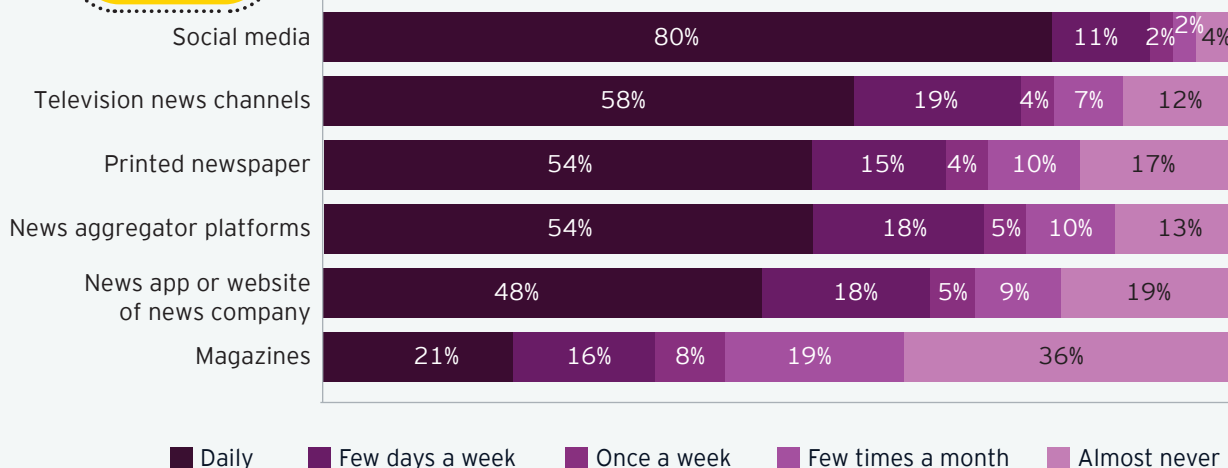
Time spent on news consumption per day



56% of younger audiences and 74% of older audiences spent over 20 minutes a day on news

Social media was the most frequent method of news consumption

Q. How often do you consume news on the following media?

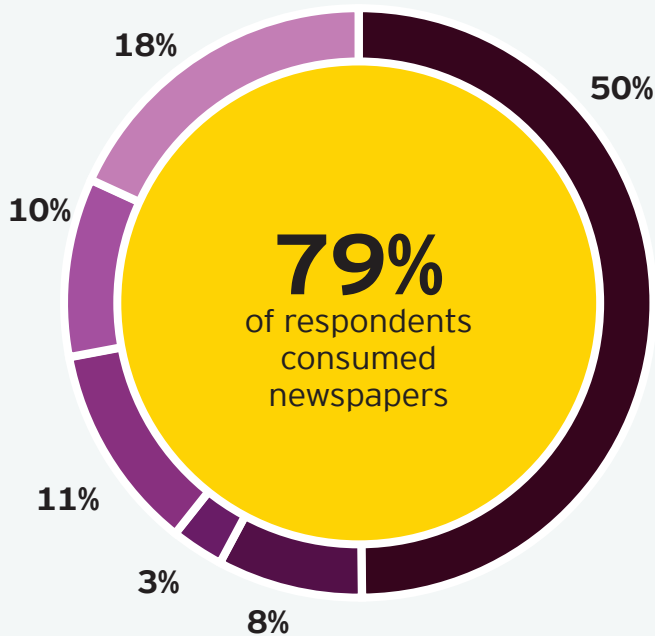


Older audiences accessed news on TV and print more than the younger audiences, while both consumed news equally on social media, which had the largest reach across both segments.

The data presented in this trendbook reflects the results of a survey conducted by ABP and EY jointly of more than 2,250 smartphone owning persons, of which 48% were above 35 years of age. Survey participation links were sent via SMS, WhatsApp and email.

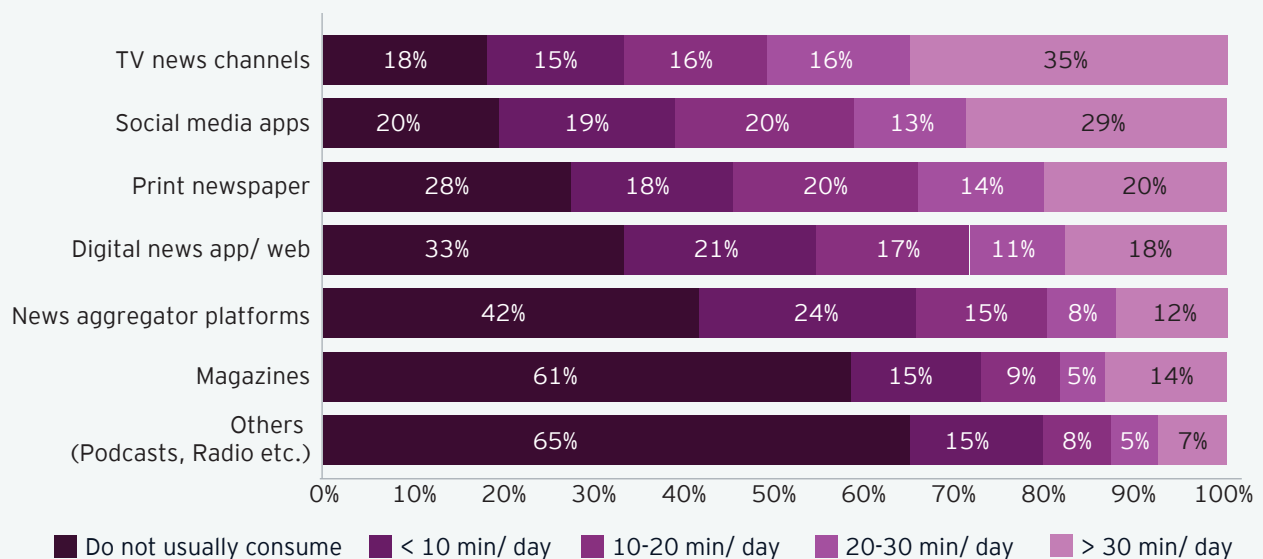
In this section, respondents above 35 years of age are termed "older audiences"; those below 35 are termed "younger audiences".

43% of younger audiences read the newspaper daily, as compared to 57% older audiences



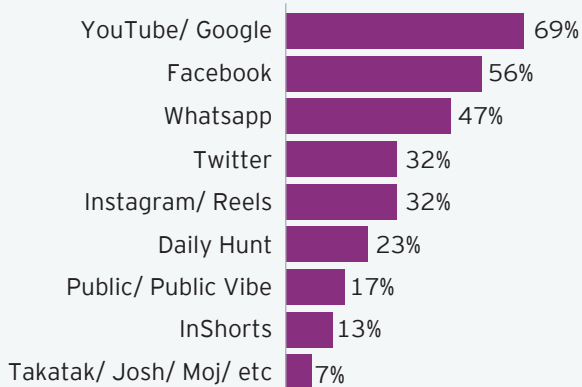
- It is delivered to my home and I read it most days
- It is delivered to my home and I read it some days
- It is delivered to my home but I don't pick it up most days
- It is not delivered to my home; I sometimes buy it from the news stand
- It is not delivered to my home; I sometimes read it in office
- I do not usually read the newspaper

Maximum time is spent on TV for news consumption



Older audiences spent the most time on TV and print while younger audiences spent the most time on social media apps followed by TV

Q. Which social media platforms do you use for news content?

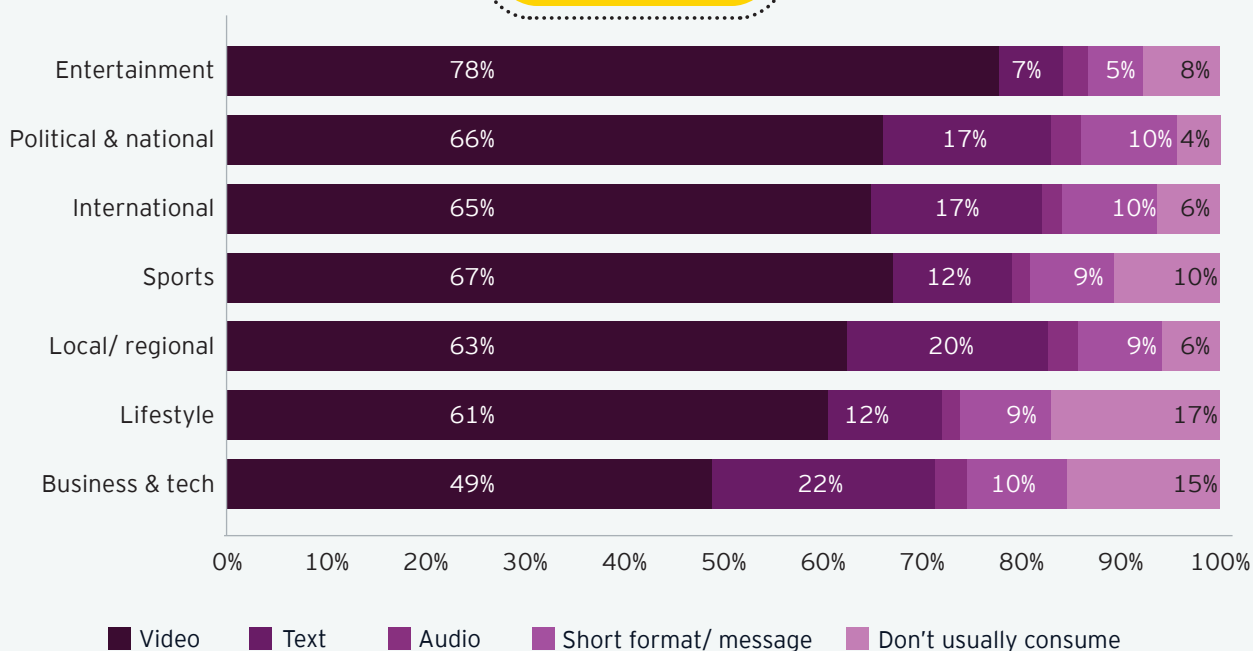


YouTube and Meta are the **favourite social platforms** for news consumption

While YouTube and Facebook were platforms of choice for all audiences, younger audiences preferred Twitter, Instagram, Public, Inshorts, etc. more than older audiences, who preferred Whatsapp

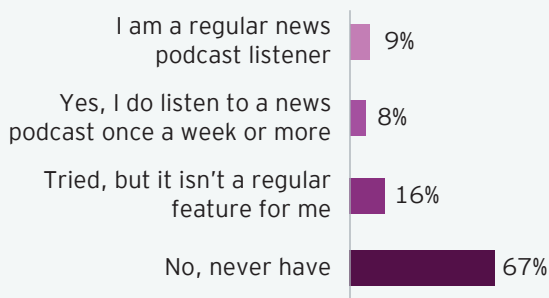
Video is the most preferred format for news consumption

Text has an established place across political, international, regional and business news; short video is making its presence felt across genres

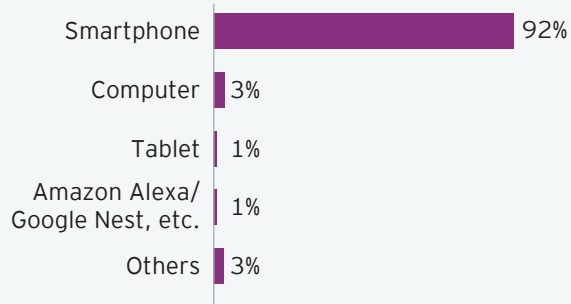


Podcasts have still not gained popularity in India though it is picking up with the younger audiences

Percentage of respondents

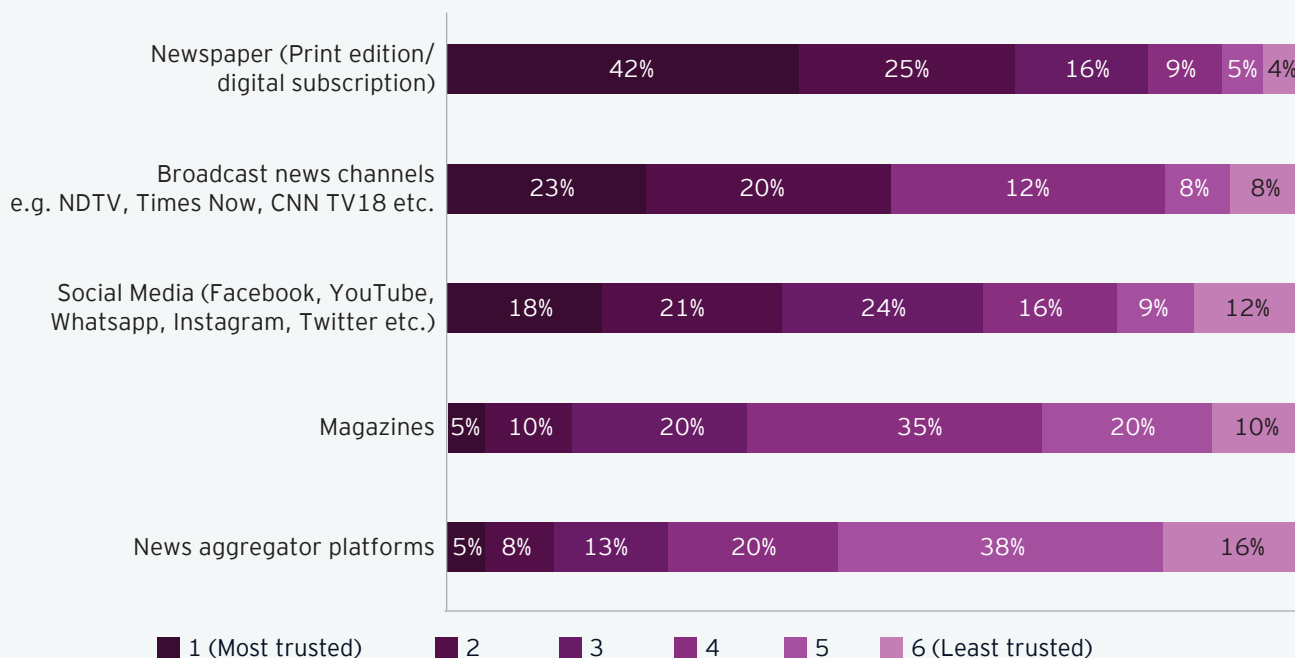


Smartphones are the most preferred device for online news consumption



Newspapers are the most trusted news source

Ranking of news sources (1,2,3...6)

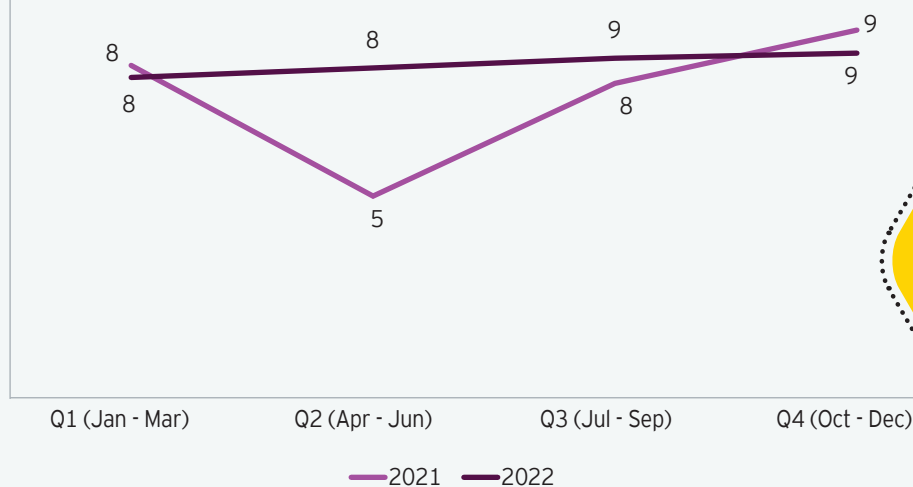


No material differences were noted in trust levels across younger and older audiences

Trends Print advertising

Powered by Tam AdEX
(A division of TAM Media Research)

Average ad insertions per day (in 000s)



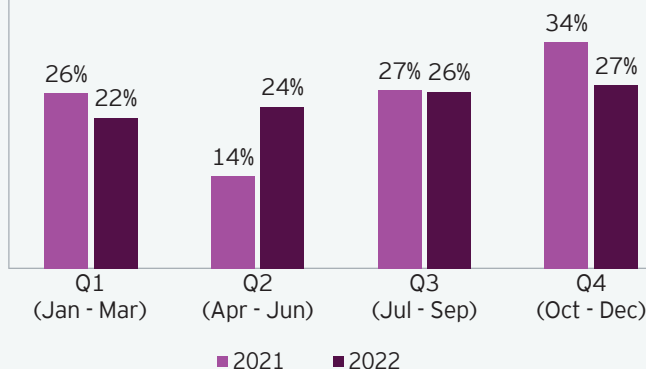
Print ad volumes
grew **16%** in 2022

Average ad insertions/
day remained stable
across quarters

Ad volumes are based on column centimetres; insertions are absolute numbers.

Q4 continued to
be the **highest
contributor** of
ad volumes to
print in 2022

Ad volumes/ Publication



Rank	Top five festivals by ad volume	
	2021	2022
1	Deepavali	Deepavali
2	Navratri	Independence day
3	Christmas	Navratri
4	New Year	Durga Puja
5	Durga Puja	Christmas

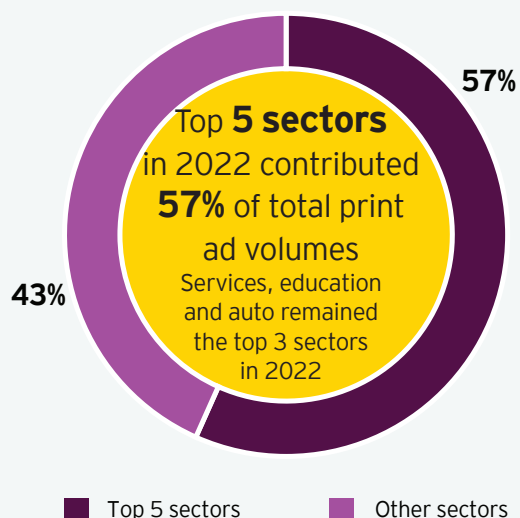
India's **75th independence day** was celebrated with vigor
It was the first time it made it to the list of top five festivals

There were **181 categories** where number of **ad insertions were higher in print** compared to other media

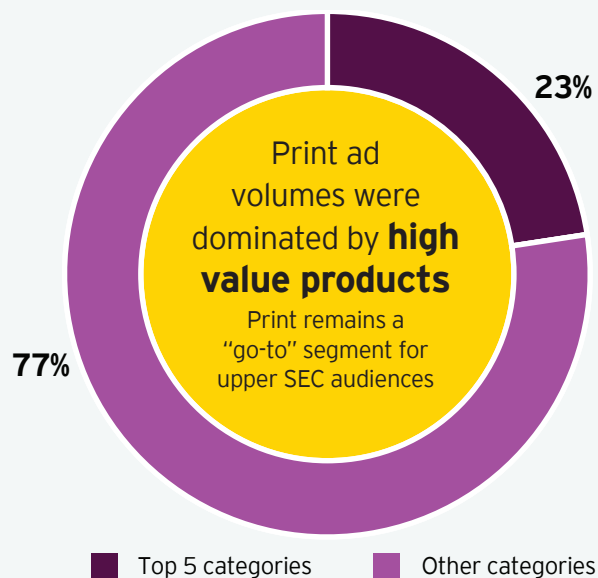
Rank	Top five categories in 2022
1	Theaters
2	Eye care
3	Retail readymade garments
4	Retail lotteries
5	Retail furniture

	2019	2020	2021	2022
Product categories	730	714	715	707
Advertisers	170K	140K	138K	150K
Brands	210K	170K	168K	185K

The number of **advertisers and brands** using print grew by around **10%** compared to 2021



Rank	Top 5 sectors in 2022	Share of ad volumes	
		2021	2022
1	Services	16%	16%
2	Education	13%	14%
3	Auto	13%	11%
4	Retail	8%	9%
5	Banking/ Finance/ Investment	8%	8%



Rank	Top 5 categories in 2022	Share of ad volumes	
		2021	2022
1	Cars	5%	5%
2	Properties/ Real estate	5%	5%
3	Coaching/ Competitive exam centre	4%	5%
4	Two wheelers	5%	4%
5	Retail outlets-jewellers	3%	4%

Top 5 advertisers contributed 10% of ad volumes in 2022

Rank	2020		2021		2022	
	Top 5 advertisers	Share	Top 5 advertisers	Share	Top 5 advertisers	Share
1	SBS Biotech	5%	SBS Biotech	5%	SBS Biotech	3%
2	GCMMF (Amul)	1%	Maruti Suzuki India	2%	Maruti Suzuki India	2%
3	Venkateshwara Hatcheries	1%	LIC of India	2%	Reliance Retail	2%
4	Hindustan Unilever	1%	Hero Motocorp	2%	Hero Motocorp	2%
5	Maruti Suzuki India	1%	Emami	1%	LIC of India	2%

Five states
contributed half
of **newspaper**
ad volumes...

Rank	States	Share	
		2021	2022
1	Maharashtra	15%	15%
2	Uttar Pradesh	12%	11%
3	Tamil Nadu	9%	9%
4	Karnataka	8%	8%
5	Andhra Pradesh	7%	7%
6	Rajasthan	7%	7%
7	Punjab/ Chandigarh	5%	5%
8	Kerala	4%	4%
9	Gujarat	4%	4%
10	Madhya Pradesh	4%	4%
	Others (13)	25%	25%

...while national
magazines
garnered almost
half of **total**
magazine ad
volumes

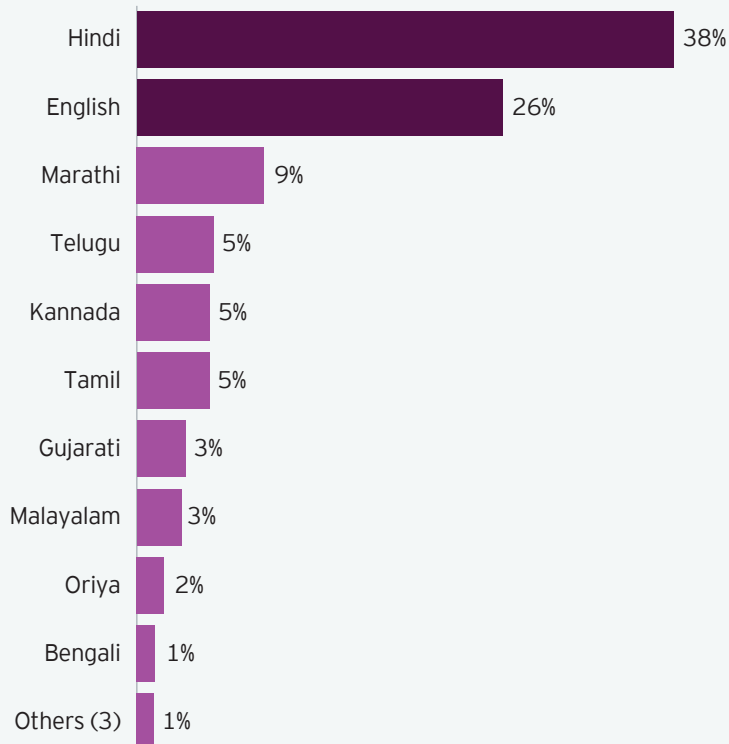
Rank	States	Share	
		2021	2022
1	National	45%	48%
2	Maharashtra	12%	11%
3	Kerala	11%	11%
4	Tamil Nadu	7%	7%
5	West Bengal	6%	6%
	Others (6)	19%	17%

Note: Rank is given to the States based on 2022 volumes and only share of respective state in 2021 is given

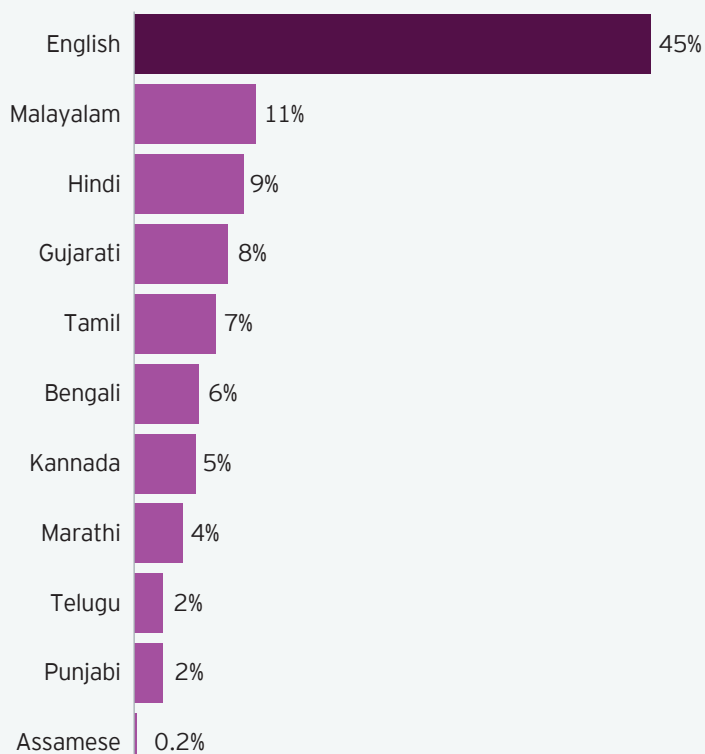
Hindi and English
publications garnered
64% of total newspaper
ad volumes

Share of English language
publications exceeded their
pre-COVID share of 24%

Ad volume by language (newspapers)



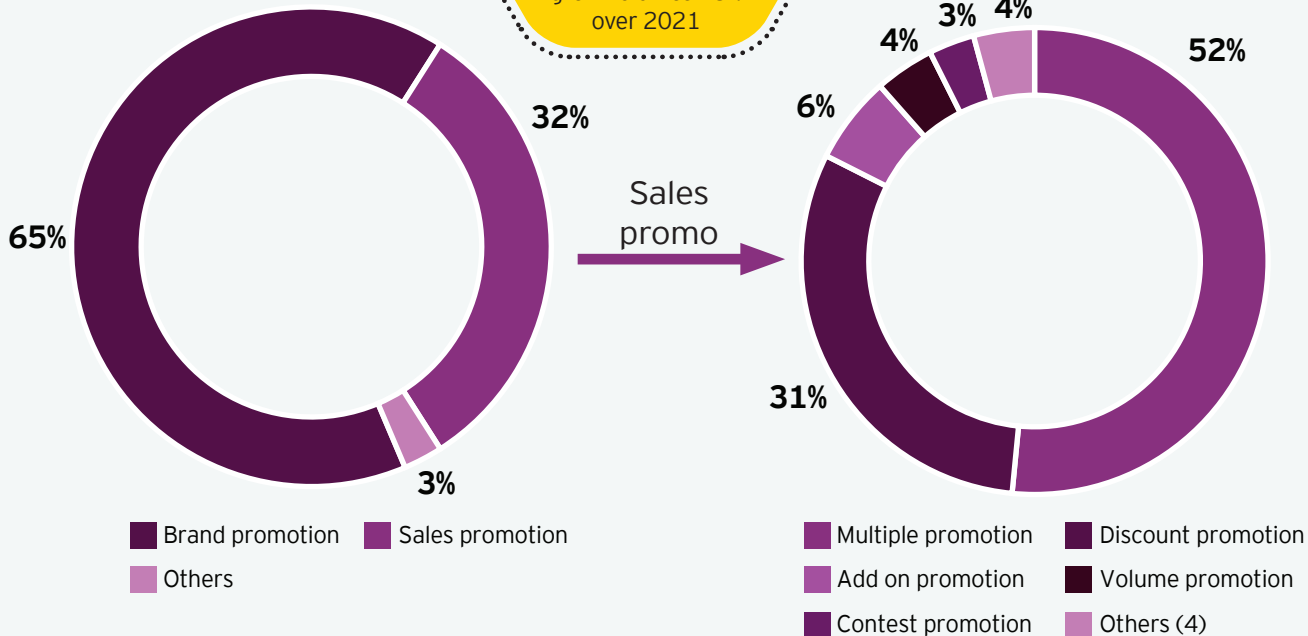
Ad volume by language (magazines)



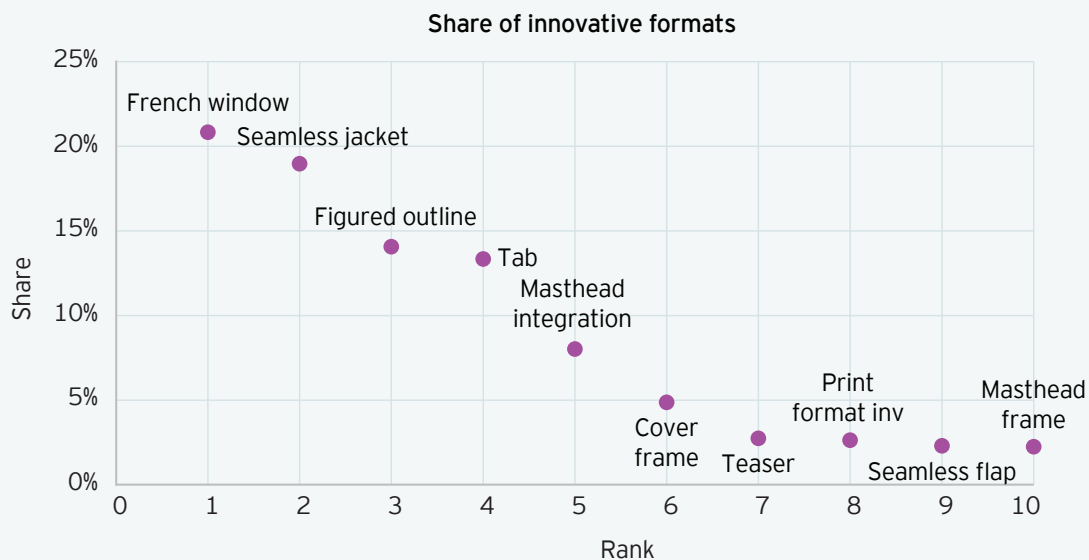
English publications
comprised **45%** of total
magazine ad volumes

They had contributed 51%
ad volumes in 2019

Sales promotion
 contributed **32%** of total ad volumes in 2022
 Sales promotion ads (those which include some offer or incentive to purchase) grew volumes 13% over 2021



Share of innovative print ads grew **6%** in 2022 over 2021
 Over 50% of innovative newspaper ads used French window, seamless jacket and figured outline



Trends Print circulation

Powered by Audit Bureau of Circulations (ABC)

Circulation of select publications audited under ABC in JJ2022 **declined by 23%** compared to JD2019

Change in circulation of only those publications which participated both in Jul-Dec 2019 and Jan-Jun 2022 audits

-40%

English publications

-21%

Regional publications

-20%

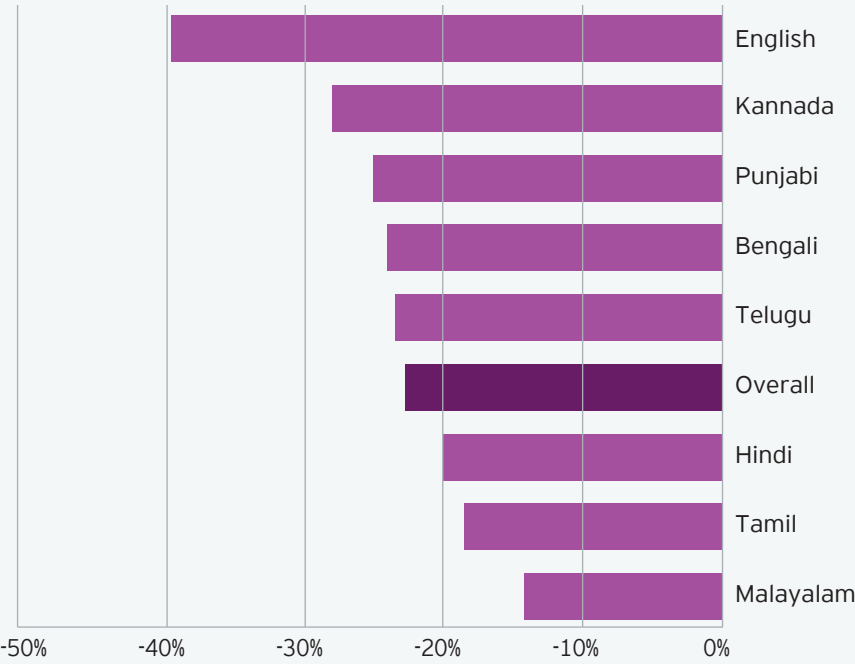
Hindi publications

-23%

All publications

Publications which participated in both audit periods only

Change in circulation of like-to-like editions of participating daily publications JJ2022 vs. JD2019



Malayalam and Tamil publications showed the **best performance** among participating publications

Expert speak



Girish Aggarwal
Dainik Bhaskar

The print segment has been gaining resurgence over the past few quarters and has emerged as a trusted and credible source of information for most consumers, brands and marketers. Its impeccable editorial ethos and ability to deliver relatable content with a high level of integrity will continue to help it in the long run.



Jayant Mamen Matthew
Malayala Manorama

The Indian media sector is going to see a robust growth this year riding on several elections, events and the growth in the economy. I also believe media companies will look at efficiencies and will take steps in digital transformation.



Sanjay Gupta
Jagran Prakashan

A synergistic evolution of news media across platforms is underway to cater to diverse news consumption habits. Trusted news brands are leading this charge through high quality journalism that heightens reader engagement, resulting in a better leverage for monetization.



Anant Goenka
Indian Express

Print is back with a bang. Digital is disrupting itself at breakneck speed. Consolidate or die.



Devendra Darda
Lokmat

The print media has made a strong comeback overtaking the pre-covid levels, and reinforcing readers' and advertisers' trust in the medium. Most categories of advertisers are growing.



Sivakumar S
BCCL

While the world economy is likely to slow down in 2023-24, consumers would be selective in their media choices. M&E players who are able to leverage emerging technologies and create compelling creative content for their consumers would beat the slow down and grow their market share.



Praveen Someshwar
HT Media

Print media is showing green shoots of recovery. While audio, video and digital continue to gain popularity, print media continues to grow and bounce back, especially in hyperlocal and language markets.



Tanmay Maheshwari
Amar Ujala

Print media is yet to achieve its full potential in India. People are realising the manipulation by some unregulated media, including fake news, and are going back to their tried and tested sources of news. With combination of technology and editorial credibility, print media will continue to create an impact.



LV Navaneeth
The Hindu

2023 looks to be a strong year for the news segment with both top line and bottom-line growth over the pre-covid year. Key to unlocking future growth through digital and new revenue streams will depend on ability to re-imagine structures and find efficiency through newer ways of working.



Anant Nath
Delhi Press

The need for highly engaged and involved communities is becoming ever more important, as users feel the urge to break away from the clutter of social media lead content deluge, and find solace and comfort in spaces that align with their interests and with like-minded peers.



Sitaraman Shankar
The Printers (Mysore)

'After three tough years -- Covid and then soaring newsprint prices -- we're hopeful of a Goldilocks situation in print in the coming year, with moderating newsprint and buoyant advertising. Digital will be geared to reader revenue.

Filmed entertainment

BLAZE

FILM ENTERPRISES
PVT. LTD. PRESENTS



Bhumika

EASTMANCOLOR

(THE ROLE)

Starring :

SMITA PATIL
ANANT NAG
AMRISH PURI
NASEERUDDIN
SHAH
SULABHA
DESHPANDE
KULBHUSHAN
KHARBANDA
BABY RUKHSANA
and
AMOL PALEKAR



Music :

VANRAJ BHATIA

Photography :

GOVIND NIHALANI

Editing :

BHANUDAS

Lyrics :

MAJROOH

SULTANPURI

VASANTH DEV

Dialogue :

PT. SATYA DEV DUBEY

Executive Production

Controller :

DEVI DUTT

Produced by :

LALIT M. BIJLANI • FRENI M. VARIAVA

Directed by :

SHYAM BENEGAL

Filmed entertainment

Filmed entertainment recovered to 90% of its pre-pandemic levels

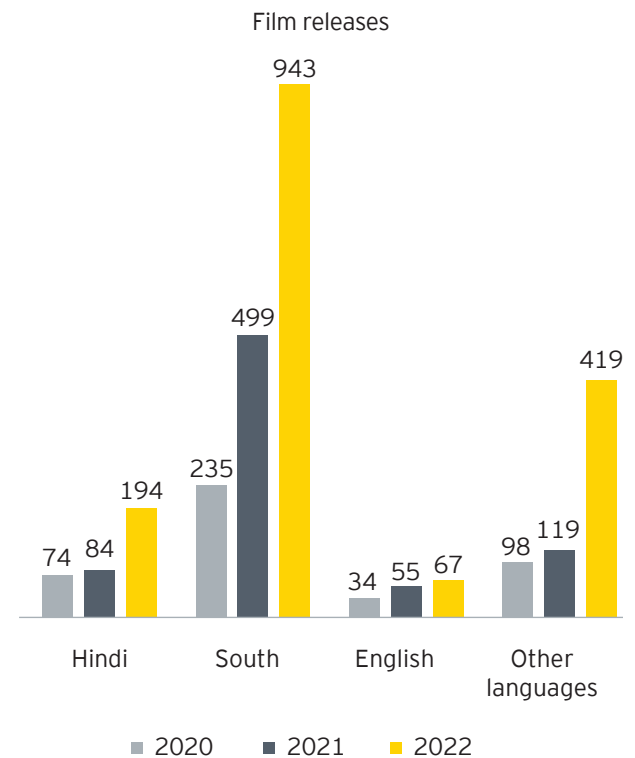
	2019	2020	2021	2022
Domestic theatricals	115	25	39	105
Overseas theatricals	27	3	6	16
Broadcast rights	22	7	7	10
Digital/ OTT rights	19	35	40	36
In-cinema advertising	8	2	1	5
Total	191	72	93	172

INR billion (gross of taxes) | EY estimates

- ▶ Domestic film releases were twice 2021 levels
- ▶ Gross box office revenues crossed INR100 billion, only the second time in India's history
- ▶ 335 Indian films released abroad
- ▶ Broadcast rights remained subdued due to lower ratings of film channels
- ▶ Digital rights rationalized and shed their direct-to-OTT premiums as most larger films reverted to theatrical releases
- ▶ We expect the segment to grow to INR228 billion by 2025 driven by higher per capita income, which will expand the cinema audience base to 120 to 150 million, and by offering segmented offerings - classy and massey - for distinct audience sets across markets and price points

Domestic theatricals

I. Film releases were at 200% of 2021 levels

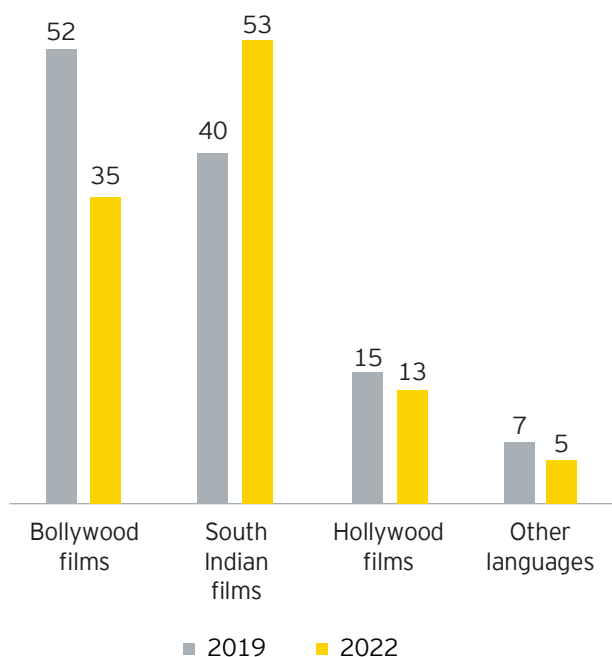


Comscore

- ▶ 1,623 movies were released this year across languages, which is 9% higher than 2019 levels
- ▶ The highest number of films were released in Telugu (278), Kannada (233), followed by Tamil (288) and Malayalam (199). Only 194 films were released in Hindi
- ▶ Screen count was 9,382, around 2% lower than before the pandemic as per UFO Moviez estimates
- ▶ After three decades, Srinagar got its first multiplex cinema that was designed by INOX as a move to bring entertainment to the youth of Jammu and Kashmir

II. Box office revenues crossed the INR100 billion mark

Gross box office collections (INR in billion)

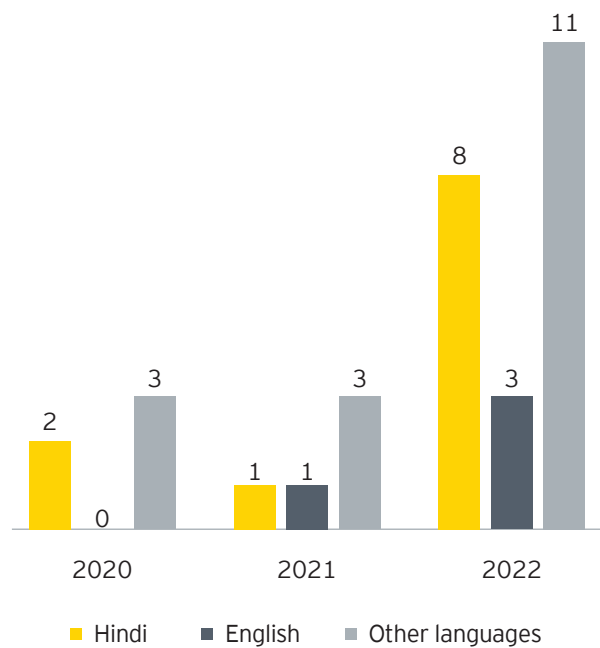


INR billion (gross of taxes) | EY analysis

- ▶ Gross box office revenues increased almost three times the revenues of 2021 to INR105 billion
- ▶ Hindi cinema ceded 17% market share since 2019; South Indian films now command over 50% of box office revenues, and some South Indian films were released nationally
- ▶ Footfalls increased to 994 million in 2022 but were still significantly lower than the 1,460 million footfalls recorded in 2019¹ as per Comscore. One reason for reduced footfalls was the lower urgency to view a film due to shorter digital release windows
- ▶ Industry discussions indicated that heavy cinema goers reduced from 2-4 times a month to just once a month, while light visitors (a few times a year) also shrunk
- ▶ Average ticket prices saw an increase from INR106 in 2019 to INR119 in 2022²

III. 22 releases grossed INR1 billion or more at the box office

Number of films crossing GBO collection of INR1 billion



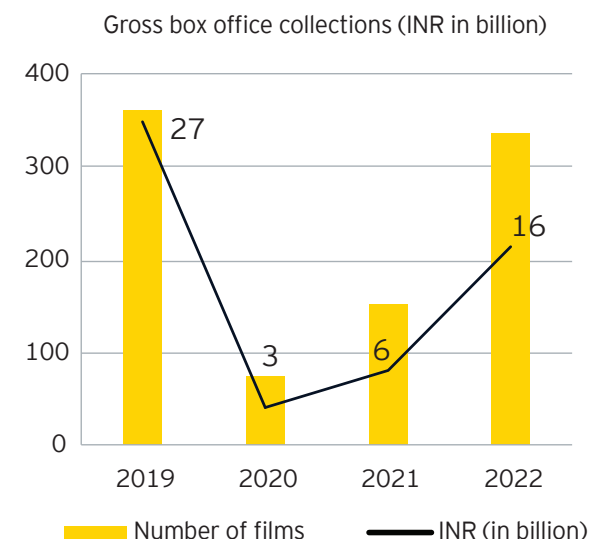
Ormax

- ▶ There were 22 such films in 2022 compared to five each in 2020 and 2021
- ▶ Out of the eight Hindi movies that crossed the INR1 billion mark, the top two were dubbed versions of South Indian films
- ▶ The 11 other language films were all from South Indian cinema

¹Comscore

²Ormax

International theatricals recovered as more films released abroad



- ▶ 335 films released overseas contributing a gross box office collection of INR16 billion, thereby showing a growth of almost 170% over 2021
- ▶ International monetization continues to be impacted vis-à-vis 2019 levels due to the geopolitical tensions with China, a market which has shown high propensity to consume Indian content in the past

Broadcast rights were impacted by lower ratings

Movie channel	2020	2022	Change
Hindi	332	327	-2%
Telugu	289	265	-8%
Tamil	269	230	-14%
Kannada	168	179	+6%
Bhojpuri	153	145	-5%
Marathi	135	113	-16%
Bengali	112	91	-19%
Malayalam	131	83	-37%
Gujarati	89	59	-34%
Punjabi	82	44	-46%
English	11	7	-38%
Total	1,772	1,542	-13%

BARC | change in impressions (AMA) in million 2022 vs 2020 for select genres

- ▶ A decline in movie channel viewership, particularly for large film premieres, kept satellite rates subdued
- ▶ In certain cases, films were released on television after their theatrical and digital releases, often after a month or more later, which could have impacted their television performance

Digital rights rationalized their direct release premiums

- ▶ Over 200 films released on digital platforms in 2022, from large films priced at over INR1 billion to small regional films available for as little as INR10 million³
- ▶ This includes over 75 films which released directly on the platform without a theatrical release, a trend that continues even after theaters opening⁴
- ▶ However, most large films reinstated the initial exclusive theatrical window, which was found to be critical to market a film and consequently, the digital rights values rationalized from INR40 billion in 2021 to INR36 billion in 2022 as they excluded the “theatrical make-good” and “direct-to-digital release” premiums that were being earlier paid by OTT platforms⁵
- ▶ The digital release window, which had reduced to between zero and four weeks, was again brought up to at least eight weeks, and was even higher in some cases where the theatrical run was successful
- ▶ Three films crossed the 24 million viewership mark viz., Akshay Kumar-starrer Cuttputlli (26.9 million views), Yami Gautam’s A Thursday (25.5 million views) and Govinda Naam Mera (24.4 million views)⁶
- ▶ Disney+ Hotstar streamed 7 out of the top 15 most-watched films, followed by Prime video and Netflix at four films each⁷

In-cinema advertising recovered to INR4.5 billion

- ▶ The promising consumer footfall at the beginning of the year and a strong content pipeline rekindled advertisers’ interest in cinema advertising and KGF alone got ~280 brands⁸ on board for cinema advertising
- ▶ However, in-cinema advertising remained muted for the latter part of the year, as some of the big releases did not receive a lot of attention from the audience and average ad revenue per screen⁹ declined to ~INR0.7 million and ~INR0.4 million for PVR and INOX respectively from their pre-COVID-19 revenues of INR1.2 million and INR0.7 million

Future outlook

We expect the sector to reach INR228 billion by 2025

	2022	2023E	2025E
Domestic theatricals	105	118	136
Overseas theatricals	16	20	26
Broadcast rights	10	11	12
Digital/ OTT rights	36	39	45
In-cinema advertising	5	7	9
Total	172	194	228

INR billion (gross of taxes) | EY estimates

- ▶ We expect the film segment to continue to grow, driven by theatrical revenues as Hindi movies go mass in their storytelling, incorporate more VFX to enhance the movie-going experience and expand into tier-II and III cities
- ▶ Common Service Centre (CSC), a Government of India arm, has tied up with October Cinemas to bring cinema back to the villages of India. October Cinemas and CSC plan to start with setting up 500 cinema outlets by March 2023, each with a seating capacity varying from 100 to 200. The target for 2023 is 200 cinemas and the ultimate aim is to set up 100,000 cinemas¹⁰
- ▶ Broadcast rights will remain muted as they have become a distant third window after theatrical and digital releases. Further, movie viewership will be determined by content type, and will not grow until movie content is created for the masses as against the classes. In effect, content that appeals to multiplex and OTT audiences will be different than content that appeals to single-screen and television audiences
- ▶ Digital rights growth will be volume driven, with a similar number of tent-pole films, but more mid-budget films

³EY production audit team estimates

⁴EY production audit team estimates

⁵EY production audit team estimates

⁶<https://www.livemint.com/industry/media/disney-hotstar-led-viewership-of-hindi-web-originals-in-2022-report-11673352362947.html>

⁷<https://www.livemint.com/industry/media/disney-hotstar-led-viewership-of-hindi-web-originals-in-2022-report-11673352362947.html>

⁸IndialsBack-GroupM-OrmaxMedia-Jan-Apr2022.pdf

⁹EY estimates, <https://www.afaqs.com/news/ott-streaming/how-india-streamed-ott-originals-in-2022-ormax-media-report>, <https://www.thehindu.com/news/cities/Kochi/agreement-on-ott-streaming-after-42-days-of-theatrical-release-being-violated-feuok/article66225962.ece>, <https://bollywoodproduct.in/list-of-netflix-original-movies-2022/>

<https://in.bookmyshow.com/buzz/blog/streaming/disney-plus-hotstar-films-2022/>

https://en.wikipedia.org/wiki/List_of_Amazon_Prime_Video_original_films

https://en.wikipedia.org/wiki/List_of_ZEE5_original_films

¹⁰<https://timesofindia.indiatimes.com/entertainment/hindi/bollywood/news/taking-cinema-back-to-indian-masses/articleshow/96150151.cms>

Move towards a “shared risk” model

- ▶ We expect to see the evolution of a shared risk model, where talent shares to a great extent in the risk of the film's performance
- ▶ This will also ensure that all monetization windows are optimally utilized

Changed content preferences need to be addressed

- ▶ During the pandemic related lockdowns, audiences binged on content from not just the South and other parts of the country, but also from overseas, which led to a significant shift in content preferences and refined their palettes
- ▶ Star studded content such as Aamir Khan's Laal Singh Chadha, Akshay Kumar's Rakshabandhan, Vijay Devarakonda's Liger, failed to perform as expected at the box office, reinstating that it is only relatable and escapist content that appeals to the audiences and draws incremental footfall and not stars that work their magic on the big screens
- ▶ Consequently, relatable stories and best-in-class production values will be required to ensure theatrical success going forward, which will revive genres with a healthy mix of massey escapism, like India's glorious past, family comedy, action thrillers, crime, etc.

A dual-product model will evolve

- ▶ As a collective initiative to celebrate the successful reopening of the cinemas and to market a theatrical experience to moviegoers, the industry organized National Cinema Day wherein audiences could watch movies for as low as INR75 per ticket. The slashing of ticket prices generously contributed to the net collections¹¹ and PVR and INOX sold 0.69 million and 0.5 million tickets respectively in a single day. The phenomenal success of this initiative triggered discussions around finding that sweet spot between footfalls and ticket prices, which will result in both increased footfalls and higher collections
- ▶ We expect more exhibition pricing innovation in future around loyalty programs, discounting, group pricing, rentals, etc.
- ▶ In the medium term, we expect cinema to split into two distinct products with different price-points viz.,
 - ▶ expensive premium “multiplex-type” content, appealing to 30 to 40 million audience
 - ▶ less expensive massey content that appeals to 100 to 120 million audience

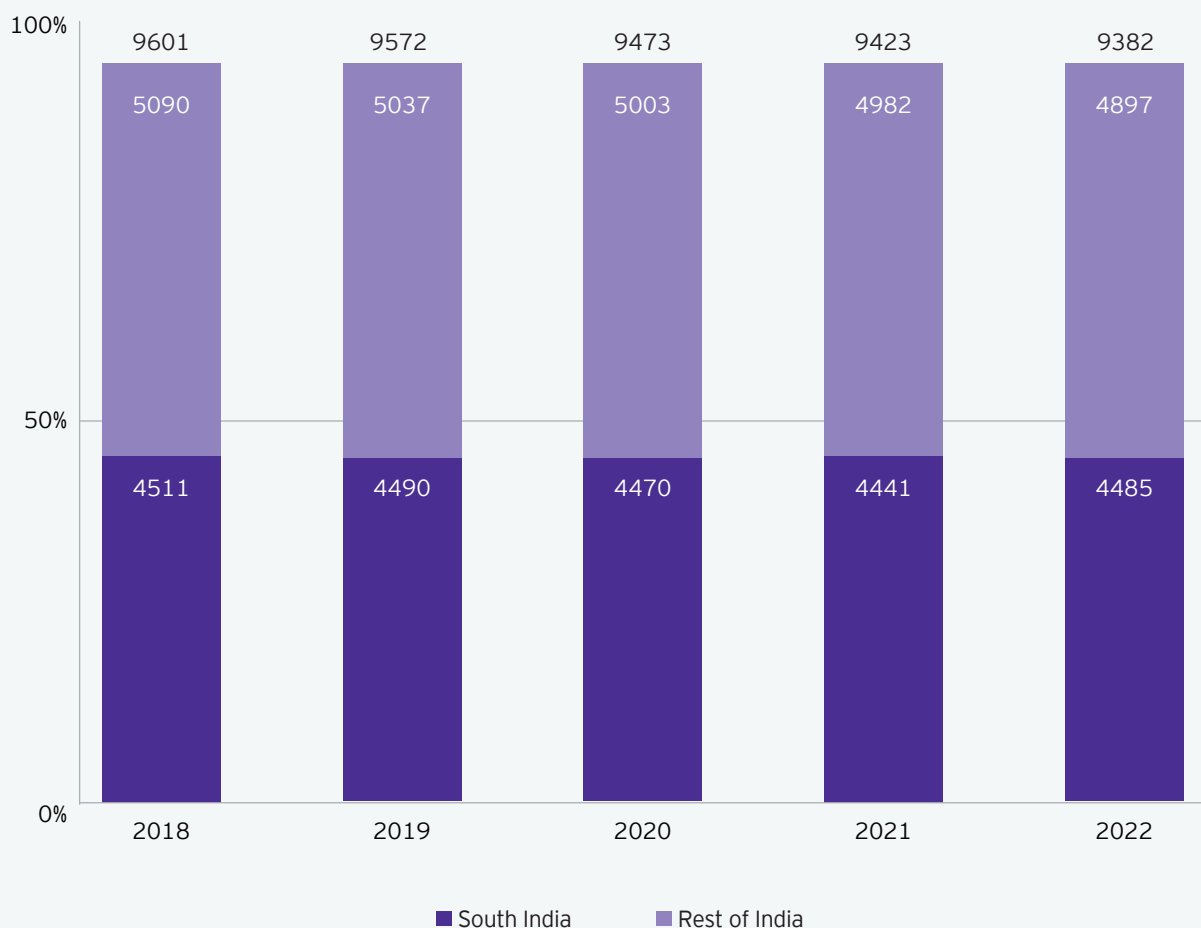
¹¹Brahmastra: Analysis: What does the recent spurt in footfalls in multiplexes after slashing of ticket prices convey? - The Economic Times (indiatimes.com)

Trends Film exhibition

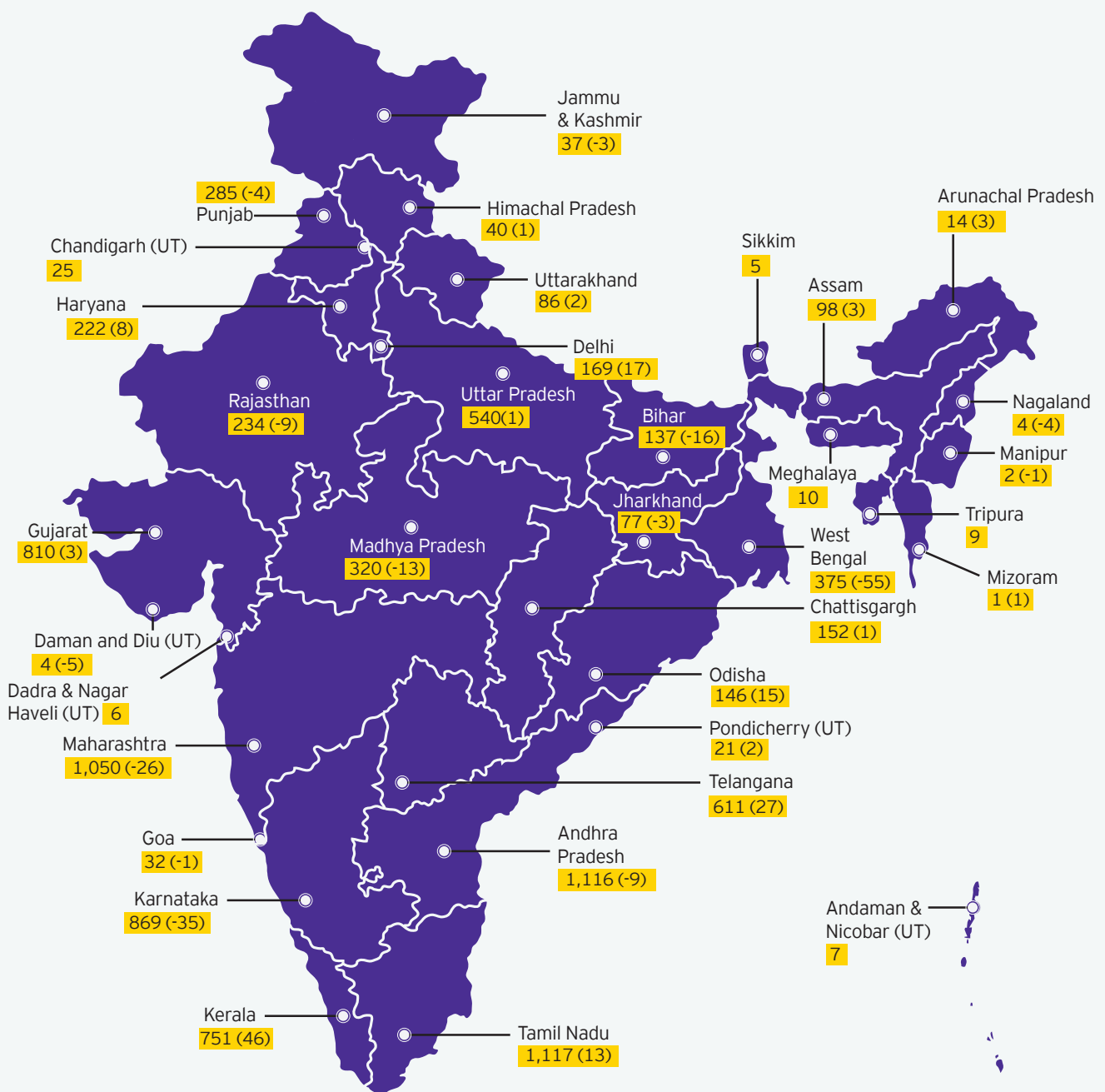
Powered by **UFO**
CINE MEDIA NETWORK

**Number of
screens
decreased 0.5%**
However, the number
of screens in South
India grew

Screen count



**Screen count
has remained
fairly stable
since 2021**



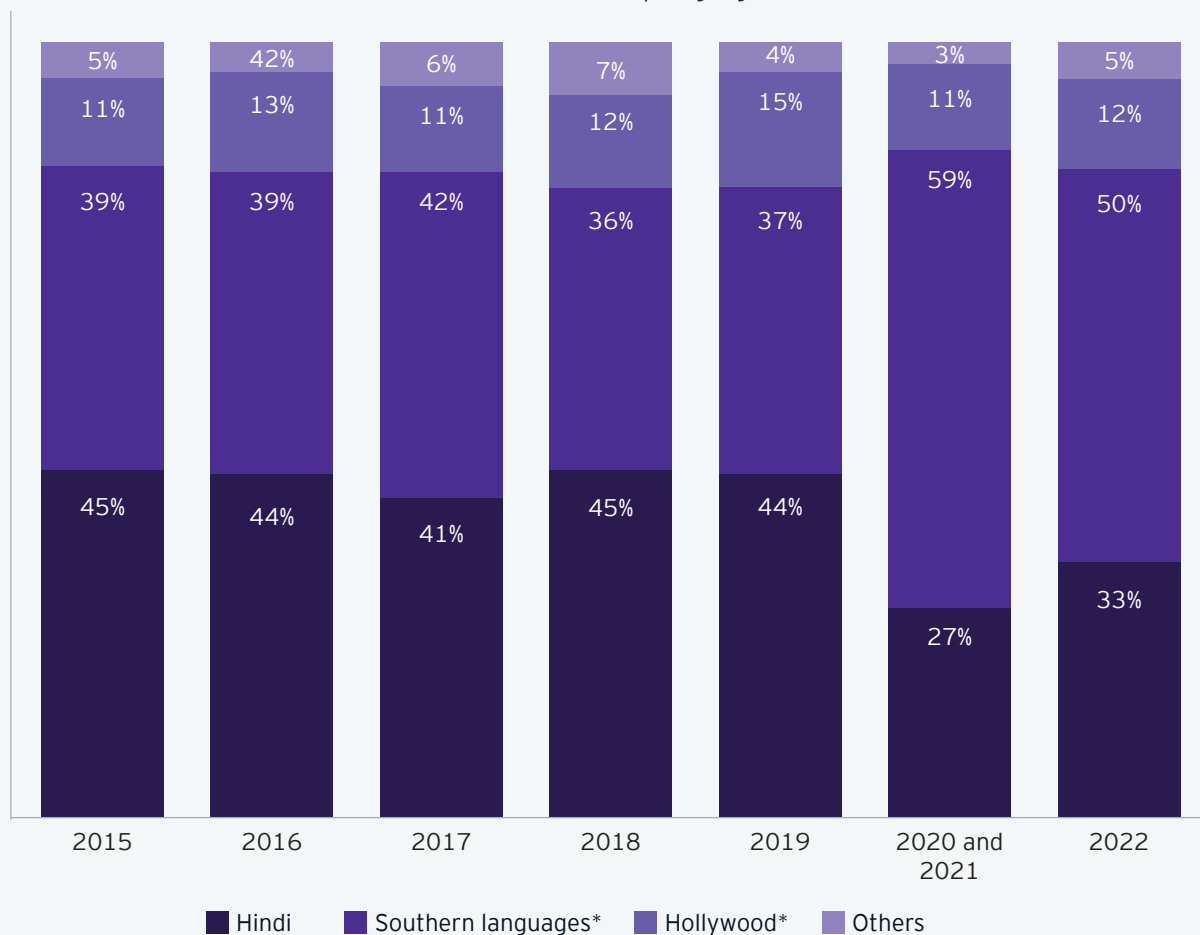
Trends Box office

Powered by



South Indian films contributed **50%** of the total box office collection in 2022

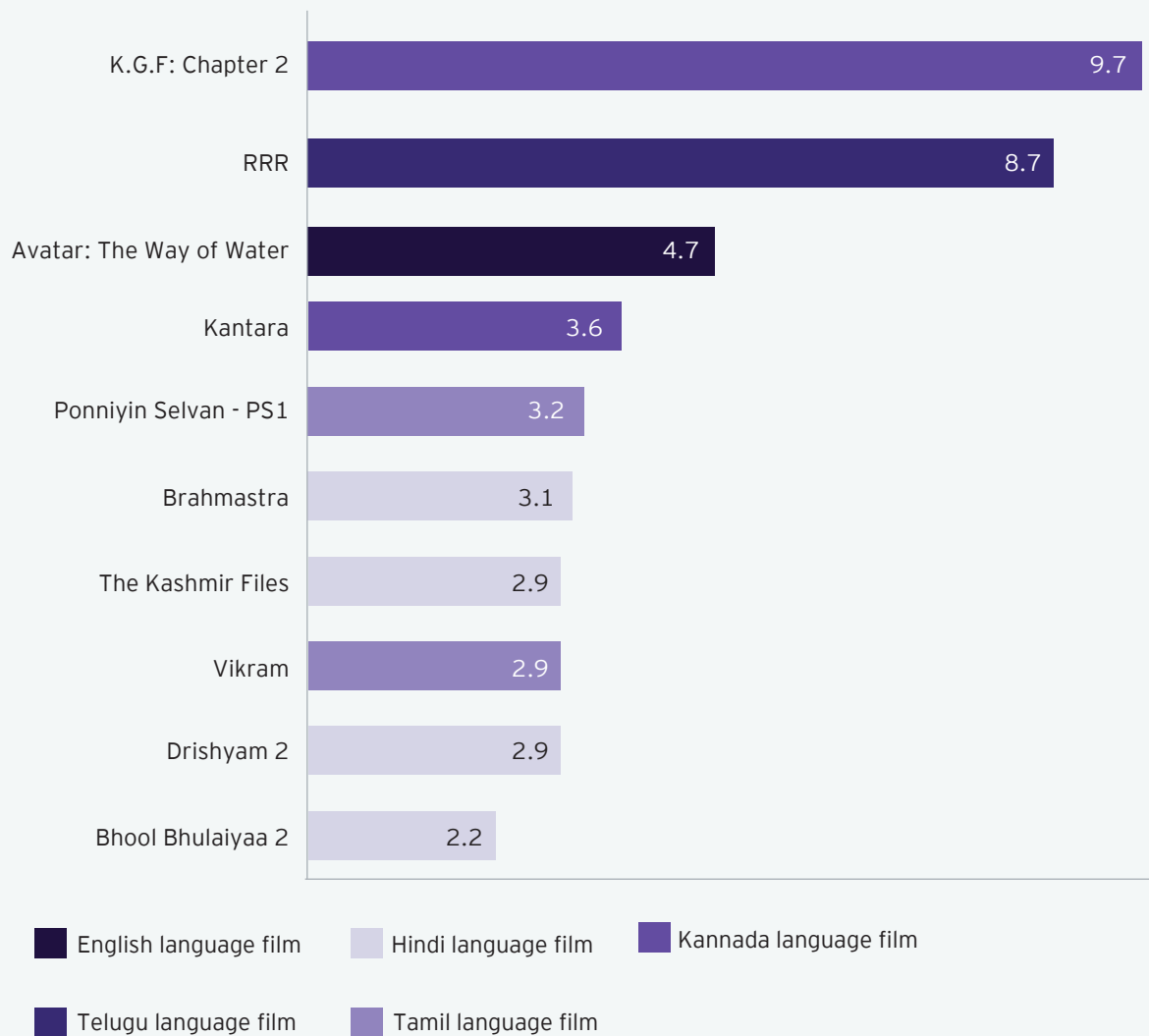
Box office share by language



*Hollywood includes all language versions ; Southern languages include Telugu, Malayalam, Tamil and Kannada

Only **4 Hindi films** were among the **top 10 grossing films** of 2022

Gross box office (INR billion) of the top 10 films of 2022

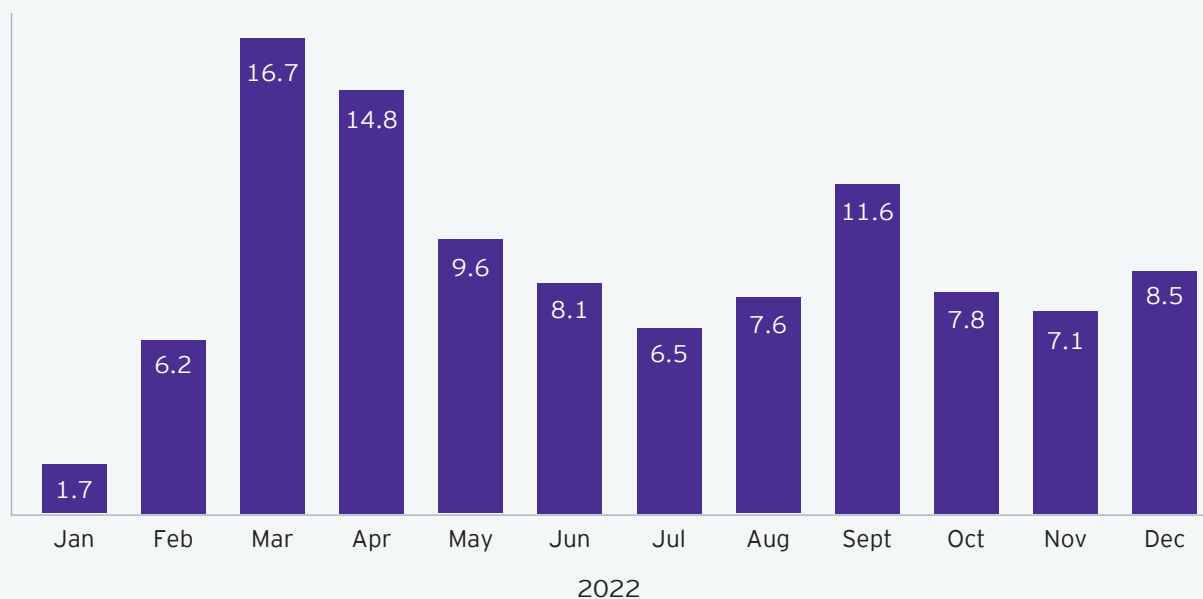


Cumulative box office revenues of each film in all languages in which it was released

March and April saw the highest box office collection

RRR released in March and KGF: Chapter 2 released in April

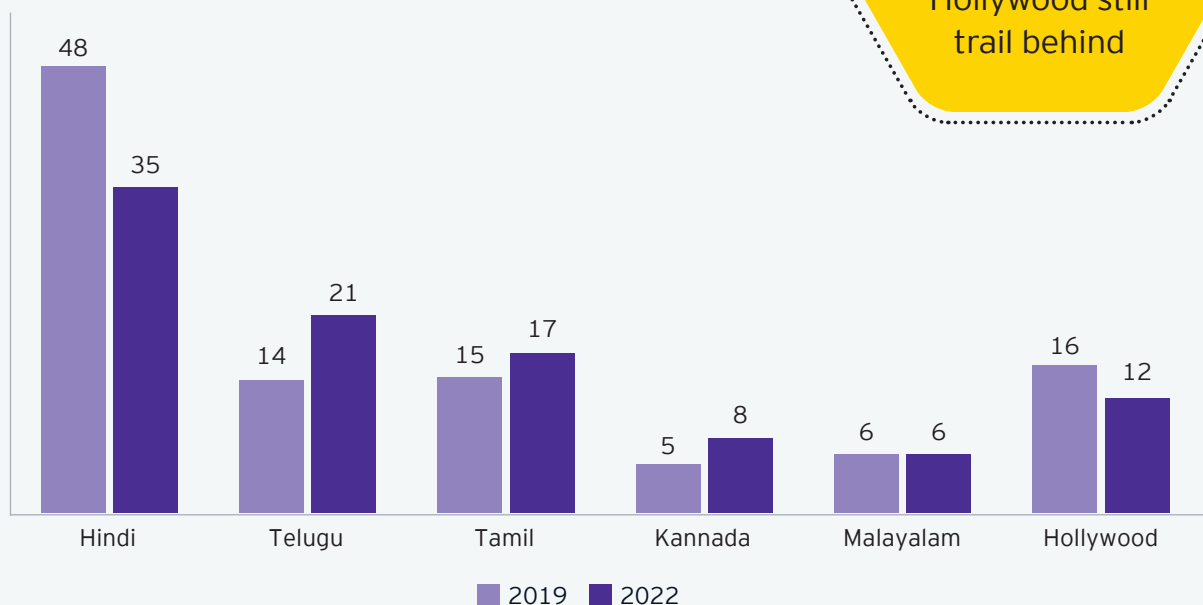
Gross box office collection (INR billion)



South Indian box office has exceeded its pre-pandemic levels

Bollywood and Hollywood still trail behind

Gross box office collections (INR billion)



Average ticket price (ATP) grew 12% compared to pre-pandemic levels

Box office success of big ticket/ event films across languages contributed to an increase in ATP at an all India level

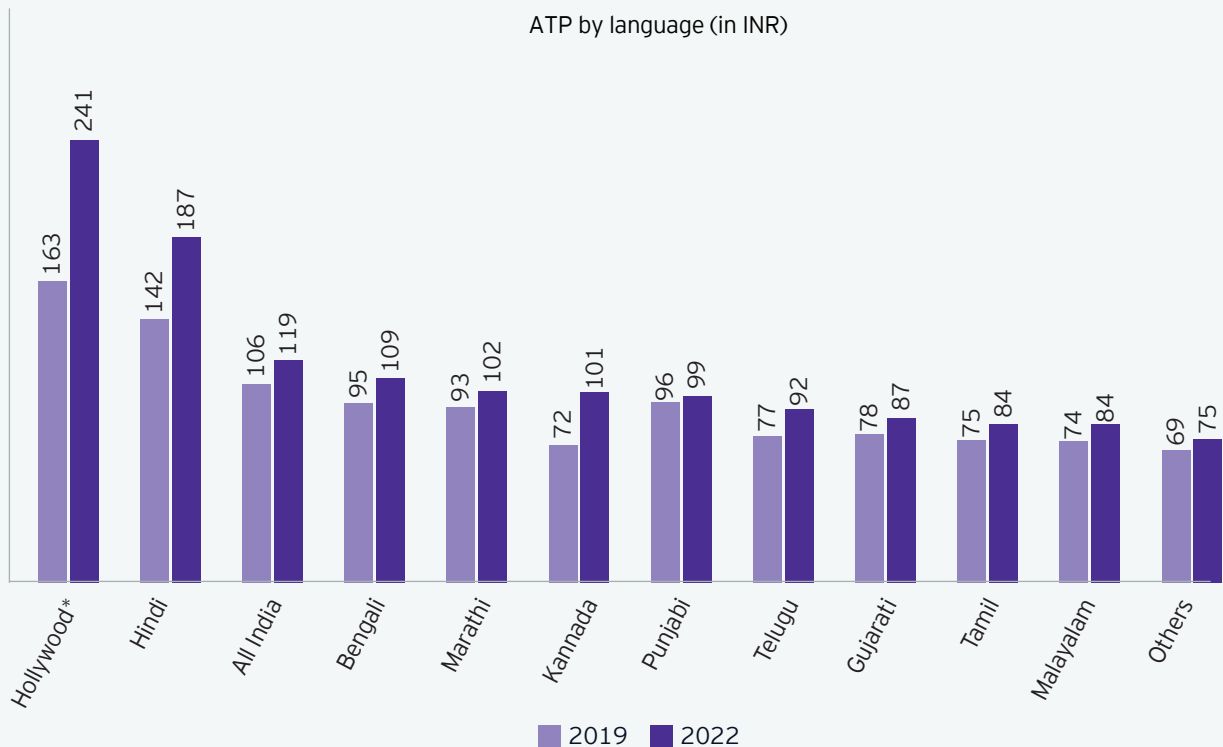
Average ticket price (INR)



All languages saw an increase in ATP since pre-COVID-19 levels

Hollywood and Hindi films, being more multiplex-dependent, saw the maximum increases

ATP by language (in INR)



*Hollywood includes all language versions

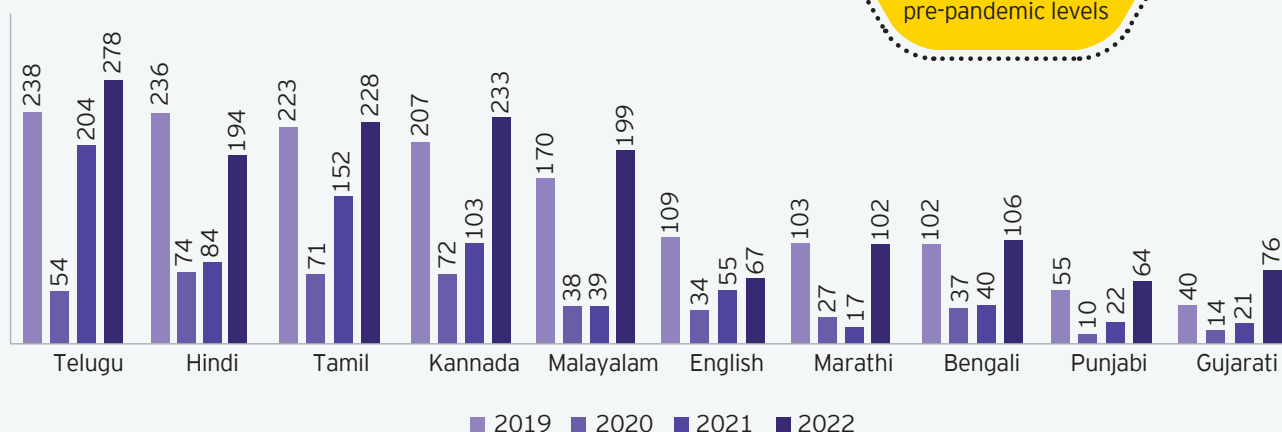
Trends India film

Powered by  comscore

**2022 saw
9% more film
releases than 2019**

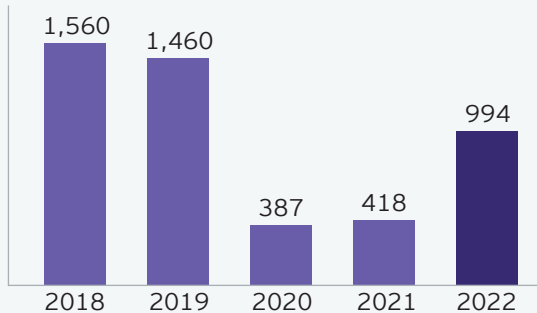
Except English and
Hindi language films,
all other languages had
more releases than their
pre-pandemic levels

Film releases (including dubbed versions)

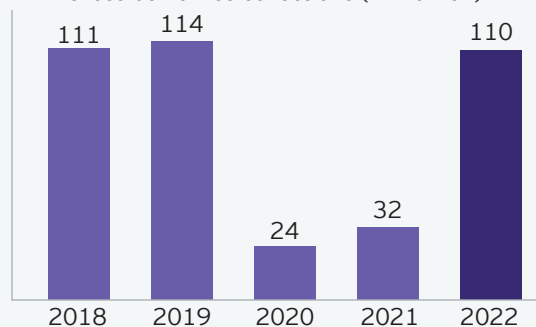


**While
footfalls
did not match
pre pandemic
levels...**

Footfalls (million)

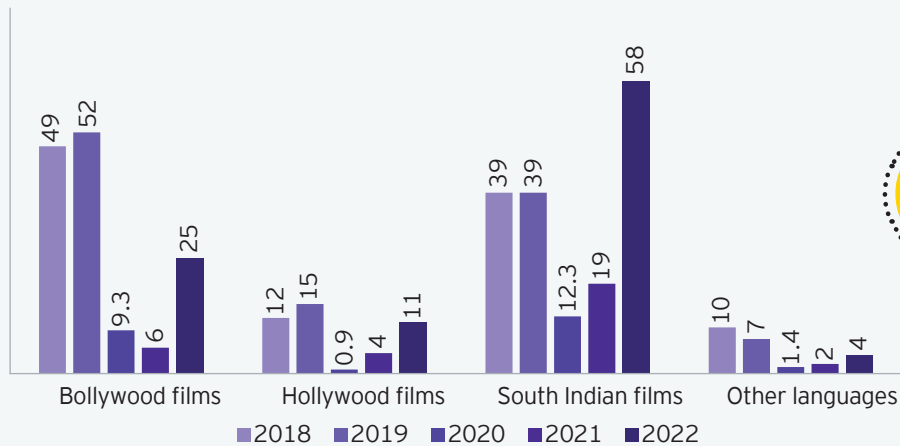


Gross box office collections (INR billion)



**theatrical
revenues
significantly
caught up due
to ticket price
increases**

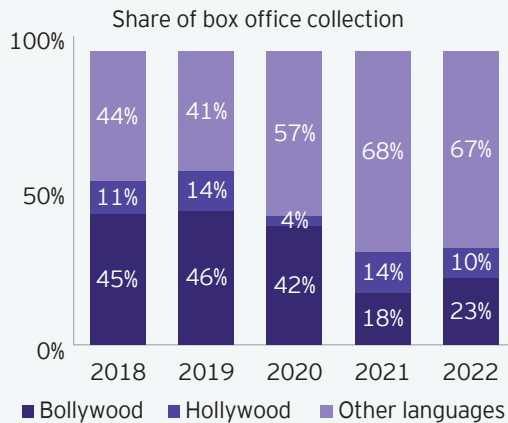
Gross box office collections (INR billion)



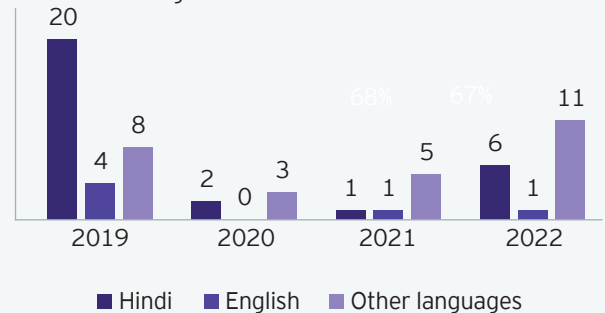
Films in **south Indian** languages far **exceeded** their pre-pandemic performance

Bollywood however still lags significantly

67% of box office revenues were contributed by regional language films...



Number of films crossing INR1 billion in gross box office collections



...which had the **highest number of hits**

	2018	2019	2020	2021	2022
No. of films released abroad	332	350	74	151	335
Gross box office collections including China	US\$ 491 million	US\$ 332 million	US\$ 39 million	US\$ 77 million	US\$ 249 million

Overseas revenues recovered in 2022

Expert speak



Ajay Bijli
PVR

With strong content coming in regional languages along with Bollywood and Hollywood, technology innovations and growth potential in underpenetrated markets, the future of cinema looks more exciting than ever. We look forward to a blockbuster year ahead!



Hiren Gada
Shemaroo

The media and entertainment industry is at an inflection point with levers of growth acceleration in place. We see newer opportunities emerging in both television and digital on the back of focused targeting, differentiated content and innovative business models.



Alok Tandon
INOX Leisure

The Indian Cinema Exhibition Industry is all set to make big leaps with some path-breaking tech-focused interventions, newer F&B selections, and an expansion spree aiming to take world class cinema experiences closer to Indian masses.



T.G. Thyagarajan
Sathya Jyothi Films

The Southern film industry have been pioneers in large scale productions that transcend geographical and language barriers, be it SS Vasan's Chandralekha in 1948 or MGR's Ulagam Suttrum Valiban in 1973, both of which had production budgets equaling top Hollywood films of that time. With the scale of production increasing in the Southern languages, we see an increase in box office collections correlating with rapid urbanization.



Rohit Jain
Lionsgate

The days of high growth, land grab driven irrational spends are over, as happens across every maturing industry. Focus has shifted to business basics: profitability and bottomline. This natural evolution will see consolidation amongst several players locally and globally. Consolidation drivers will be largely subscribers for top line scale and/ or content library for a stronger value proposition.



Ajit Andhare
Viacom18 Motion Pictures

In the post-Covid/ OTT world, films are not the only premium content available to moviegoers. Footfalls now will have to be earned harder as moviegoers exercise their viewing choice. Hindi film industry will need to rediscover its magic - the midrange 'content based' films that had grown to become mainstay of the last last decade of Hindi Cinema.



Apoorva Mehta
Dharma Productions

The time to live the disruptions in the M&E industry is here. The future is exciting with the promise of more creative-focused, immersive cinematic experiences, cross-over collaborations, and course correction of talent costs.



Shibashish Sarkar
International Media
Acquisition Corp

The use of AI & data analytics to understand audience behavior and target demographics will likely become more widespread, in turn impacting programming and acquisition strategies of platforms. I expect to see increased competition in streaming services and possibilities of changes in the business model of content acquisition and distribution.



Naveen Chandra
Mumbai Movie Studios

Regional movies are leading the way by creating entertaining stories with universal themes for greater appeal across languages. If we can work on growing the screen capacity, India could soon see a billion dollar movie at the box office.



Nitin Tej Ahuja
Producers Guild of India

A few notable successes aside, 2022 was a choppy year for the global film industry. Streaming services too saw gravity catch up with lockdown-fueled rocketing subscriber numbers. While 2023 is likely to be less volatile, it will take a decent uptick in the overall economy and disposable incomes before the M&E sector can fully regain its pre-Covid momentum.



Devendra Deshpande
Friday Filmworks

Local stories with Universal appeal will dominate the global landscape and India with its vast diversity and history will play a pivotal role. These will be complimented aptly with the advent of AR/VR leading into its own multiverse narratives.



Rajesh Mishra
UFO Moviez

The recovery in content supply & performance, revenue revival and increased audience appetite towards regional movies has marked a steady recovery and brought audiences back to theatres in 2022. With the bounce back of footfalls and excitement along with the upcoming content line-up, it appears this healthy momentum will continue in 2023, which will lead to overall business growth.



SR Prabhu

DreamWarriorPictures

The south Indian film industry is more keen on expanding its borders post the pandemic, and to OTT players as well. The success of Puspaha, KGF2, Kanthara etc. has brought a new approach to casting, collaboration and marketing strategies for South films. Exciting times ahead!

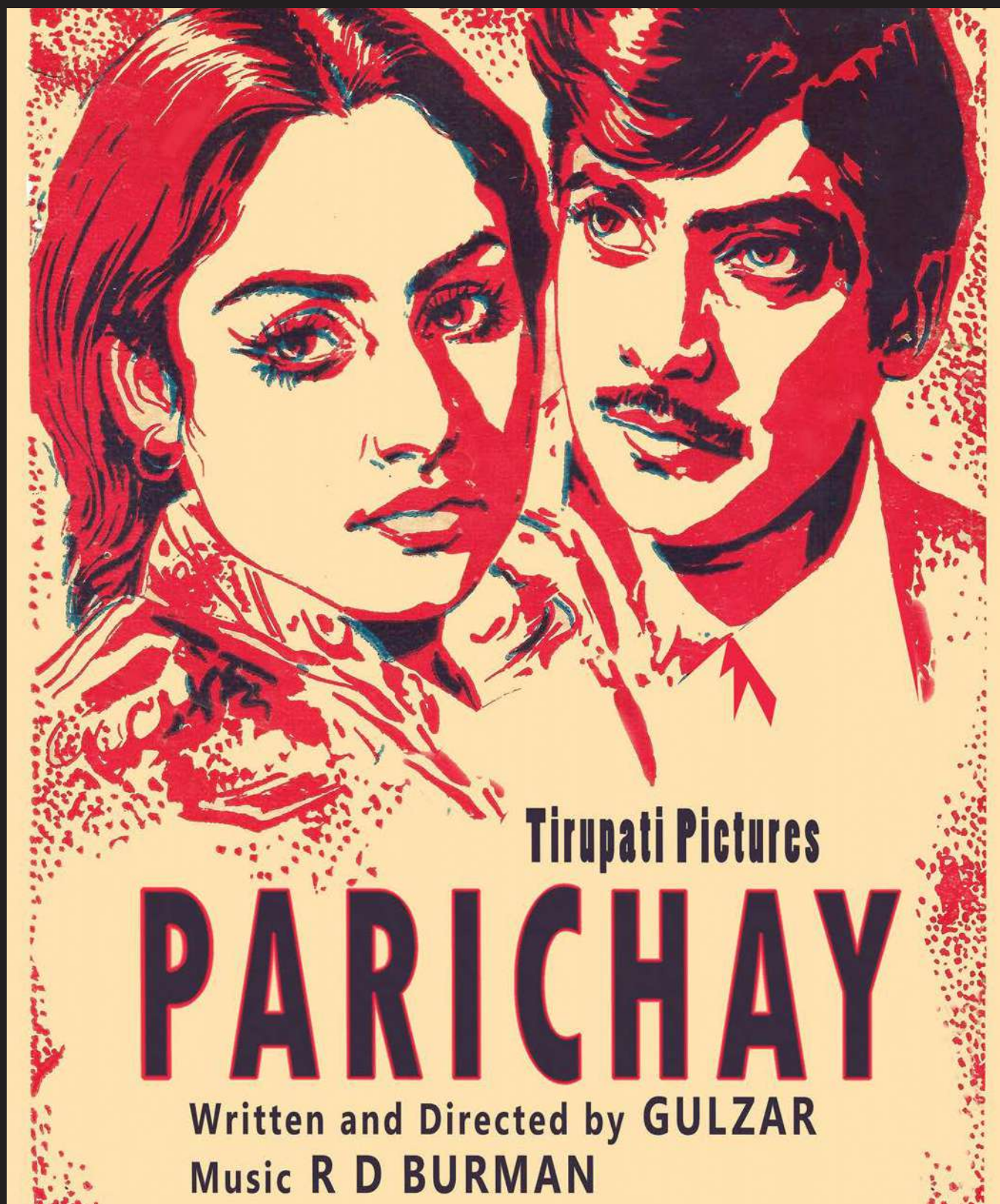


Amit Kumar Sharma

Miraj Cinemas

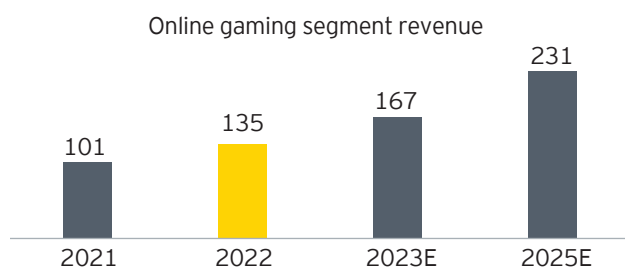
With box office success being dominated by content driven films through the past year, there is a need to increase penetration in Tier 2 & Tier 3 cities by providing value-for-money experiential offerings.

Online gaming



Online gaming

Online gaming grew 35% in 2022



Game type	2021	2022	2023E	2025E
Transaction-based	75	104	131	183
Esports and casual	26	31	36	48
Total	101	135	167	231

INR billion (gross of taxes) | EY estimates | Revenues are net of app/ play store commissions. Revenues from PC and console gaming are excluded, as are revenues from sports betting and online gambling/ pure games of chance. For detailed understanding of scope of online gaming coverage in this report, please refer to the 2021 report, "Tuning into consumer".

- ▶ The online gaming segment grew 35% in 2022 to reach INR135 billion. It is the fourth largest segment of the Indian M&E sector
- ▶ The count of online gamers in India grew to reach 421 million in 2022 and of these, around 90 to 100 million are frequent players of games
- ▶ Transaction-based game revenues grew 39% while casual gaming grew 20%, due to:
 - ▶ Increased awareness and better perception of online gaming
 - ▶ Significant marketing spends and use of brand ambassadors and gaming influencers
 - ▶ Ease of online payments such as UPI payments
 - ▶ Use of data analytics by gaming companies that enabled sharper focus on customer cohorts, enabling effective targeting, offers and monetization
- ▶ Transaction-based game revenues crossed INR100 billion
- ▶ Fantasy sports growth was driven by the resumption of sporting events, including some marquee events like FIFA, Asia Cup, IPL and T20 World Cup
- ▶ Close to 25% of online gamers are paid gamers
- ▶ Online game viewing and streaming became an alternate entertainment option to OTT consumption and social media

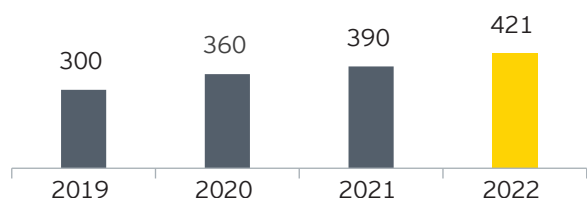
Future outlook

- ▶ The segment is expected to reach INR231 billion by 2025 at a CAGR of 20%
- ▶ Brands are now exploring online gaming worlds to launch products, hold events and enable new monetization opportunities
- ▶ 5G and cloud gaming can enable uptake of subscription models
- ▶ We expect premium content (films and OTT series) based on games will generate 20 hours to 30 hours a year going forward
- ▶ With the split of sports media rights across four major broadcasters, the opportunity for play-along games will increase significantly
- ▶ We expect there will be over 50 large online gaming tournaments in 2025

Gamers

Online gamers grew 8% in 2022

Online gamers in India (in millions)



EY analysis | Annual game players (unique)

- ▶ The count of online gamers in India grew to reach 421 million in 2022 and is expected to reach 442 million by 2023¹
- ▶ Of the above, around 90 to 100 million are frequent players of games²
- ▶ Gaming influencers such as Total Gaming (33.5 million subscribers), TechnoGamerz (31.5 million subscribers), CarryisLive (11.6 million), Live Insaan (9.86 million) have attracted new cohorts of players³
- ▶ Greater online gaming awareness through marketing and use of brand ambassadors like MS Dhoni for WinZO, Shah Rukh Khan for Ace23, Hrithik Roshan for Games 24x7, Virat Kohli for MPL also contributed to increase in awareness and trial
- ▶ Ecom-Gaming category advertising volumes on television increased two folds between Jan-Aug'22 as compared to Jan-Aug'21⁴

- ▶ The top 10 advertisers in the ecom-gaming category were:

Top 10 advertisers	Share
Playgames 24*7	21%
Tictok Skill Games	13%
Galactus Funware Technology	12%
Head Digital Works	10%
Gameskraft Technologies	10%
Sporta Technologies	8%
Cashgrail	5%
Eu Lotto	5%
Paytm First Games	4%
Krafton Inc	4%

TAM AdEx Overview of Advertising by Category:Period: Jan-Aug'22
Ecom-Gaming

- ▶ The development of broadband connectivity in Tier-II and Tier-III cities, along with cheaper data costs and affordable smartphones, has also contributed to the growth of online gamers
- ▶ It is estimated that over 60% of internet users converse in regional languages. Hence, many game developers in India have started offering games in regional languages, along with Hindi, such as Gujarati, Marathi, Tamil, Telugu, Kannada, Bengali to attract them⁵

¹AIGF & EY estimates

²EY-LoCo gamer survey 2022 based estimates

³<https://www.youtube.com/>

⁴TAM AdEx Overview of Advertising by the Category:Period: Jan-Aug'22 Ecom-Gaming

⁵<https://www.zeebiz.com/technology/news-going-regional-why-online-gaming-startups-are-logging-on-to-vernacular-segment-to-boost-business-99100>

Revenues

Transaction-based game revenues crossed INR100 billion

	2020	2021	2022
Rummy and Poker	31	39	56
Fantasy sports	26	33	42
Other participation fee games	2	3	6
Total	59	75	104

INR billion (gross of taxes) | EY estimates

- ▶ Transaction-based game revenues increased by 39% in 2022 from 2021, where they had grown 27%
- ▶ Growth in rummy and poker was driven by:
 - ▶ a sharper focus on user retention through data analytics
 - ▶ acquiring new audiences through increased awareness through marketing
 - ▶ enhancing trust
 - ▶ increasing popularity of online tournaments with substantial prize money
 - ▶ creating separate, focussed communities for each game to increase engagement levels
- ▶ Fantasy sports growth was driven by the resumption of sporting events, including some marquee events like FIFA, Asia Cup, IPL and T20 World Cup. The user base for fantasy sports is estimated to have grown by at least 14% in 2022⁶
- ▶ As per the EY-LoCo gamer survey 2022:
 - ▶ 39% of respondents were ok to pay for playing real money games
 - ▶ 50% of respondents were willing to pay to play fantasy sport
- ▶ The propensity of Indian consumers to pay for online games is increasing YoY, with India's percentage of first-time paying users increasing to 67% in 2022⁷
- ▶ Close to 25% of online gamers are paid gamers and increasing by approximately 2 million per month⁸

Casual gaming grew 24% in 2022

	2020	2021	2022
Esports	8	10	11
Advertisement	7	8	11
In-app purchases	5	7	9
Total	20	25	31

INR billion (gross of taxes) | EY estimates

- ▶ Esports popularity is growing and has seen a surge in players, spectators, sponsors and prize pools despite a government ban on several popular esports games. eTigers were the first Indian team to qualify for the global competition, FIFAe Nations Cup
- ▶ As per the EY-LoCo gamer survey 2022, 61% of respondents had participated in esports events and they all viewed at least one tournament a month
- ▶ Esports was recognized as a multi-sports event by the Indian government in December 2022. This recognition is expected to encourage more sponsorships and gamer participation⁹
- ▶ InMobi's platform data showed that 34% of all ad spends were on game apps between January and July 2022, and there has been a 60% year-on-year growth in the volume of advertisers investing in mobile game advertising¹⁰
- ▶ As per the EY-LoCo gamer survey 2022, 45% respondents spent over an hour per game playing session and around half were willing to pay for in-app purchases. As online gamers are maturing and moving beyond casual gaming habits to serious gameplay, it is resulting in higher in-app purchases

⁶EY research

⁷Dentsu Gaming Report India 2022

⁸<https://www.moneycontrol.com/storyboard18/how-it-works/india-will-see-33-rise-in-paid-gamers-by-2026-report-4035.htm>

⁹<https://www.exchange4media.com/digital-news/indian-govt-recognises-esports-as-part-of-multisport-events-124478.html>

¹⁰InMobi: Mobile Game advertising 2022

Operating environment

Amendment rules – online gaming

- ▶ The Ministry of Electronics and Information Technology (MeitY) proposed amendments in the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 under the Information Technology Act, 2000 to regulate online gaming ('Amendment Rules') and safeguard the users
- ▶ These rules are applicable to any intermediary that offers one or more than one online game
- ▶ Key focus areas for online gaming companies to align with IT rules include:
 - ▶ Terms of use and privacy policy
 - ▶ Cyber incident reporting
 - ▶ Retention and storage of subscriber information and digital evidence
- ▶ Reasonable security practices and procedures
- ▶ Grievance redressal mechanism
- ▶ No bot certificate
- ▶ Random number generation certificate
- ▶ Appointment of key officer roles such as Chief Compliance Officer (CCO), nodal contact person and resident grievance officer
- ▶ Hosting, publishing and advertising requirements for an online game
- ▶ The introduction of formal online gaming rules will enable privacy and security for gamers' information and can aid in the increase of online gamers due to increased transparency

Summary of different positions held by states on online gaming

State	Fantasy gaming	Rummy	Poker	Year of enactment
Karnataka ¹¹	Allowed	Allowed	Allowed	2021
Meghalaya ¹²	Allowed	Allowed	Allowed	2021
Tamil Nadu ¹³	Allowed	Allowed	Allowed	2021
Andhra Pradesh ¹⁴	Not allowed	Not allowed	Not allowed	2020
Telangana ¹⁵	Not allowed	Not allowed	Not allowed	2017
Gujarat ¹⁶	Allowed	Allowed	Not allowed, on account of a judgement of the Gujarat HC judgement from 2017. An appeal from this decision is pending before the division bench of the HC.	2017
Nagaland ¹⁷	License needs to be obtained	License needs to be obtained	License needs to be obtained	2016
Sikkim ¹⁸	Restricted to servers based in Sikkim	Restricted to servers based in Sikkim	Restricted to servers based in Sikkim	2009
Assam ¹⁹	Not allowed	Not allowed	Not allowed	1970
Odisha ²⁰	Not allowed	Not allowed	Not allowed	1955
Rajasthan ²¹	Licensing regime proposed in 2022	-	-	NA
Kerala ²²	-	-	-	NA

Compiled by Galactus Funware Technology | Select states only

¹¹Amendment of the Karnataka Police Act, 1963*/ Karnataka Police (Amendment) Act 2021 (since struck down by State HC). Appealed by Karnataka in Supreme Court

¹²Meghalaya Regulation of Gaming Act, 2021 (Repealed in Nov 2022)

¹³Amendment of the Gambling and Police Laws, 2021*/ Tamil Nadu Gaming and Police Laws (Amendment) Act, 2021 (since struck down by State HC)

¹⁴Amendment to the AP Gaming Act 1974/ The Andhra Pradesh Gaming (Amendment) Act, 2020 (under challenge before the state HC)

¹⁵Amendment to the Telangana Gaming Act of 1974/ The Telangana Gaming (Amendment) Act, 2017 (challenge before the state HC)

¹⁶Gujarat Prevention of Gambling Act, 1887 (an appeal against the single judge order is before the division bench of the HC)

¹⁷Nagaland Prohibition of Gambling and Promotion and Regulation of Online Games of Skill Act, 2015

¹⁸Sikkim Online Gaming (Regulation) Act, 2008

¹⁹Assam Game and Betting Act, 1970

²⁰Orissa Prevention of Gambling Act, 1955 (challenge before the state HC)

²¹The State of Rajasthan published a draft of Rajasthan Virtual Online Sports (Regulation) Bill proposing a licensing regime to regulate pay-to-participate fantasy and esports.

²²While an amendment has been proposed and reported about in the media, no draft has been circulated

Future outlook

Online gaming can grow to INR231 billion by 2025

- ▶ The online gaming segment is expected to grow at a CAGR of 20% over four years to reach INR231 billion by 2025
 - ▶ Transaction based gaming is estimated to grow at a CAGR of 21% to reach INR183 billion and contribute 79% of total segment revenues
 - ▶ Casual gaming will grow at a CAGR of 15% to reach INR48 billion
- ▶ Drivers for this growth include:
 - ▶ Access to high-speed internet in India's Tier-II,III and rural areas
 - ▶ Clarity on the new IT rules enabling compliance and building gamers' trust
 - ▶ Conversion of the next 100 million to 150 million feature phones into smartphones by 2025-26
 - ▶ 5G and cloud gaming is bringing more sophisticated games to the masses
 - ▶ Simplification of legislation and regulation with clarity on permitted games, leading to more investment in the country's gaming sector
 - ▶ Continued growth of digital payments
 - ▶ New monetization models such as sachet pricing and in-app branded monetization

New monetization models will emerge²³

- ▶ Brands are now exploring online gaming worlds to launch products, hold events and enable new monetization opportunities
- ▶ United Colors of Benetton debuted in online gaming with a virtual collection specifically designed for Animal Crossing: New Horizons. Benetton Island is a destination in the game that users can discover by walking around and creating different looks with virtual renditions of the brand's iconic garments. Benetton shared access codes via print articles, social media, and popular Italian influencers to drive traffic to the island²⁴
- ▶ Toyota engaged with its audience across Asia by organizing an e-Motorsport event TOYOTA GAZOO Racing GT Cup on Gran Turismo, a racing simulation video game, which allowed gamers to use Toyota sports cars for racing and was streamed live on Twitch, Facebook, YouTube and Twitter²⁵
- ▶ Brands will continue to leverage gaming audiences through innovations in product awareness, product or service trial/ experience, bookings and after-sales service

5G and cloud gaming can enable uptake of subscription models²⁶

- ▶ With 5G services being introduced, the opportunity for cloud gaming as a medium to experience higher-end games, on regular devices/ handsets is set to grow
- ▶ This shall also enable the evolution towards AR/ VR in games
- ▶ Mass access to high-end games can open up opportunities around subscription gaming and ticketed games, competitions and events; almost two-thirds of respondents to the EY-LoCo gamer survey 2022 were willing to pay for gaming subscriptions

²³Bain & Company: Level-up-the-future-of-video-games-is-bright

²⁴Dentsu Report - 2022

²⁵Dentsu Report - 2022

Game-related content will crossover into media²⁷

- ▶ The recent trend of leveraging video games to create media content is now becoming popular
- ▶ Netflix released Arcane (based on Riot Games' League of Legends games) and The Witcher series (based on the game series with the same name) that demonstrated that games can also be adapted into media and other IPs
- ▶ We identified 12 to 20 hours of game-related premium content that was generated annually between 2018 and 2021²⁸
- ▶ We expect premium content (films and OTT series) based on games will generate 20-30 hours a year going forward²⁹

Web3.0 gaming will enable Play-to-Earn³⁰

- ▶ Web3.0 gaming, based on blockchain technology, can enable businesses to effectively target and connect with their audience and reward users for their contributions
- ▶ Play-to-earn games, based on user rewards, will provide a new way for gamers to engage with content and earn rewards
- ▶ Gamers can convert their in-game assets (virtual goods) into money and earn rewards
- ▶ Globally, Web3.0 is expected to be USD81.5 billion in 2030 growing at a CAGR of 43.7%³¹ and the Play-to-Earn NFT games market is expected to be worth USD2.85 billion by 2028 growing at a CAGR of 20.4% between 2022 to 2028³²

Online gaming x Other media

- ▶ With the split of sports media rights across four major broadcasters, the opportunity for play-along games will increase significantly
- ▶ In addition, the growth of DOOH screens (now in excess of 80,000 in India³³) will result in mass gaming using image recognition, QR codes, etc.
- ▶ Similar innovations will be seen with ads as well, across TV, digital and radio – we expect around 25 brands to experiment with gamified ads by 2025³⁴

Offline gaming event properties will increase

- ▶ With the return of physical events and the potential removal of bans on some popular esports games on their compliance to GoI regulations, there will be an opportunity to generate sponsorship and ticketing revenues for games and esports
- ▶ Large games are required for continued growth in esports. If banned games are not re-permitted, there will be a need for an 'India hit game' either from large global publishers or from Indian game developers
- ▶ We expect there will be over 50 large online gaming tournaments in 2025³⁵

Global games from India

- ▶ Given the relative certainty in the regulatory environment, we expect the FDI to increase in the Indian online gaming segment
- ▶ This will enable gaming companies to work on high-quality games which can not only be monetized domestically but also be released globally, thereby increasing export revenues for India

²⁶<https://www.ericsson.com/en/5g/5g-for-gaming>

²⁷<https://www.gameopedia.com/gaming-trends-in-recent-years/>

²⁸Research using secondary sources and of OTT platforms; may not be complete

²⁹EY estimates

³⁰<https://blog.lurkit.com/lurkit-gaming-industry-trends#toc-03>

³¹Global Web 3.0 Market Size to Reach USD 81.5 Billion in 2030 | Emergen Research (prnewswire.com)

³²<https://www.globenewswire.com/news-release/2022/07/26/2485687/0/en/Play-to-Earn-NFT-Games-Market-Worth-USD-2845-1-million-by-2022-2028-Opportunities-Challenges-Drivers-Trends-Key-Players-Regional-Analysis-Size-Shares-Developments-Types-Application.html>

³³Lemma Technologies

³⁴EY estimates

³⁵EY estimates based on industry discussions

We are at a pivotal moment in Indian online gaming

Online gaming has reached INR135 billion in 2022, driven by real money gaming (RMG) platforms like Dream11, a fantasy sports platform with over 100 million registered users, and other popular platforms like MPL, Rummy Circle, etc. What happens in the next couple of months can propel India into a top-5 gaming nation as regards players and revenues, or India could end-up as a potential “Good Game” where we tried, but the moment skipped us by.

“Regulatory challenges” are often cited as barriers to growth, but are they?

- ▶ We do need to peel back the layers and understand what exactly the challenges are. The top three “challenges” are actually initiatives that could help protect and grow the Indian online gaming industry:
 - ▶ There are valid concerns around sharing data of Indian users internationally, which is cited as a matter of national security. However, when data resides outside India, it creates a high business valuation in that country, but NOT in India. Keeping user data in India will be good for the owner, as well as for India.
 - ▶ Another concern voiced by the gaming industry in India is related to interference as regards addiction. However, we must admit that youth gaming addiction is both real and easily addressable. We have precedent of limiting play times for kids, monitoring purchases and a commitment to responsible gaming.
 - ▶ Finally, it's about content restrictions in games. Just as every country monitors and requires content to be culturally sensitive, gaming in India needs to follow those tenets too, be it on violence, overtly sexualised content and content that may be considered insensitive.
- ▶ Taxation remains the one issue that requires clarity. The gaming industry in India faces issues related to the quantum and applicability of GST imposed by the Ministry of Finance. There is also a direct taxation issue related to TDS on winnings. In response to these issues, the government is working on developing a regulatory framework for online gaming in the country, which is expected to address the needs to various stakeholders.
- ▶ Regulations are many and do have implications on operating cost and consumer experience. However, Regulation, once set, provides clarity and growth. What would be great is if these regulations apply in a calibrated manner. A game with <1 million downloads behaves very differently than a game with >100 million downloads. Both should have regulations relevant to their size. Just the way a small cooperative bank will have a smaller set of compliances than a banking behemoth.

Gaming content is another important driver of growth

- ▶ Not games that are played, but games that are watched by millions. Whether this is an esports tournament such as BGMS (watched by over 200 million people across Star Sports, Loco and Glance) or a gaming series such as Playground on Amazon Mini TV, this part of the sector is an indirect indicator growth. Here the revenue is more traditional viz., advertising or subscription, with a little gifting and direct influencer payments.
- ▶ Famous gaming influencers such as Dynamo Gaming, Mortal, Scout, CarryMinati and Jonathan have millions of followers on social media platforms such as YouTube, Loco and Rooter. These influencers have played a key role in promoting gaming culture in the country and have played a key part in the growth of the sector.

Here is a final peek at the crystal ball

- ▶ If the government framework is implemented with care and trust, India will have explosive growth in Gaming. Daily users will get closer to monthly users. The percentage of paying users will increase and the amount they pay will increase. Publishers will set up in India and investment will automatically start ploughing in. We will not only be a market that increases valuations based on the large size of its population, but we shall also be a market that will drive revenue and profitability both. And this will be valued and held and made in India.

Let's press start to play!



Akshat Rathee

FICCI esports committee co-chair

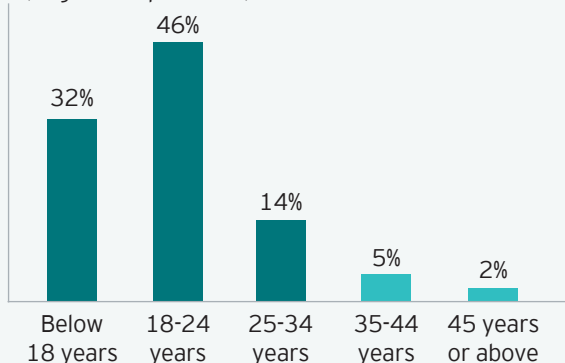
Trends Online gamer survey

Powered by  Loco

Respondent profile

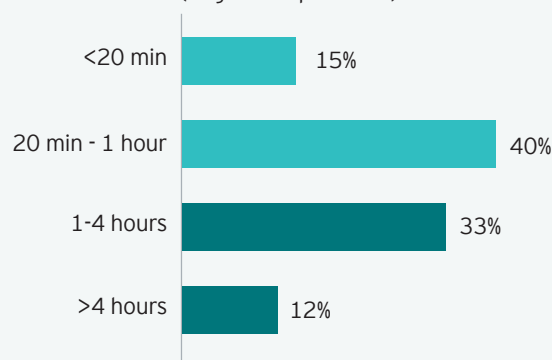
93% of gamer respondents were below the age of 34

Age profile of respondents (%age of respondents)



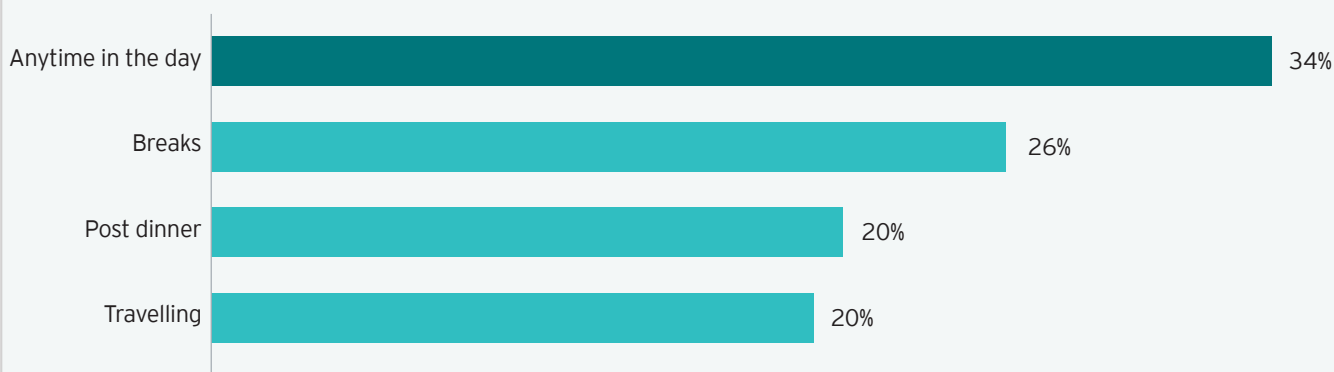
45% respondents spent over an hour per game playing session

Time spent on each play session (%age of respondents)



A third of respondents played games at any time during the day

When do you play games? (%age of respondents)

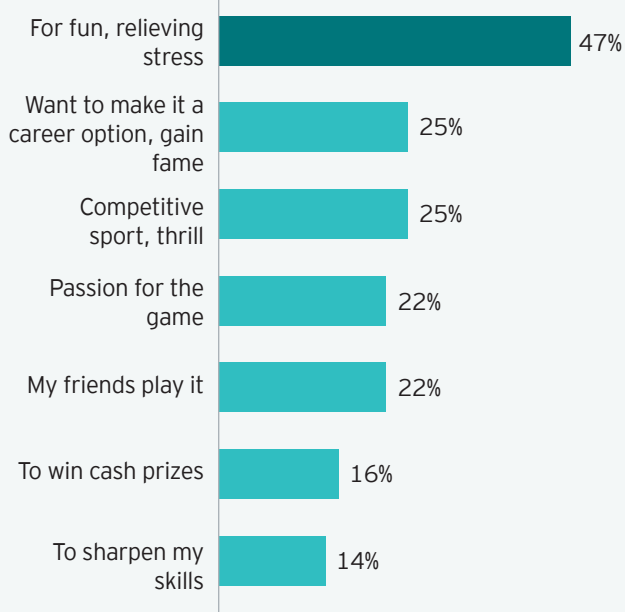


Note: The survey was administered by Loco on their platform and the results provided to EY. EY has tabulated the same and summarized the findings in this section.
13,408 gamers participated in the survey.

Game choice

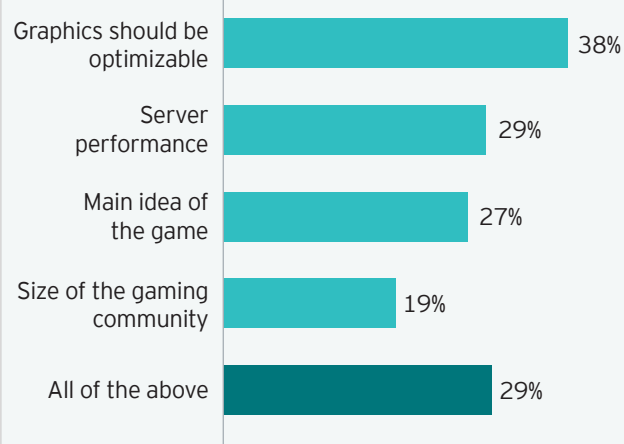
47% of respondents played for fun and relieving stress

Preference for playing online games
(%age of respondents)



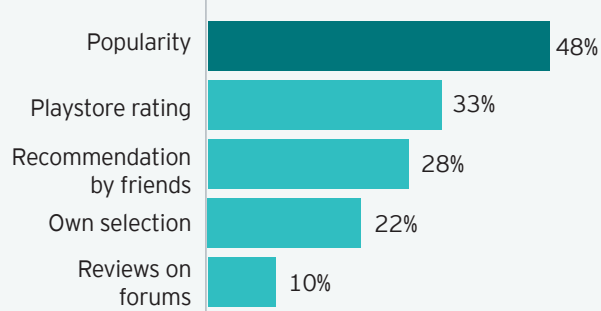
Graphics, performance, idea and community were all important factors in game choice

Parameters which influence choice of game
(%age of respondents)



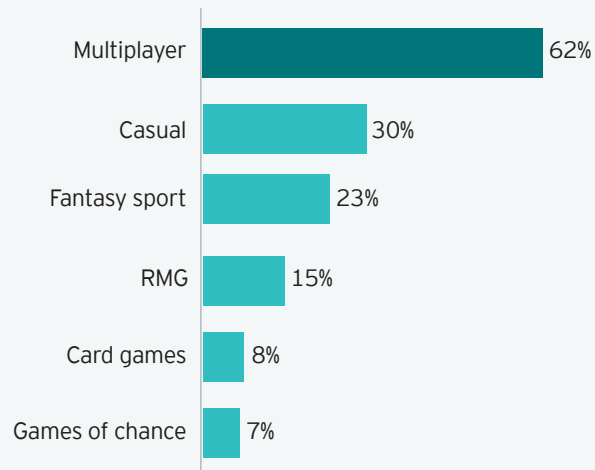
Popularity and play store ratings were the most important factors in choosing games

How do you decide on which game to play?
(%age of respondents)



Majority of the respondents preferred multiplayer games

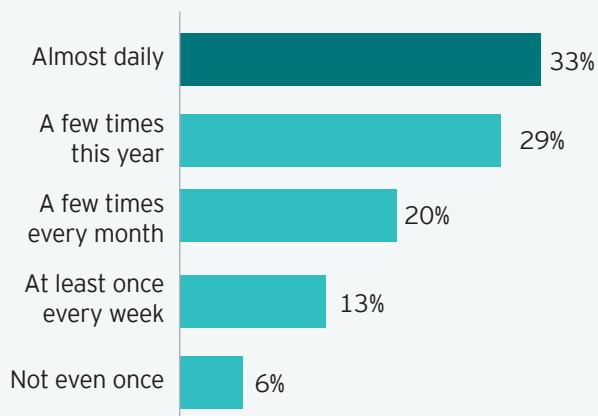
%age of respondents who played games



Frequency of game play

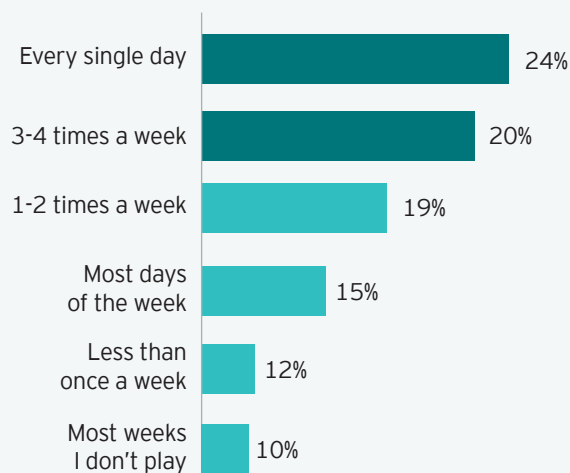
A third of respondents played daily

What best describes your online game play in 2022?
(%age of respondents)



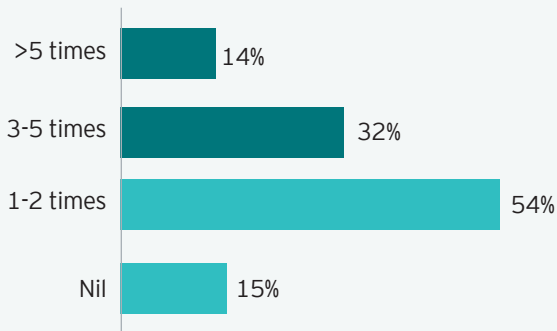
In any week, 44% played at least three times

Frequency of play during a week
(%age of respondents)



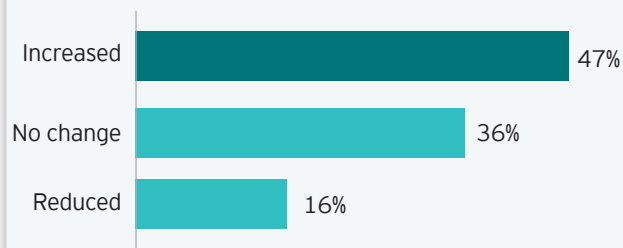
In any day, 46% played more than twice

Frequency of play during a day
(%age of respondents)



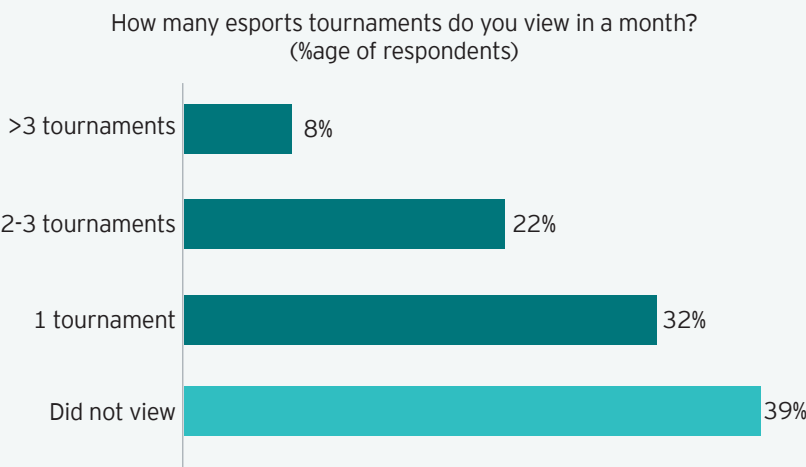
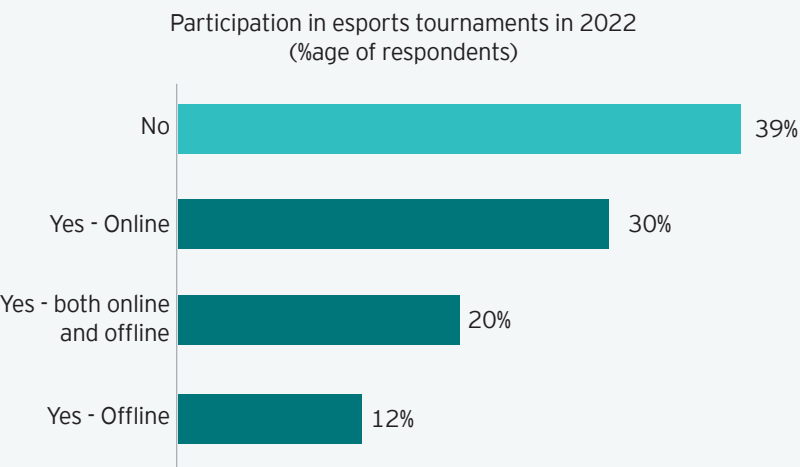
Despite work from office, 47% of respondents indicated they spent more time on game play in 2022

Change in time spent playing games in 2022 vs 2021
(%age of respondents)



Esports

61% of respondents had **participated in esports events...**

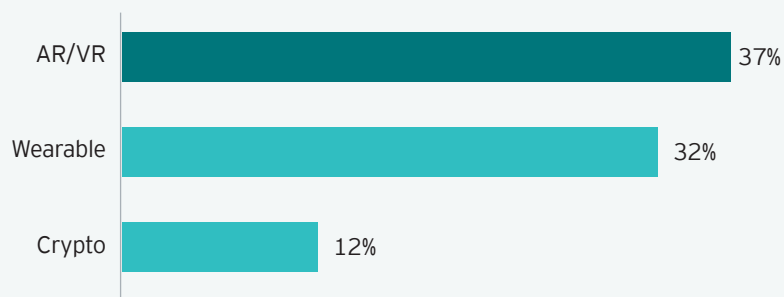


...and they all **viewed at least 1 tournament** a month

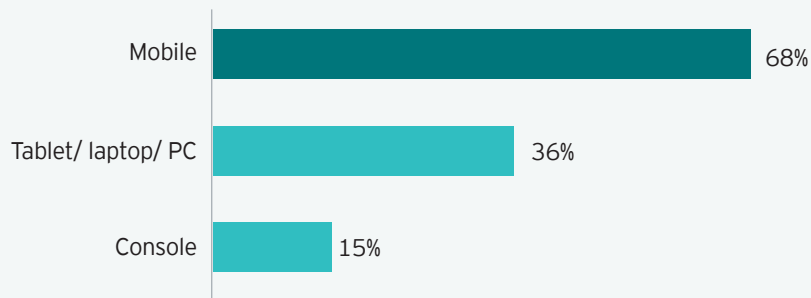
Type of game play

AR and VR tech is something most respondents wanted to experience

What technology would you like to see in your game?
(%age of respondents)



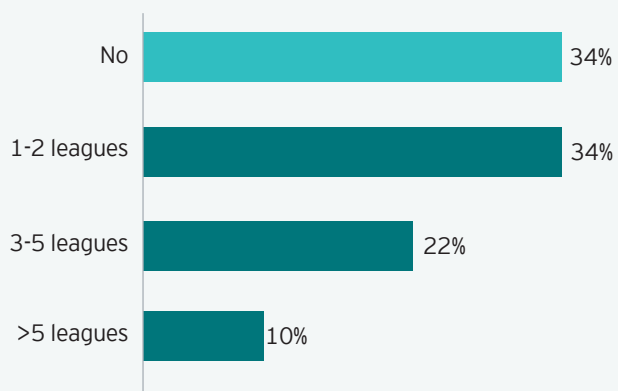
Type of device used to play games
(%age of respondents who played games)



Mobile was the **preferred device** to play games on

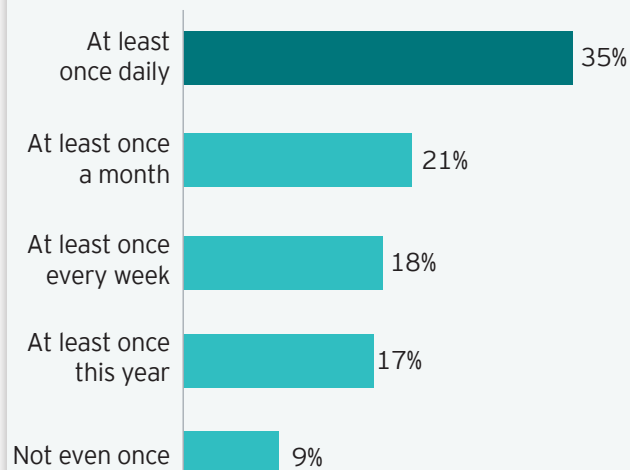
Two thirds of the respondents had **participated in fantasy leagues**

Did you participate in any fantasy leagues in 2022?
(%age of respondents who played games)

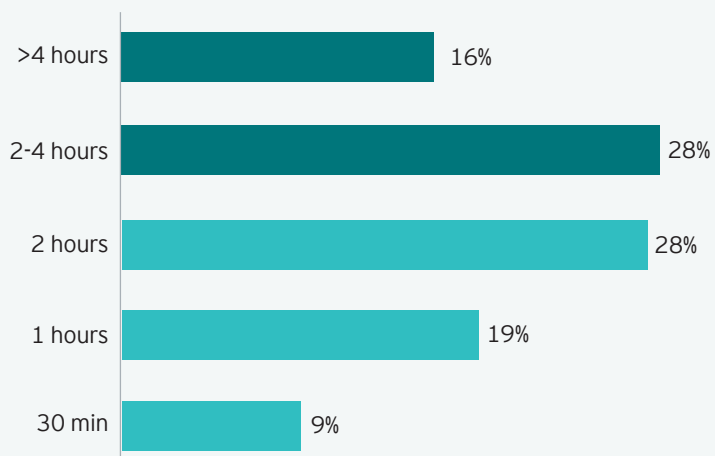


35% of the respondents **watched game streams daily...**

Frequency of watching game streams
(%age of gamers)



Time spent on watching game streams
(%age of respondents who watched online streaming games)



...and **44%** of them spent over 2 hours **watching game streams**

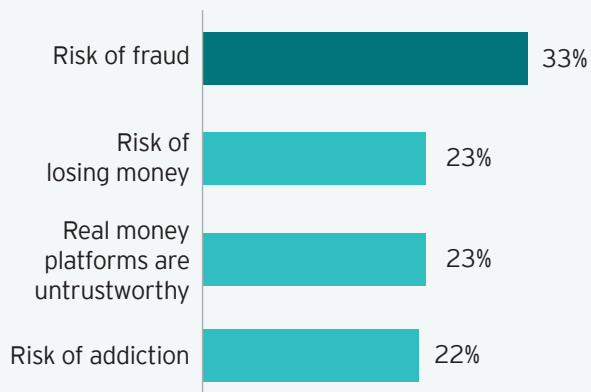
Monetization

39%

were ok to pay to
play real money
games (RMG)

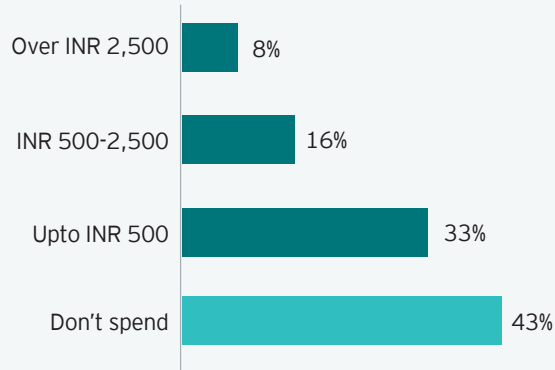
Of the balance,
the **risk of fraud**
ranked highest
as the reason for
not playing RMG
games

Reason for not playing RMG
(%age of respondents who did not play in 2022)

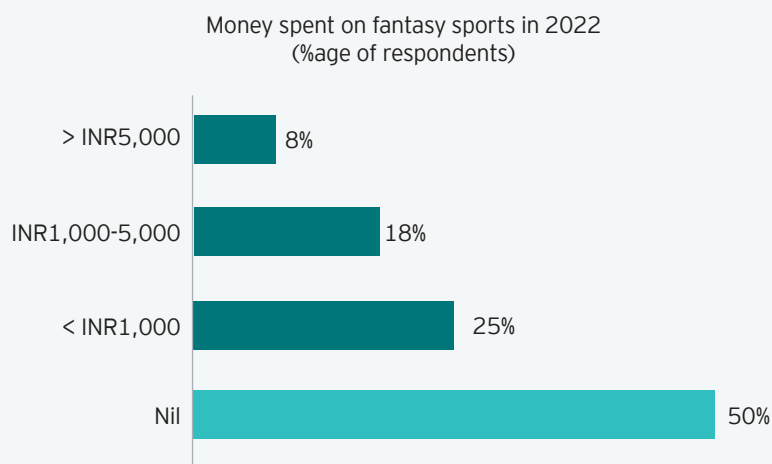


Over half the
respondents
were willing to
**pay for in-app
purchases**

How much do you spend on in-app
purchases in a typical month?
(%age of respondents)

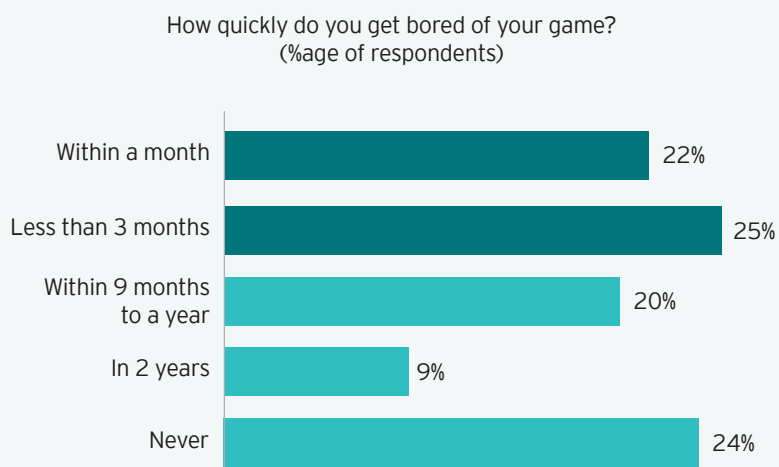


Half the respondents had paid to play fantasy sports in 2022



Almost two thirds of respondents were willing to spend for a gaming subscription

47% of respondents got bored of a game within 3 months

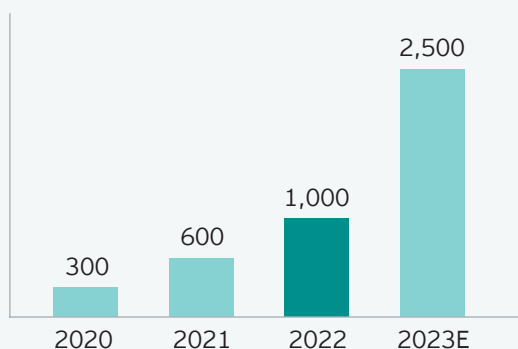


Trends Esports in India

Powered by NODWIN Gaming

Esports players
touched 1
million
(across all competitive
level games)

Number of players (000s)



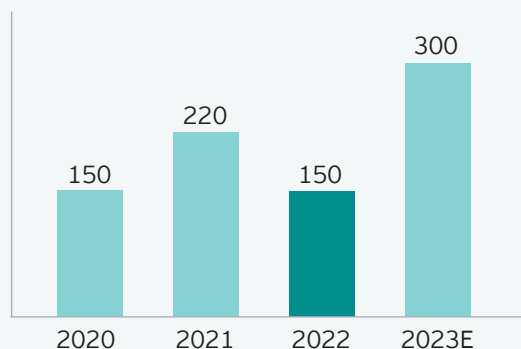
Esport steams grew
10% over 2021
(across all
competitive
level games)

Number of teams



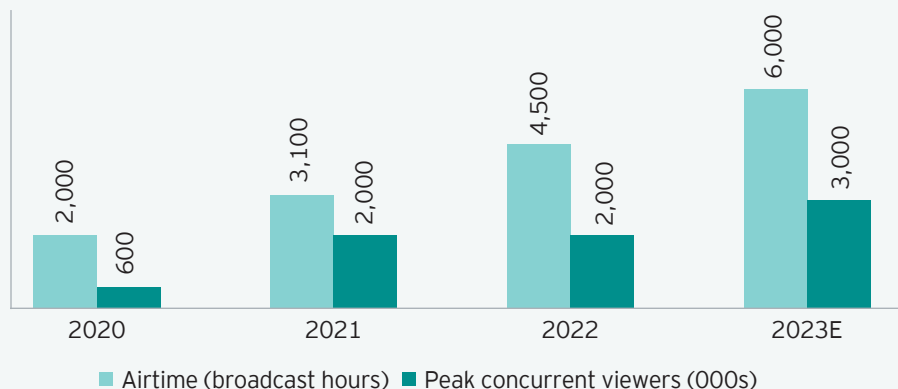
...which
impacted
prize money
as well

Prize money (INR million)



Esports titles
were
impacted by
bans...

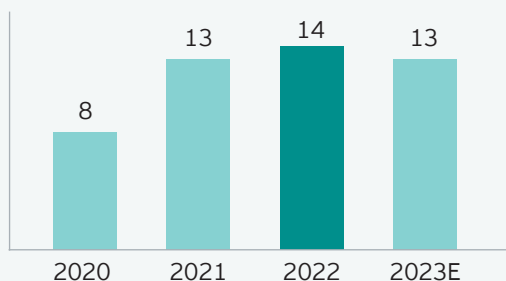
Content created and peak viewership



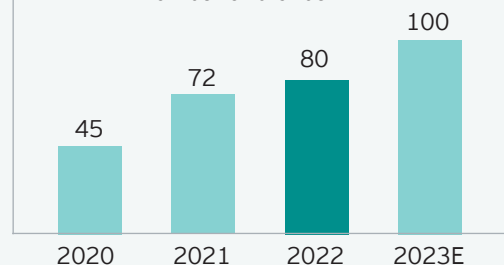
Airtime grew almost 50%
(across all competitive level games)

Broadcast platforms continued to grow
(OTT+ live streaming+ TV + social)

Number of platforms



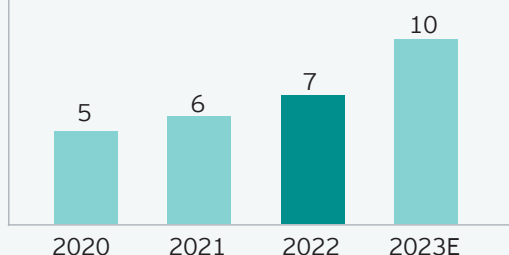
Number of brands



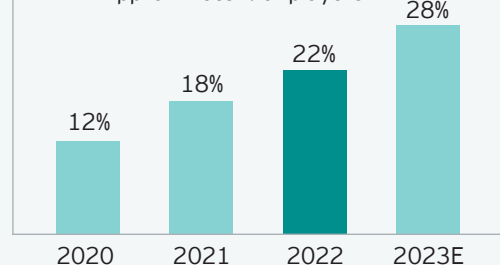
Brands remained invested in esports

India is expected to have 10 international teams by 2023

Number of international teams



Approximate % of players



1 of 5 players were women

Expert speak



Nitish Mittersain
Nazara Technologies

The next 5 years promise to be a golden period for Indian gaming. We're seeing a lot of innovation on game formats as well as gaming business models. Higher propensity to pay for subscriptions as well as IAPs, improving regulatory clarity, and a rapidly maturing developer ecosystem will all drive growth.



Bhavin Pandya
Games24x7

Online gaming has been one of the fastest growing segments in the M&E sector and continues to show robust double digit growth. Key regulatory developments proposed by the central government will further drive innovation and investment, while making it more mainstream.



Sai Srinivas
Mobile Premier League

India's multi-billion dollar gaming industry is at a critical point in its journey. I'm optimistic that with the combination of supportive government policies, improving investor confidence, and the advent of 5G, we will be able to unlock new growth opportunities.



Shivanandan Pare
Gaussian Networks
(Adda52)

The current year has been extremely positive from a regulatory perspective with clarity on TDS, MEITY's framework for online gaming and formation of a self-regulatory body. With almost all ambiguities gone, the segment will see additional growth capital, which will facilitate innovation and consumer choice, leading to market expansion through entry into new geographies, faster adoption, and genres.



Ankur Dewani
Pokerstars

It's time for India to take centre stage by innovating and producing unique experiences that deliver unparalleled entertainment and immersion, not just for India users but for gamers around the globe.



**Anirudh Pandita/
Ashwin Suresh**
Pocket Aces

2023 will see the continued ascent of gaming, which will go from being a niche hobby to becoming a mainstream national interest. Consumer demand for gaming will accelerate, driven by 5G roll out and regulatory clarity.



Lokesh Suji
Asian Esports Federation

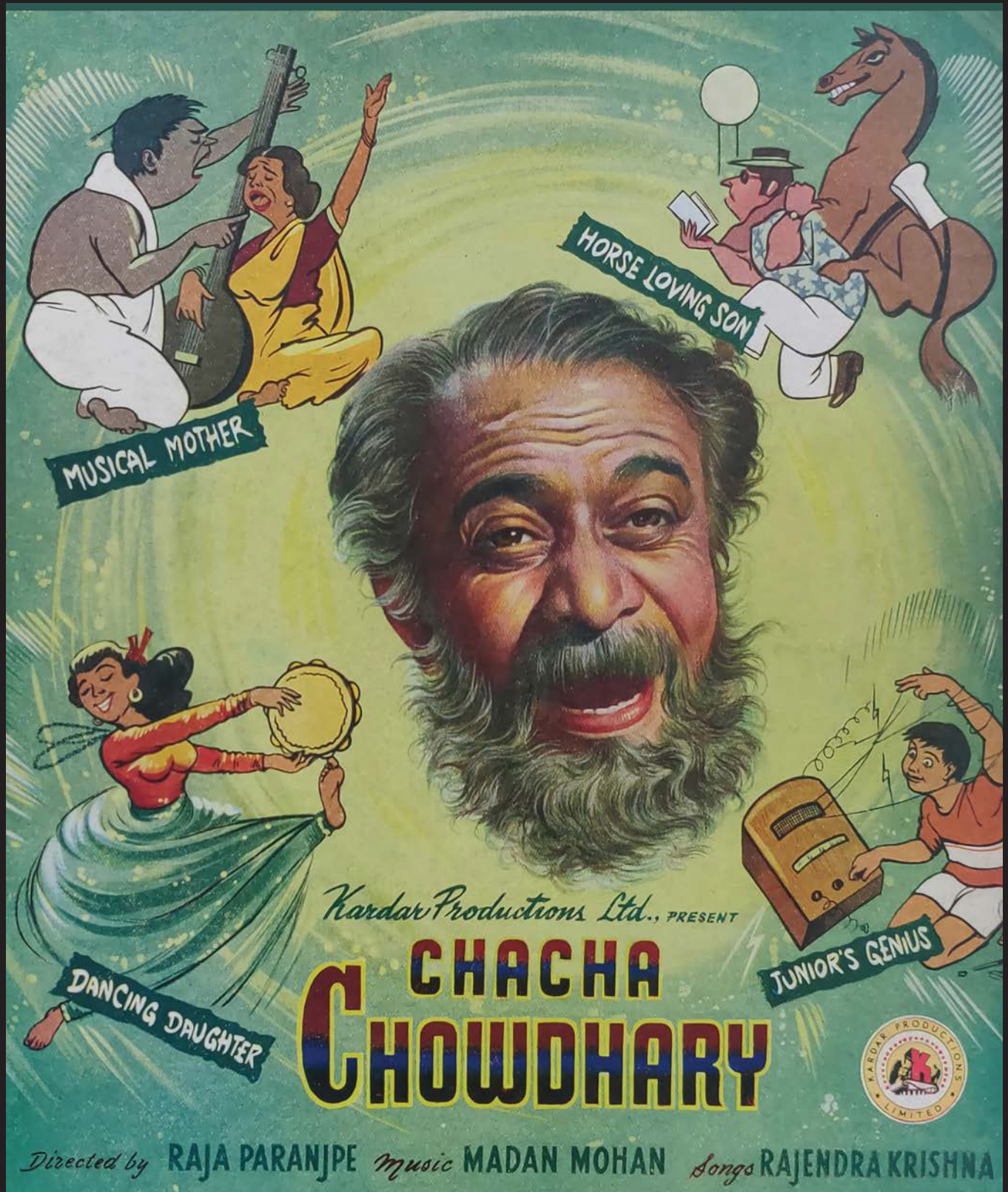
The recognition of Esports as an official multi-sport event by the government has helped dissipate the misunderstandings surrounding Esports as a mere pastime or unviable career choice and it will soon be able to attain recognition on par with other mainstream sports, with an equally passionate following.



Roland Landers
AIGF

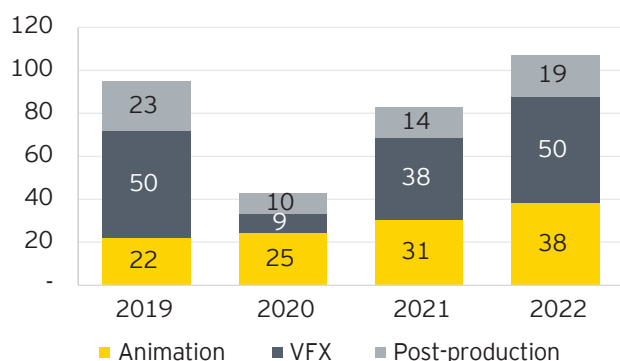
We are witnessing a new era for online gaming with positive regulatory developments and the emergence of innovative gaming products. Mobile-first gaming in India will continue to generate newer and diverse opportunities for game developers, investors and consumers alike.

Animation and VFX



Animation and VFX

The segment grew 29% in 2022



	2019	2020	2021	2022
Animation	22	25	31	38
VFX	50	9	38	50
Post-production	23	10	14	19
Total	95	43	83	107

INR billion (gross of taxes) | EY estimates

I. The animation and VFX segment exceeded its pre-COVID-19 levels in 2022 and reached INR107 billion

► Animation grew 25% over 2021 to reach INR38 billion in 2022, 71% higher than the pre-pandemic levels

- Demand for animated content began to normalize to pre-pandemic levels, e.g., kids' viewership reduced by 13% over 2021
- In contrast, dedicated kids' OTT platforms have grown and more options, especially in regional languages, have emerged
- Stagnant growth rate of 2D animation finally gained momentum globally in 2022, which will have a positive impact on the Indian animation segment owing to the large stack of companies creating 2D content efficiently
- Adoption of gaming engines like Unity and Unreal has been another game changer. These engines improve efficiencies and save up to 70% of rendering time, paving the way for more streamlined workflows
- Service exports made up 35% to 40% of the total revenue for the animation segment in 2022

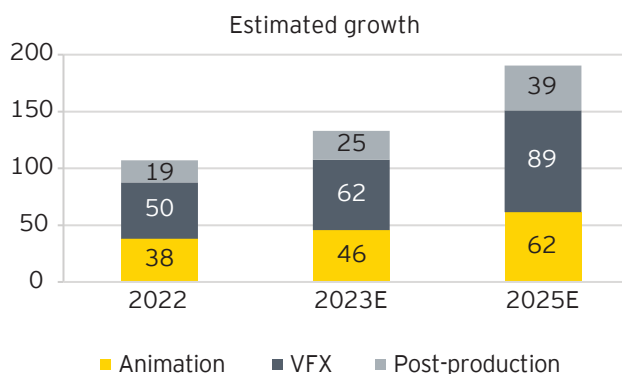
► VFX grew 30% to reach INR50 billion

- From delivering back-end services only, India has now emerged as the provider of turnkey services - from pre-visualization to final rendering. This also means an increase in both value and volume of work coming India's way
- Tentpole movies have always been heavy on VFX, and continue to be a major draw for audience across theaters as well as on OTT platforms globally
- The major draw in OTT today is episodic content across platforms. This content draws heavily on VFX and is the second-largest addressable market today
- There has been a 100% increase in high-budget films (INR100 crore or more) in India in 2022 over 2021, which increased the demand for domestic VFX services
- Large budget films tend to spend 25% to 30% of the entire budget on VFX. The corresponding number for a low to mid-size film is 10% to 15%
- Top global VFX players are turning to India to leverage the cost arbitrage that India continues to offer as sequels are generating a lower return in many cases. This will further increase the revenue from service exports
- Studios are embracing technologies like virtual production, machine learning and artificial intelligence. This is helping streamline the workflow with quicker iterations, thus improving efficiencies further
- Availability of capital for infrastructure and technology, and skilled talent are the two major challenges for growth in the segment

► Post-production grew 35% in 2022 to reach INR19 billion

- There is a surge in dubbed and sub-titled theatrical releases as India becomes one market, with content appealing to audiences across state and language boundaries
- Dubbed films increased from 15% of all releases pre-pandemic, to 30% in 2022
- Over the last decade, the cost of dubbing for an average film has gone up from INR0.5 million to INR2 million to INR3 million
- As content is monetized across more windows (SVOD, AVOD, theatrical, television, FTA, international, short video etc.), the demand for post-production services will continue to grow

II. The segment is expected to grow at a CAGR of 20% to 25% between 2022-2025 to reach INR190 billion



INR billion (gross of taxes) | EY estimates

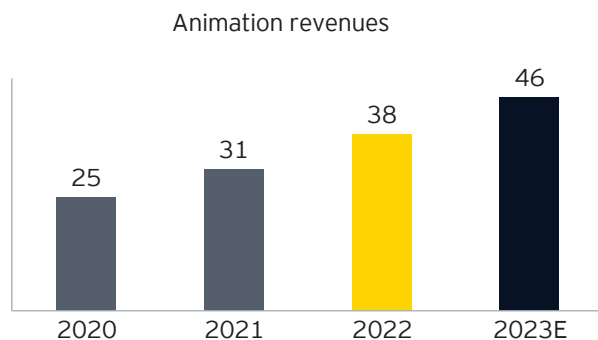
Key drivers for the projected growth include:

- ▶ Demand for tentpole movies and VFX heavy episodic content are expected to remain high
 - ▶ Globally, 50+ VFX-heavy movies are expected to be released in 2023 and early 2024
 - ▶ 1,000+ original titles are expected to be commissioned across the top 10 OTT platforms in the next few years
- ▶ Demand for domestic animated content to surge as Prasar Bharati is considering launching a children's TV channel under Doordarshan
- ▶ Increased viewership of anime among millennials means there is an opportunity for high-quality adult-focused animated content
- ▶ Indian artists have extensive experience in developing international IPs and therefore are well placed to create home-grown IPs

- ▶ Gaming has seen tremendous growth during the pandemic and post-pandemic world and presents a fresh opportunity for monetization
- ▶ The metaverse will increase the demand for 3D modelling and real-time rendering, thereby creating additional job opportunities and encouraging more companies to enter this space
- ▶ Leveraging the proposals put forward by the AVGC task force to address critical challenges like heavy capital outlay, skilled talent shortage such as:
 - ▶ A national AVGC-XR Mission has been proposed to attract FDI investment, form co-production treaties, promote innovation in collaboration with international counterparts, and to develop a talent ecosystem
 - ▶ AVGC accelerators and innovation hubs are to be established in academic institutions as there is an acute shortage of tech artists; we estimate the need for a million artists if India is to step up to take advantage of the global opportunity
 - ▶ Democratize AVGC technologies by promoting subscription-based and subsidized pricing models for MSMEs and start-ups

Animation

The animation segment grew by 25% to reach INR38 billion in 2022



INR billion (gross of taxes) | EY estimates

I. Demand for animated content began to normalize to pre-pandemic levels:

- ▶ Kid's TV viewership reduced by 13% in 2022 over 2021¹ as school resumed and consequently, there was a slowdown in investment in new IPs and in new seasons for existing IPs
 - ▶ 10 new IPs were launched in 2022
 - ▶ The major IPs included Twinkle Sharma, Baby Little Singham and Pandeyji Phelwan
- ▶ YouTube remains the most preferred digital platform for kids. However, monthly views for the top kids content channels decreased in 2022 owing to:
 - ▶ The effect of the ad policy introduced in 2021 which reduced incentive for kid's content production
 - ▶ Life getting back to normal after the pandemic

II. In contrast, dedicated kids' OTT platforms have grown and more options, especially in regional languages, have emerged

- ▶ More than 10 OTT platforms provide kids with animated content in 2022, including Disney+, Netflix, Voot Kids, Sony Liv, Zee5 etc., across multiple languages
- ▶ The number of dedicated kids OTT platforms streaming content across multiple languages increased:
 - ▶ Softoons Animation launched its OTT platform Softoons Plus for Android users in 2022, with 500+ shows in more than five languages²
 - ▶ QYOU Media India launched their 3rd IP channel in April 2022, a digital exclusive animated content channel that targets young viewers between the age group of 13 to 35 years³

III. Demand for 2D animation increased globally

- ▶ 2D animation opportunity revived in 2022:
 - ▶ Disney is working on a traditional "hand-drawn" 2D animated film based on the French folk tale of Bluebeard and the recently announced Wish⁴
 - ▶ Dreamworks latest heist comedy, "The Bad Guys," used 2D animation to subvert CG animation
- ▶ For the first time, Dreamworks is outsourcing 2D work to Indian animation studios
- ▶ 2D is a more cost-effective animation technique, which saves 40% to 50% of creation cost, and the demand for the same is expected to remain high for various types of content, especially in the Indian ad space and in emerging markets
- ▶ Stagnant growth rate of 2D animation finally gained momentum globally in 2022, which will have a positive impact on the Indian animation segment owing to the large number of companies creating 2D content in a cost-effective manner

IV. Gaming engines like Unity and Unreal were used more

- ▶ Unreal, originally a game engine, is now becoming a vital TV and film tool with more and more studios using it to reduce rendering time
 - ▶ Some studios were able to save approximately 90 minutes per frame, or 70% of the rendering time⁵
- ▶ Artificial intelligence (AI) and machine learning (ML) offer many advantages to the animation and VFX segment, as there are so many repetitive and time-consuming tasks that currently require operators to manage, sort and manipulate vast amounts of data
 - ▶ Charuvi Design Labs is adopting AI to provide more specialized content in the immersive space⁶
- ▶ Machine learning was used for data capture, compositing, scripting and 3D; it has the potential to evolve current practices and pave the way for more streamlined workflows, allowing artists to spend more time on creative decisions

¹ BARC data

² <https://www.hindustantimes.com/brand-stories/ssoftoons-launches-india-s-first-animation-for-all-ott-platform-ssoftoonsplus-101662124685675.html>

³ <https://www.livemint.com/industry/media/qyou-media-launches-digital-animation-channel-the-q-kahaniyaan-11650516516361.html>

⁴ <https://people.com/movies/disney-wish-movie-everything-to-know/#:~:text=During%20Disney%27s%20D23%20expo%20on,legend%20of%20the%20wishing%20star.>

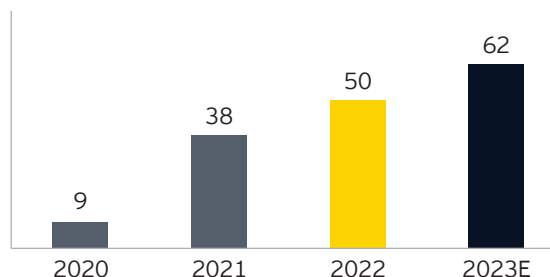
⁵ Industry discussions

⁶ <https://www.animationxpress.com/latest-news/year-ender-2022-basking-in-the-glory-of-original-content-creation-indian-animation-studios-promise-to-keep-up-the-tempo/>

VFX

VFX segment grew 30% to reach INR50 billion

VFX revenues



INR billion (gross of taxes) | EY estimates

I. VFX-heavy content witnessed high demand globally

- Tentpole movies, which were VFX-heavy, continued to draw audience across theaters as well as OTT platforms; the top 10 grossing films of 2022 were all VFX-heavy films⁷:

Rank	Release	Worldwide revenue (US\$ billion)
1	Avatar: The Way of Water	2.20
2	Top Gun: Maverick	1.49
3	Jurassic World: Dominion	1.00
4	Doctor Strange in the Multiverse of Madness	0.96
5	Minions: The Rise of Gru	0.94
6	Black Panther: Wakanda Forever	0.86
7	The Batman	0.77
8	Thor: Love and Thunder	0.76
9	Water Gate Bridge	0.63
10	Puss in Boots: The Last Wish	0.48

boxofficemojo.com

- The share of VFX in a Hollywood big-budget movie continued to increase:
 - VFX budget for a film with a US\$100-million production budget or more rose to 30% to 35% from 25% to 30% previously⁸
 - VFX share of mid to low-budget films has also increased by 5% to 10%⁹
- In addition, OTT platforms continued to invest heavily in original content production globally, amounting to US\$60 billion in 2022¹⁰
- Approximately 70% to 75% of the Indian VFX segment revenue came from service exports in 2022¹¹

II. Domestic film market also increased VFX spends

- 2022 recorded a 2x increase in the number of big budget movies (greater than or equal to INR1 billion) compared to 2021
- The share of VFX for a low to mid-size film was in the range of 10% to 15% of the budget, wherein for a big budget movie the share of VFX was 25% to 30%
 - 25% to 30% of the total production budget was allotted to VFX works for movies like Brahmastra, RRR and Adhi Purush¹²
- Indian film makers have increased the number of shots in their high-budget films from a few hundred to 1,500 - 2,000¹³
 - Brahmastra Part One: Shiva had over 4,500 VFX shots, potentially making it the Indian film with the most VFX shots till date¹⁴
 - SS Raja Mouli's RRR had a total of 2,800 VFX shots. 70% to 80% of the shots were done using CGI¹⁵

⁷ boxofficemojo.com⁸ <https://www.businesstoday.in/interactive/longread/the-coming-of-age-of-indian-vfx-firms-147-01-08-2022>⁹ Industry discussions, EY analysis¹⁰ <https://economictimes.indiatimes.com/industry/media/entertainment/ott-companies-are-spending-more-on-original-shows/articleshow/96065775.cms>¹¹ Industry discussions, EY analysis¹² Media articles, EY analysis¹³ <https://www.livemint.com/industry/media/filmmakers-turn-to-vfx-to-lure-crowds-back-to-cinema-halls-11660669469601.html>¹⁴ <https://timesofindia.indiatimes.com/entertainment/hindi/bollywood/news/brahmastra-has-4500-vfx-shots-possibly-the-most-for-any-international-film-ever-made-reveals-prime-focus-founder-namit-malhotra/articleshow/94114882.cms>¹⁵ <https://www.animationxpress.com/latest-news/exclusive-srinivas-mohan-shares-in-depth-insights-about-the-cgi-and-photorealistic-work-done-for-rajamoulis-on-screen-marvel-rrr/>

III. Top global VFX players expanded into India to leverage the cost arbitrage that India continues to offer

- ▶ For a global VFX player having operations in India, Indian VFX artists cost only one-eighth of the cost incurred on hiring artists in the UK or North America¹⁶
- ▶ In the last two years alone, the Indian visual effects industry has created 60,000 jobs, with studios like MPC in Bengaluru going for an extensive hiring spree¹⁷
- ▶ In 2022, five global VFX players, including ILM, have either started operations or announced their entry into the Indian market:
 - ▶ Industrial Light & Magic (ILM) opened its new office in Mumbai. ILM plans to acquire and retain over 500 skilled talents in India over the next three years¹⁸
 - ▶ UK-based Cinesite group acquired a majority stake in Assemblage Entertainment, headquartered in Mumbai¹⁹
 - ▶ Detroit-headquartered US tech firm, Pi Square Technologies, opened its global animation and VFX studio in Hyderabad²⁰
 - ▶ Ghost VFX, Streamland media's visual effects division, has announced it will open a new 32,000-square-foot studio in Pune, Maharashtra, India, in early 2023 to meet the growing needs of filmmakers worldwide²¹
 - ▶ FOLKS, a Fuse Group visual effects company, has launched its 35000+ square foot facility in Mumbai, India. The facility will staff more than 250 employees²²

IV. Studios embraced technologies like virtual production, AI and ML to streamline workflows and allow quicker iterations

- ▶ Volume of outsourced work and the complexity levels of the sequences delivered in India have increased considerably compared to what it was a decade ago
- ▶ Hence, to streamline the creative and technical process and allow quicker iterations for a client, VFX players are embracing artificial intelligence, Machine learning and deep learning

- ▶ Previously, less complex works like rotoscoping, paint and match moving (RPM) were delivered from India. Now, 85% to 90% of the world's RPM works are done in India²³
- ▶ With the rise of the hybrid working model, improvement in cloud computing, which enables remote work, made it even more possible for people across geographies to work in the same pipeline
- ▶ More virtual production studios were set up in 2022:
 - ▶ K. Sera Sera and Vikram Bhatt have opened India's first virtual production studio on the Dahisar Highway, Mumbai, spread over 50,000 sq. ft.²⁴
 - ▶ The Chennai-based film technology company Qube Cinema has teamed up with actor Akkineni Nagarjuna's Annapurna Studios and launched a full-service virtual production stage in Hyderabad²⁵

V. Availability of skilled talent was the key challenge

- ▶ The median age of artists in the Indian VFX and animation segment is 23 to 25 years with 85% to 90% of these artists conditioned on the job²⁶
- ▶ The attrition rate in the VFX segment in 2022 was 25% to 30%. High poaching of mid-level talent was also observed in the segment²⁷
- ▶ Almost all industry leaders we interviewed were concerned about the inability to find technically skilled employees to meet the opportunities provided by the high global and domestic demand for content
- ▶ Hence companies implemented training programs to acquire, retain and up-skill talent:
 - ▶ Phantom VFX took several initiatives like visiting university campuses and grooming talent by taking on board people with good skills in art or technology for three-month-long paid training programs²⁸
 - ▶ With a team of 75 people, the studio Hoop VFX started a training program which gave on-the-job training to college graduates and provided them with an opportunity to build a career in the VFX segment²⁹
 - ▶ In 2022, Framestore's renowned global accelerator program, Launchpad Pro, was launched. This platform is aimed at bringing in more VFX aspirants into the industry³⁰

¹⁶Industry discussions, EY analysis

¹⁷<https://www.cnbc18.com/entertainment/indias-vfx-boom-visual-effects-industry-animation-a-journey-towards-becoming-a-global-hub-13339902.htm>

¹⁸<https://www.animationxpress.com/latest-news/multiple-award-winning-vfx-house-industrial-light-magic-to-launch-a-studio-in-mumbai-this-diwali/>

¹⁹<https://www.animationxpress.com/animation/having-ventured-into-new-verticals-and-adapting-new-technologies-in-2022-indian-animation-studios-set-to-expand->

²⁰<https://www.animationxpress.com/latest-news/us-tech-firm-pi-square-technologies-opens-hornbill-studios-for-global-animation-and-vfx-services-in-hyderabad/>

²¹<https://www.animationxpress.com/vfx/ghost-vfx-to-open-new-state-of-the-art-studio-in-pune-with-prashant-shitole-as-head/>

²²<https://www.awn.com/news/folks-announces-new-mumbai-studio>

²³Industry discussions

²⁴<https://ahmedabadmirror.com/k-sera-sera-vikram-bhatt-set-up-indias-first-virtual-production-studio/81839859.html>

²⁵Qube Cinema ties up <https://www.thehindu.com/news/national/tamil-nadu/qube-cinema-sets-up-virtual-production-stage-in-hyderabad/article65324309.eceith> Annapurna Studios, sets up virtual production stage in Hyderabad - The Hindu

²⁶Industry discussions

²⁷Industry discussions

²⁸<https://www.businesstoday.in/interactive/longread/the-coming-of-age-of-indian-vfx-firms-147-01-08-2022>

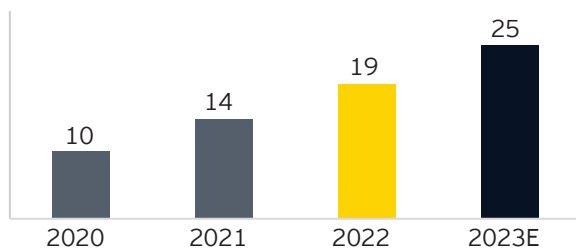
²⁹<https://www.animationxpress.com/vfx/year-ender-2022-thriving-in-terms-of-projects-and-expansions-indian-vfx-industry-gradually-becoming-a-global-hub-part-2/>

³⁰<https://www.animationxpress.com/latest-news/year-ender-2022-thriving-in-terms-of-projects-and-expansions-indian-vfx-industry-is-gradually-becoming-a-global-hub-part-1/>

Post-production

Post-production revenue grew 35% to reach INR19 billion

Post-production revenues



INR billion (gross of taxes) | EY estimates

I. Demand Increased for dubbed theatrical releases post the pandemic

- ▶ There was a surge in dubbed theatrical releases from 15% of all releases pre-pandemic to 30% of releases in 2022³¹
- ▶ Pan India film and OTT releases have led to an improved and upgraded dubbing industry. In the space of a decade, the cost of dubbing for an average film has gone from INR0.5 million to INR2 million³¹. Dubbing and subtitling have enabled regional films to break the language barrier and expand the audience base
 - ▶ 37% of the Hindi box office revenue in 2022 was generated by dubbed south Indian films, according to Ormax
 - ▶ SVOD audience watches content in 2.3 languages on average. With dubbing and subtitling, this number doubles to 4.6³²
 - ▶ 70% of the audience of Malayalam content is exclusively through language support. It is more than 59% for all the South Indian languages

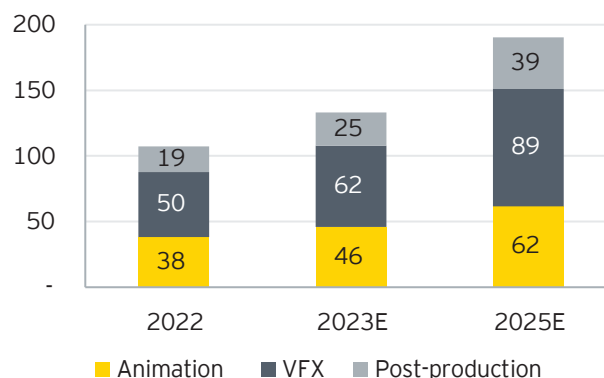
II. Changing consumer palette resulted in demand for better finished products

- ▶ As consumers increasingly accessed global content on streaming services, their appreciation of content quality evolved
- ▶ To meet the quality requirements of various streaming platforms, as well as top-end television programming, production houses have had to invest more in post-production services, a trend that will only increase as:
 - ▶ television strives to compete with streaming platforms, and
 - ▶ global platforms continue to evaluate content around its ability to serve audiences across countries

Future outlook

The segment is expected to grow at a CAGR of 20% to 25% to reach INR190 billion by 2025

Estimated growth



INR billion (gross of taxes) | EY estimates

I. Demand for tentpole movies and VFX-heavy episodic content will continue to drive growth

- ▶ More than 50+ upcoming VFX-heavy movies are expected to be released in 2023 and early 2024³³
- ▶ 1,000+ original titles are expected to be commissioned across the top 10 OTT platforms over the next few years³⁴
- ▶ Marvel is introducing 10 new characters in phase 4 of its MCU³⁵, which creates the possibility spin-off TV shows and web series
- ▶ Tier 1 players like ILM, DNEG, Framestore and Technicolor have marked their entry into the Indian market to take advantage of our talent pool and technological capabilities, and are looking to at the very least double their headcount in India ensure better margins as their clients, the global studios and streaming platforms, aim for better profitability/ break-even

³¹<https://timesofindia.indiatimes.com/entertainment/hindi/bollywood/news/dubbing-becomes-a-game-changer-for-indian-audience/articleshow/96691525.cms>

³²<https://www.ormaxmedia.com/insights/stories/dubbed-and-delivered.html>

³³EY analysis

³⁴https://variety.com/vip/content-spending-levels-at-top-media-companies-2023-forecast-1235440145/?sub_action=logged_in

³⁵<https://www.denofgeek.com/movies/mcu-phase-4-cast-new-characters/#:~:text=Marvel%20Studios%20has%20been%20very,Thing%2C%20and%20She%2DHulk.>

II. Demand for animated domestic content is also set to increase

- ▶ Prasar Bharati has also signed a memorandum of understanding (MoU) with YuppTV, an OTT platform, in March last year to make DD India available in various countries, including the US, UK, Singapore, Australia, New Zealand, besides Europe and the Middle East³⁶
- ▶ In addition, it proposes to launch a kids' channel which will use animated content
- ▶ Stand-alone kids apps have been launched to provide curated experiences - with or without a linkage to education - to segmented audiences

III. Increased viewership of anime among millennials is an opportunity for high-quality adult-focused content

- ▶ 83% of the Indian audience prefers anime content across all animated content options available³⁷
 - ▶ The top three favorites in India are Naruto, Death Note and Attack on Titan
- ▶ Increased popularity of Anime among millennials suggests a strong base of audience interested in quality animated content, which remains untapped by Indian studios

IV. Indian artists will use their experience to develop international IPs

- ▶ Currently, 10% to 15% of the animation segment's revenue comes from domestic IP generation³⁸
- ▶ Indian artists are acquiring world-class skill sets through collaborating with top international players
- ▶ We expect Indian IP creation to grow, taking advantage of the skills acquired, which can also provide additional export revenues to India

V. High-end gaming growth can be beneficial for studios

- ▶ Estimates show that the overall gaming market in India can reach US\$8.6 billion by 2027, with gamers crossing 630 million by 2026³⁹
- ▶ 2022 saw Indian studios developing their talent across the top gaming engines such as unreal and unity
- ▶ There lies an opportunity for animation studios to diversify into game development by acquiring more relevant skill-sets and create new monetization avenues for their IPs

VI. Metaverse and Web 3.0 growth provide a nascent opportunity

- ▶ While still premature in India, the metaverse is expected to gain significant scale globally
- ▶ The AVGC sector will be needed to support content creation across AR, VR, XR, character creation, world building, and so on. These areas will evolve over the next five to 10 years and the Indian industry needs to augment and train its talent and artist workforce to take advantage of this opportunity⁴⁰
 - ▶ Further, the UX/ UI design and animation areas will also get a boost with novel changes and requirements
 - ▶ Experts like designers, copywriters, dubbing artists, developers, testers, spatial artists, quality checkers, governance managers, community builders, security analysts, and so on are newer skill-sets which will be needed to grab these opportunities
- ▶ Indian animation studios have already joined the bandwagon and are launching innovative products:
 - ▶ Paperboat Design Studios' TATTVA118 is a unique global Metaverse, where the universe is bounded by a theme of elements from the periodic table⁴¹
 - ▶ MythoverseStudios, concentrates on building more immersive experiences based on Indian mythology for its audience⁴²
 - ▶ PartyNite, a Metaverse platform created by AR/ VR robotics company Gamitronics, has successfully hosted virtual events like the Indian pop star Daler Mehndi's concert, Space Tech framework⁴¹

³⁶<https://www.outlookindia.com/national/prasar-bharti-likely-to-expand-to-ott-to-increase-global-reach-of-doordarshan-news-251500#:~:text=Prasar%20Bharati%20had%20signed%20a,Europe%20and%20the%20Middle%20East>

³⁷<https://www.financialexpress.com/brandwagon/83-indians-prefer-anime-over-other-animated-content-report/2491736/>

³⁸Industry discussions

³⁹<https://www.hindustantimes.com/lifestyle/brunch/level-up-indian-gaming-is-getting-bigger-in-2023-101675445972189.html>

⁴⁰ <https://mib.gov.in/sites/default/files/AVGC-XR%20Promotion%20Taskforce%20Report%20-%202022.pdf>

⁴¹ https://www.animationxpress.com/wp-content/uploads/2022/10/mipcom_special_2022.pdf

⁴²<https://animationxpress.com/vfx/mythoverse-studios-enters-into-the-metaverse-announces-anshu-patni-as-gaming-and-web3-0-ceo/>

VII. There is a need to build the talent pool, urgently, as recommended by the AVGC taskforce

- ▶ The AVGC task force emphasizes developing the 3Ts (Talent, Technology and Tools) to achieve India's vision of achieving 5% of the global market by 2025⁴¹:

Develop domestic industry for global access	Develop talent ecosystem to realize demographic dividends	Enhance technology and financial viability for the Indian AVGC segment	Raise India's soft power through inclusive growth
A National AVGC-XR Mission with a budget outlay to be created for integrated promotion and growth of the AVGC sector	Leverage the National Education Policy (NEP) to develop creative thinking with dedicated AVGC course content at school levels, to build foundational skills and to create awareness about AVGC as a career choice	Democratize AVGC technologies by promoting subscription-based pricing models for MSME (Micro, Small and Medium Enterprises), start-ups and institutions	Establish a dedicated production fund for domestic content creation from across India to promote Indian culture and heritage globally
Launch a 'Create in India' campaign exclusive to content creation, 'In India, For India & For World'	Launch AVGC-focused UG/ PG courses with standard curriculum and globally recognized degrees	Provide "Made in India" support for AVGC technologies through R&D and IP creation incentive schemes. Evaluate the PLI scheme to incentivize AVGC hardware manufacturers	Target skilling and industry outreach for youth in tier two and three towns and villages in India
Institute an International AVGC platform, along with a gaming Expo) with a focus on FDI, co-production treaties and innovation	Standardise admission tests for AVGC related courses (namely, Media & Entertainment Creative Aptitude Test (MECAT) by Media and Entertainment Skill Council (MESC))	Enhanced ease of doing business in the AVGC sector, i.e., tax benefits, import duties, and curbing piracy	Establish special incentives for women entrepreneurs in the AVGC sector
Establish a National Centre of Excellence (COE) for the AVGC sector to become an international reference point across skilling, education and research and innovation for the AVGC sector	Establish AVGC accelerators and innovation hubs in academic institutions on lines of Atal Tinkering Labs	Leverage start-up India to provide technical, financial and market access assistance to AVGC entrepreneurs to promote culture of R&D and local IP creation	

- ▶ We estimate that India can absorb around 1 million gaming artists, developers, coders, etc. to support global gaming companies in development, operating, marketing and managing games. Several international games are similarly supported by Indians, but outside of India. To prevent this talent drain, it is imperative the segment focusses on talent development in India.

⁴³<https://mib.gov.in/sites/default/files/AVGC-XR%20Promotion%20Taskforce%20Report%20-%202022.pdf>



Trends Animation and VFX

Powered by **AnimationXpress**.com

Kids platforms continued to invest in original animated IPs

Hungama (Disney India)	ETV Bal Bharat	Gubbare
▶ Dr. Tenali Rama HMKD ▶ Bhaiyyaji Balwan	▶ Pandeyji Pehalwan	▶ Roro Aur Hero Bhoot Mast Zabardast ▶ Akul Nakul - The Asuras
Sony YAY!	Discovery kids	Pogo
▶ HaGoLa ▶ PaJaMa	▶ Baby Little Singham ▶ Buntty Billa aur Babban	▶ The Pandavas

Indian animation studios ventured into new verticals

Paperboat Design Studios entered the ed-tech sector through its skilling initiative 'UtSide'

88 Pictures established VFX division

Ssoftoons Animation launched its new OTT platform, 'Ssoftoons Plus' for Android users

Cosmos Maya forays into the VFX and ed-tech space

Use of VFX increased

4,500+

Brahmastra Part One: Shiva

RRR

2,800

3,200

Shamshera

Samrat Prithviraj

2,209

1,500

Bhool Bhulaiya 2

Number of VFX shots in select movies

Growing presence of international studios

Cinesite Group acquired a majority stake in Assemblage Entertainment

Detroit-headquartered US tech firm, Pi Square Technologies, opened its global animation and VFX studio in Hyderabad named Hornbill Studios

Industrial Light & Magic (ILM) opened its new office in Mumbai

UK-based organization Outpost VFX opens its base in Mumbai

FOLKS, a Fuse Group visual effects company, has launched its studio in Mumbai

Indian creators invested in advanced VFX and virtual production

RCVFX

Used Technocrane's Technodolly Motion Control system to achieve the complex double role shots and to grab plates with the same camera movements in Bhool Bhulaiyaa 2

RRR

Used Ncam system from Canada which connects the live camera into the virtual animated world

K.Sera Sera and Vikram Bhatt

Opened India's first virtual production studio located on the Dahisar Highway, Mumbai, and spread over an area of 50,000 sq. ft.

Qube Cinema & actor Akkineni Nagarjuna's Annapurna Studios

Launched full-service virtual production stage in Hyderabad

Anamika

80% of this MX player series was shot using virtual production

Mediamonks

Opened a 6,500 sq ft. virtual production studio in Delhi in February 2022

Domestic players expanded their operations and scale

Knack Studios has set up two facilities: one in Chennai and the other is spread across 6,000 sq. ft. in Hyderabad

PhantomFx revamped their Chennai and Mumbai offices

Shilpa Shetty Kundra launched her own VFX studio, SVS Studio along with VFX veteran Sandeep Mane

Mumbai-based 88 Pictures expanded to Kolkata and Hyderabad

Illusion Reality Studioz turned their Bhubaneswar outlet into a 6,000 sq.ft. facility in 2022

BOT VFX opened a new office in Pune

Reliance Animation proposes to open offices in Canada and Singapore

Chennai-based PixStone Images announced the opening of its new office in Hyderabad

Toonz Media Group added 20% capacity in 2022 and took an additional 8,000 sq.ft space in Thiruvananthapuram

Paperboat Design Studios plans to start its operations at Dubai

Knack Studios plans to set up in Vancouver

Indian animation and VFX studios increased their focus on training and upskilling

Hoop VFX introduced an on-the-job training for college graduates

Zebu Animation is starting a school for storytelling with Additional Skill Acquisition Program (ASAP), the skilling department under the Education Ministry of the Kerala Government

Phantom VFX is visiting university campuses, grooming talent by facilitating three-month-long paid training programs

Framestore launched its renowned global accelerator program, Launchpad Pr

Reliance Animation Studios is rebranding their educational arm, 'Reliance animation academy' with the help of international players



Expert speak



Biren Ghose
Technicolor Creative Studios

India has made the pivot from being a production house with basic skills to offering “end-to-end” capabilities at the high end of computer graphics driven content creation. It has overcome the proverbial label of being a ‘back-end’ services provider, to the point where even the research software development with new tools and technologies are being innovated locally. India is looking to double its global market share over the next 4-5 years.



Ashish SK
Punnaryug Artvision

The Government's AVGC TASK Force and several state governments are ahead of the curve with AVGC-XR policies that will spur growth of the segment. Very soon we will have AVGC-XR focused PE funds for India to further fuel the growth in this segment and take Indian creativity global!



Rahul Puri
Mukta Arts

Technologies have emerged in the past decade like virtual production, photoreal animation & VFX, photogrammetry, volumetric capture and the use of game engines in filmmaking, which have all enabled greater viewer immersion. It is now up to the filmed entertainment industry on how we educate ourselves & use these tools to enhance viewer immersion.



Megha Tata
Cosmos Maya

With fragmentation of content consumption continuing, clutter breaking content will play a bigger role in the coming years. Animation is one such medium which will be seen in new forms. As the industry continues to evolve and mature, we can expect to see even more innovative and immersive content from Indian animation and VFX studios, positioning them as major players on the global stage.



P. Jayakumar
Toonz Media Group

The potential of the Indian Animation & VFX sector is recognised globally, and the policy intervention measures undertaken recently by the government will make India an AVGC hub of the world in the years to come.



Suchit Mukherjee
Famulus Media

The more than promising future for AVGC in India will be driven by the right infrastructural, financial and work allocation reforms, by standardising industry norms at par with those set for the world, with country-specific benefits still being offered for outsourcing models.



Ashish Thapar
Hitech Animation

Many animation studios, initially focused on servicing the domestic market, are now aiming to collaborate with international clients, and this will further push the envelope on quality. As animation becomes state of the art, Indian content is expected to compete at par with international shows soon enough.



Anant Roongta
Famous Studios

Studios in India have the opportunity to tap world class talent from across the country and take India to the world stage. We must focus on longevity and sustainability.



Anil Wanvari
AnimationXpress.com

Indian studios have risen upto the task of high end requirements from Hollywood, Europe and South East Asia. Most of the big players are planning to/ currently have their studios here. Right now it is amongst the leaders; doing outsourcing as well as domestic productions with high-end animation, visual effects, virtual productions, XR, VR, AR, MR, etc.



Hitesh Shah
BOT FX

VFX prep service skills are already strong and in large supply today in India. When the talent pool and skill level in Comp and CG reach similar levels, enormous new possibilities will open up for India - it will no longer be considered an outsourcing hub, but a VFX hub the way London, Vancouver, and Montreal are today.



Arjun Madhavan
Assemblage Entertainment

India is on a strong arc of transforming its Animation, VFX and post-production offerings from a cost arbitrage play to a value arbitrage ecosystem.



Viren Patil
Zebu Animation Studios

The AVGC sector in India is on the cusp of major growth, with new real-time technologies emerging, a rapidly growing digital economy, and a rising demand for high-quality content. The sector is expected to generate significant employment and business opportunities in the coming years.



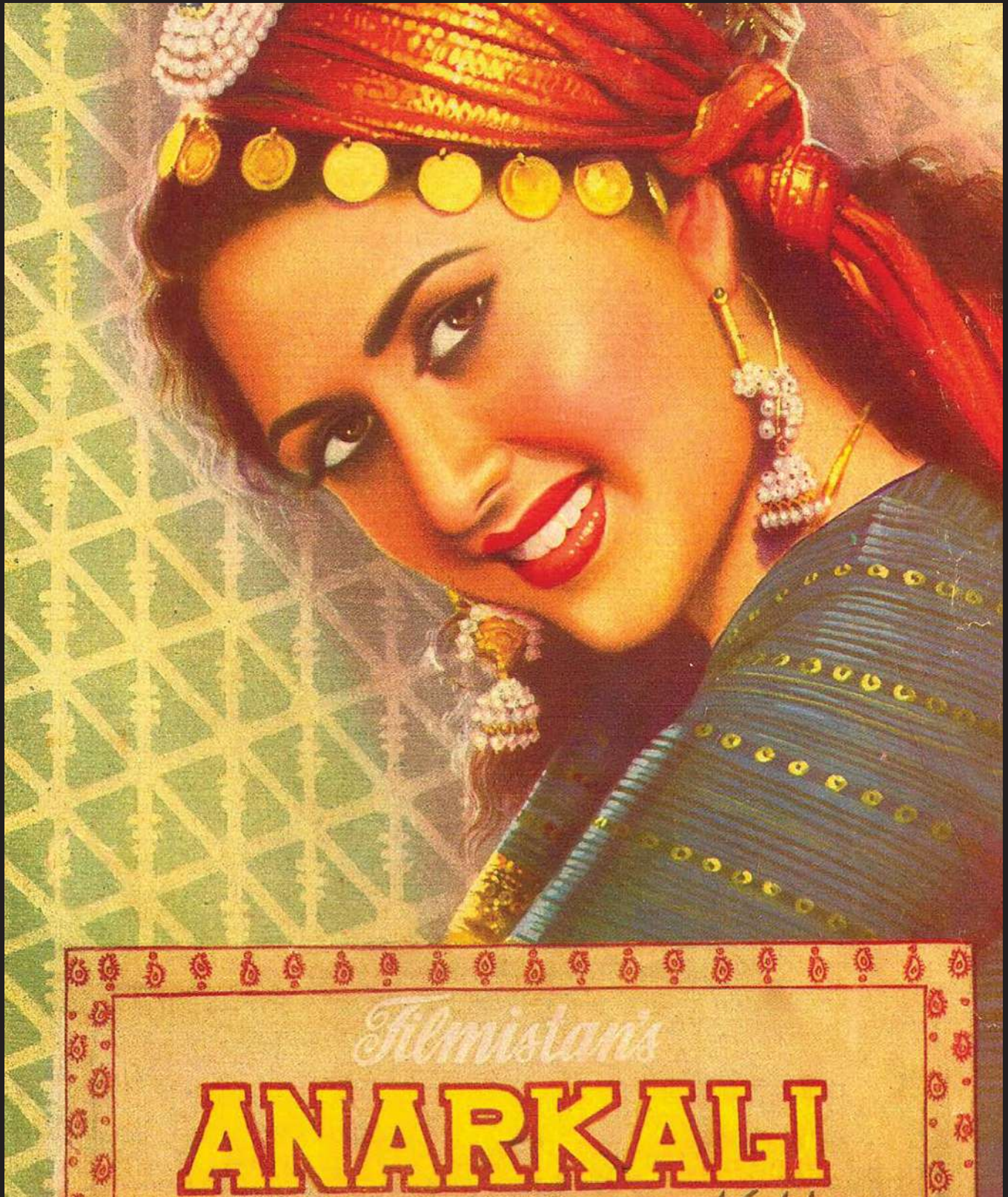
Vikas Kumar

Digitoonz

Movies these days actively use animation and VFX which is another reason why both industries are booming and have the potential to grow in future. The Animation industry has a very wide scope of expansion in the coming future also due to emergence of metaverse.



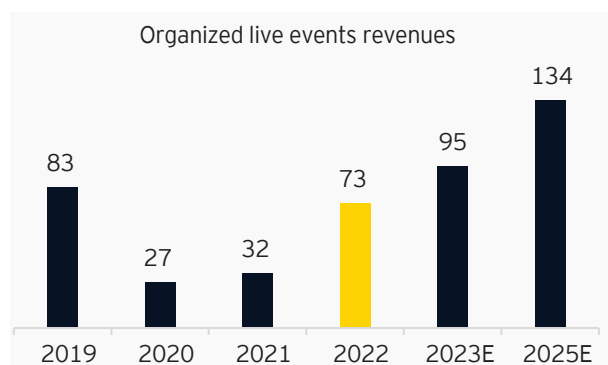
Live events



Live events

This section is based on the findings of primary research conducted across 49 Indian events companies, 100+ marketers and industry discussions.

Organized live events recovered 129% in 2022



INR billion (gross of taxes) | EY estimates

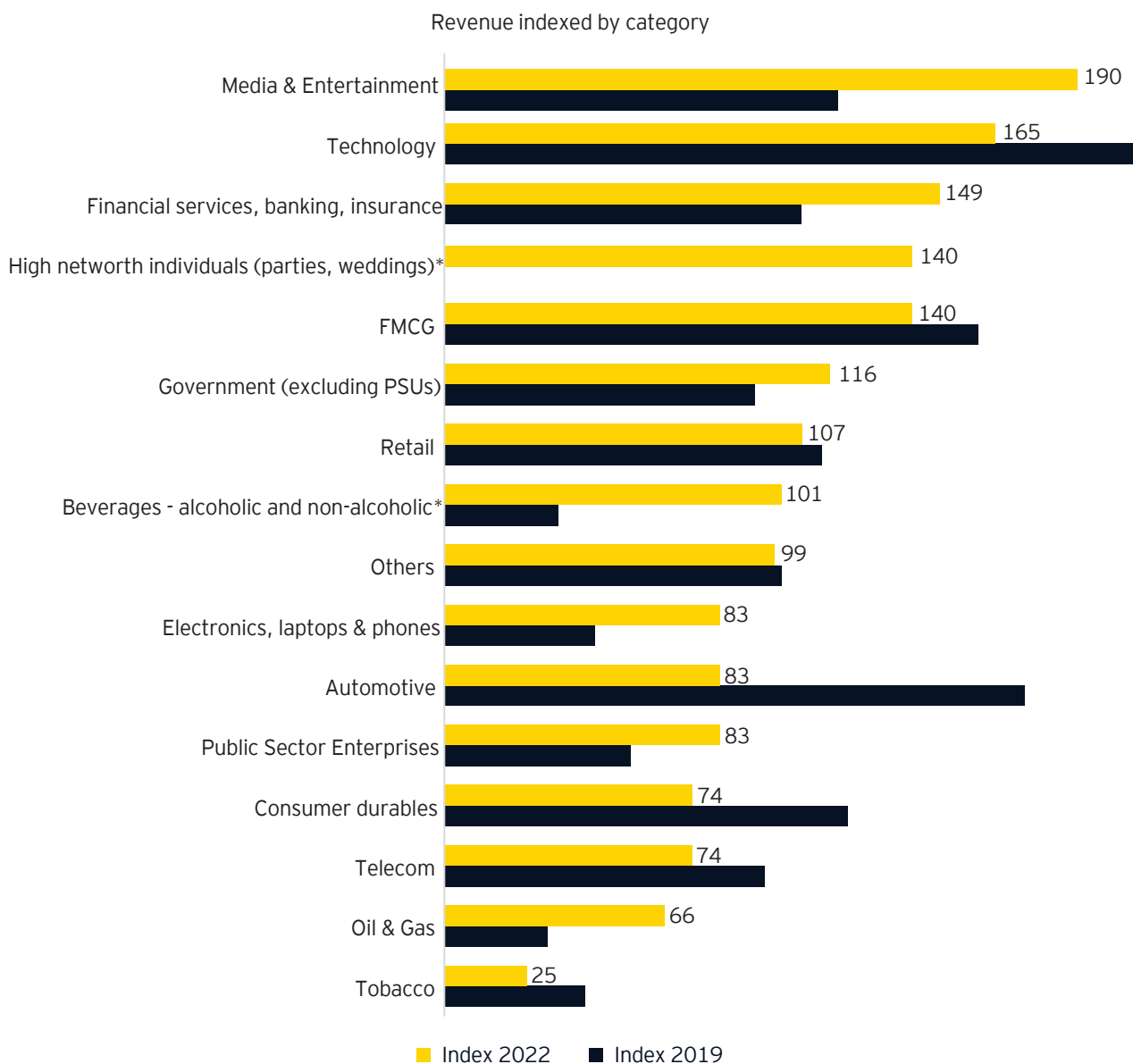
- ▶ The organized events segment grew by 129% in 2022 to reach INR73 billion, which is 88% of its pre-COVID-19 levels
- ▶ There was an increase of 45% in number of events conducted in 2022 over 2021, noted across large-scale events, government events, high net-worth weddings and large format sports and music concerts
- ▶ Managed events (both corporate and personal) were the backbone of the segment, comprising over 65% of events conducted by our survey respondents
- ▶ M&E, technology and FMCG were the top categories spending on events in 2022
- ▶ The core difference between the pre- and post-COVID-19 events segment is the increase in share of ticketed event revenues vis-à-vis sponsorship
- ▶ The focus over the next few years will be a considerable investment in event tech to manage increased demand for events as well as to build higher-quality and monetizable engagement and accountability for sponsors and brands
- ▶ Survey respondents expect the industry to exceed its pre-COVID-19 levels in 2023
- ▶ The live events segment is expected to grow at a CAGR of 22% over the next three years to reach INR134 billion by 2025

Note on sizing

- ▶ The live events segment revenue represents the revenue of "organized" events and activation agencies and does not include the multitude of "unorganized" event companies spread across the country, as it is not possible for us to size them; survey respondents felt on an average that around half the Indian events and activation segment was organized
- ▶ The size estimate also does not include:
 - ▶ The value of media spends on and telecast rights of events (unless event IP was owned by an event and activation management company)
 - ▶ The value of meetings, incentives, conferences, and exhibitions (MICE) conducted by pure travel companies
 - ▶ Monetization of IPs not owned by event companies, e.g., sports media rights
 - ▶ The value of properties managed by in-house teams of advertisers, print, radio, and other M&E segments, which are included in the sizing of those segments
 - ▶ Weddings and other events which are paid for in cash in the unorganized segment. A recent report by ICICI Direct estimated the size of the wedding industry, including affiliated segments like cards, mehendi, venue decoration, matrimonial sites, etc. to be over INR2 trillion in 2022¹

¹ <https://economictimes.indiatimes.com/news/india/estimated-32-lakh-weddings-till-dec-14-with-a-trade-of-rs-3-75-lakh-cr/articleshow/95352099.cms>; https://twitter.com/ICICI_Direct/status/1611011691709452288/photo/1

M&E, technology and financial services were the top categories spending on events in 2022

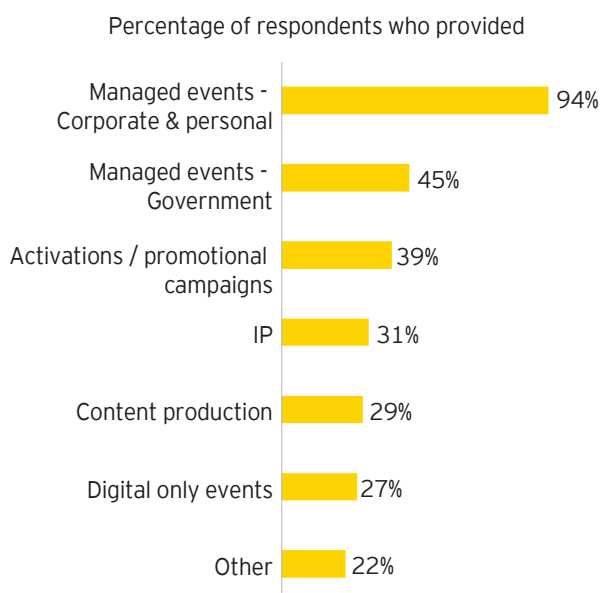


EY survey of event companies 2022 | An index value of 100 refers to the average revenue earned across categories

*Beverages, alcoholic and non-alcoholic, are combined into one category and compared with index of 2019, as this split was not present in the 2019 index. High net-worth individuals (parties, weddings) is a new category that has been introduced. Hence, index for 2019 is not available for comparison

- ▶ The M&E category rose to the top of the index due to multiple new OTT channels and show launches, a revival in large-budget theatrical releases, sports events, increasing popularity of reality shows, etc.
- ▶ The technology category stayed strong, although generated relatively lower revenues due to the pressures felt by the sector post the pandemic
- ▶ The high net-worth individuals (parties and weddings) category was introduced in our 2022 survey, and immediately entered the top five categories
- ▶ The “government” category was key in supporting the events industry during the pandemic, and continues to grow on account of awareness programs, sports, election rallies, marquee international events and summits

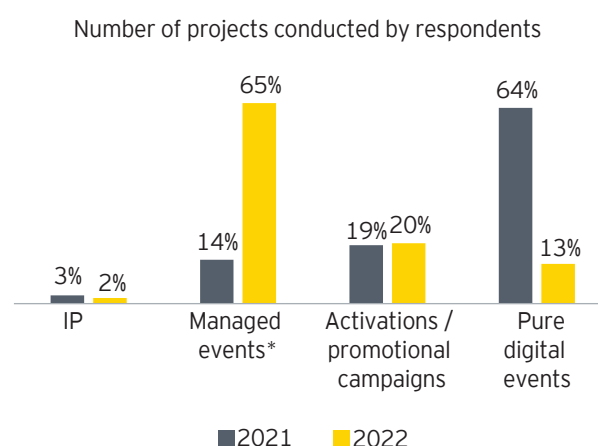
Managed events exceeded pre-COVID-19 levels



EY survey of event companies 2022

- ▶ 94% of respondents provided managed events, exceeding pre-COVID-19 levels of 88%
- ▶ 45% of our survey respondents conducted managed events for the government, the highest ever across the last six years
- ▶ 29% of respondents have expanded their service offerings to provide content production

As expected, pure play digital events have reduced, but continue to support mainstream events



EY survey of event companies 2022

*Managed events for 2022 includes corporate, personal and Government

- ▶ Pure digital events declined significantly to 13% in 2022 compared to over 64% in 2021, reflecting the relaxation of curbs implemented on account of COVID-19 and the need to physically meet and interact
- ▶ A corresponding growth was witnessed in the share of managed events

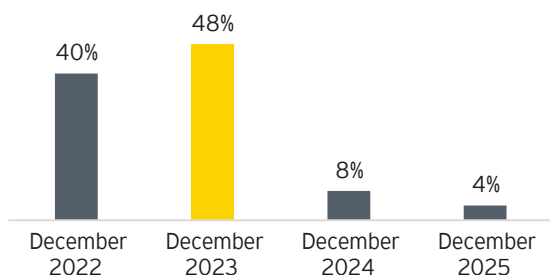
The government increased event spends significantly

- ▶ Government spends are increasing on events as it creates large properties e.g., Pravasi Diwas, G20 events, International Yoga Day, various state investor meets, Youth Games, etc.
- ▶ Industry body EEMA estimated that the Government issued around 3,000 tenders for events since the pandemic, with an estimated total value (including media and non-experiential elements) of INR320 billion
- ▶ Events tenders are now being issued by government buyers in a multi-year format, to enable consistency, build the brand of the event/ IP, and deliver higher impact and better measurement

Future outlook

Most respondents expected the live events segment to exceed pre-COVID-19 levels by 2023

When will you see revenues at pre-COVID-19 levels again?

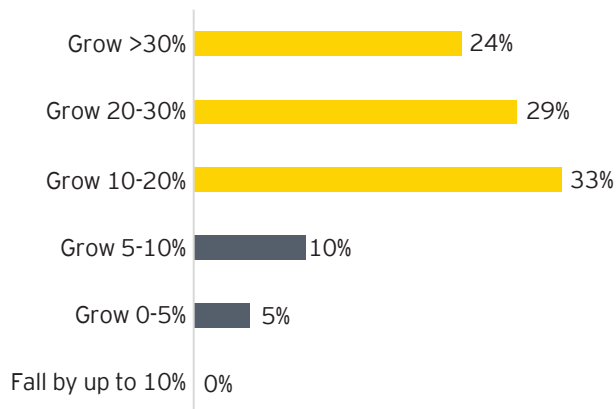


EY survey of event companies 2022 | %age of respondents

- ▶ 95% of respondents believed the events segment recovery had begun
- ▶ 88% of respondents expected the segment to exceed pre-COVID-19 levels by December 2023

Events and activations will continue to grow

How do you expect the events and activations industry to grow over the next 2-3 years?

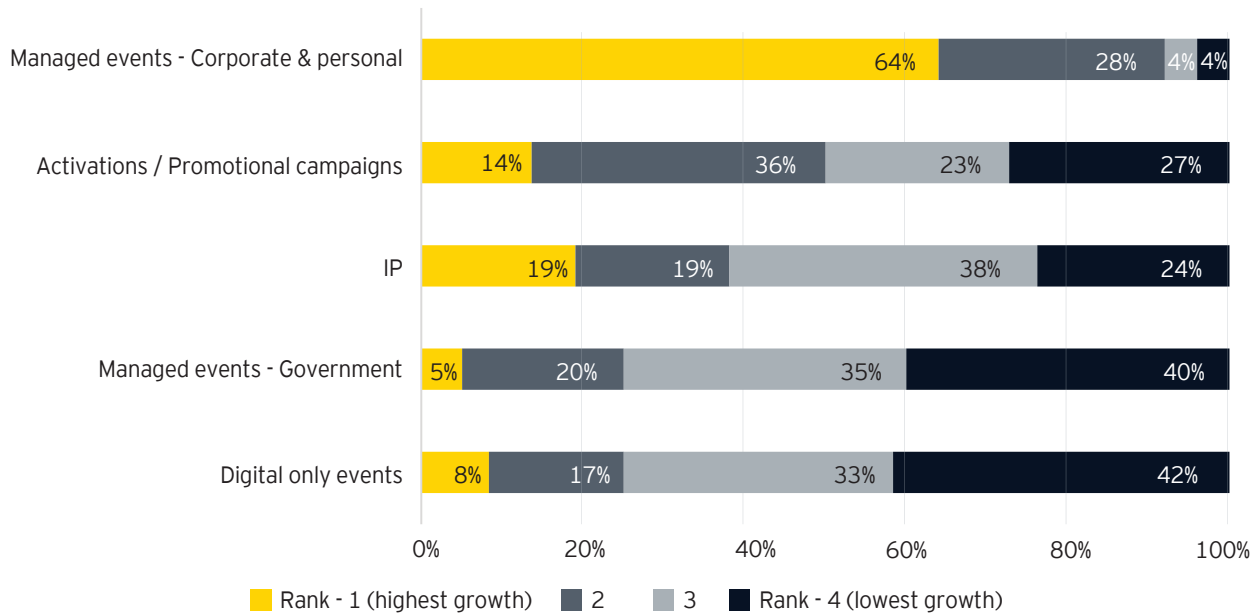


EY survey of event companies 2022 | %age of respondents

- ▶ Sentiment across survey respondents remained high, with 85% expecting a growth over 10% annually
- ▶ Factors mentioned in support of this included:
 - ▶ Complete relaxation of curbs on physical meets
 - ▶ Marquee sporting events Cricket World Cup 2023, Hockey World Cup 2023, Khelo India Youth Games, Asian Wrestling Championships
 - ▶ National and international events conducted by the Government of India, including International Day of Yoga, the G20 Summit, etc.
 - ▶ Elections across nine states in India and the subsequent general elections
- ▶ Organized to unorganized events ratio is expected to change from its current ratio of 45:55 to a ratio of 57:43 by 2025

Managed events will drive future growth

Rank of expected growth in type of events in the next 2-3 years | %age of respondents

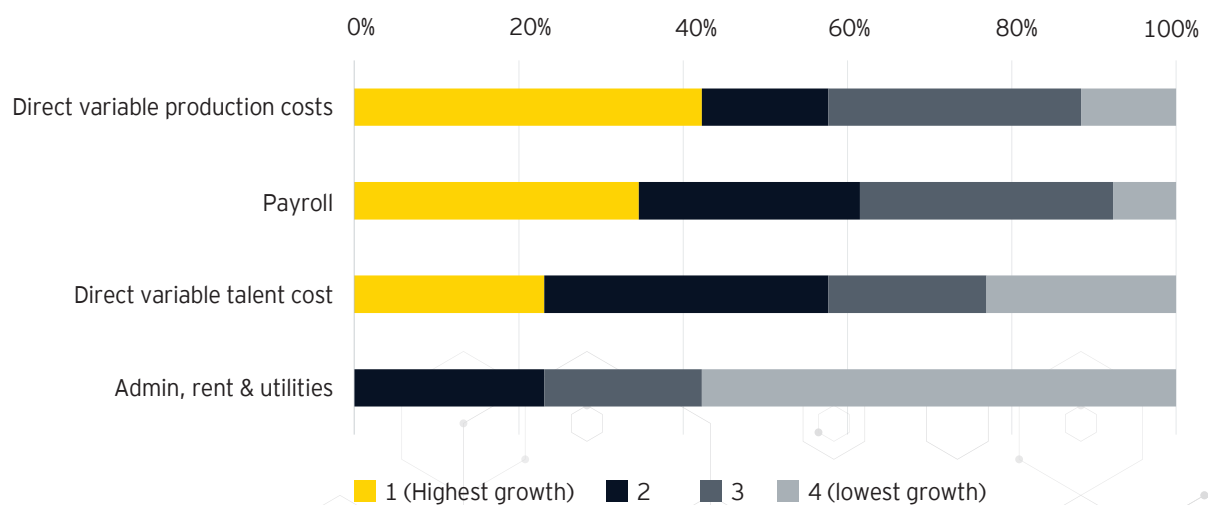


EY survey of event companies 2022

- ▶ 92% of respondents ranked Managed events (corporate and personal) as their key driver of revenue in the next two to three years
- ▶ Respondents also expected to see a growth in event IP revenues, on the back of increasing willingness to spend on tickets, and in activations as national brands scoured for growth in non-metro markets

Direct variable and payroll costs will increase the most

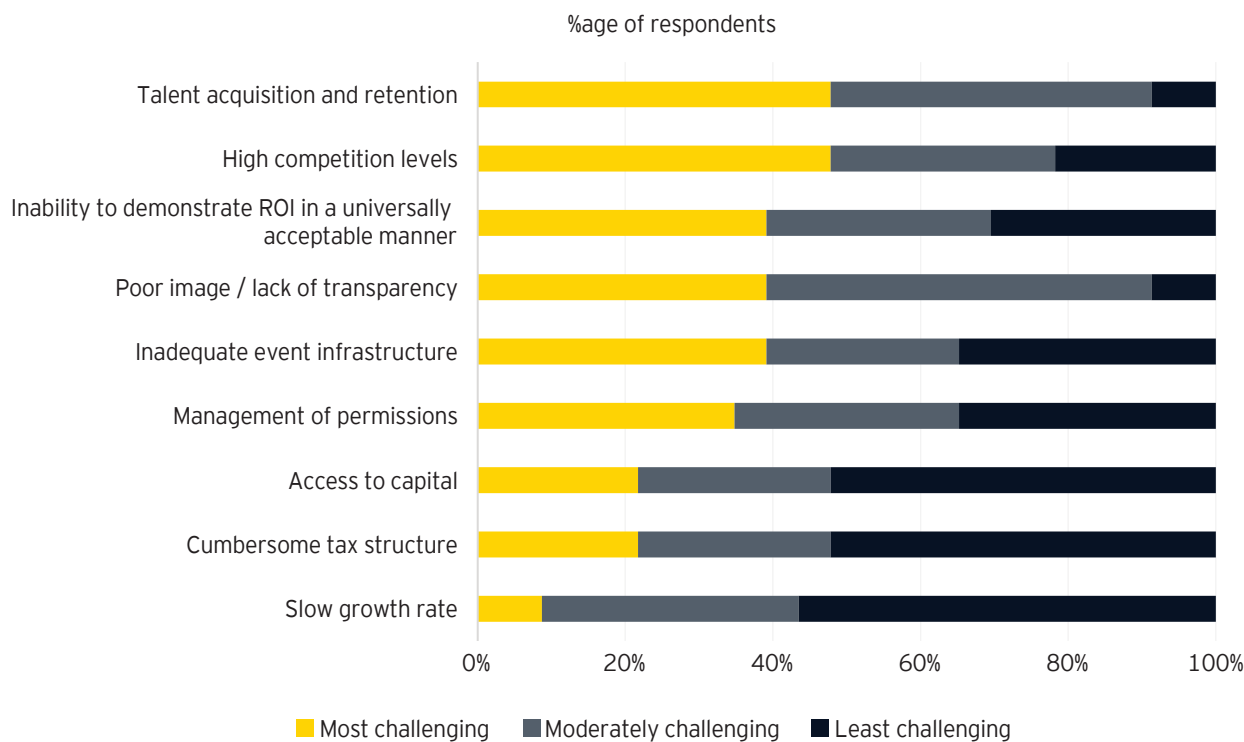
Expected growth in costs | %age of respondents



EY survey of event companies 2022

- ▶ Expectedly, direct various costs may grow the most, followed by permanent employee costs
- ▶ For a majority of respondents, direct variable talent costs were also expected to rise

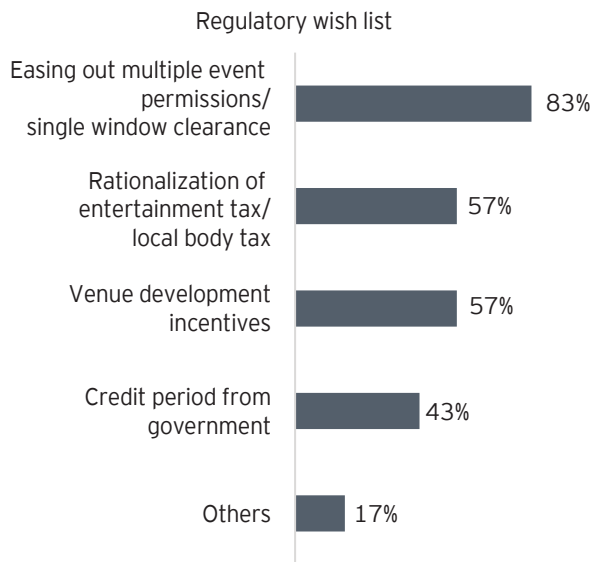
Talent was the largest challenge for 2023



EY survey of event companies 2022

- ▶ Talent acquisition and retention was a key challenge, given the enormous growth witnessed in 2022 and continued high growth expected in 2023
- ▶ Competitive pressures were also expected to remain high, including the low entry barrier for employees to start their own event agencies
- ▶ Ability to demonstrate ROI and lack of transparency continued to be areas requiring attention

Easing event permissions and rationalizing taxes remained on top of the regulatory wish list



EY survey of event companies 2022 | %age of respondents

- ▶ Respondents most required an easing out of permission processes, and hoped for a single-window clearance mechanism to conduct events
- ▶ Tax rationalization was also on their wish list, given the growing ticketing business
- ▶ Venue shortages, already acute in the peak season, are expected to get worse, and hence respondents desired incentives for venue development



Trends

How AI is transforming events and experiences

AI and automation use cases across the events lifecycle

Possible AI interventions

Planning

- ▶ **Sourcing and budgeting**
Identification of line items, organization of quotes, assessment of suppliers, rate benchmarking and contracting
- ▶ **24/7 support** for vendors and presenters, including on contracting, invoice processing, payment, etc.

Marketing

- ▶ **Identify** potential customers
- ▶ **Retargeting**
- ▶ Assist in developing **pre-event messaging** and **ads** to promote the events
- ▶ Analyse successful promotions of other events, **draw insights** and **create marketing strategies**
- ▶ AI can send **tailored e-mails** for promotion including next-best/last-minute offers
- ▶ **Push messaging** post registration

Engagement/ experience

- ▶ Provide **personalized recommendations** for event attendees to try different areas/ activities
- ▶ Generate **custom up-sell offers**, based on their social media profiles
- ▶ **Chatbots** can engage with attendees and answer specific questions about the event
- ▶ **Crowd management** based on areas with high and low concentration of visitors
- ▶ Live social media **content creation**

Security

- ▶ **Facial recognition** and **biometrics** can help organizers to verify the identity of attendees, manage F&B consumption, manage access to restricted areas, provide emergency information management, etc.
- ▶ Secure **networking suggestions**

Post event

- ▶ Create **custom memories** for participants
- ▶ Generate **coverage data** for sponsors
- ▶ Gain **insights that can be used** for future targeting and marketing and engagement efforts

Live events technology map for customer touchpoints

Customer journey

1

Rahul watches a concert ad on TV and digital platforms and then thinks about attending the concert

2

Rahul starts researching about various buying options and discusses with friends

3

Rahul discovers various buying options, promotions, discounts, etc.

4

Rahul validates his research with family and friends

5

Rahul revisits the site/ mobile app and finalizes the purchase option

Technology touch points

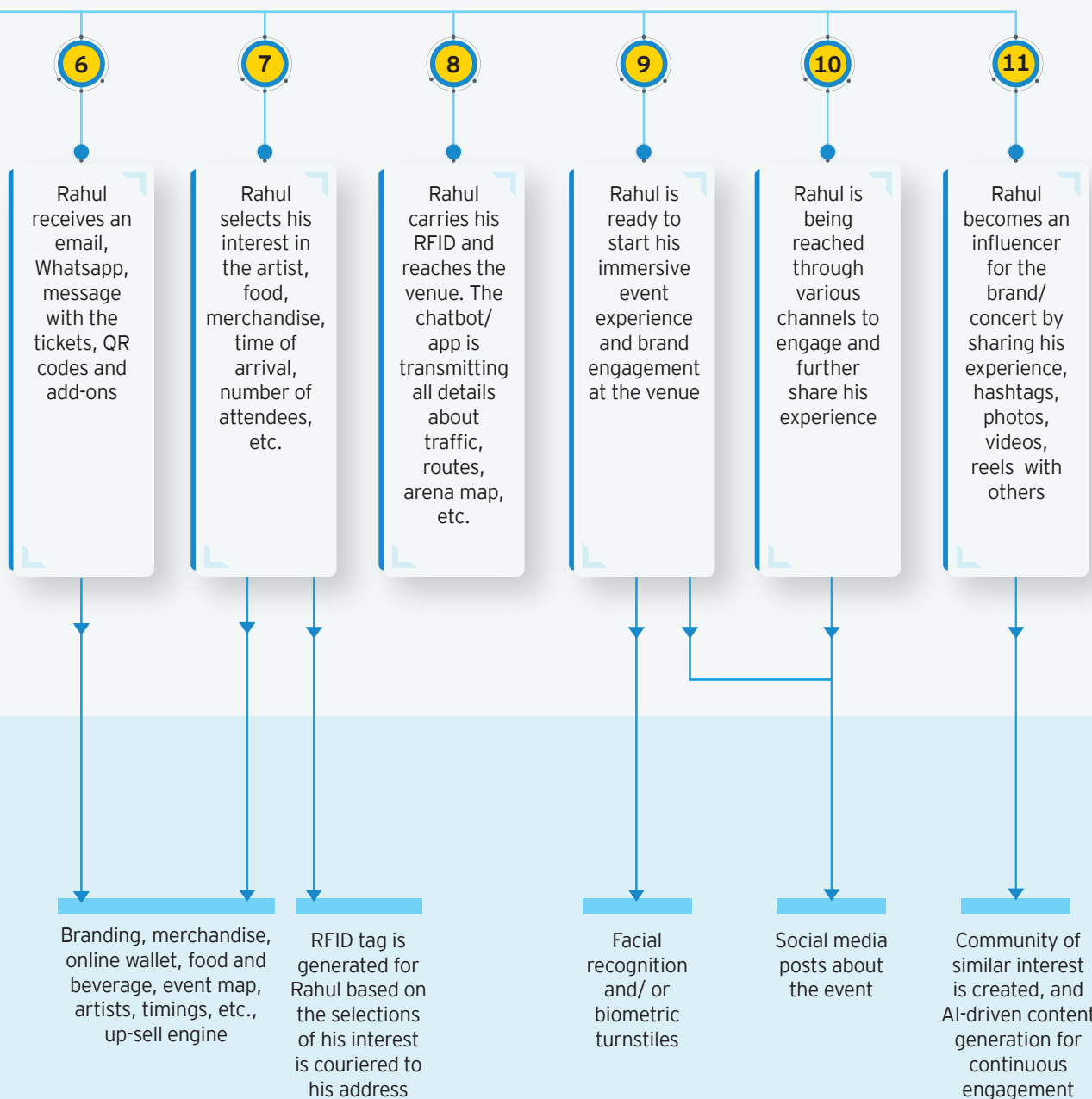
CDMS and CRM work together for retargeting and conversion

Positive sentiment created online + offline

Customer-centric website and localized contextual web pages
Integrated loyalty management offers from sponsors

Create brand advocates from online and offline channels to spread a positive message

Realtime ticket generation



Expert speak



Samit Garg
Efcator & SkyWaltz

The Events & Experiences industry is on the cusp of a transformative era, where scale, collaboration, innovation and creativity will lead to new frontiers of public engagement and economic progression. India will witness exponential growth in the sector over the coming 5 years.



Atul Nath
Candid Marketing

The pandemic changed Experiential Marketing forever, but underlined the importance of human connection and engagement. There are multiple opportunities in leveraging technologies to create immersive, personalised, and socially-driven experiences that captivate and drive business results.



Sabbas Joseph
Wizcraft

The event segment's growth is buoyed by the need for memorable experiences and hunger for live content both in entertainment and sports. Technology is enhancing the impact of experiences and events while at the same time providing live content opportunities through streaming and broadcast thereby increasing the potential for consumer connectivity.



Brian Tellis
Radioactive Ventures

We have always, and will continue to be happy social animals. Technology will continue to augment quality and effectiveness of life. Creating community and brand driven experiences will continue to be the flavour of change!



Deepak Choudhary
XPRNC, eventfaqs

We used to have a peak season for events. Post-pandemic it has only been an unending peak and no drops. We are seeing exponential growth; for the first time, the demand is far greater than the supply across the board. It is time this business is recognised as an independent industry.



Sanjoy Roy
Teamwork Arts

2023 will see an uptick in the mics, events and the wedding space, with each of these sectors growing exponentially. Given the anticipated growth in the economy, resurgent markets, feel good factor, Government spend on G 20 and assorted events, this sector will achieve more growth than it did in 2019.



Yogesh Mudras
Informa Markets in India

The future will witness the potential of exhibitions being leveraged to its fullest -- with international participation, strategic partnerships, pent-up demand, technology-calibration, and a solutions-driven, experienced approach to overcoming adversities.



Mohomed Morani
Cineyug Group of Companies

Growth in 2023 will be phenomenal. Driven by weddings, ticketed events, sports - especially women's leagues, and overall growth in marketing spends!



Mandeep Singh
CPM India

My sense is that given where India and the Indian economy stand currently, the event segment is poised to see its best 3-5 years. Government, Sports, Corporate, Live, Weddings and Personal events are all on a robust growth path. This is great period for the segment and all of us who are associated with it, so let's buckle up!!



Roshan Abbas
VMLYR Encompas

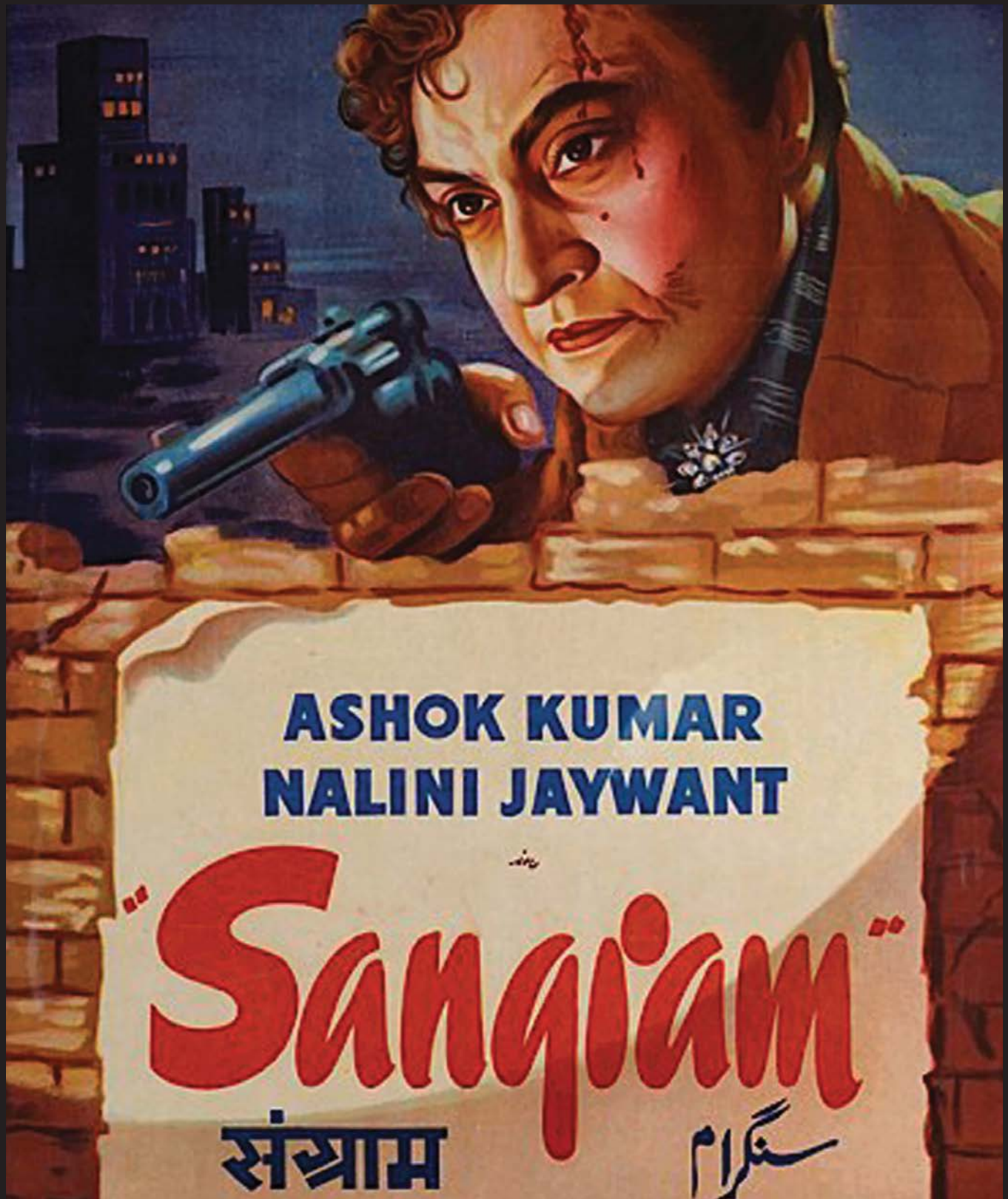
As Gen Z values experiences over material possessions, sustainable celebrations that prioritize making memories have become more crucial. With the right support, the Indian government could position the country as a global destination for memorable and sustainable events, benefiting both the economy and the planet.



Deepak Pawar
Midas Next Media

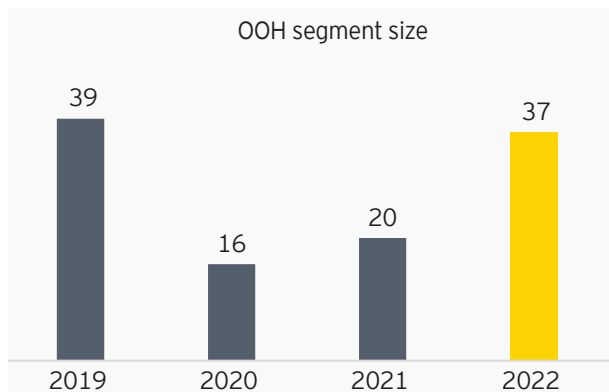
The use of technology in marketing and events has made it possible for businesses to scale their efforts, reach a wider audience, and ultimately drive growth.

Out of Home media



OOH media

OOH segment recovered 86% in 2022



INR billion (gross of taxes) | Organized OOH only | EY estimates

- ▶ OOH media grew 86% in 2022 to INR37 billion, the value of which includes traditional, transit and digital media, but excludes untracked unorganized OOH media such as wall paintings, billboards, ambient media, storefronts, proxy advertising, etc.
- ▶ The OOH segment has reached around 94% of 2019 revenue levels
- ▶ Real estate, Organized retail and FMCG were the largest advertisers on OOH
- ▶ Traditional OOH comprised 59% of revenues and remained the largest segment; transit media comprised the balance 41%
- ▶ Digital OOH media (included in the above) contributed 8% of the segment's revenues, up from 6% in 2021
- ▶ The number of digital screens is estimated in the range of 60,000 to 100,000, of which a majority would be active
- ▶ Presence of over 10,000 active brands is signalling the resurgence of this sector
- ▶ We expect the OOH segment to exceed 2019 (pre-COVID-19) levels in early 2023, and achieve revenues of INR53 billion by 2025

Revenue analysis

Real estate, organized retail and FMCG were the largest sectors on OOH

Sector	Contribution		Contribution to growth
	2021	2022	
Real estate and construction	22%	19%	14%
Organized retail	14%	13%	11%
FMCG	13%	13%	13%
Consumer services	11%	11%	12%
Media	7%	9%	12%
FS	13%	8%	1%
Automotive	5%	6%	6%
Telecom	3%	5%	7%
E-commerce	2%	3%	4%
Electronic durables	2%	2%	2%
Pharmacy	1%	1%	1%
Others	7%	11%	17%
Total	100%	100%	100%

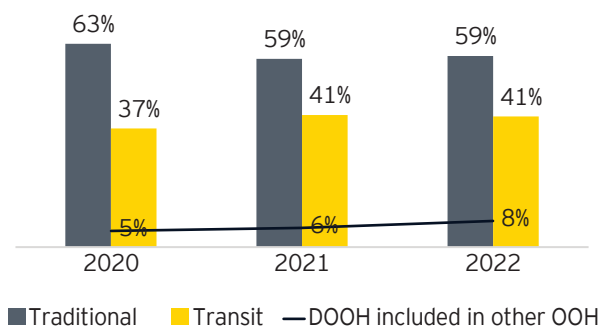
Pitch Madison Advertising Report 2023

- ▶ The top five categories contributed 64% of OOH spends and 60% of growth
- ▶ All categories registered an increase over 2021



Traditional OOH media continued to be the largest contributor of revenues at 59%

Composition of OOH revenues

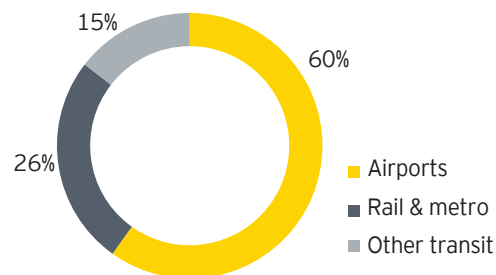


EY estimates | Organized OOH only

- ▶ Traditional media contributed 59% of total OOH media, not counting ambient media, wall paintings, proxy media (like ads in automated teller machines), storefronts and the informal/ unorganized sector
- ▶ However, rates for most players we interviewed were still 10-20% below their pre-COVID-19 highs
- ▶ While BFSI and Governments spends recovered smartly, auto and handset segment spends remained muted for a variety of reasons like supply constraints and geo-political factors

Transit media continued to grow as travel rebounded

Composition of transit media revenues

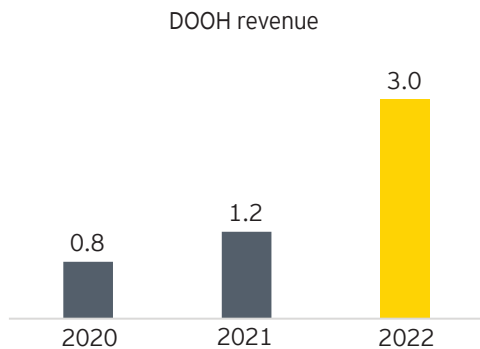


EY estimates based on industry discussions

- ▶ Transit media generated INR15 billion in 2022 (41% of total OOH) up from around INR8 billion in 2021
- ▶ Air passenger traffic in India has grown by 47% over 2021 but is still 14.5% lower than pre-pandemic levels¹
- ▶ In vehicle advertising, creation of additional airports, launch of premium trains, opening metro lines, mega intra-city road projects and urbanization will aid the growth of transit media

¹<https://www.livemint.com/companies/news/india-air-passenger-traffic-up-47-in-2022-11674138633690.html>

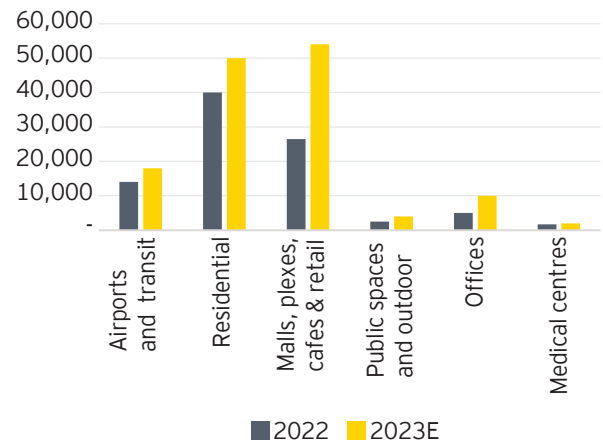
DOOH investments and revenues increased



INR billion (gross of taxes) | EY estimates

- ▶ DOOH is rapidly growing due to the rising demand for data-driven and targeted advertising leading to measurable outcomes
- ▶ DOOH comprised 8% of the OOH segment's revenues, up from 6% in 2021
- ▶ The number of connected screens increased to between 85,000 and 120,000, a majority of which were active²

Number of DOOH screens in India



Lemma Technologies estimates

- ▶ Investments were noted across:
 - ▶ Large DOOH screens at transit media, main roads, malls, etc.
 - ▶ Screens within premium spaces viz., retail outlets, multiplexes and malls
 - ▶ Screens in commercial establishments and premium residences
- ▶ For several marketers we interviewed, budgets for DOOH were being sourced from their digital budgets, and not from their traditional OOH budgets
- ▶ Programmatic Digital Out-Of-Home (pDOOH), the automated process of buying, selling, and delivering DOOH inventory, is gaining the confidence of marketers in the Indian OOH industry. There has been a significant surge in the numbers of pDOOH campaigns executed across the metros³
- ▶ With 5G services, brands will be able to have more customized conversations with their target audience instead of generic communication, which can be quickly downloaded onto relevant DOOH screens. This will also set the ground for more efficient contextual advertising, that ties into programmatic DOOH⁴

²Based on data from Lemma, Moving Walls and industry discussions

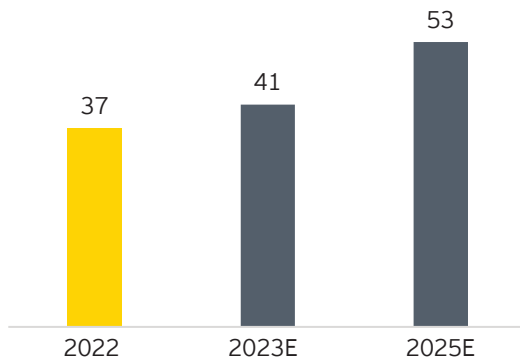
³<https://bestmediainfo.com/2022/10/programmatic-dooH-campaigns-dominate-times-ooH-media-across-transit-properties>

⁴<https://www.media4growth.com/digital-ooH/5g-rollout-could-be-a-gamechanger-for-dooH-in-india-6444>

Future outlook

We expect OOH to reach INR53 billion by 2025

OOH segment growth estimates

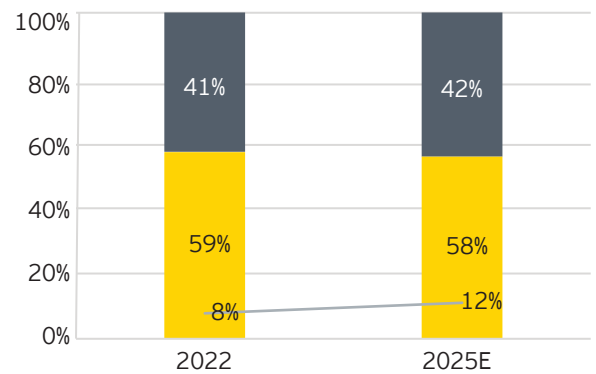


INR billion (gross of taxes) | EY estimates

- ▶ The sector should reach its pre-pandemic revenue run rate in the first half of 2023
- ▶ The key driver for growth would be the ability of the medium to provide access to NCCS A audiences at premium locations
- ▶ Other drivers of growth would be the rapid addition of roadways, metros, airports, commercial establishments, etc. which will provide increased premium inventory, as well as the development of smart cities, which will integrate screens at several new areas such as charging stations, building exteriors, offices, etc.

Growth would be driven by premium assets

Forward forecast for OOH



Traditional Transit DOOH (incl in above)

INR billion (gross of taxes) | EY estimates

- ▶ The higher SEC audiences at airports, in premium trains and commercial and entertainment establishments would provide impetus to marketers to invest in the OOH medium
- ▶ The share of DOOH would increase to 12% of total OOH revenues as the number of screens in premium catchment areas increases, without hurting the growth of traditional OOH assets, as budgets would get more integrated with digital media purchasing
- ▶ A number of entertainment, sports and cultural venues are being set up in tier II and III cities, which will provide a further boost to addressable OOH inventory and revenues

PE interest will increase; and could trigger consolidation

- ▶ The growth in digital screens requires infrastructure-type funding, and this could result in the entry of private equity and venture capital
- ▶ Since the required investments are not insignificant, it could lead to some level of consolidation of media asset owners, or require the creation of industry-wide platforms which can aggregate multiple infrastructure assets across owners

Innovation will be used to drive interest and engagement

- ▶ The OOH segment globally has been witnessing delightful match-ups between old-school branding and new-age technologies
- ▶ Some of these include:
 - ▶ geo-tagging and tracking audiences using cell tower data
 - ▶ custom messaging based on location, day part, weather, etc.
 - ▶ use of heat mapping and/ or sensors to engage in the moment
 - ▶ gesture recognition
 - ▶ interactivity between visuals and cellphones, including e-commerce/ transaction/ trial/ registration options
 - ▶ automatic dependent surveillance broadcasts

Clustering and hyper-local packaging will emerge

- ▶ Clusters, including grocery and pharma stores, local retail, cinema/ plex and local parks, will become crucial for locality-based hyper-local targeting
- ▶ Other cluster types could include business districts, hospitals, educational areas, etc. along with their connected transit hubs, supporting food and beverage facilities, etc.

The OOH regulatory framework will evolve

- ▶ Globally, the regulatory framework around OOH is being driven by the following factors:
 - ▶ technological advancements
 - ▶ changing consumer behavior
 - ▶ increasing concerns about the environmental impact of OOH
- ▶ DOOH and programmatic advertising have raised questions about issues such as privacy, transparency, and data protection
- ▶ Under increasing pressure for OOH to be more sustainable and environmentally responsible, regulators have implemented restrictions on use of materials like plastic and vinyl in some countries, and encouraged the use of more eco-friendly alternatives
- ▶ We also expect increased regulations to limit the amount and type of advertising that is allowed in public spaces, and its aesthetics



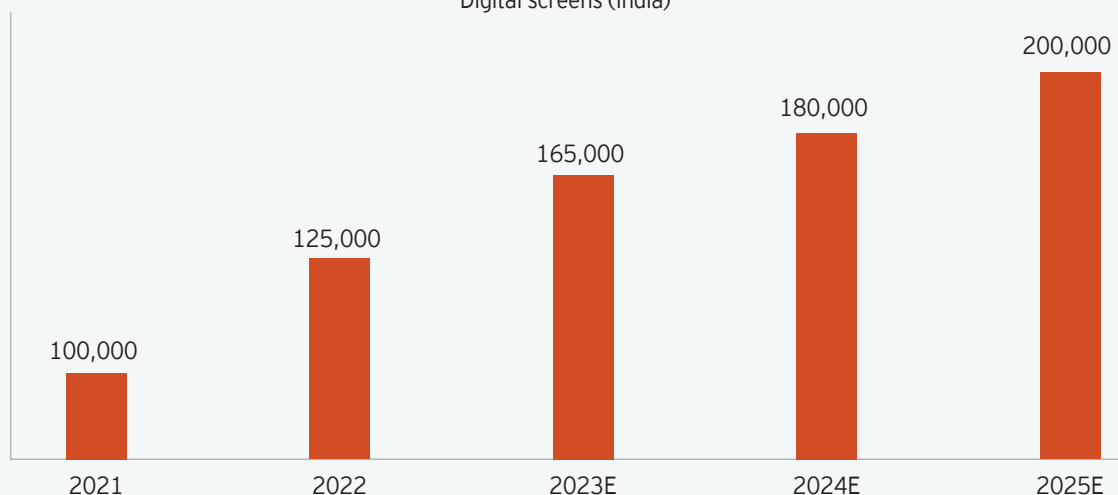
Trends Digital OOH India

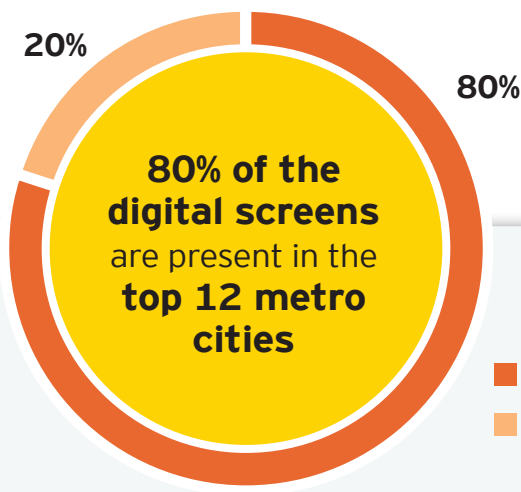
Powered by Moving Walls India Pvt. Ltd.

**India has
over 100,000
digital screens**

Screen count is
expected to double by
2025

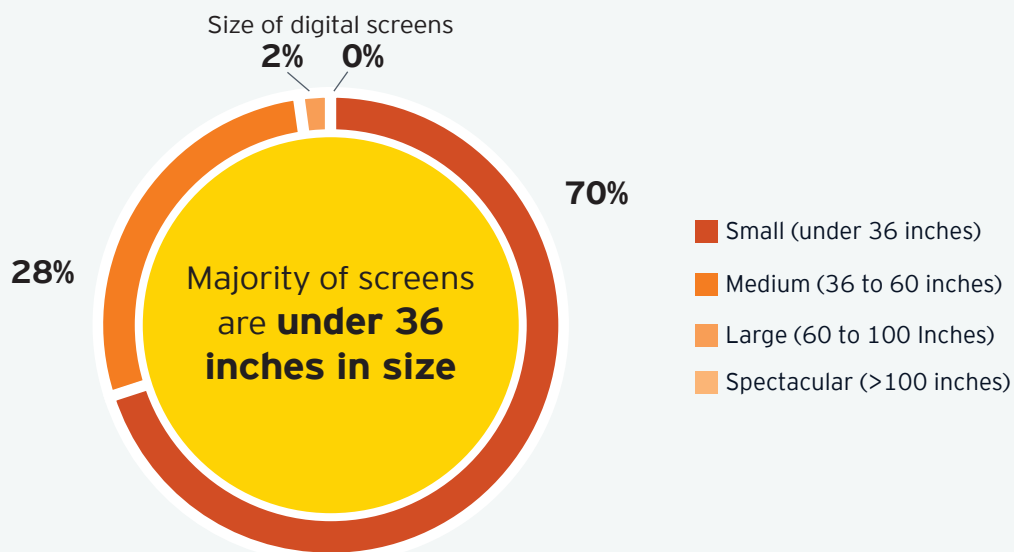
Digital screens (India)



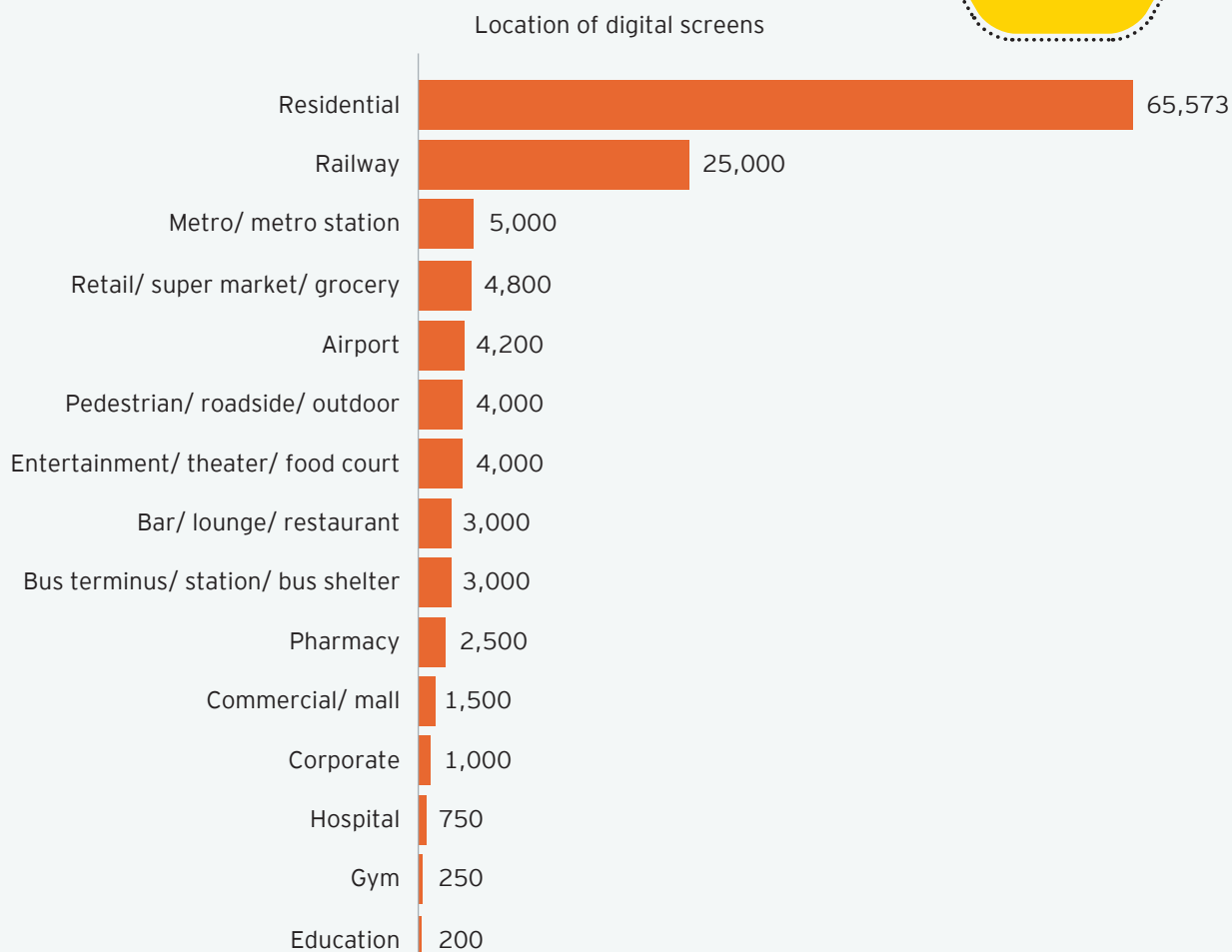


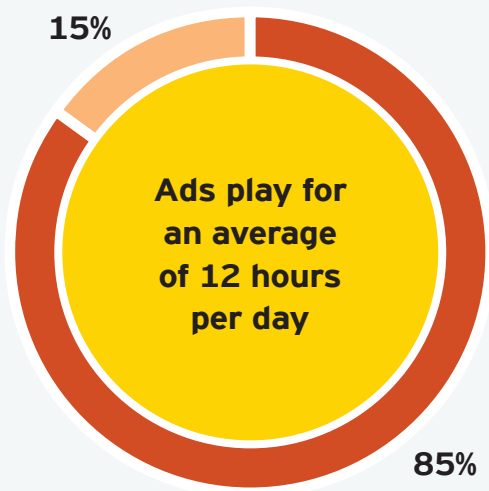
Total digital screens in India





Most screens are in residential complexes





Direct deals are currently **85%** of ad volumes

■ Direct deals
■ Programmatic



Current utilization

Average ad slot duration

10-15 seconds

Pricing is evolving

Average price per month per ad slot (average 200 ad plays per day) in INR



Small screen (< 36 inches)

Medium screen (36-60 inches)



Large screen (60 to 100 Inches)

Spectacular (>100 inches)



Expert speak



N Shekhar
Times OOH

Higher adoption of Programmatic DOOH advertising is expected to revolutionize the OOH industry, enabling advertisers to target audiences based on better measurability and real-time data, such as weather, time of day, and location.



Alok Jalan
Laqshya Media Group

Indian OOH is going through a transformation as more and more media units become digital, and where content and interactivity play a significant role. Other growth triggers are programmatic selling, introduction of new quality media and renewed interest from all client categories.



Pawan Bansal
Jagran Engage

OOH was the outperformer amongst other ad mediums in 2022 negating all the apprehension that post covid OOH would be the last to recover. Going forward, with measurement metrics being put in place by IOAA, things augur well for the industry and I foresee 2023 to be a defining year for out of home segment.



Jahan Mehta
Selvel

With rapid changes expected in the way we consume media and interact with our devices, I think there will be huge opportunities available across all media formats. 2023 looks like a fascinating year ahead.



Sunil Vasudeva
Pioneer Publicity

M&E sector is going through a fabulous transformation phase in recent times as most of the entertainment has already shifted to hand held and in-room devices.



Rishabh Mehta
LOCAD

Interactive & immersive 3D advertising, bigger digital screens and accountability through measurement tools is inevitable future of outdoor advertising in India.



Gulab Patil
Lemma Technologies

The ability of pDOOH to integrate with other emerging channels like CTV widens creative possibilities, while ensuring audiences are reached throughout their journey indoors and outdoors, using large format ads, enabling brands and marketers to deliver effective omnichannel strategies with impact.



Bharat Rajamani
GetafixM

Interactive & immersive 3D advertising, bigger digital screens and accountability through measurement tools is inevitable future of outdoor advertising in India.



Srikanth Ramachandran
Moving Walls Group

In contrast to the global trend of shifting towards DOOH advertising, India has predominantly relied on traditional hoardings for its OOH advertising spends. However, in the past year, there has been a significant surge in the number of screens across all advertising formats, including roadside, transit, and indoor place-based advertising.

Music



RANJIT'S

Gayest Musical Comedy

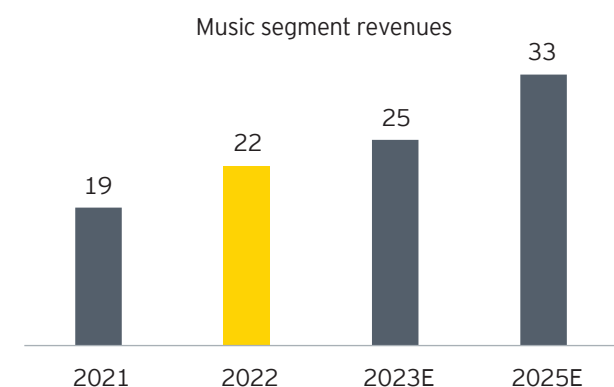
THAT KEEPS THE AUDIENCES ROARING
WITH LAUGHTER FOR TWO HOURS !

Drawing Crowds at:

OPERA HOUSE

Music

Music segment grew 19% in 2022¹



INR billion (gross of taxes) | EY estimates

- ▶ The Indian music segment grew by 19% to reach INR22 billion in 2022
- ▶ Film music, which had reduced during the pandemic, returned with the opening of cinemas and the release of over 1,600 films in 2022
- ▶ Digital revenues generated 87% of total music segment revenues
- ▶ Music streaming had an audience of approximately 208 million
- ▶ Of the above, the paid subscriber base was just around 4 to 5 million
- ▶ Platforms started exploring the subscription-only model
- ▶ Performance rights more than doubled from 2021 as live events returned in full force in 2022
- ▶ The surge in digital adoption across countries like Nepal, Bangladesh, Pakistan, Sri Lanka, etc. has led to increased uptake of popular international platforms like TikTok, YouTube, Instagram, etc. where Indian music is popularly used
- ▶ Music publishing revenues crossed INR8 billion in 2022
- ▶ The music segment is expected to grow at a CAGR of 15% to reach INR33 billion by 2025, on the back of increasing digital revenues, the pay subscriber base growing to over 8 million and continued recovery of performance rights as events and activations increase in scale

Music consumption

Indian consumers spent 25.7 hours/ week listening to music²

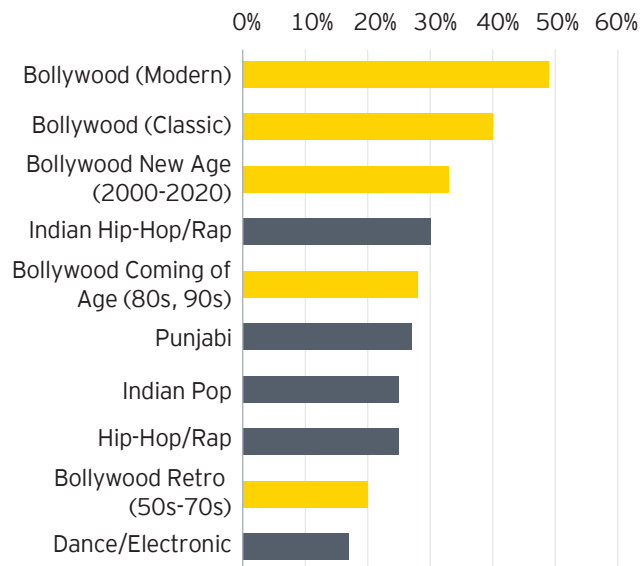
- ▶ India's average of 25.7 hours/ week is higher than the global average of 20.1 hours/ week and is a growth of 17% over 2021
- ▶ Out of the average hours spent listening to music:
 - ▶ 25.8% of total listening time (6.7 hours) could be attributed to audio streaming (subscription and ad-supported)
 - ▶ Video streaming contributed 18.8% (4.8 hours) in a week
 - ▶ Short-form video platforms were used to listen to music for an average of 14.8% of the time (3.8 hours) a week
- ▶ India also reported the highest proportion of people who engaged with music while doing yoga (48%), more than thrice the global average of 13%
- ▶ However, 73% of consumers used unlicensed sources to consume music, also known as music piracy

¹ EY estimates based on industry discussions

² IMI-IFPI Digital Music Study Report 2022, based on a survey of 4,000 Indian survey respondents

70% of the time spent was on listening to domestic artists

Top 10 genres of music consumed in India



IMI-IFPI Digital Music Study Report 2022 | %age of survey respondents

- ▶ Overall, 70% of all music listening time was spent on music by domestic artists. This was one of the highest levels of domestic music listening worldwide, behind only China (72%) and the US (76%) and considerably over the global average of 49%
- ▶ Bollywood aggregated 66% of total consumption and comprised 5 of the top 10 genres listened to in India
- ▶ Average monthly stream count was estimated at 16 to 20 billion streams in 2022³
- ▶ As film music returned with the opening of cinemas and the release of over 1,600 films in 2022, music consumption again got skewed to film music from the independent music that was consumed during the pandemic; however, independent music consumption remained higher than pre-pandemic levels⁴

- ▶ Modern Hindi film music did not perform at pre-pandemic levels, as fewer films were successful at the box office. In addition, some industry leaders believed that the music hiatus during the last two years resulted in consumers experimenting with different music, and that caused some change in their consumption palette towards independent artists and/ or international beats, which also caused a polarization of audiences across platforms focused on metro and non-metro markets

Regional music widened its base

- ▶ Regional music consumption remained strong in 2022, as per discussions with industry leaders, including both south music driven by many successful films as well as music in relatively smaller genres languages like Bhojpuri, Haryanvi, etc. which saw songs in the top 10 lists during the year
- ▶ Spotify claimed that in 2022, audio was streamed in 20 languages on its platform, and 70% of consumption was in local languages
Source: ET Tech
- ▶ There was also a heightened interest in acquisition of regional music labels by larger, national players. In January 2022, Saregama announced that it had acquired over 1,500 songs of 280 Telugu films from Mango Music⁵ and in February 2022, Warner Music acquired a majority stake in Divo⁶

³ Industry discussions and interviews

⁴ Industry discussions

⁵ <https://telanganatoday.com/saregama-acquires-1500-telugu-songs-from-mango-music>

⁶ <https://www.thehindubusinessline.com/companies/warner-music-acquires-majority-stake-in-chennai-based-divo/article66484147.ece>

YouTube remained the platform of choice for music consumption

Rank	Subscribers		Video views	
	Label	Millions	Label	Millions
1	T-Series	236	T-Series	215
2	Zee Music	92	Zee Music	53
3	Tips Official	57	Wave Music	39
4	Wave Music	56	Tips Official	31
5	Sony Music	56	Sony Music	27

www.YouTube.com

- ▶ 4 of the top 10 subscribed YouTube channels in India are music channels⁷
- ▶ T-Series' YouTube channel is the most-subscribed YouTube channel globally
- ▶ YouTube was the most preferred platform for music discovery in India, followed by social media⁸

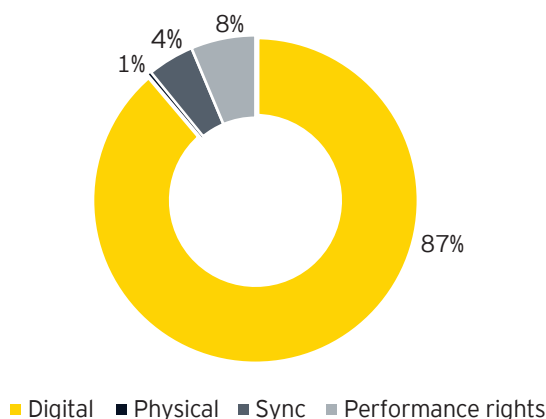
The neighbourhood opportunity grew

- ▶ The surge in digital adoption across countries like Nepal, Bangladesh, Pakistan, Sri Lanka, etc., has led to increased uptake of popular international platforms like TikTok, YouTube, Instagram, in these countries
- ▶ Indian music has always been popular in these countries; in fact, the leading artists across Pakistan, Nepal, Bangladesh, The Maldives, Sri Lanka, Afghanistan, and the UAE on YouTube in 2022 were Indian⁹

Music monetization

Digital revenues were 87% of the total music segment

Break-up of music segment revenues



EY estimates

- ▶ Digital garnered 87% of music segment revenues, comprising revenues earned on music streaming platforms, on YouTube and from telecom operators
- ▶ Sync revenues fell 4%, mirroring the performance of larger TV broadcasters
- ▶ Performance rights more than doubled from 2021 as live events returned in full force in 2022
- ▶ Physical sales remained steady; however, we have not considered the value of products like Carvaan from Saregama in this computation

Digital revenues grew 15%

- ▶ Music streaming apps had a base of approximately 208 million active monthly users¹⁰, buoyed by older audiences adopting digital streaming services
- ▶ Of the above, the paid subscriber base was just around 4-5 million¹¹
- ▶ The key driver for growth included bundling with e-commerce subscriptions and with telco data plans, a strategy which remains key for category trial
- ▶ Streaming platform revenues (including YouTube) increased almost 15% in 2022 to INR16 billion, over 80% of which was advertising driven¹²

⁷ Hypeauditor.com, as on January 11, 2023

⁸ IMI-IFPI Digital Music Study Report 2022

⁹ YouTube Video Music Charts for 2022c, via Libertygames.uk

¹⁰ Comscore

¹¹ Industry discussions, EY estimates

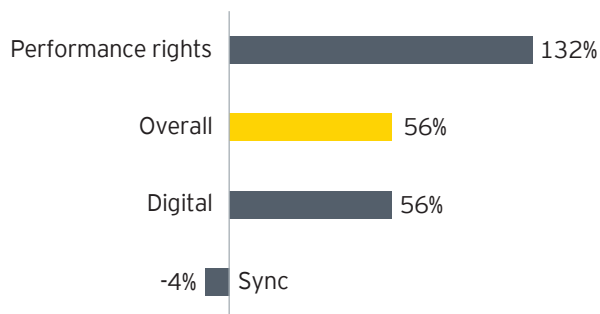
¹² EY estimates

Platforms started exploring the subscription-only model

- ▶ In September 2022, the music streaming platform, Gaana, discontinued its free music streaming service and switched to a subscription-only model, starting at INR99 per month¹³
- ▶ Our analysis shows that music streaming platforms have so far been unable to achieve profitability with a free or ad supported business model, which we believe is due to the prevalence of free/ ad supported music on radio, YouTube, etc. that prevents mass consumers from subscribing
- ▶ In order for subscription only models to work, the industry will together need to move towards mechanisms to promote payment, such as limiting the number of free songs, or quality of the stream

Revenue for music labels increased by 56%¹⁴

Label revenue growth over 2021



IFPI | Growth reflects changed revenue recognition policy in 2022 (from minimum guarantee to transactional basis) without restating 2021 numbers

- ▶ Revenues at a label level increased from INR19 billion in 2021 to INR30 billion in 2022, driven by a growth in digital revenues of 56% and performance rights of 132%. India was the fastest growing top 20 music market in the world according to IFPI
- ▶ Share of label revenues attributable to digital were 90%, and they contributed 90% of the absolute revenue growth for labels

Cost of music rights increased

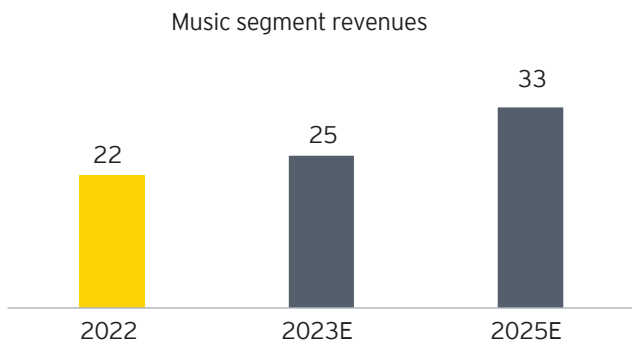
- ▶ The Indian music industry is gradually producing bankable artists – not just in the Hindi film industry, but in non-film and regional music as well
- ▶ Music labels have started signing artists on exclusive, multi-year deals. The demand of such talent has driven up the price of music rights between three and five times over the past five years, and we expect rights to remain at these levels in the medium term

¹³ <https://www.dnaindia.com/personal-finance/report-failed-attempts-to-find-a-buyer-gaana-becomes-a-subscription-only-business-2983989>

¹⁴ IFPI

Future outlook

We expect the music segment to reach INR33 billion by 2025



INR billion (gross of taxes) | EY estimates

- ▶ We expect the segment to grow at a 15% CAGR over the next three years to reach INR33 billion
- ▶ Growth will be driven by expansion of the smartphone base as the next 100 million users get access, music concerts, increased reach of social media and growth of YouTube, as well as increased international consumption of Indian music

Segmentation will drive the music segment



EY estimates

We expect the market to be driven by three major segments:

- ▶ The premium segment (top 3% to 5% or so) will pay for music streaming and music experiences like concerts, themed dining options, merchandise, etc.
- ▶ The aspirational segment (the next 10% to 15%) will consume music on streaming, television, etc., so long as it comes bundled with data, e-commerce or cable television bundles
- ▶ The mass segment (the rest) will consume only free and ad supported options like FTA channels, YouTube, radio, etc., on their smart phones and/ or feature phones



Paid subscriber base could reach 8 million by 2025¹⁵

- ▶ So long as music is available for free on YouTube and other platforms or free with data or e-commerce bundles, the music segment will find it difficult to increase paid OTT subscribers as there is little or no meaningful differentiation between free and paid products
- ▶ We expect paid music OTT subscribers to reach around 8 million by 2025 and generate revenues of INR3.5 billion, at an average revenue per paid subscriber of slightly above INR1 per day in India by then
- ▶ The need for curbing free content supply could give rise to certain restrictions like limiting the number of free streams on platforms, inability to listen in the background, lower-quality sound, etc.

Short video platforms may move away from fixed fee models

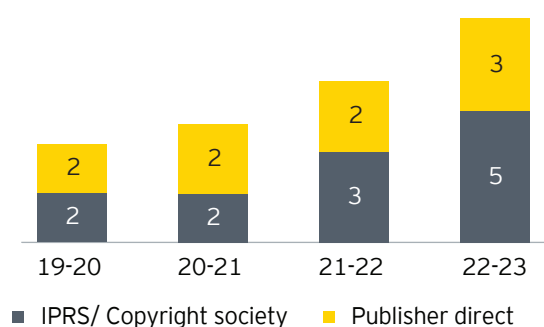
- ▶ Short video platforms such as Instagram Reels, YouTube Shorts, ShareChat, have relied on fixed fee deals since their inception, for licensing music from labels
- ▶ As consumption patterns and trends start to emerge, platforms will have a clearer picture on what is working for them, helping them optimize their costs by entering into revenue share or overflow deals with music labels

¹⁵ EY estimates

Music publishing in India

- ▶ Music is an important part of streaming, films, television, radio and social media. It helps generate – directly and indirectly – over INR120 billion of revenue in India, which is around 5% to 6% of the Indian M&E sector.
- ▶ While music licensing refers to collection of royalties for the use of sound recordings, music publishing refers to collecting of royalties for the use of the underlying works i.e., musical composition and lyrics, when used in a live performance or as sound recordings, etc.
- ▶ The music business in India is primarily driven by the Copyright Act but there are differing viewpoints on music publishing's applicability and/ or its quantum, which has led to low awareness and compliance, and matters pending in the courts.
- ▶ Recorded music revenues have crossed INR25 billion in 2022, while music publishing revenues will approximate INR8.2 billion in 2022-23. However, India's global revenue ranking (#14¹⁶ for recorded music and #21¹⁷ for music publishing) lags compared to other developed markets significantly.

Music publishing revenues (INR billion) per IPRS



- ▶ 40,000 music creators create 20,000 to 25,000 original songs each year (this excludes remixes and music by the unorganized sector)¹⁸. Our survey, where 500 creators participated, indicated that their monetary rewards are not stable and often limited:
 - ▶ 87% of respondents would have liked to make a living off only their music; however, only 60% were able to pursue their music careers on a full-time basis.
 - ▶ One-time payments (upfront fees) and live performances were key revenue sources for most creators.
 - ▶ A majority strongly believed that they needed to learn more about music production and monetization.
 - ▶ Only 56% of respondents had access to the equipment and infrastructure required to produce music; while 35% of respondents spent more than 50% of their earnings from music on equipment, gear, software, and other infrastructure required to create music.
- ▶ Various countries have implemented schemes to ensure the social security of artists. However, Indian authors currently have no separate social security net. While publishing, which distributes half its revenues to music creators, can help in this area, only about 10,000 creators have registered with the IPRS due to lack of awareness.
- ▶ While music publishing businesses have started to be set up in India by global and Indian music majors and independents, in order to achieve its potential, there are several aspects to be considered:
 - ▶ Introduce tech-enabled processes to manage the volume of music and complex rights
 - ▶ Conduct more member awareness drives across the industry
 - ▶ Enable legal clarity
 - ▶ Simplify compliance and monitor it
 - ▶ Focus on the core of promoting music creation and distribution
 - ▶ Determine fair pay across stakeholders
- ▶ IPRS estimates that building consensus and enabling compliance can enable Indian music publishing to reach INR17 billion by 2025.

¹⁶ IFPI

¹⁷ CISAC

¹⁸ Based on several industry discussions and estimates from IMI, IPRS, etc.

Expert speak



Vikram Mehra
Saregama

With music consumption transforming from pirated to legitimate means, and from free to paid basis, every stakeholder in the music value chain has a very bright future.



Devraj Sanyal
Universal Music Group

Artists are connecting with fans in a way that was unimaginable till today. Technology is front & center in everything that's happening and the next few years are looking more promising for hyper growth markets like India than ever before. While we will continue to be a balanced region of free ad supported & fully paid subscription, the journey towards a sustainable paid ecosystem has also begun in earnest.



Rajat Kakkar
Sony Music India

The GenZ musicians in India and of Indian descent overseas are creating music without any barriers to access and consumers are lapping up new genres and sounds in multiple languages. This presents huge potential for growth in the coming years!



Blaise Fernandes
Indian Music Industry

IMI is happy to be a part of the US\$100-billion M&E sector by 2030 as set out by Hon. Minister Mr. Anurag Thakur. The macroeconomic factors are in place and we expect additional reforms from the government. The key for the Recorded Music segment lies in building the right synergies with all stakeholders.



Neeraj Kalyan
T-Series

In a short period of time, music acquisition costs for films have soared up upto 300%. The current hike in acquisition costs is becoming unsustainable for record labels.



Jay Mehta
Warner Music

This year's been extremely special for Indian musicians, as we've seen collaborations with some of the biggest International icons and they've dominated the global charts. In 2023, we're poised to see more young indie musicians making a mark and placing Indian music on the global map. India is moving towards becoming a top-10 country in terms of scale and revenues.



Rakesh Nigam
IPRS

Indian music is leading the charts at multiple major DSPs across the world. It is also unifying the country - regional & indie content now have a pan-India appeal. Multiple audio and audio-video platforms are tapping the rich content being generated leading to the rapid emergence & growth of music talent across the country.



Dinraj Shetty
Sony Music Publishing

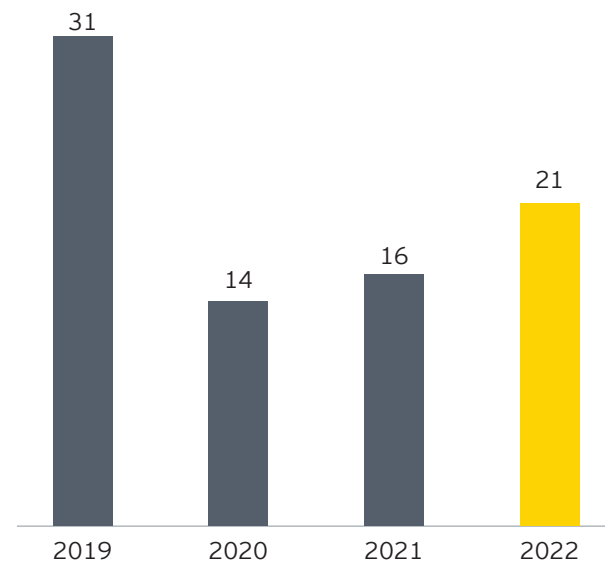
While film music is the driving force, the sheer growth of the singer-songwriter ecosystem and alternative genres is fuelling the content flow. With platforms getting democratized, content consumption patterns now reflect the size of India's language markets.

Radio



Radio

Radio segment revenues grew 29% in 2022



INR billion (gross of taxes) | EY estimates

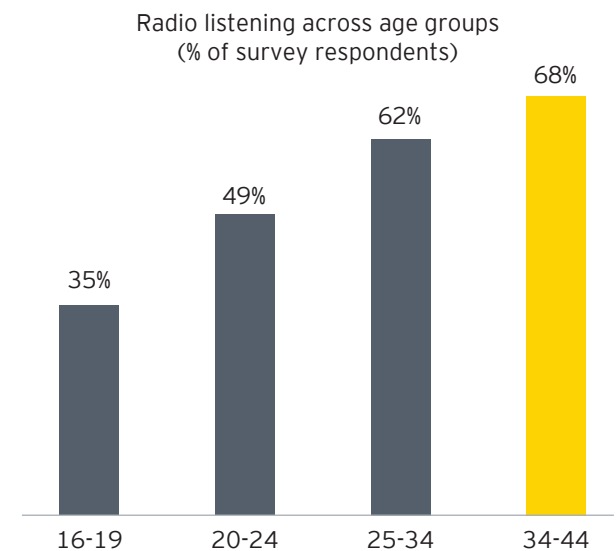
- ▶ Radio segment revenues grew 29% in 2022 to INR21 billion, but were still just 66% of 2019 revenues
- ▶ India had 1,233 operational radio stations, including 366 community radio stations
- ▶ Ad volumes increased by 25% in 2022 as compared to the previous year, though ad rates remained 20% below their 2019 levels
- ▶ Radio companies are focusing on integrated solutions, including content production, event IPs, social media, commissioned podcasts, audio stories, influencer marketing, etc., to their retail advertisers as a one-stop shop
- ▶ There is a need to address issues relating to listenership measurement, implementation of digital radio, and mandating the inclusion of FM receivers in smartphones, for the sector to achieve its true potential
- ▶ Unless the above issues are addressed, we expect revenues to recover to INR26 billion by 2025, of which around a fifth will be non-FCT revenues

Reach

India had 1,233 operational radio stations

- ▶ India had 36 private FM broadcasters in 2022, operating 388 FM radio stations across 113 cities¹
- ▶ In addition, public broadcaster Prasar Bharati's All India Radio service operates 479 stations in 23 languages and 179 dialects, reaching 92% of the country's area and over 99% of India's population²
- ▶ India had 366 operational community radio stations as of June 2022

Radio listenership was higher amongst older people



IMI Digital Music Study Report 2022

- ▶ Radio listenership was noted amongst all age groups surveyed
- ▶ However, percentage of radio consumers increased as the age group increased

Revenues

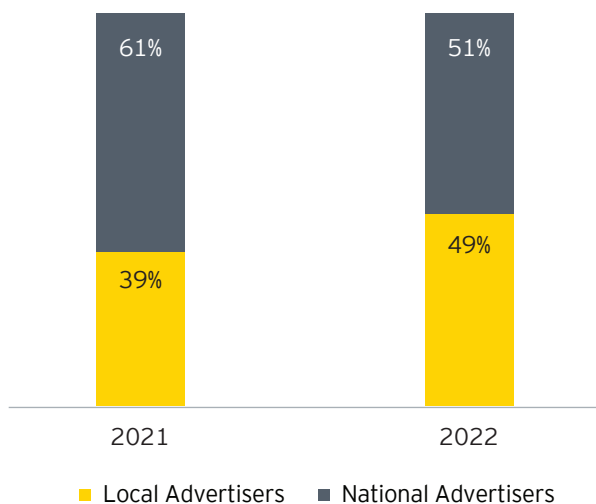
Radio ad volumes increased 25% compared to 2021³

Quarter	2020	2021	2022
Q1 (January to March)	32%	26%	25%
Q2 (April to June)	7%	11%	23%
Q3 (July to September)	23%	27%	25%
Q4 (October to December)	38%	36%	27%

Percentage share of ad volumes | TAM AdEX

- ▶ 2022 witnessed a more even distribution of ad volumes as compared to previous years which had been impacted by the pandemic
- ▶ More than 415 categories comprising 10,000+ advertisers and over 13,000 brands advertised on radio during 2022

Share of retail advertising increased 10%⁴



TAM AdEX

- ▶ Retail/ local advertisers' share of ad volumes increased 10% over 2021 to reach 49% of total ad volumes in 2022
- ▶ This is partly a reflection of radio companies becoming one-stop marketing shops for larger retail clients and a soft national ad market for radio

Share of non-FCT revenues increased

- ▶ Industry discussions indicated that non-FCT revenues contributed an average of 10% to 15% of total revenues earned by large radio companies
- ▶ Creating event IPs, brand activation, building communities, international music streaming, content production, digital marketing and influencer marketing were the top contributors to such revenues

Key issues remain unresolved for now

- ▶ Radio measurement remains restricted to a few cities and hence, the ability to demonstrate reach and listenership remains low
- ▶ Several top-end smartphones have not incorporated an FM radio receiver/ chipset, and this is impacting reach
- ▶ In addition, there is no clear path forward for the implementation of digital radio in a manner that protects the interests of all stakeholders
- ▶ The Telecom Regulatory Authority of India (TRAI) has begun discussions with stakeholders in the FM radio industry regarding crucial topics such as calculation of licence fees, extension of current licence periods, inclusion of news bulletins on radio and requirement for mobile phones to have built-in FM radio receivers⁵

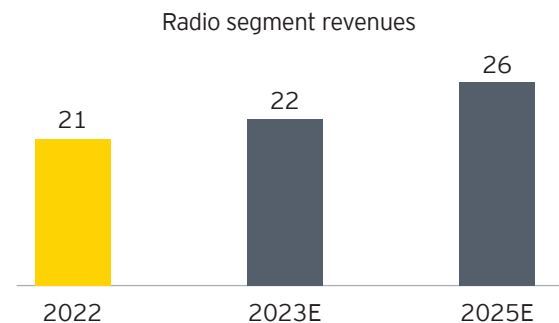
³TAM AdEX

⁴TAM AdEX

⁵<https://economictimes.indiatimes.com/industry/media/entertainment/media/tra-kicks-off-talks-on-fm-radio-issues/articleshow/97783276.cms?from=mdr>

Future outlook

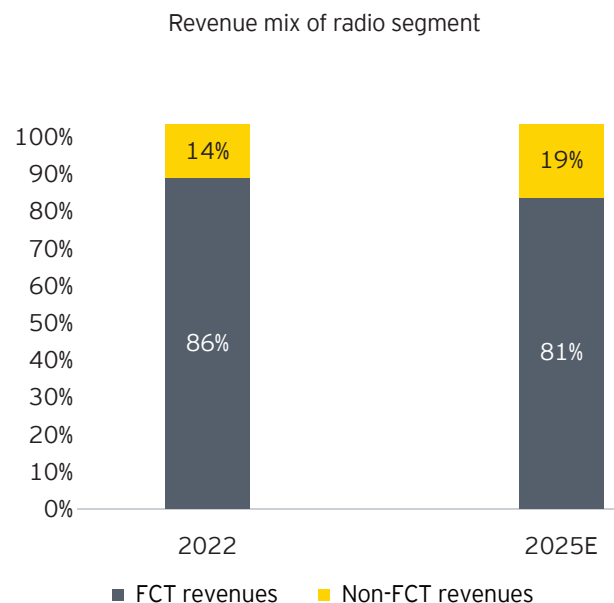
Revenues will continue to recover in 2023



INR billion (gross of taxes) | EY estimates

- ▶ We expect radio revenues to continue recovering and reach INR26 billion by 2025
- ▶ Growth will be driven by the SME advertiser segment, retail advertising and non-FCT revenues
- ▶ Rate recovery will continue to be a challenge, and require significant innovation and concept selling
- ▶ As per The Hindu, I&B Secretary Apurva Chandra said the Central Government was mulling fresh auction of FM radio stations in 2023, to expand its coverage in the country from its current reach of 60%. This could further increase our estimated revenue projections by 10% to 20%
- ▶ The launch of digital radio could grow the segment to INR60 billion by 2026 (refer our report "Digital broadcast radio in India") if implemented keeping in mind the needs of all stakeholders

Non-FCT revenues will continue to grow



EY Estimates

- ▶ Radio companies' innate ability to create relevant regional content will help drive their growth in the content production (both short form and episodic) and influencer marketing business, and can contribute up to 10% of revenues
- ▶ In addition, considering the hyperlocal nature of the radio product, radio companies are well positioned to build communities to drive D2C relationships, which can be leveraged by brands
- ▶ Hyperlocal and D2C revenue streams can contribute a further 8-10% of private FM radio revenues by 2025, and will be a key differentiator for radio players as compared to digital and national media
- ▶ This will change the revenue mix significantly, with non-FCT revenues comprising approximately a fifth of total revenues by 2025



Trends India radio advertising

Powered by Tam AdEX

(A division of TAM Media Research) in association with RCS India

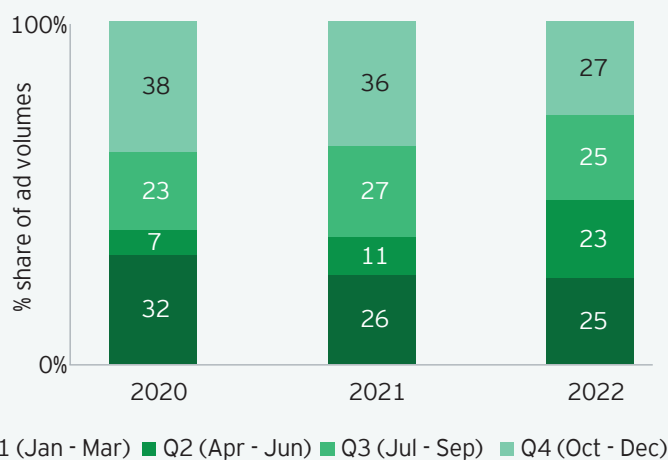


Radio ad
volumes grew
25% in 2022
over 2021

On an average,
nearly 55 thousand ads
per day were registered
during 2022

2022
returned to a
more **equitable**
distribution of ad
volumes on radio

52% of ad volumes
were registered in
H2 of 2022



	2019	2020	2021	2022
Categories	419	417	414	419
Advertisers	9,823	8,588	8,357	10,190
Brands	12,825	10,685	10,515	13,017

Over
**13,000
brands**
advertised on
radio in
2022

Services,
retail and
BFSI contributed
to over **50% of
ad volumes**

Top five sectors	Share	
	2021	2022
Services	28%	33%
Retail	10%	12%
Banking/ finance/ investment	12%	9%
Food and beverages	13%	8%
Auto	9%	8%

Top five categories	Rank	
	2021	2022
Properties/ real estate	1	1
Hospital/ clinics	2	2
Retail outlets - jewellers	3	3
Cars	4	4
Retail outlets - clothing/ textiles/ fashion	6	5

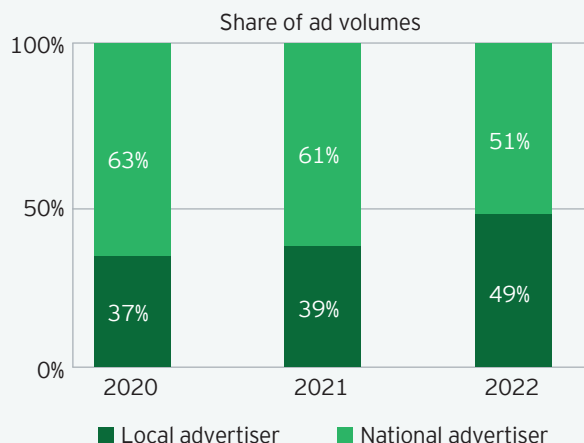
'Retail outlets-
clothing/ textiles/
fashion' category
entered in the **Top
five list in 2022**

The top four categories
remained unchanged

LIC was the
**largest
advertiser
on Radio** in
2022

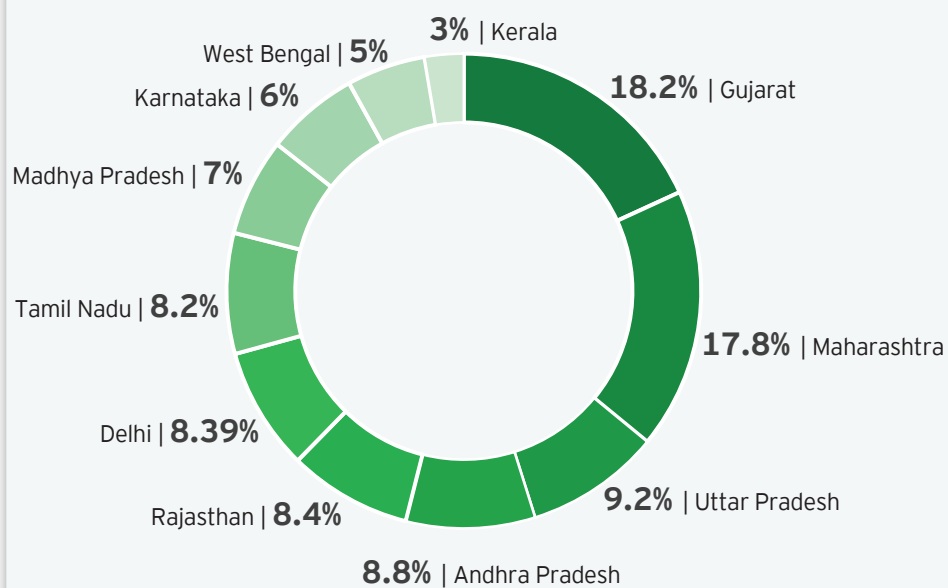
Rank	Top five advertisers	Share
1	Life Insurance Corporation of India	2%
2	Maruti Suzuki India	2%
3	Vicco Laboratories	2%
4	Reliance Retail	1%
5	SBS Biotech	1%

**Local
advertisers'**
share reached
49% of total ad
volumes



Gujarat,
Maharashtra
and Uttar Pradesh
had the **highest
ad volumes**

Top 5 states contributed
62% of ad volumes

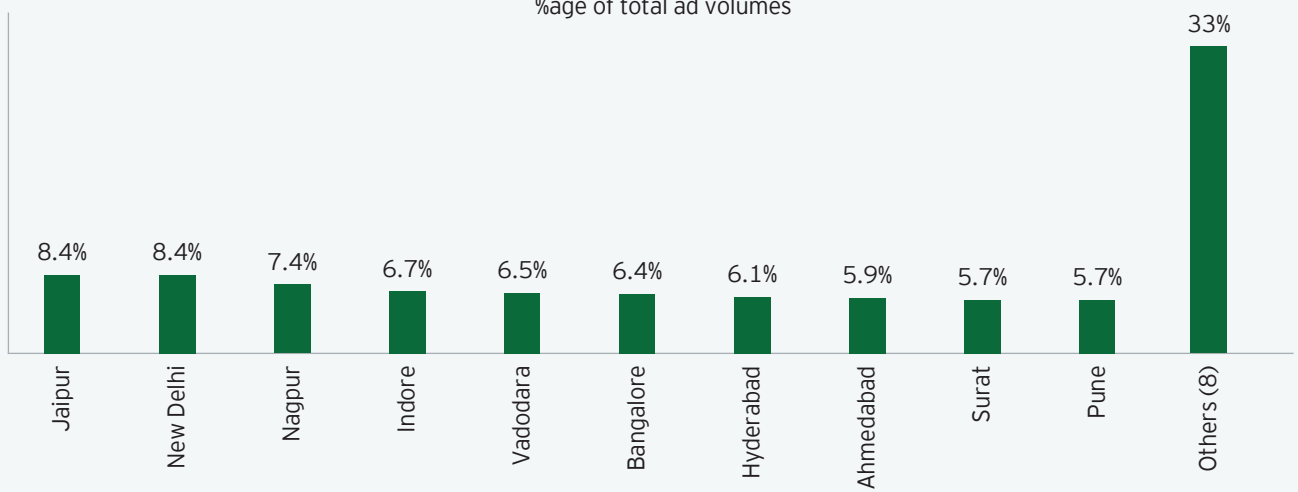


Top 10 states	Rank by volume	
	2021	2022
Gujarat	1	1
Maharashtra	2	2
Uttar Pradesh	5	3
Andhra Pradesh	6	4
Rajasthan	8	5
Delhi	4	6
Tamil Nadu	3	7
Madhya Pradesh	7	8
Karnataka	9	9
West Bengal	10	10
Kerala	11	11

67%
of advertising
volumes were in
the top 10 cities

This compares to 68%
in 2021 and 69%
in 2019

%age of total ad volumes



Expert speak



Abe Thomas
Big FM

The emergence of multiple revenue streams like the solutions business, influencer marketing, podcasts, audio stories, smart speaker solutions, etc bode well for the overall future of Radio.



Ashit Kukian
Radio City

With an abundance of innate talent, the radio industry is swiftly evolving to be more relevant in a fragmented world. Its importance, especially in the Bharat of India, will continue to play a pivotal role for brands. I believe, this is the best time for radio to explore the 'Radigitized' future with radio at its core.



Yatish Mehrishi
Radio Mirchi

Expect radio revenues to continue recovery on the back of higher volumes and new clients. Post pandemic we have seen more clients on radio than ever. Retail channel will continue to outperform and solutions led integrated selling approach will help drive growth for the medium.



Nisha Narayan

Red FM and Magic FM

The radio industry is in immediate need of a framework that can enable the exploitation of new technologies, thereby transforming it into a true-blue omni-channel medium. We seek the government's assistance in allowing news and current affairs to be broadcast on radio, and regulations on streaming radio feeds on mobile phones, which has the potential to thrive in a level-playing field and co-exist with the digital ecosystem.



Rahul Namjoshi

My FM

Radio is a hyperlocal medium and is preferred over other media in our markets. In our bigger centers we are witnessing an inventory crunch, and price hikes will be the way forward. There is a need to maintain a good listening experience.

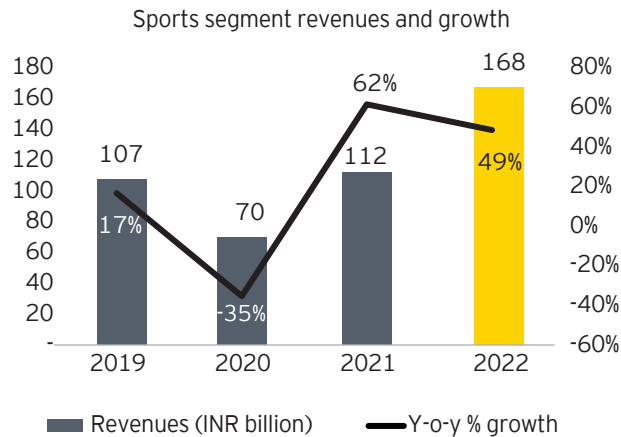
Sports

Revenue data partner: GroupM ESP



Sports

Sports segment grew 49% in 2022



INR billion (gross of taxes) | GroupM ESP

- ▶ The sports segment reached INR168 billion in 2022, growing 49% over 2021 on the back of both cricket and other sports, and marquee events like the FIFA World Cup

Revenue by segment

- ▶ Media spends grew 25% over 2021 and comprised 53% of the segment's revenues in 2022
 - ▶ TV comprised 73% of media spends, down from 84% in 2021
 - ▶ Overall ad volumes on television increased 26%, driven by volumes on non-cricketing sports which grew 66%
 - ▶ Digital media rights grew 112% as sports consumption shifted to digital platforms, driving incremental reach
- ▶ The fastest growth was seen in sponsorships, however, which grew 105% to reach 42% of the segment's revenues
- ▶ Endorsement revenues grew 20%
- ▶ Cricket's contribution to overall sports revenue saw a y-o-y growth of 44% compared to 87% growth for emerging sports

Consumption

- ▶ Sports viewership grew 6% on television in 2022
- ▶ Cricket's share of TV viewership fell to 74% as other sports increased; wrestling, kabaddi and soccer now contribute 23% of total sports viewership on TV
- ▶ Sports consumption in regional languages increased from 22% in 2021 to 28% in 2022, while Hindi viewership declined 4% in the same period

Future outlook

- ▶ Share of media spends on sports will increase from 16% to 25% in three years
- ▶ Free-to-air sports propositions will grow the TV and OTT universe
- ▶ Women's sports/ cricket will see increased interest
- ▶ Global cricket leagues will look to replicate the IPL's success
- ▶ Technology will craft immersive and new-age fan experiences across NFTs, tokenization, community, etc

Revenue

Sports revenue by segment

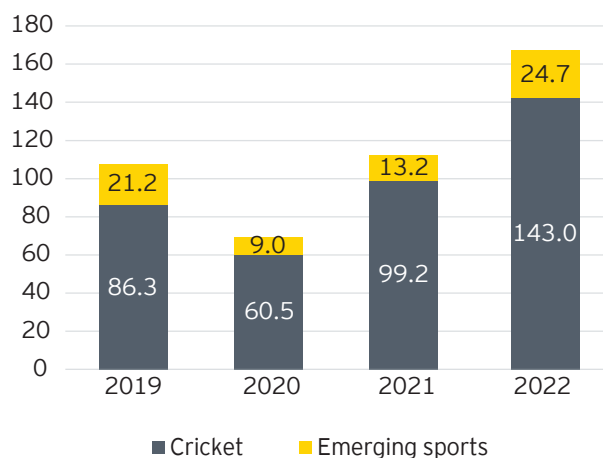
	2019	2020	2021	2022
Media spends	61.7	43.2	71.0	89.1
Sponsorships	39.4	19.7	34.1	69.7
Endorsement	6.4	6.6	7.4	8.9
Total	107.5	69.5	112.4	167.7

INR billion (gross of taxes) | GroupM ESP

- Media rights grew 25% over 2021 and comprised 53% of the segment in 2022
- The fastest growth was seen in sponsorships, however, which grew 105% to reach 42% of the segment's revenues
- Endorsement revenues grew 20% as well

Emerging sports gained share in 2022

Revenue split: cricket vs. emerging sports



INR billion (gross of taxes) | GroupM ESP

- While programming hours for cricket grew 2% in 2022, hours for other sports grew 25%¹
- Cricket's contribution to overall sports revenue saw a y-o-y growth of 44% compared to 87% growth for other sports
- This led to the percentage share of other sports in overall sports revenue increasing from 12% to 15% in 2022

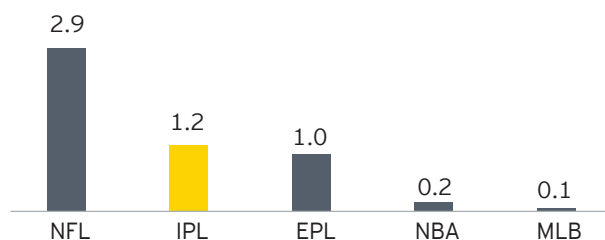
Media spends grew 26%, led by digital rights values

	2019	2020	2021	2022
TV	50.3	37.5	59.6	65.0
Digital	10.3	5.7	11.4	24.1
Print	1.1	0.0	0.0	0.0
Total	61.7	43.2	71.0	89.1

INR billion (gross of taxes) | GroupM ESP

- Digital media rights grew 112% as sports consumption shifted to digital platforms, driving incremental reach
- TV comprised 73% of media spends, down from 84% in 2021
- On TV, cricket ad volumes declined 1% over 2021, while non-cricketing ad volumes increased 66%²
- The IPL 2023-27 media rights auction witnessed a 196% jump as compared to the previous five-year cycle and fetched a staggering INR484 billion
 - Of this, Viacom18 bagged multiple digital rights packages for INR238 billion
 - Disney secured the exclusive Indian sub-continent TV broadcast package for INR 236 billion
- IPL now has the second highest media rights value per game when compared to global sports leagues

Media rights cost per game (INR in billion)



Elara Capital, media articles, EY estimates

- Furthermore, Disney bagged the ICC media rights for 2024 - 27 for the Indian subcontinent. The bid was said to be in the region of US\$3 billion³, which was significantly higher than the previous cycle (when the rights were sold for an eight-year period at approximately US\$2.1 billion)
- Disney then further sub-licensed the linear TV rights of the ICC men's events for the entire cycle to Zee Entertainment

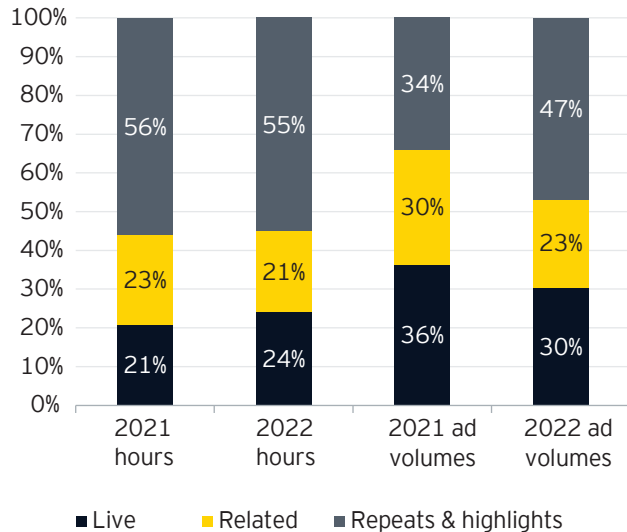
¹ TAM

²TAM AdEX

³[https://www.hindustantimes.com/cricket/disney-star-keeps-icc-rights-with-3-billion-bid-101661624389606.html#:~:text=On%20Saturday%2C%20ICC%20garnered%20close,years%20\(2024%2D27\).](https://www.hindustantimes.com/cricket/disney-star-keeps-icc-rights-with-3-billion-bid-101661624389606.html#:~:text=On%20Saturday%2C%20ICC%20garnered%20close,years%20(2024%2D27).)

- ▶ At the end of 2022, the Women's Premier League (WPL) was announced by BCCI. Viacom18 has secured its global media rights for a five-year cycle (from 2023 to 2027) at a price of INR9.5 billion

Programming type and ad volumes on TV

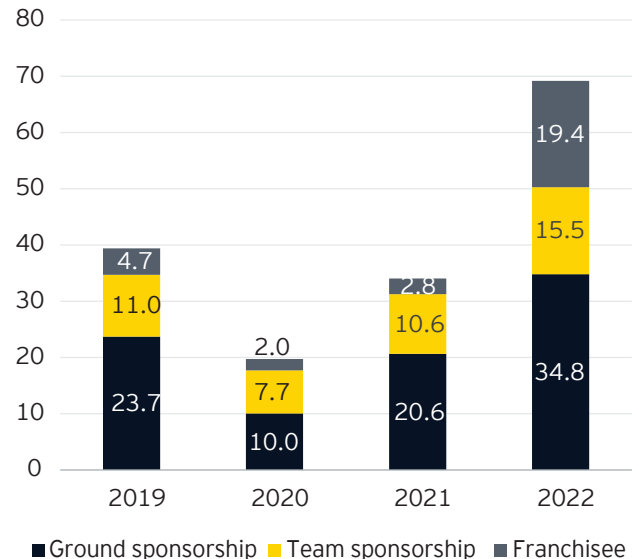


TAM AdEX

- ▶ Live programming increased from 21% to 24% of programming hours
- ▶ Overall ad volumes increased 26%, driven by volumes on non-cricketing sports which grew 66%
- ▶ 53% of ad volumes in 2022 pertained to live and related (created around live) programming

Sponsorship revenues doubled

Sponsorship revenues

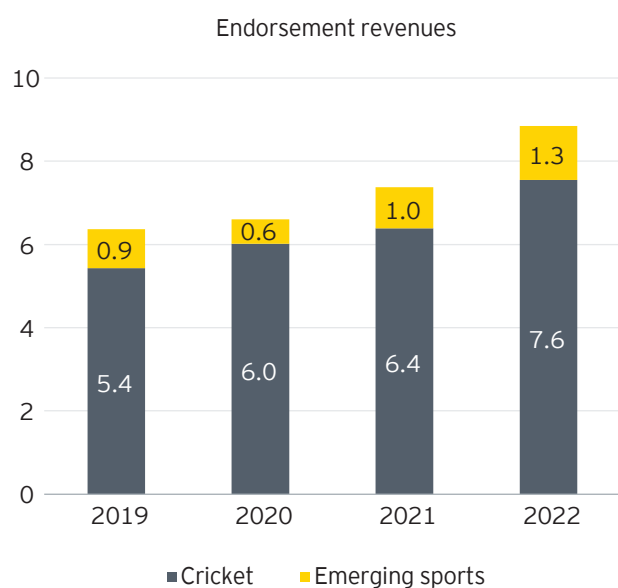


INR billion (gross of taxes) | GroupM ESP

- ▶ The overall sponsorship, comprising ground, team and franchisee, experienced a significant growth of 105% over 2021 due to the return of in-stadia audiences leading to a boost in sponsorships across all segments
- ▶ This was led by cricket, which had two driving factors:
 - ▶ Indian cricket team played a schedule of 7 test matches, 24 ODIs and 40 T20s in 2022
 - ▶ While IPL onboarded Tata as the new title sponsor in lieu of Vivo, many other brands, such as Swiggy Instamart, RuPay, joined in. BCCI also sold IPL central sponsorship with Aramco buying IPL orange and purple cap rights
 - ▶ The addition of two new IPL franchises increased team-level revenues
 - ▶ Brands took to newer ways to associate with cricket through sponsoring non-Indian cricket teams at bilateral and ICC events like Kent RO's association with the New Zealand and West Indies national teams
- ▶ Outside of cricket, the FIFA World Cup witnessed active interest from Indian brands:
 - ▶ Ed-tech unicorn BYJU'S signed up as the global sponsor of the event. The firm also onboarded Lionel Messi as its Global Brand Ambassador
 - ▶ Amul signed up as regional partners for the Argentina and Portugal national teams, which featured Lionel Messi and Cristiano Ronaldo, respectively

- ▶ Under the emerging sports category, the return of the Pro-Kabaddi League along with other events such as Ultimate Kho Kho League, X1 Racing League, Maharashtra Open, Pro Volleyball League etc. added to the overall excitement and buzz around the sporting calendar
- ▶ Franchisee spends saw a whopping increase of over 500% as many franchise based leagues returned to action after a disruption caused by COVID-19 pandemic

Endorsements grew 20%



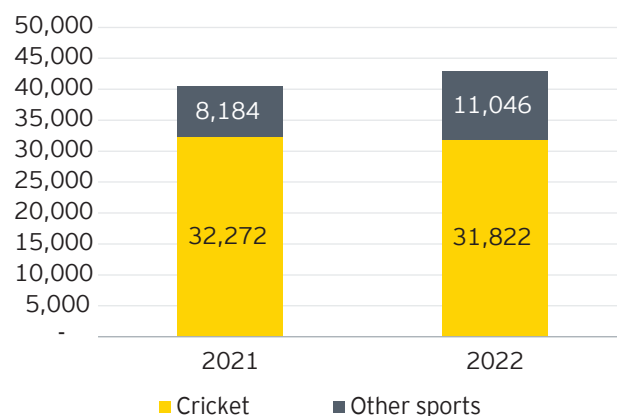
INR billion (gross of taxes) | GroupM ESP

- ▶ Endorsements saw a 20% growth in 2022 with a total of 505 deals across different sports
- ▶ Cricket continues to lead the way, generating 85% of endorsement revenues
- ▶ Outside of cricket, the likes of Neeraj Chopra, PV Sindhu, etc., continue to capture the hearts of Indian audiences, thereby attracting brands; non-cricket endorsements grew 30% in 2022
- ▶ This can be attributed towards performances by athletes in other sports and events, such as Commonwealth Games 2022, Thomas Cup, Wrestling World Championships, ISSL Shooting World Championships, that collectively attracted and engaged increased number of eye balls thereby setting the stage for future growth

Sports consumption and viewership

Sports viewership grew 6% on television in 2022

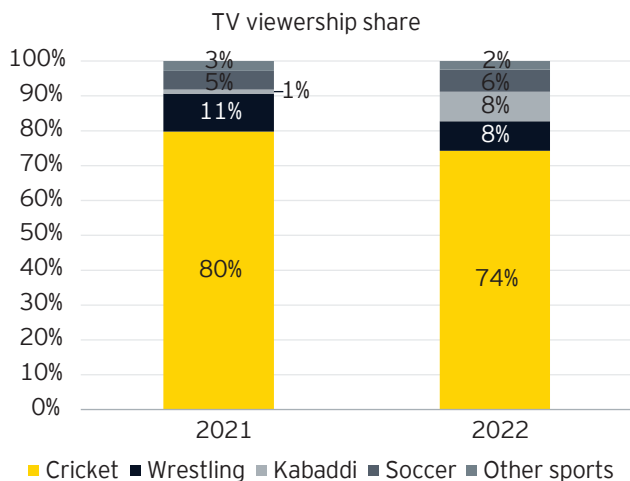
Sports viewership on television



BARC | MF 2+ Ind UR | Jan-Dec 2022 | Gross AMA (in million)

- ▶ In 2022, the overall consumption of sports experienced a 6% y-o-y growth, i.e., from 40.5 billion viewing minutes to 42.9 billion viewing minutes on TV
- ▶ While the viewership of cricket reduced by 1% over 2021, viewership of other sports increased by 35%

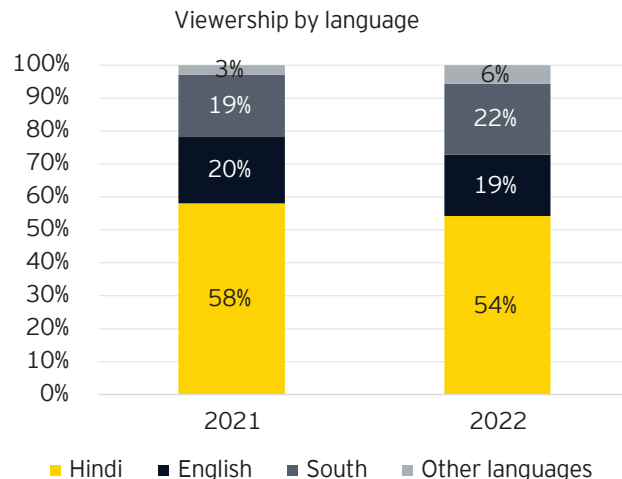
Cricket's share of TV viewership fell to 74% as other sports increased



BARC | MF 2+ Ind UR | Jan-Dec 2022 | Gross AMA

- ▶ Cricket continued to dominate television viewership even though its share dropped from 80% to 74%
- ▶ Soccer, kabaddi and wrestling now all garner over 5% of total sports viewership, and 23% between them:
 - ▶ Wrestling is majorly drawn from the WWE universe, which has a fan following across languages and due to a large calendar of events
 - ▶ Kabaddi saw a big jump in viewership as 2022 featured two different Pro Kabaddi League (PKL) seasons viz., season 8 from December 2021 - February 2022 and season 9 from October 2022 - December 2022
 - ▶ Football consumption was mainly driven by the FIFA World Cup Qatar 2022 and the ISL, which also had a long run in 2022
- ▶ Following India's successful run at the Olympics, other sports started gaining traction and saw increased interest from viewers across the country. It can be further evidenced by the 35% growth in multi-sport event viewership led by Commonwealth Games 2022

Viewership increased in regional languages



BARC | MF 2+ Ind UR | Jan-Dec 2021 & 2022 | Gross AMA

- ▶ Sports consumption in regional languages increased from 22% in 2021 to 28% in 2022, while Hindi viewership declined 4%
- ▶ English language share remained stable with a minor dip of 1%
- ▶ Increase in number of local language channels and programs by the broadcasters led to growth in regional language consumption. Southern languages like feeds and increasingly other regional languages Bengali, Marathi are driving consumption and penetration of sports

Digital viewership gained significant scale

- ▶ Due to the popularity of IPL, Hotstar saw a 12% growth in UVs from February to March 2022, reaching 141 million users (across desktop and mobile devices⁴). The property has been estimated to have a reach of 130 to 150 million⁵
- ▶ Viacom18 claimed a reach of 32 million for the FIFA world cup final on its Jio Cinema platform, with 11 million peak concurrent viewers⁶
- ▶ Given that Viacom18 is expected to distribute the digital feed of the 2023 season for free, it is expected that sports streaming will grow further

⁴<https://bestmediainfo.com/2022/06/how-ipl-2022-pushed-growth-for-digital-platforms>

⁵<https://www.exchange4media.com/ipl-news/disney-stars-ipl-2022-score-15-tv-13-digital-sponsors-118811.html>

⁶<https://www.businesstoday.in/latest/corporate/story/after-the-mega-fifa-world-cup-success-mukesh-ambanis-jiocinema-has-eyes-set-on-ipl-357248-2022-12-21?onetap=true>

Future outlook

Share of media spends on sports will increase

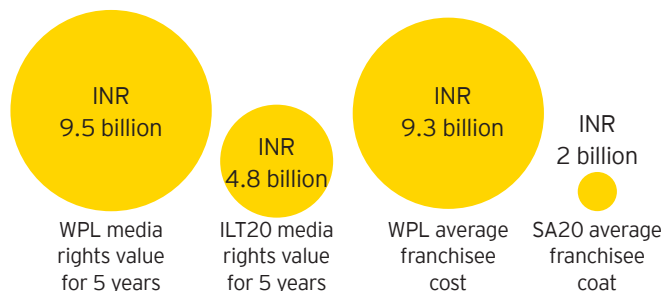
- ▶ Over the last three years, the ad spend on sports on TV has hovered around 16% of the total ad spend on TV. Sports has the potential to grow up to 25% of total TV ad spends by 2025 as it continues to be the highest aggregator of audience on TV and the gap in media delivery between sports and other non-sports impact events (reality, celebrity shows, movie premiers, etc.) has increased over the last few years
- ▶ Live content will continue to be a driver for growth on TV whereas other genre content has seen more movement towards digital consumption. Even in markets like the US, 106 million of the total 113 million viewership for Super Bowl 2023 came from TV⁷
- ▶ Further, an increase in the number of matches in the IPL and ICC events, as well as other cricket leagues and the WPL, is expected to drive up the share of sports in the allocation of media spends
- ▶ In case of digital, the ad spend for sports has been steady around 5% of the total digital ad spend over the last three years. However, with the significant growth in IPL's digital media rights in the recent auction and Viacom18 planning to stream IPL for free, the spend for digital can potentially grow by two to three times

Free-to-air sports propositions will grow the TV and OTT universe

- ▶ With just 56% TV penetration amongst Indian households, free-to-air (FTA) channels are expected to drive TV growth for price-sensitive audiences. Adding premium sports to the FTA portfolio could help in accelerating FTA adoption and increasing the TV universe
- ▶ If IPL can be streamed for free on digital platforms, as is expected based on various media articles, it can increase the reach of loyal sports OTT viewership from 50 to 60 million to over 100 million, perhaps even as high as 150 million in two to three years⁸

Women's sports/ cricket will see increased interest

- ▶ Indian is gradually witnessing a much required improvement of gender ratios in sports across major competitions in the world in recent times with women athletes. Women athletes such as PV Sindhu, MC Mary Kom, Smriti Mandhana and Nikhat Zareen have now become household names today. This change has majorly been driven by outstanding performances that have come from women athletes across world forums
- ▶ Cricket has been at the center of some key initiatives that have supported and driven the reach of women's sports across Indian households. BCCI has been supporting women's cricket through the T20 Challenge along with the Indian Premier League (IPL), and now, 2023 is all set to see the unveiling of the first ever Women's Premier League
- ▶ WPL's significantly higher franchise cost compared to ISL and PKL, along with strong media rights when compared to global T20 leagues, is a statement in itself for promising times



EY analysis

- ▶ Also evident is the strong interest shown by bidders to acquire WPL team franchises, with total franchise value amounting to INR47 billion for five teams

Franchise	Bidder	Amount
Ahmedabad	Adani Sportline Pvt Ltd	13
Mumbai	Indiawin Sports Pvt Ltd	9
Bengaluru	Royal Challengers Sports Pvt Ltd	9
Delhi	JSW GMR Cricket Pvt Ltd	8
Lucknow	Capri Global Holdings Pvt Ltd	8
Total		47

INR billion | EY estimates

⁷Source: Forbes (<https://www.forbes.com/sites/marcberman1/2023/02/13/super-bowl-2023-113-million-viewers-ranks-as-the-third-most-watched-tele-cast-historically/?sh=1441379f45d4>)

⁸EY estimates, based on industry discussions

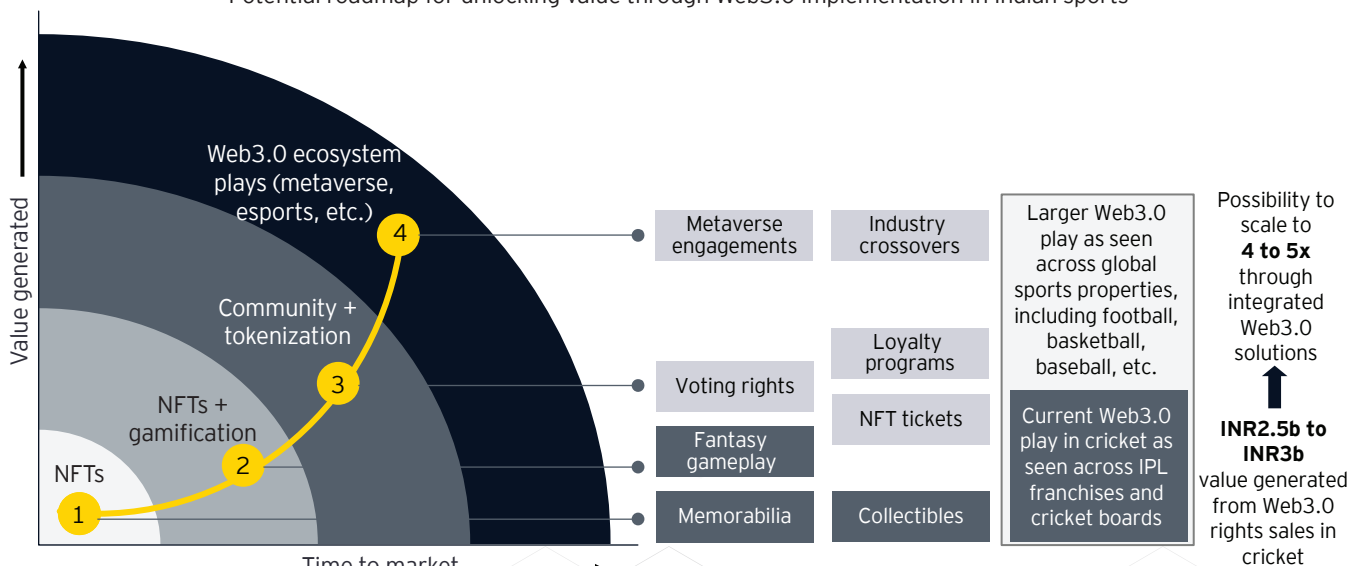
Global cricket leagues will look to replicate the IPL's success

- ▶ Players' availability and ability to hook audience will be the critical drivers for cricket boards around the world which are trying to replicate IPL's success in their home-grown franchise-based leagues
- ▶ IPL franchises are building a global presence by tapping into overseas leagues where they could leverage operational and other cost synergies. For example, IPL franchises have invested in all six franchises of SA20 League, three teams in ILT20 in UAE, as well as in the Caribbean Premier League

Technology will craft immersive and new-age fan experiences

- ▶ Integration of wide tech-related developments into the world of sports will further evolve the overall landscape of fan engagement, sporting performance, operational efficiency, etc.
- ▶ IPL franchises such as Lucknow Super Giants are already leveraging metaverse to bring life-like experiences to the home with more evolved experiences planned as technology moves past its infancy
- ▶ Four IPL franchises, namely Delhi Capitals, Chennai Super Kings, Rajasthan Royals and Lucknow Super Giants, have announced partnerships to launch NFTs. Other leading franchises like Mumbai Indians are looking for monetization via NFTs and other Web3.0 solutions and have released a request for proposal (RFP) to scout potential partners
- ▶ While so far NFTs, offering relatively quicker and simpler monetization opportunities, have widely driven the Web3.0 initiatives, going forward tokens and associated utilities along with other Web3.0 solutions (like DAOs, etc.) could provide an enticing opportunity to significantly boost commercial and engagement potential, thereby creating a much evolved ecosystem for all key stakeholders
- ▶ AI has been slowly but steadily making its way into the global sports industry by revolutionizing various facets. For instance, FIFA World Cup Qatar 2022 witnessed wide application of AI like semi-automated offside technology and facial recognition cameras to enable successful and smooth event experiences

Potential roadmap for unlocking value through Web3.0 implementation in Indian sports



Sporting nation

India's performance across major sporting events

Inspiring the nation while capturing a billion hearts, Indian athletes achieved unprecedented levels of success in 2022:

- ▶ Neeraj Chopra had a disrupted year because of injury but he still managed to win silver medals at the World Track and Field Championships, and Paavo Nurmi Games while setting a national record with a personal best throw of over 89 meters
- ▶ The Indian badminton team won its maiden Thomas Cup title in 73 years by defeating Indonesia, the 14-time champions, in the final. This was also the first time since 1973 that India reached the last-four stage of the tournament
- ▶ Avinash Sable's silver medal in 3,000m steeplechase event at the Commonwealth Games 2022 was the first time since 1994 that a non-Kenyan stood on the medal podium of the steeplechase event at the Commonwealth Games
- ▶ Indian men's football team qualified for the AFC Asian Cup 2023 even before the third round qualifier game started. This is the first time the team has qualified for two successive editions of the Asian Cup
- ▶ Indian mixed 4x100 relay team won a silver medal at the The World U20 Championships while setting a new Junior Asian record
- ▶ Rudranksh Patil won the men's 10 meter Air Rifle Gold at the ISSF Shooting World Championships
- ▶ Indian junior athletes also showed great promise in 2022, and with more and more youngsters coming to the fore, the future looks bright for Indian sports
- ▶ These achievements demonstrate India's emergence as a nation with sporting icons across different disciplines and the dedication of its athletes to overcome barriers and challenges

Medals galore at the Commonwealth Games

- ▶ Eldhose Paul and Abdulla Aboobacker finished 1-2 in the triple jump event, thereby securing a gold and silver medal, respectively
- ▶ Murali Sreeshankar secured a long jump silver medal and Tejaswin Shankar secured a high jump bronze medal
- ▶ Weightlifters Saikhom Mirabai Chanu, Achinta Sheuli and Jeremy Lalrinnunga won gold medals in their respective weight categories. Other lifters won multiple silver and bronze medals, making it a successful discipline for the nation
- ▶ In wrestling, both men and women athletes managed to secure a total of 6 gold medals in different weight classes, making this as another successful discipline at the games

Women's power breaks through social biases

- ▶ As the nation and its sporting landscape evolve, it is encouraging to see the number of female participants increasing at major global events. More girls are participating in sports competitions in India, breaking societal prejudices that have limited certain roles to men and women
- ▶ Gender ratios in Indian sports are improving at major competitions around the world. For instance, at the Tokyo Olympics in 2021, female athletes represented 45% of the Indian participation
- ▶ Weightlifter Saikhom Mirabai Chanu not only won India's first gold medal at the 2022 Commonwealth Games in women's 49kg weightlifting final but also set a games and Commonwealth record. Additionally, she claimed silver medal at the 2022 World Weightlifting Championships in Colombia
- ▶ Boxer Nikhat Zareen had a golden year in which she won the gold medals not only in Flyweight event at 2022 IBA Women's World Boxing Championships in Turkey but also in women's light flyweight category at the 2022 Commonwealth Games. Additionally, she won the gold medal at the Strandja Memorial Boxing Tournament held in Sofia, Bulgaria
- ▶ Table Tennis player Manika Batra ended her Commonwealth Games 2022 journey without a podium finish, but she became the first Indian woman to win a medal at the Asian Cup Table Tennis 2022 held in Bangkok, Thailand
- ▶ Indian women's lawn bowls team created history at the Commonwealth Games 2022 by winning the gold medal for the first time in the sport. This was also India's first ever medal in the sport as Lovely Choubey, Pinki Singh, Nayanmoni Saika, and Rupa Rani Tirkey defeated South Africa
- ▶ The Indian team featured in the 2021-22 Women's FIH Pro League and finished in third place. However, the team did not qualify for the subsequent season, i.e., 2022-23 but have already secured a birth for the 2023-24 season by beating Spain 1-0 in the inaugural FIH Women's Nations Cup
- ▶ Under the cricketing umbrella, Harmanpreet Kaur and Smriti Mandhana, with their stellar performances over the years, have become household names. Women's cricket in India is gaining support from the BCCI and will see the first ever women's IPL in 2023
- ▶ The successes of these women athletes provide inspiration for young girls across India to take on challenges both on and off the field

Bittersweet year for cricketers

- ▶ Team India played 71 matches in 2022, with a 70% success rate
- ▶ The ODI team had a 67% win and no result record, and the T20 side had a 75% rate for the same parameter
- ▶ Despite having a good record, Team India lost some crucial matches, including the Super 4 matches in the Asia Cup and the World T20 Cup semi-finals
- ▶ The test team won four out of seven matches and did well in the sub-continent but failed to win crucial matches in England and South Africa
- ▶ The IPL saw two new teams joining the league, leading to more matches being played, and both the new teams qualified for the playoffs
- ▶ Virat Kohli, the most popular active cricketer on the planet, got back to century-scoring ways as we entered 2023

What is in store for 2023

- ▶ Last year's events will set the stage for the business of sports in India in 2023
- ▶ Cricket will play a paramount role in 2023, with the ODI World Cup and the Border-Gavaskar Trophy being major events
- ▶ Valuations of events are expected to reach new highs as major media and sponsorship rights are coming up for renewal, such as the sponsorship rights for the IPL, which are up for grabs from 2024 to 2028
- ▶ The Women's IPL is becoming a reality in 2023 with separate franchises, media, and sponsorship rights, with Viacom18 winning the media rights for INR9.5 billion
- ▶ Participative sports such as marathons and golfing events are expected to witness an upswing in 2023 as well
- ▶ The pandemic has catalyzed the adoption of new ways to engage with sports viewers and accelerated digital adoption. OTT media will lead to increased viewing of live sports on connected TV sets, driving up their premium further
- ▶ The emerging space of sports collectibles is expected to gain traction in India. The ISL and IPL are expected to make significant forays into this space, with entities like Terra Virtua and FanCraze, respectively

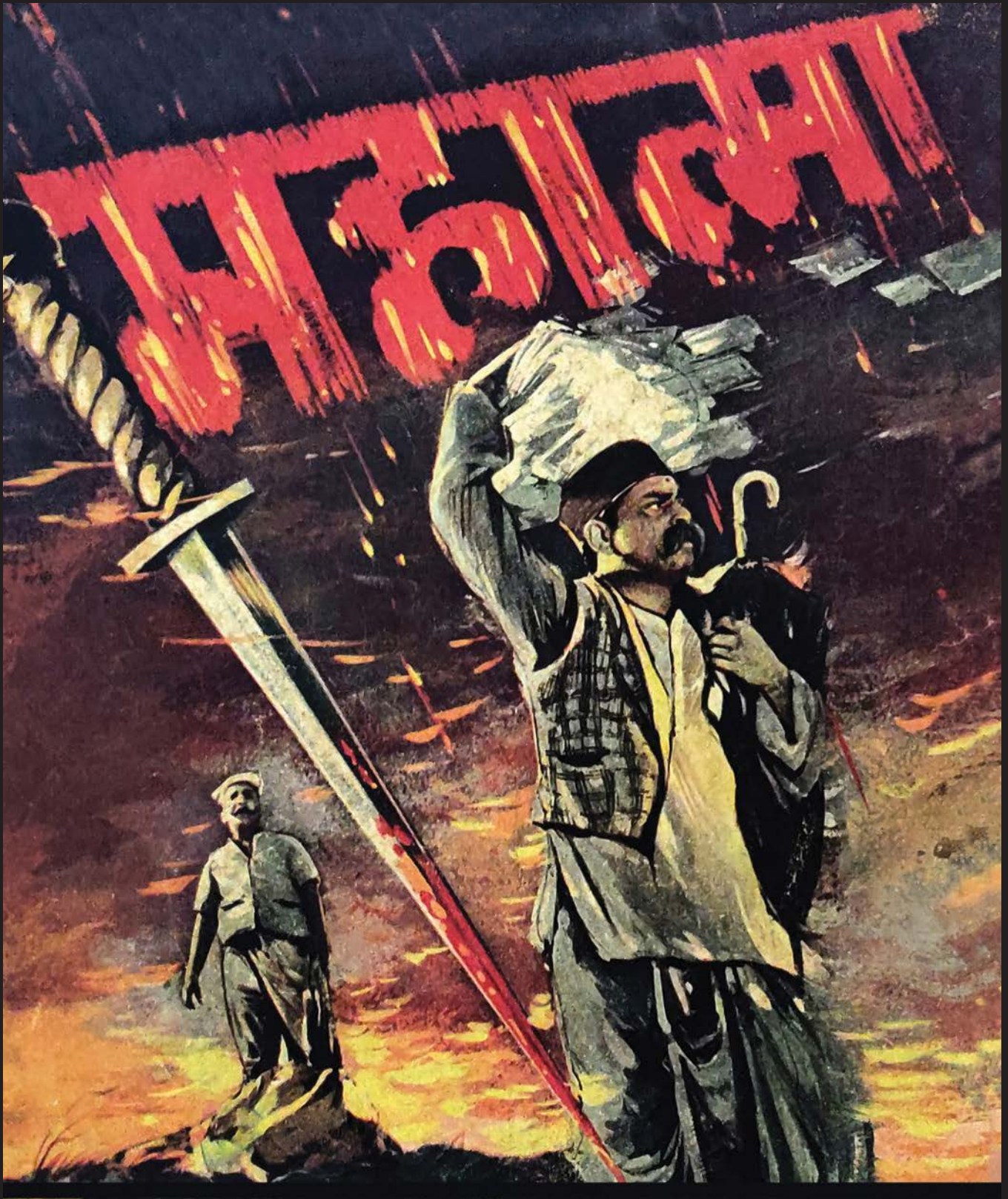
India is geared up for a bright future in sports

- ▶ A good pipeline of high-performing athletes is crucial for a sporting nation to continue delivering winning moments to fans, and India has started to build a multi-sport pipeline at scale
- ▶ Support for grassroots sports is essential, and the public and private sectors have worked together to provide opportunities and infrastructure for rising sports talent in India
- ▶ The Khelo India Youth Games were held in Haryana in 2022, and the hosts won with 137 medals, beating Maharashtra to second place
- ▶ Both the union government and the state governments have launched various schemes to drive a sporting culture from a young age and support young athletes' aspirations and hopes
- ▶ Indian athletes' success on the world stage provides hope for the younger generation to take up sports, and it presents a significant opportunity for brands and businesses to integrate sporting investments into their marketing mix



Vinit Karnik
Business Head, GroupM ESP

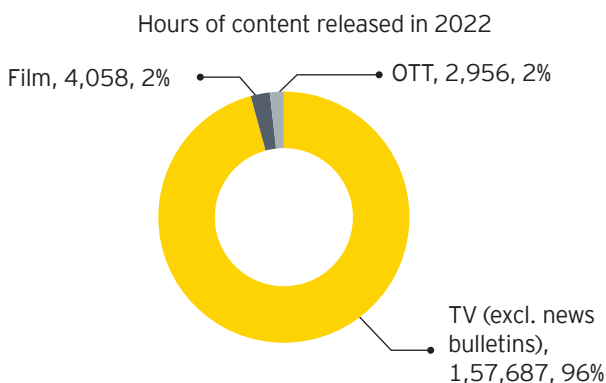
Content



The multiverse of Indian content

This section is based on a survey of 35 independent production houses and estimates from EY's content production audit team

A total of 165,000 hours of content released for consumption in 2022

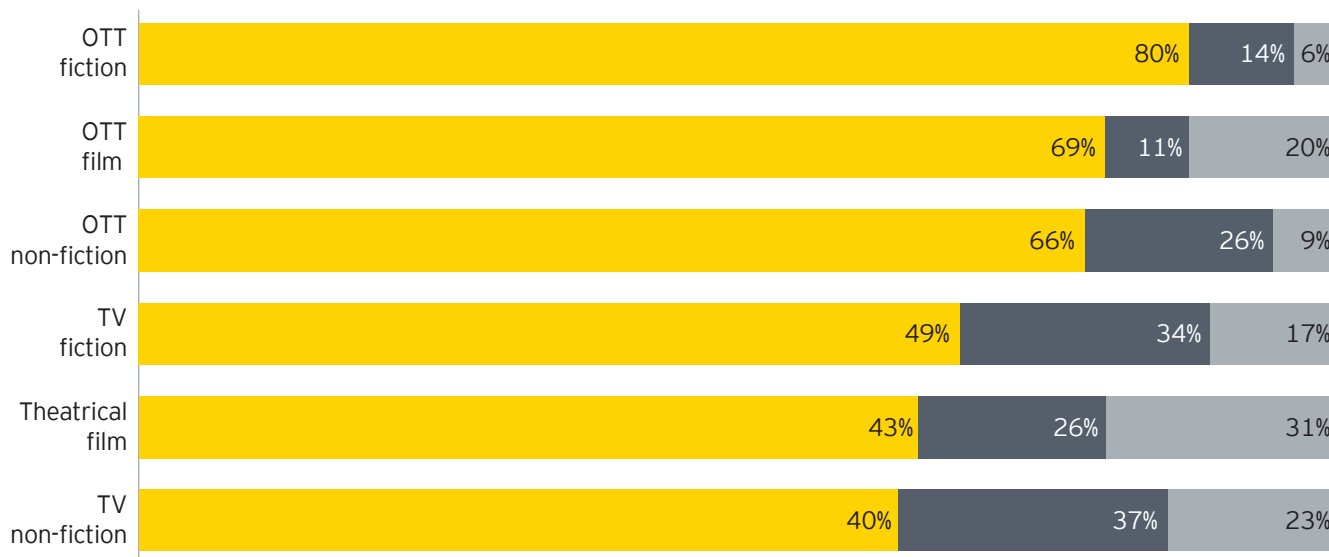


EY estimates | Includes content that was broadcast, released in theaters or on OTT; excludes unorganized creator economy, news bulletins, and short-form content

- ▶ Total content released across media platforms aggregated 165k hours in 2022, an increase of 3% over 2021
- ▶ Television remained the largest contributor to content production, at 96%
- ▶ Film content more than doubled in 2022, while OTT content increased 18% over 2021
- ▶ News bulletins aggregating 438k hours have been excluded from the above analysis

Demand remained robust across all types of content

Q. Do you believe that demand for content production increased in India in 2022?



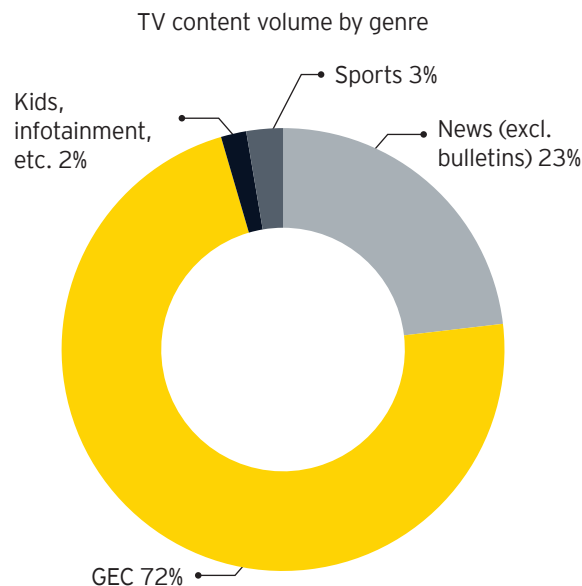
■ Yes, demand for content is increasing ■ No change in demand from 2021 ■ Demand for content is reducing

EY-Producers Guild of India survey December 2022 | Percentage of respondents

- ▶ Survey respondents believed that content demand growth was led by OTT originals
- ▶ However, some believed that the demand for non-fiction content and films could have reduced, mainly due to high production costs, which broadcasters were wary of
- ▶ Given the quantum of premium content being produced, while production remained highly fragmented, the "media fund" and "IP consolidation" models, led by players like Jio Studios, T-Series, etc. gained scale and we expect the same to continue. These models imagine massive scale and consolidation without necessarily M&A, creative collaboration across an extended organisation, and distribution muscle

TV content

At around 158,000 hours, TV comprised 96% of the total content produced

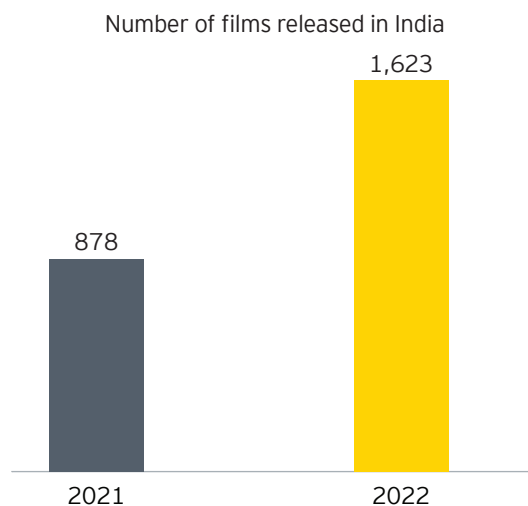


EY estimate | Excludes news bulletins, satellite films, etc., not produced for TV and includes dubbed content

- ▶ Over 114,000 hours (72%) of television content was produced for general entertainment channels, of which 20% to 25% was in Hindi while the remaining was in regional languages
- ▶ News channels produced over 36,000 hours of non-news bulletins viz. news-linked content, documentaries or specials
- ▶ Share of sports has increased to 3% as live events recovered post the pandemic

Films

Theatrical releases almost doubled in 2022



Comscore (includes dubbed versions)

- ▶ Released films aggregated approximately 4,000 hours of content
- ▶ A majority of the 1,623 films that released in 2022 were produced in India, of which approximately 217 films were streamed on OTT platforms¹
- ▶ More than 100 films were directly released on OTT in 2022, mainly smaller budget movies²
- ▶ 58% of the film releases belonged to southern regional languages (Telugu, Tamil, Malayalam, and Kannada) while just 12% were in Hindi³

¹ EY production audit team estimates

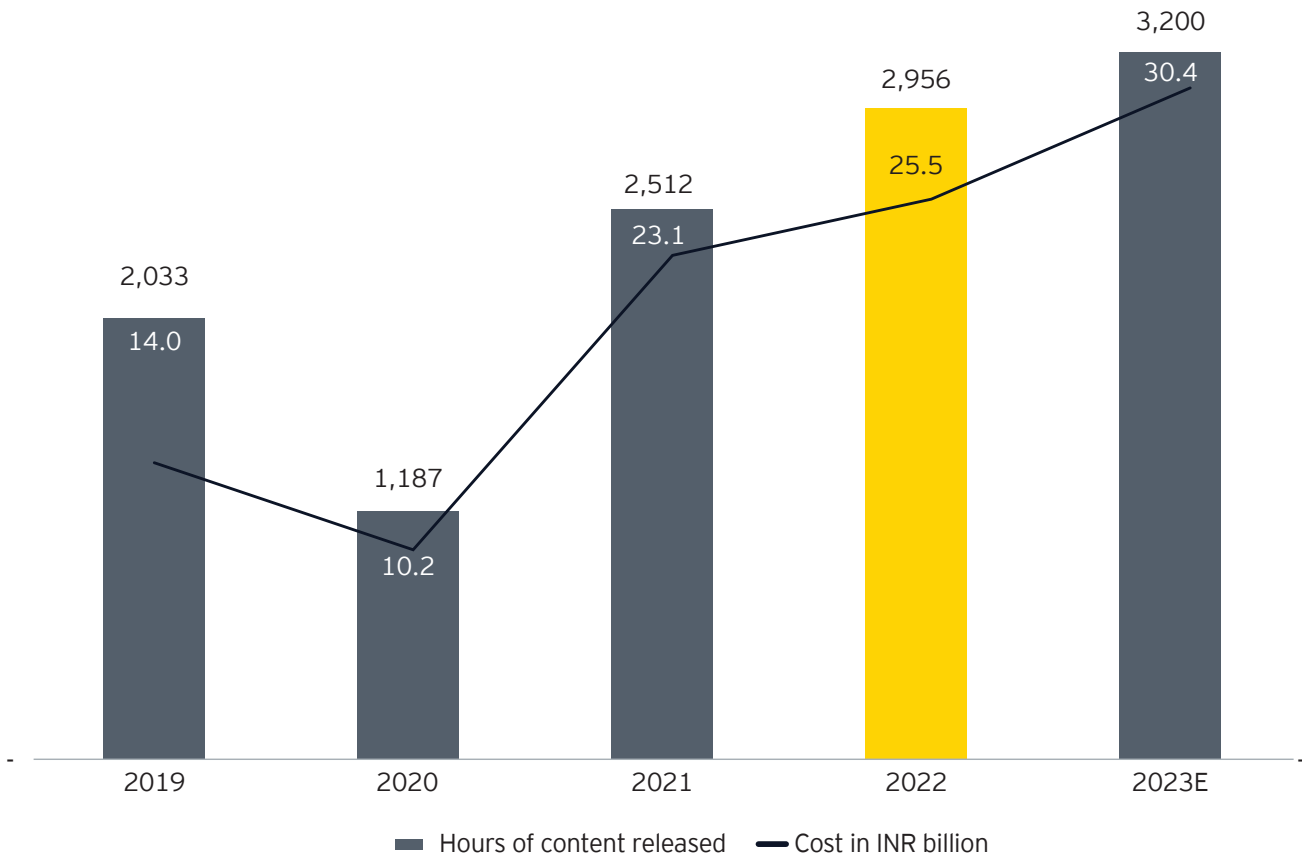
² EY production audit team estimates

³ Comscore

OTT originals

Almost 3,000 hours of original OTT content were produced in 2022

OTT content production estimates

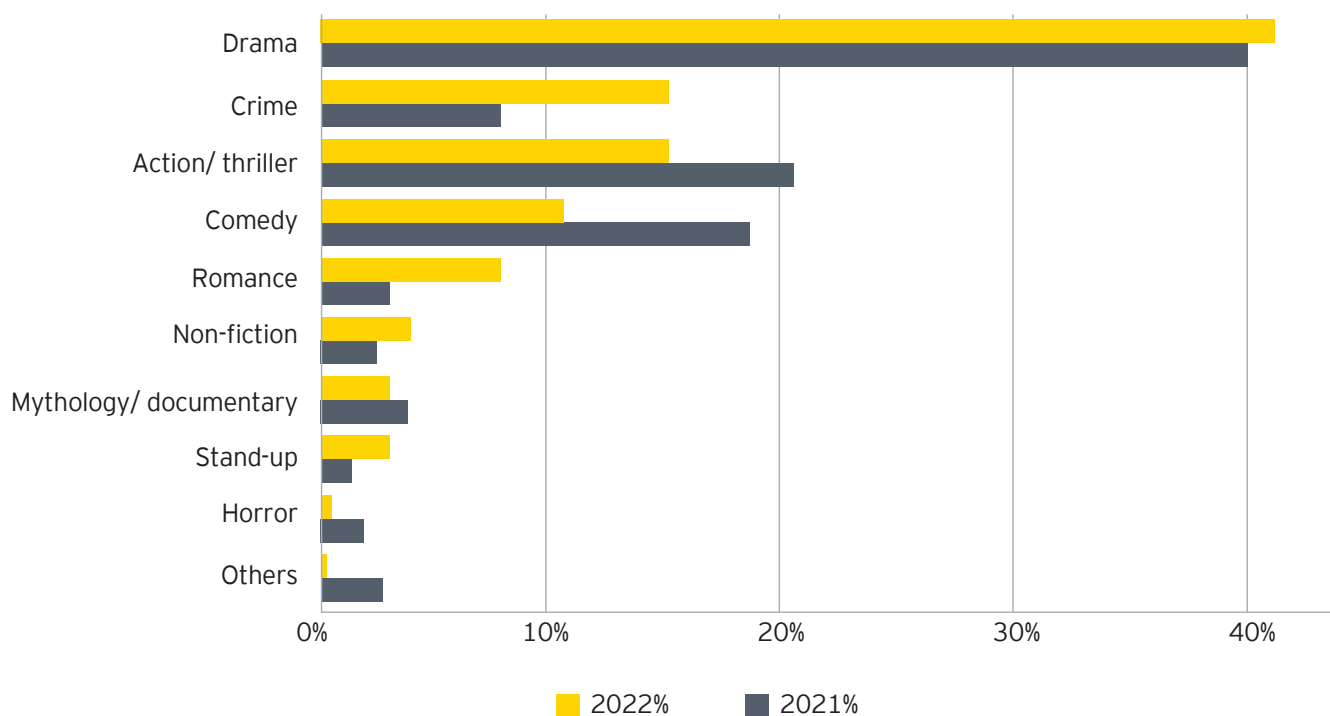


EY production audit team estimates | Excludes imported content and sports

- ▶ OTT content production reached an all-time high of 2,956 hours in 2022, an 18% growth over 2021
- ▶ The cost of production, however, increased by 11% compared to 2021
- ▶ Cost incurred on these originals increased to approximately INR25.5 billion, with an average price per hour of INR8.3 million
- ▶ We expect OTT original content to increase 8% in 2023 to 3,200 hours

Drama, crime and action continued to be the predominant genre on OTT

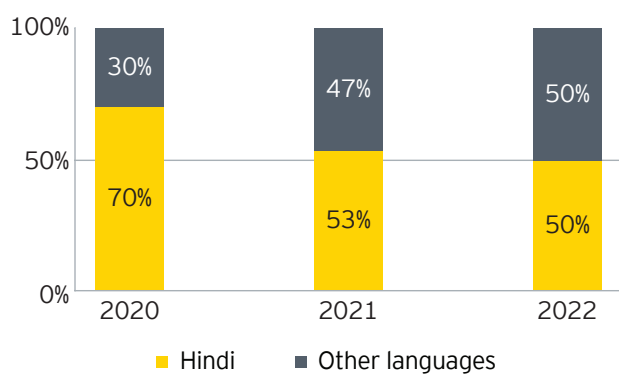
Genre-wise content releases on OTT



EY production audit team estimates | Excludes imported content

Share of regional OTT content reached an all-time high of 50%

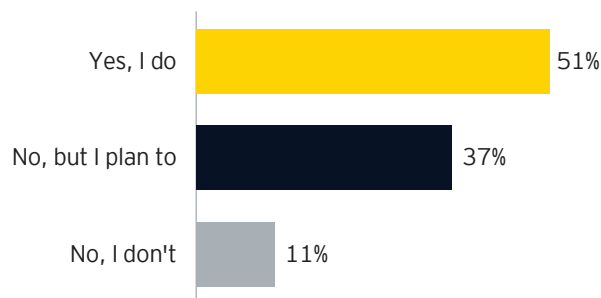
Titles produced by language



EY production audit team estimates | Excludes imported content

88% of respondents owned - or planned to own - at least some content IP

Q. Have you started creating owned IP, which you will license out to platforms?



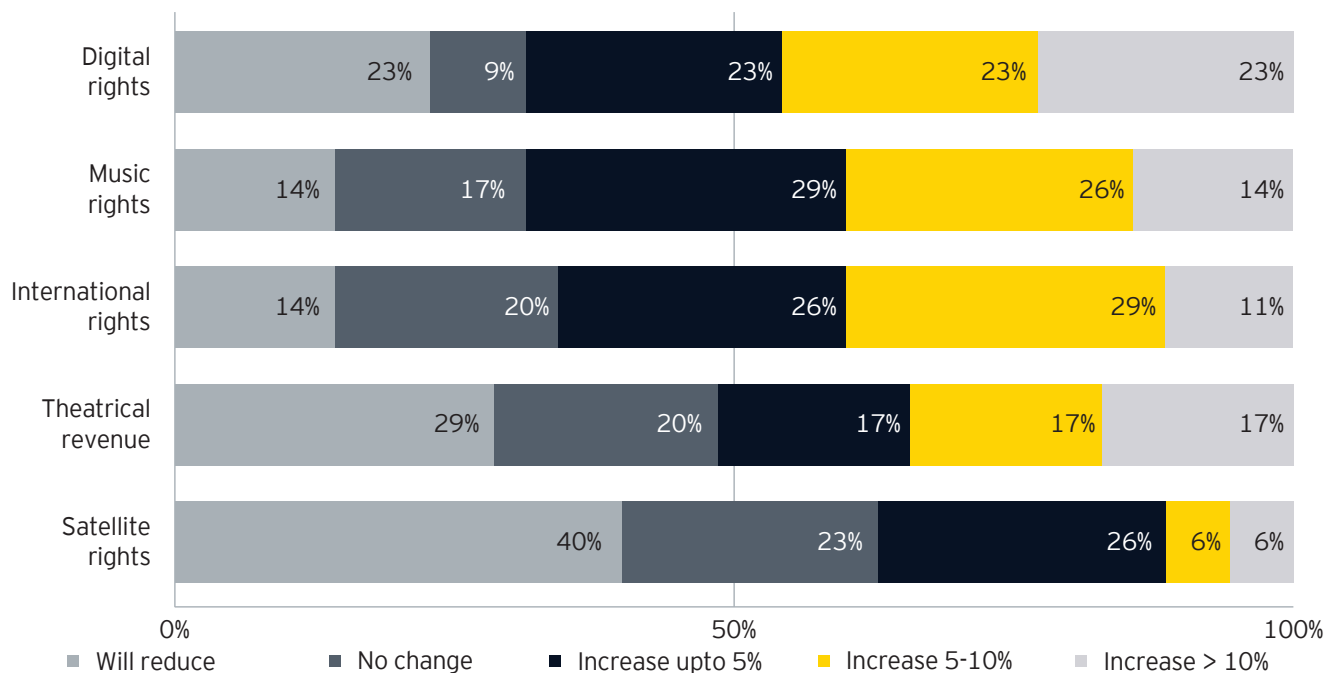
EY-Producers Guild of India survey December 2022 | Percentage of respondents

- ▶ 40% of film production house respondents owned 100% IP while 44% owned partial IP in the films they produced
- ▶ Just 32% of respondents who produced content for OTT platforms owned the IP to the content
- ▶ 80% of respondents who were producing TV content were operating on a work-for-hire basis

Content production trends

Digital, music and international rights will drive monetization in 2023

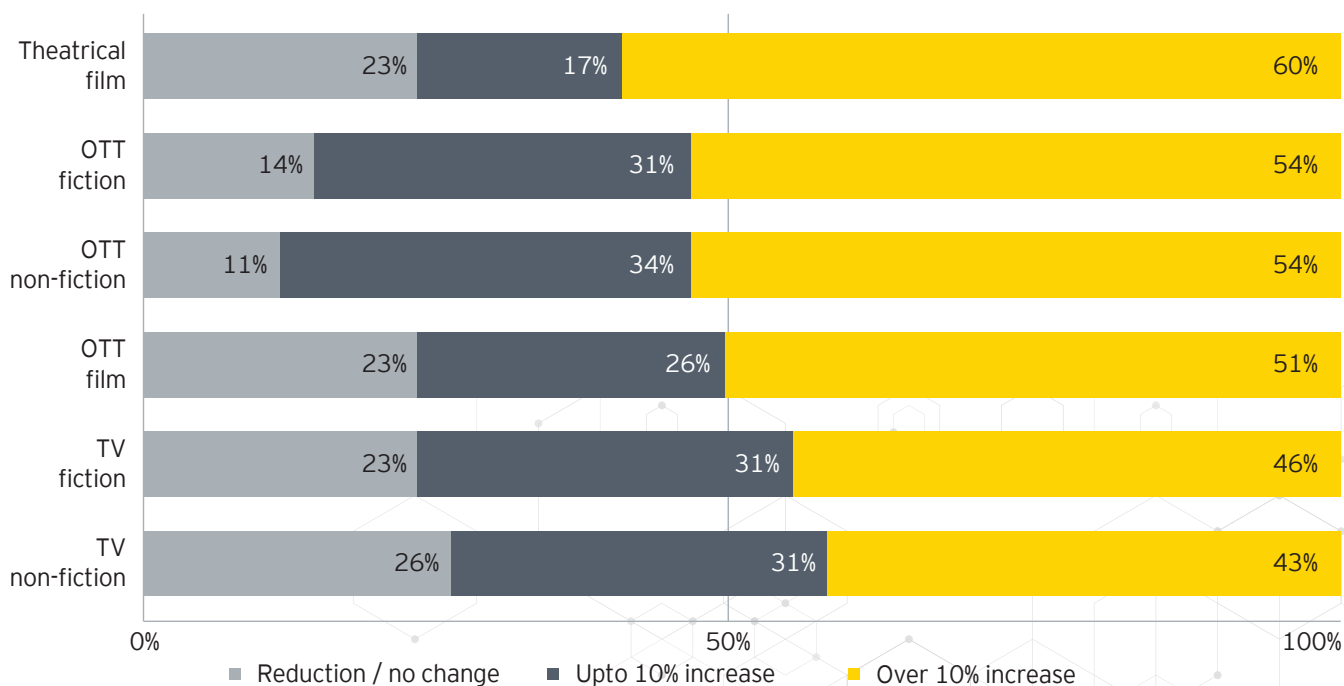
Q. How do you expect content monetization to change in 2023?



EY-Producers Guild of India survey December 2022 | Percentage of respondents

Content cost increased by over 10% compared to the pre-pandemic levels

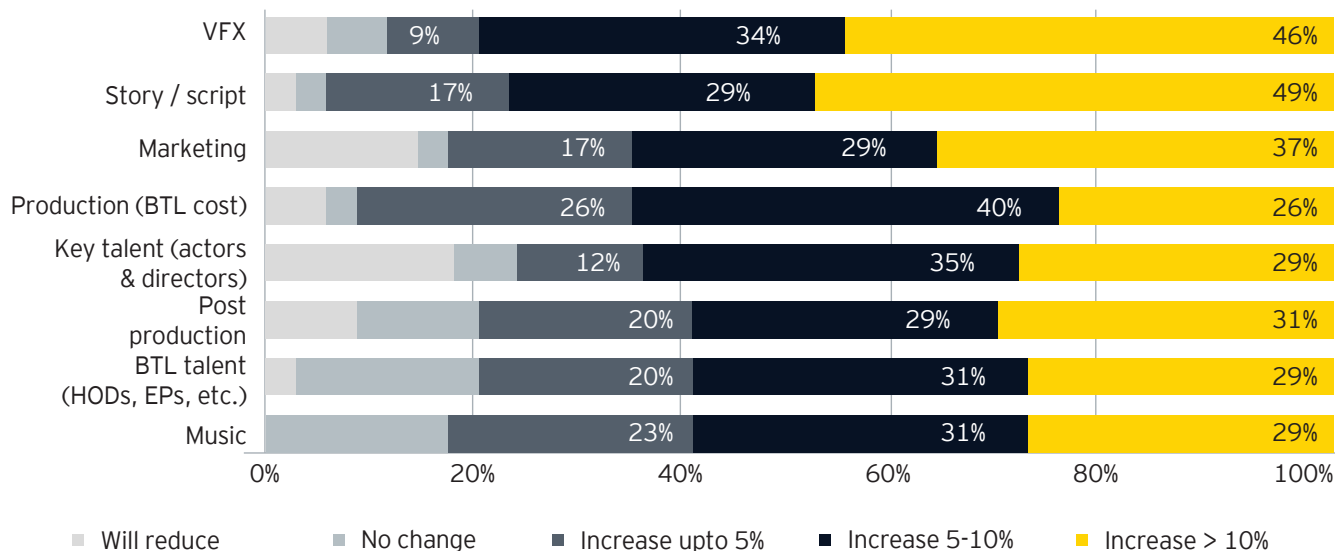
Q. What has been the production cost inflation over pre-COVID-19 levels?



EY-Producers Guild of India survey December 2022 | Percentage of respondents

Content creation costs are expected to increase further in 2023

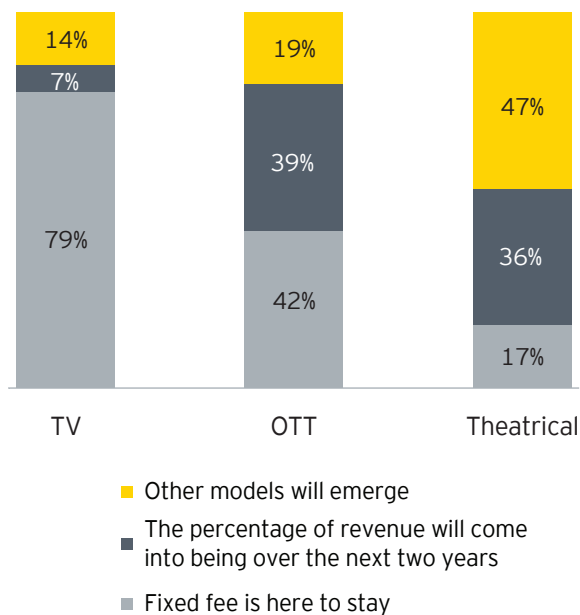
Q. How are content creation costs expected to change in 2023?



EY-Producers Guild of India survey December 2022 | Percentage of respondents

New and creative fee structures for the lead cast are expected

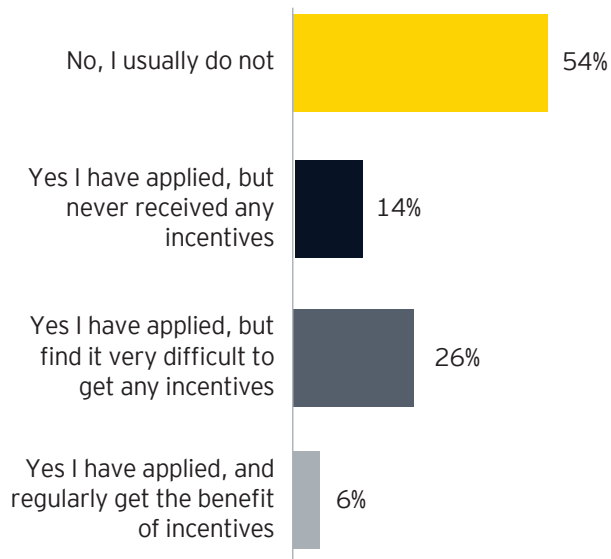
Q. In your opinion, how will the lead cast fee structure evolve in the next two years?



EY-Producers Guild of India survey December 2022 | Percentage of respondents

There is a need to simplify the process for rebates/ incentives

Q. Have you applied for production incentives in India during the last 24 months?



EY-Producers Guild of India survey December 2022 | Percentage of respondents

Into the mind of Indian content producers

77% believed that sustainable production practices will help reduce production costs

92% believed that India can produce content for the world, not just NRIs, at scale

80% believed the self-regulatory mechanism for OTT content is a good initiative and works adequately to achieve its objectives

86% believed that the proportion of VFX cost to total will grow over the next two years

65% believed that the time has come for Indian animated content

65% expected that AI could help in better budgeting, scheduling, and script breakdown than conventional methods

60% believed Indian filmmakers would adopt virtual production at scale by 2025

53% believed that the ease of shooting in India is becoming more efficient

25% believed that the cost-plus-10% model is fair remuneration for production houses

Trends

Prime Video India

Prime Video India today has amongst the highest proportion of Prime members who stream on the service each month

India continues to be a frontrunner, amongst international locales, in new customer adoption

99%

of India's pin codes generate viewership for Prime Video

500+

titles premiered in India for Prime Video customers

15+

OTT services can be accessed through add-on subscriptions

2,500+

Indian and international movie rentals launched in 2022

Content on Prime Video continues to transcend geographical and linguistic borders

60%

of the customers on Prime Video stream content in four or more languages

50%

viewership of local language content comes from outside the home states

25%

of the audience of Indian titles comes from outside India

75%+

of Indian Prime Video customers watch international shows & movies (in English or local languages)

25%+

of the total viewing time of international shows and movies is now in Indian languages

Indian content garners national and international acclaim

Amazon Originals

- The Family Man S2
- Panchayat S2
- Mumbai Diaries 26/11
- Modern Love Mumbai
- Suzhal - The Vortex



Direct-to-service releases

- Shershaah
- Chhorii
- Jai Bhim
- Sardar Udham
- Jalsa
- Soorai Pottru
- Sherni

Content investments across diverse and new talent



original series and
movies in various
stages of production

of launched and
upcoming originals
feature new talent



unique creators that
Prime Video works with

of the originals in
production have women
at HOD positions,
and feature women
in writers' rooms



Trends Netflix India

Netflix continued to focus on local content

100+

Netflix films and series launched in India since 2018

28

Netflix films and series launched in India in 2022

50%

Netflix films and series had a woman as a central character

~1/3

Netflix titles in 2022 had music that was popular and widely loved

Its Indian stories continued to perform globally in 2022...

47

Indian films and series featured in the Netflix global **Top 10** for non-English titles

7/9

Netflix films from India featured in the global **Top 10** for non-English films

**RRR (Hindi)
Gangubai-
Kathiawadi
Bhool Bhulaiyaa 2**

Reached **#1** on the Global Top 10 non-English films list, generating **144 m hours** of viewership

9/10
weeks

On an average, **9 out of every 10 weeks**, Indian films featured in the Top 10 for non-English films

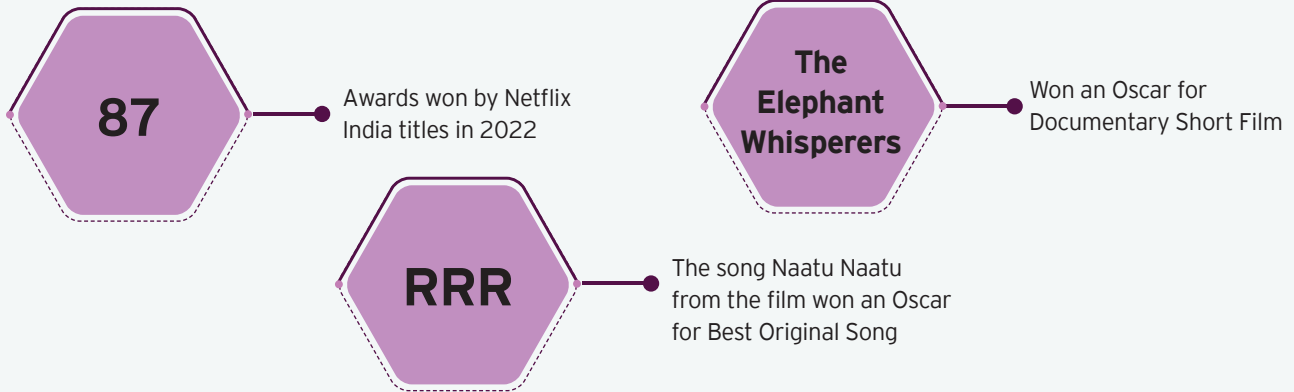
28
countries

In which **Darlings** was a Top 10 film, with over **32 million hours** viewed, the highest for any Netflix India film

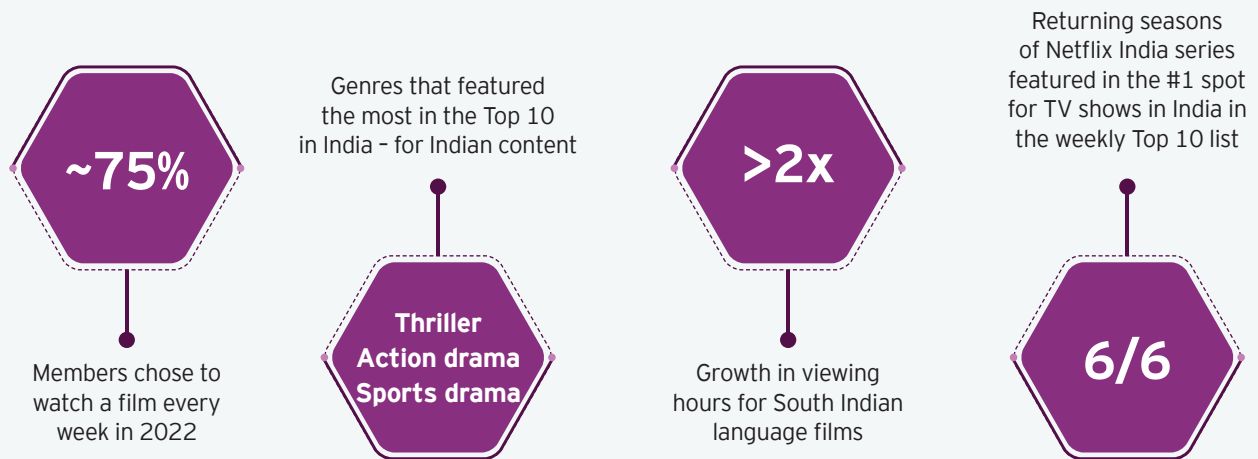
12
countries

In which **Khakee: The Bihar Chapter** was a **Top 10 series**, with over **17 million hours** viewed, the highest for any Netflix India series

...and won numerous awards



Netflix members in India consumed a wide variety of local content in 2022...



...as well as international content across several languages



Expert speak



Siddharth Roy Kapur
Roy Kapur Films

This is a golden period for creators, performers and all those with the audio-visual industry. Data costs in India have dropped to the lowest in the world, and the low price point of streaming video content now meets the insatiable desire amongst our audiences for non-stop entertainment.



Abhimanyu Singh
Contiloe Pictures

As the demand for content increases the emphasis on storytelling will need to take centre stage. We will need to focus on quality of storytelling so that we can engage audiences better. India could be at an interesting threshold and positioned to create world class content for the local as well as the global market.



Sameer Nair
Applause Entertainment

Content is the fuel that powers the M&E sector. Advertising and Subscription revenue engines need content to run them and to allow them to scale to a billion screens. Whether long-form (films, OTT, TV) or short-form (snacking, social, UGC) or live (sport, events, news), content is what audiences pay for or watch for free when ad-supported. Content is and always will be the flywheel of this ginormous industry that is growing at a staggering pace with imminent 5G+ connectivity.



Madhu Bhojwani
Emmay Productions

We're in the midst of a content renaissance witnessing an exponential growth in quality and quantity. With evolving avenues for monetization and consumption, the future holds abundant promise for the whole ecosystem that will change existing models of modes/ media formats, cross-border collaborations, talent-engagement and IP ownership/ licensing.



Abhishek Kumar
Balaji Telefilms

Local and niche content tailored for segmented audiences will provide the next phase of growth while shortening the lifespan of original content value. At the same time there is convergence between platforms – OTTs now have started resembling satellite television of earlier in their multi-genre, mass content strategy and localization. As companies fortify their positions, strategic partnerships, mergers, and collaborations are likely to increase.



Nina Elavia Jaipuriya
Viacom 18

In the dynamic M&E industry, one constant is the opportunity to tell great stories. With new avenues, touchpoints & platforms incrementally adding value, we as storytellers must continue to invest in the ability to create innovative content while addressing emerging consumer cohorts & integrating technology to deliver seamless and holistic entertainment to our audiences.



Punit Misra
Zee Entertainment Enterprises

The biggest myth that is getting busted today, is that content is king. The viewer is the real lord, and content must serve this demanding lord. Sustained success will grace content teams who have the humility to draw inspiration from the real lives of their potential viewers, the skill to craft brilliant characters and stories based on this inspiration, and the pride in execution which strives to delight in every frame.



Sameer Gogate
BBC Studios - India Productions

Audiences are accessing multiple screens simultaneously, making them increasingly distracted and spoiled for choice. This has fundamentally shifted their content consumption habits including having a voracious appetite for new types of content. Therefore, it is imperative that creators deliver entertaining, engaging and distinctive stories that cut through the clutter and are extremely relevant to their audiences.



Hemant Ruprell
Frames Productions

Unscripted reality is bound to evolve into more innovative and interactive forms of content. It will become essential for non-fiction content creators to create IPs that incorporate augmented and virtual reality technologies to make shows even more experiential and immersive. The viewers' reducing attention span, increased gamification and viewers' participation will be key drivers in sustaining viewership.



Aashish Singh
Lyca Productions

Booming demand for content, advancement in technology and new ways of storytelling will make the content watching experience more immersive and engaging, which will increase the demand for content across all platforms whether it is the cinema hall, home theatre or mobile phone. Language is not a barrier anymore and stories can emerge from anywhere to be watched everywhere.

Advertising in India

An INR1 trillion industry



Advertising in India

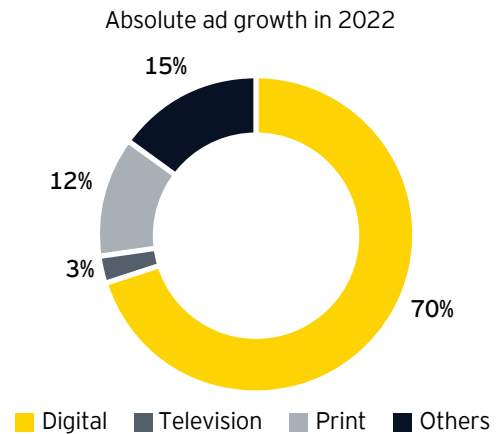
Indian advertising crossed INR1 trillion (INR1 lakh crore) for the first time

Segment	2019	2020	2021	2022	2023E
Television	320	251	313	318	331
Print	206	122	151	170	182
Radio	31	14	16	21	22
Cinema	8	2	1	5	7
OOH	39	16	20	37	41
Total traditional	604	404	500	550	583
Digital	279	282	383	499	594
Total advertising	883	686	883	1,049	1,177

INR billion (gross of taxes) | EY estimates

- ▶ Indian advertising grew 19% and crossed INR1 trillion for the first time in 2022
- ▶ Traditional media comprised 52% of total advertising and digital media the balance 48%
- ▶ We estimate advertising to grow a further 12% in 2023

The growth was skewed towards digital media

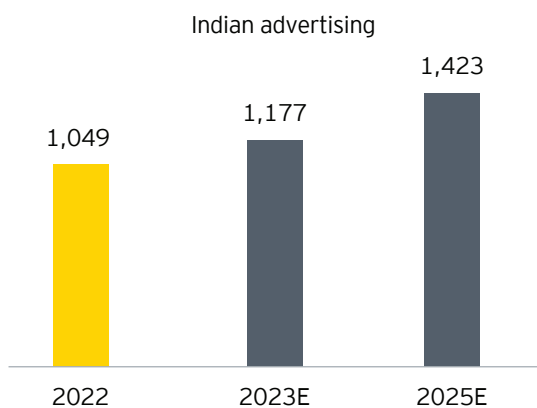


EY estimates | Share of absolute growth in ad spends in 2022

- ▶ Traditional media generated 30% of the absolute advertising growth while digital media generated the balance 70%
- ▶ The segmental growth in advertising was:
 - ▶ Digital - INR116 billion
 - ▶ TV - INR5 billion
 - ▶ Print - INR19 billion
 - ▶ Radio, Cinema and OOH together - just INR25 billion



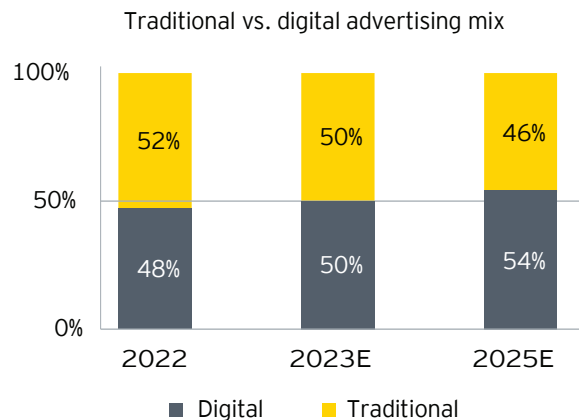
Indian advertising will grow at 11% till 2025



INR billion (gross of taxes) | EY estimates

- ▶ Advertising is expected to grow by 12% in 2023 to reach INR1.18 trillion
- ▶ Till 2025, advertising is expected to grow at a healthy 11% CAGR, with digital media growing at 15% and traditional media growing at 6%
- ▶ Key factors which will drive growth include:
 - ▶ Increase in consumption due to growth in India's per capita income from US\$2,500 in 2022 to around US\$3,000 by 2025, and reduction of income inequalities due to direct subsidy transfers, employment guarantee schemes, investment in infrastructure
 - ▶ Rural growth and growing middle class will also be key factors, both of which are expected to revive in the second half of 2023
- ▶ Segmental growth will be driven by:
 - ▶ Digital: growth in 5G to drive time spent, smartphone penetration growth led by "the next 100 million", vernacular content proliferation, rich consumer data to enable segmentation, attribution accuracy and free premium sports
 - ▶ TV: Efficient CPRP, maintaining television households and growing connected TV audience
 - ▶ Print: access to educated and richer audiences, events revenues
 - ▶ OOH: digital OOH screen growth, transit media
 - ▶ Radio: mandating radio receivers in mobile phones, non-FCT revenues
 - ▶ Cinema: A steady slate of theatrical releases and growth in the "janta theater"

Digital to comprise 54% of total advertising by 2025

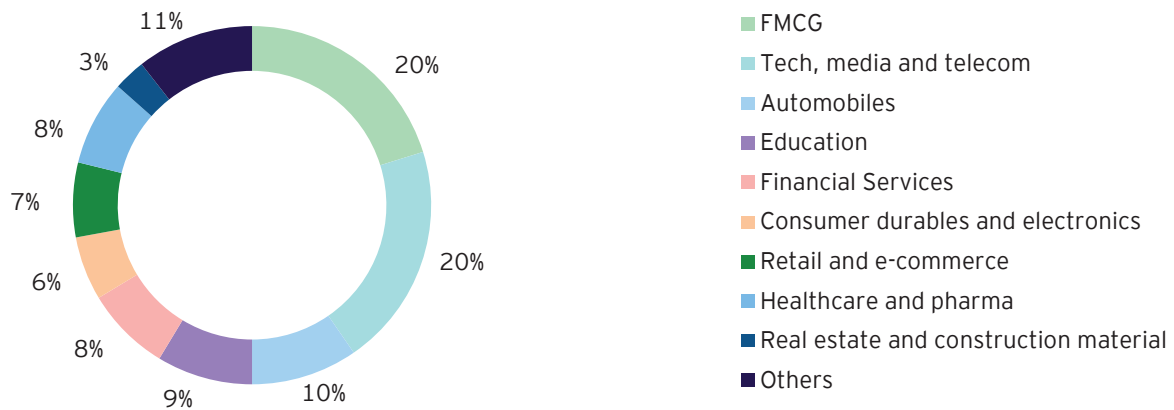


EY estimates

- ▶ Digital media comprised 32% of total ad spends in 2019, which increased to 48% in 2022
- ▶ Digital advertising is expected to reach 54% in 2025
- ▶ Digital ad numbers we have considered include the SME and long-tail digital advertising spends of INR180 billion in 2022, who spend on search, social and e-commerce platforms

EY's marketer survey 2023

Respondent profile



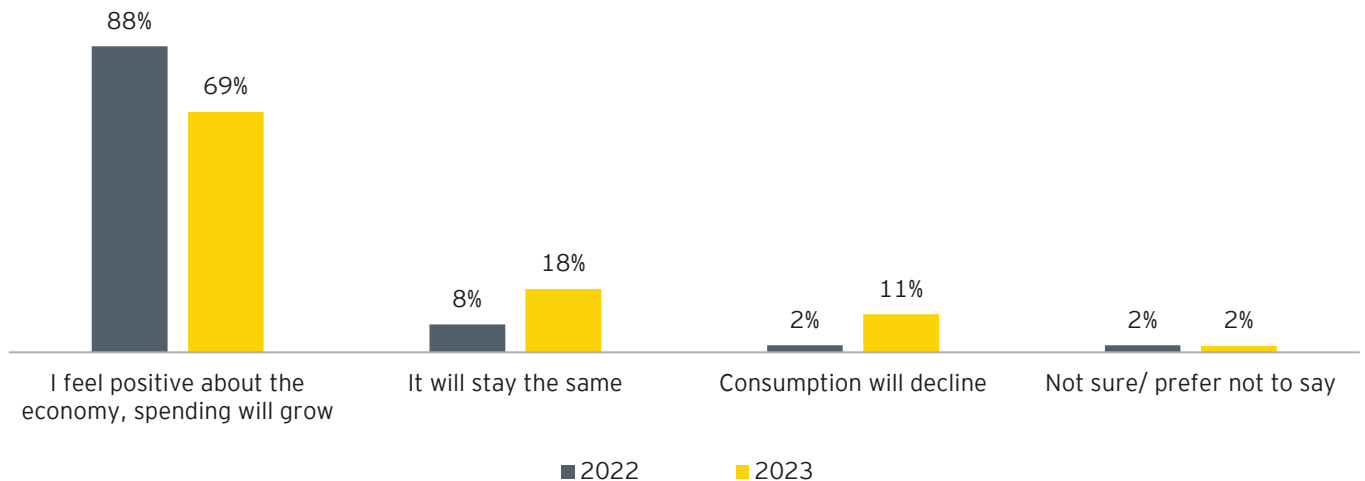
▶ EY conducted a survey of 108 marketers across 19 sectors in Dec 2022

▶ This section focuses on insights from their responses

Market sentiment

Over two in three marketers were positive about consumer spending

Outlook on consumer spending



EY Marketer Survey 2022 and 2023 | % of total respondents

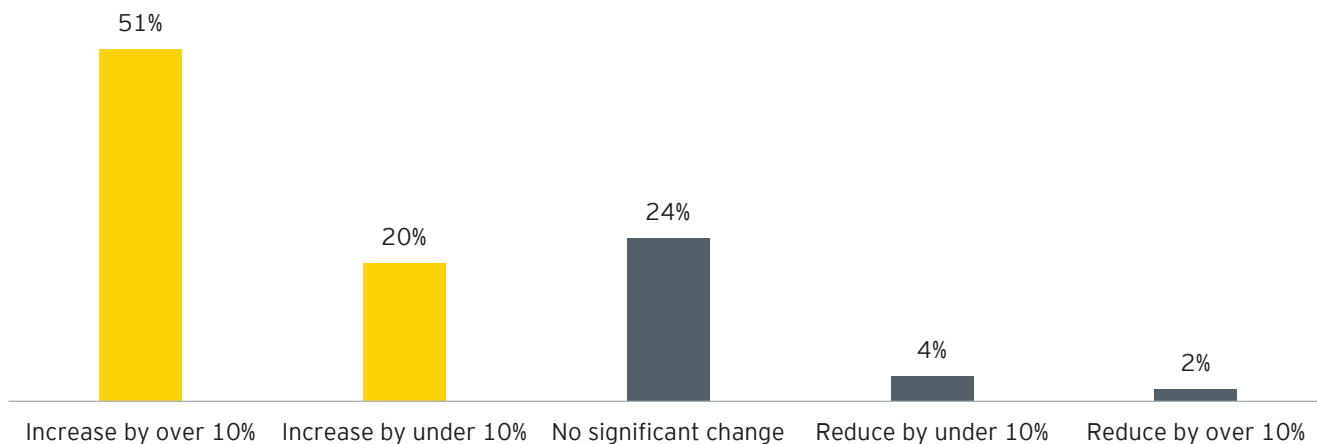
- ▶ 69% of respondents felt positive about the economy and believed that consumer spending would grow, while another 18% felt it would stay the same as in 2022, indicating significant positive sentiment
- ▶ Factors mentioned in support of this positive sentiment included:
 - ▶ Upcoming state and general elections which result in increased rural incomes
 - ▶ 6% + GDP and per-capita income growth expectations
 - ▶ Expected revival of rural demand

▶ However, certain unknowns and issues are expected to impact consumer spending, such as:

- ▶ The Ukraine conflict and its impact on the price of fuel
- ▶ Global slowdowns and their impact on demand for Indian exports
- ▶ High interest rates
- ▶ Tech layoffs
- ▶ Further depreciation in the value of the Indian Rupee

71% of marketers expect to increase their ad spend in the next two years

Ad spend growth expectations over the next two years



EY Marketer Survey 2023 | % of total respondents

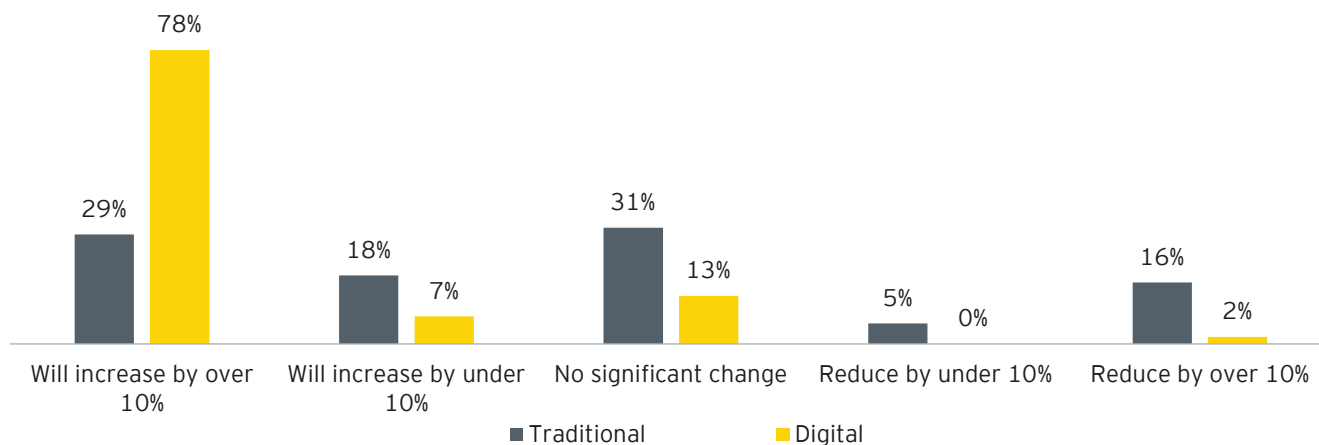
▶ This number is lower than our 2022 survey, where 96% expected to increase their ad spends, primarily due to uncertainty on account of:

- ▶ The Ukraine conflict
- ▶ Supply chain resumption post the impact of COVID-19 in China on availability of input materials

▶ However, only 6% expected to reduce their ad spends in 2023

85% of marketers expect to increase their spends on digital; 47% on traditional

Expected growth in media spends in the next two years



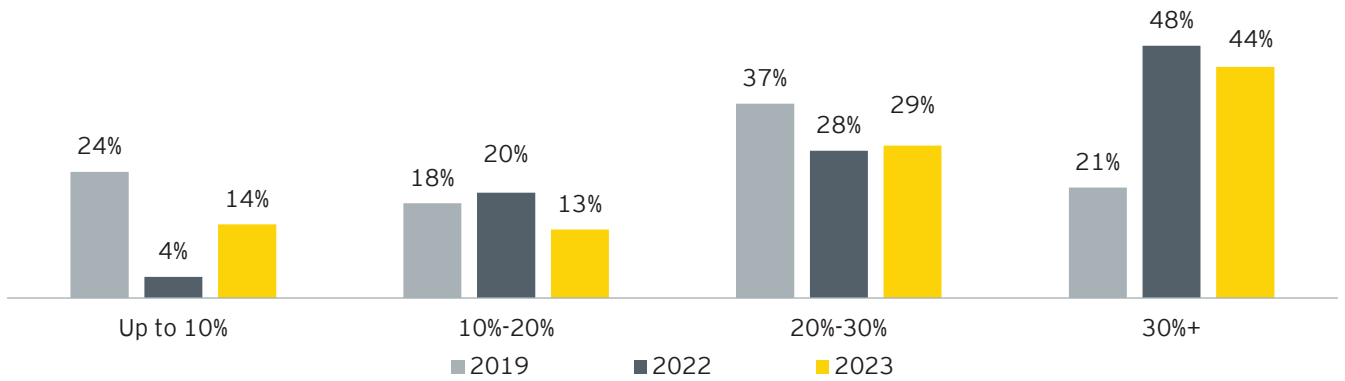
EY Marketer Survey 2023 | % of total respondents

- ▶ Marketers expect to increase their spends in digital at a higher pace than traditional
- ▶ Growth brands and SMBs are opting for higher digital media in the mix on account of measurable ROI and the ability to reach the target audience at lower absolute investments, as compared to television and print

▶ Correspondingly, 21% of respondents expected to reduce traditional media spending over the next two years

Digital marketing continued to be an area of substantial investment for marketers

Share of ad spends on digital



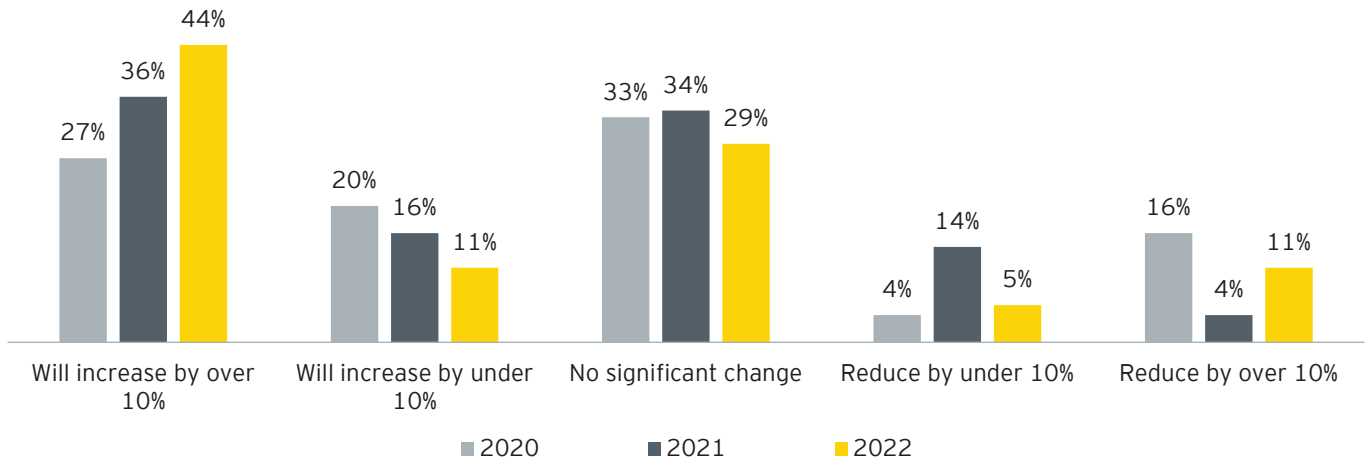
EY Marketer Survey 2020 to 2023 | % of total respondents

▶ 73% of marketers we surveyed expect to allocate over 20% of their media spends on digital in 2023

▶ This was 58% in 2019, demonstrating the skew towards digital advertising since then

Marketers continue to remain bullish on events spends

Expected growth in event spends over the next two years



EY Marketer Survey 2021 to 2023 | % of total respondents

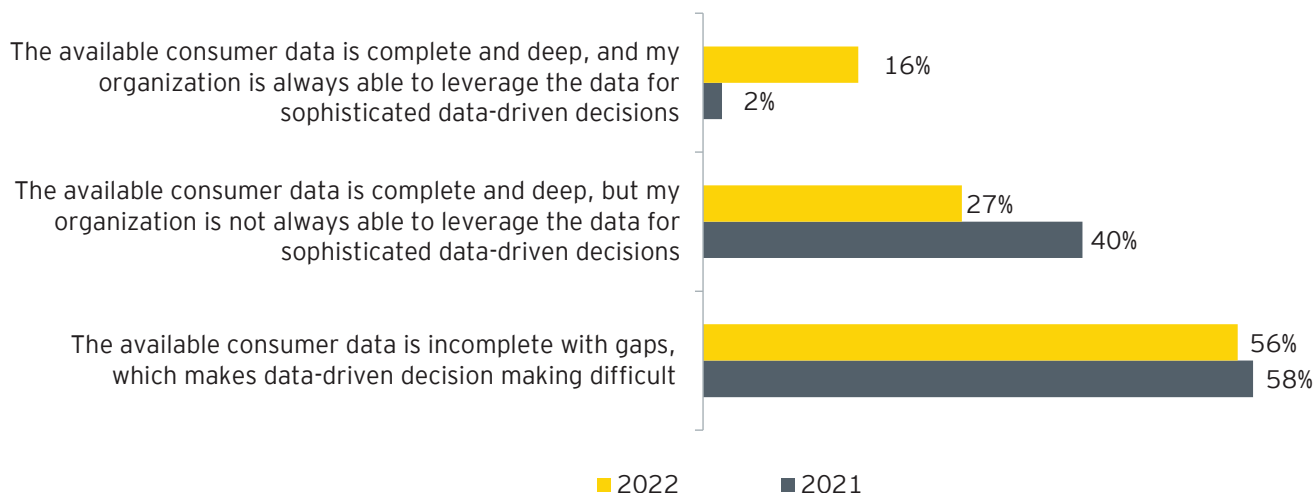
▶ 55% of marketers who responded expected to grow their events spends over the next two years

▶ 44% expected their spends to increase by over 10%, reflecting the higher demand for physical events, and limited success of digital-only events, as marketers invest more in driving experiential engagement, brand awareness and product sampling

Consumer data and martech

More than half our survey respondents continued to struggle with consumer data

Depth of consumer data to drive decision making



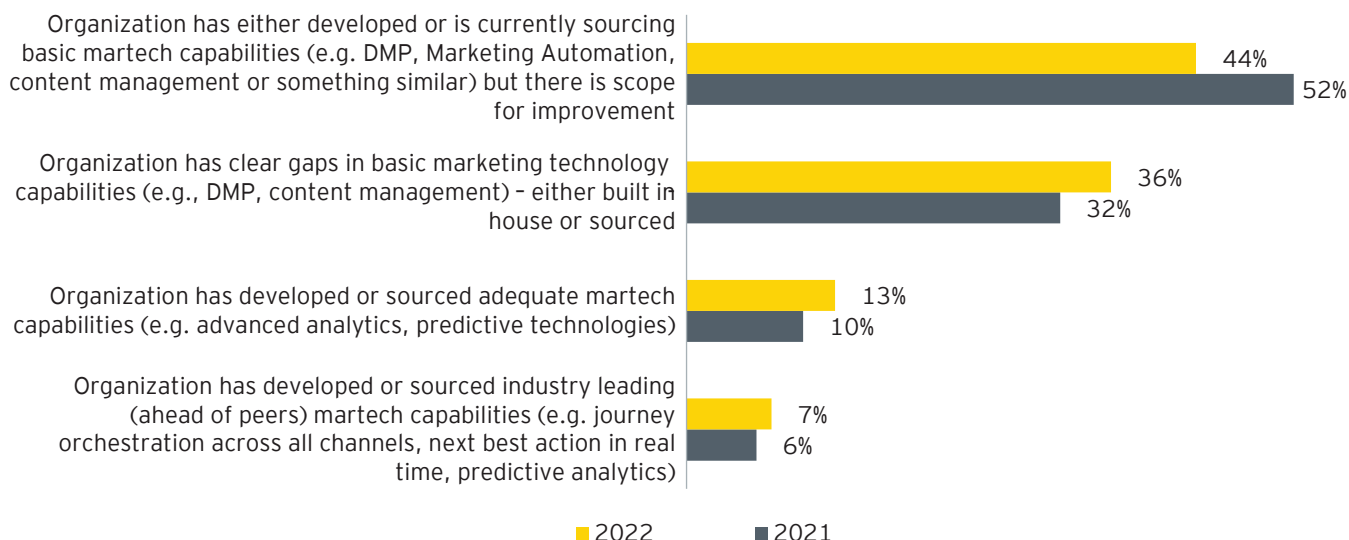
EY Marketer Survey 2022 and 2023 | % of total respondents

- ▶ Marketers had acknowledged their lack of depth of data in 2021, and worked toward reducing the gap, with 16% of respondents satisfied with their consumer data as compared to 2% a year ago

- ▶ However, a substantial number of marketers (56%) were yet to start their data journey

80% of marketers acknowledged gaps in their martech capabilities

Martech capabilities vs best in class

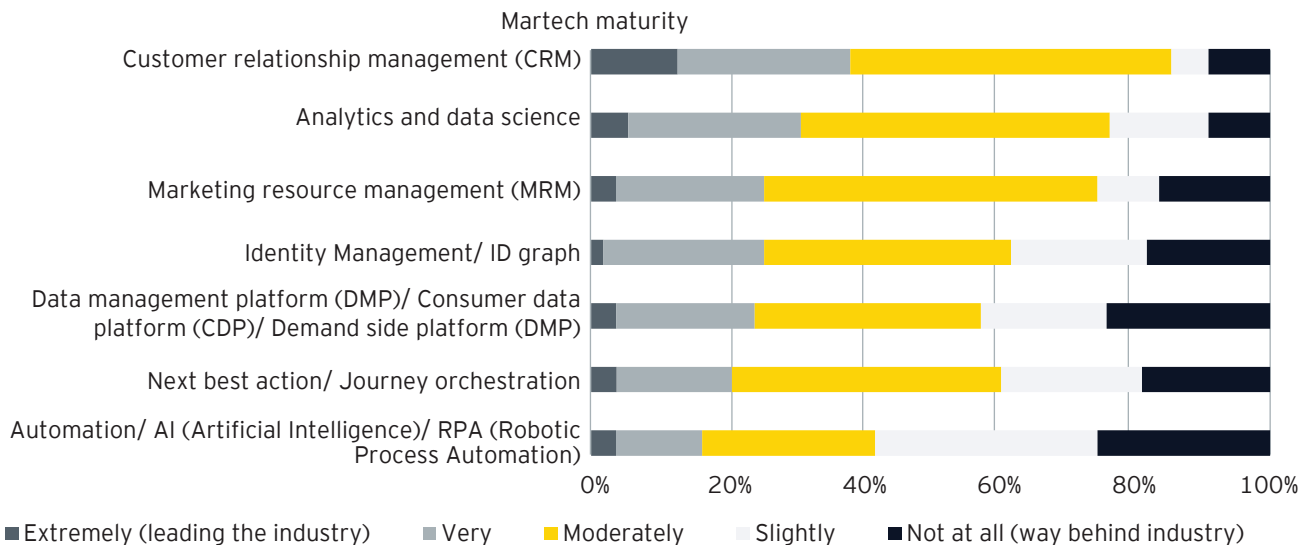


EY Marketer Survey 2022 and 2023 | % of total respondents

- ▶ Higher number of marketers, 20% vis-à-vis 16% over last year, had invested in developing adequate or leading martech capabilities

- ▶ Yet, 80% believed they had gaps in martech capabilities, primarily around generating and using customer data, attribution, targeting, content/ message customization and ad fraud management

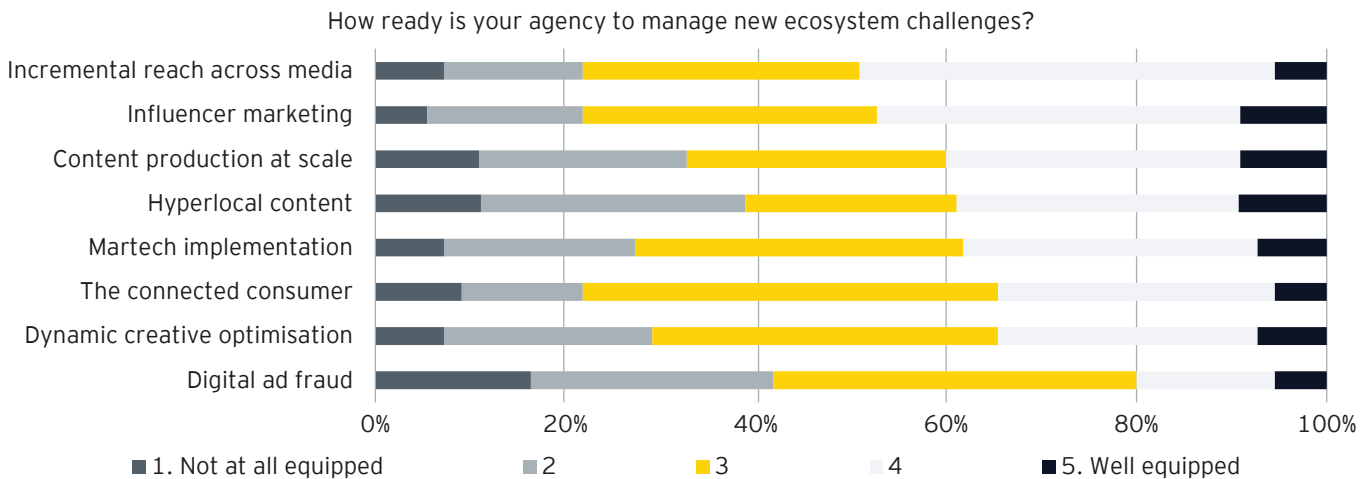
Martech maturity continued to be highest in CRM and analytics



EY Marketer Survey 2023 | % of total respondents

- ▶ Automation, next best action were areas where most respondents believed they needed to improve their capabilities
- ▶ DMP/ CDP capabilities were also low on the martech maturity chart, which are generally the starting point for a marketer in their data journey

Digital ad fraud was the biggest worry for marketers



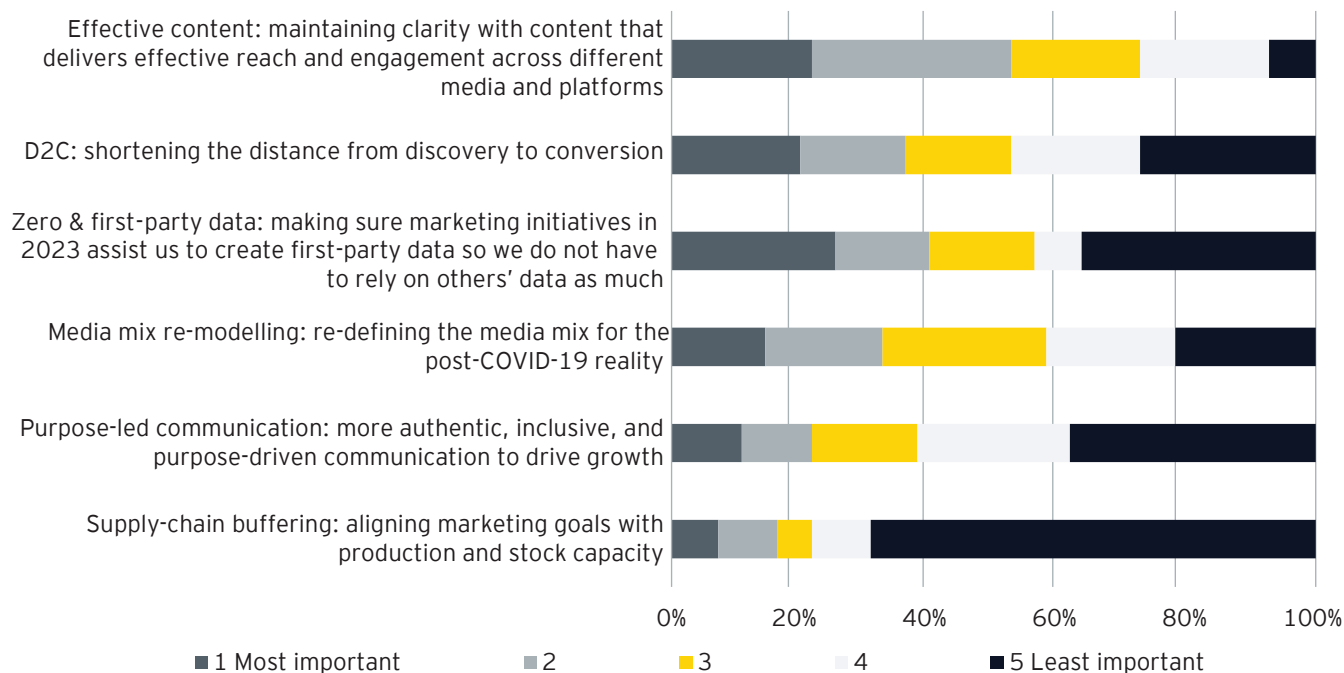
EY Marketer Survey 2023 | % of total respondents

- ▶ More than half of the marketers continue to believe that their agency is well equipped to drive incremental reach across media and influencer marketing
- ▶ Respondents believed that they needed more guidance around:
 - ▶ Management of digital ad-fraud, particularly preventive ad fraud management, brand safety and affiliate management
 - ▶ Creation of relevant dynamic content to increase creative impact - across language, messaging, visuals, and real-time offer creation
 - ▶ Content production at scale, particularly hyperlocal content
 - ▶ Advise on what martech to implement, and identification of the most relevant tools and technologies to implement

CMO priorities for 2023

Respondents prioritized creation of effective content and D2C capabilities for 2023

Top priorities for 2023



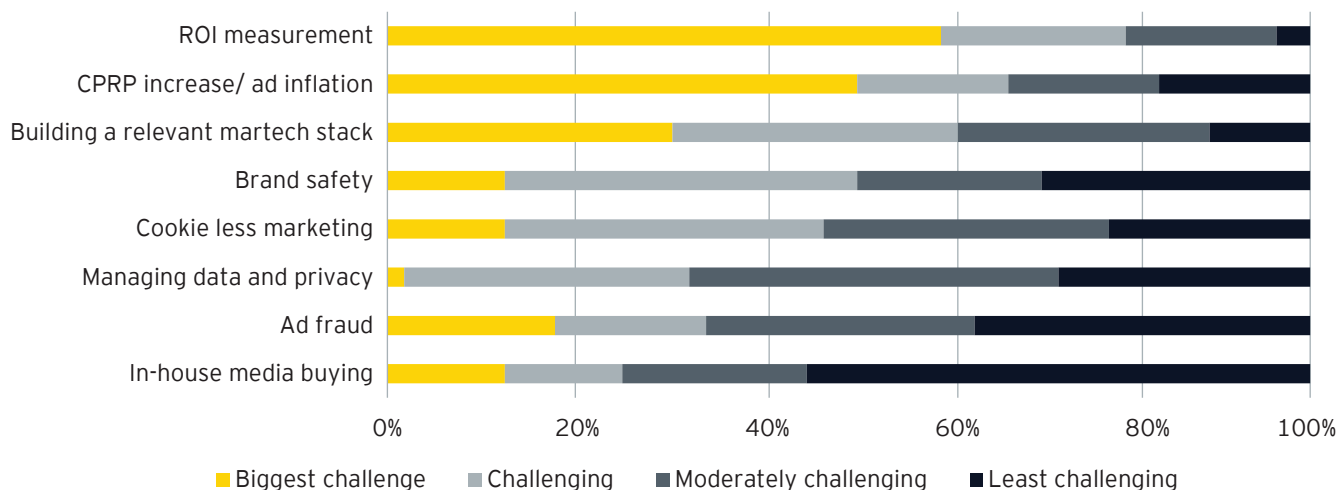
EY Marketer Survey 2023 | % of total respondents

- ▶ The key priority of CMOs for 2023 reflect the growth of multi-media consumption, and the ability to forge direct relationships with consumers
- ▶ Creating content that works effectively across different media and experiences was the key priority viz, utilizing the unique features of each media to communicate the advertising message effectively
- ▶ Reducing the time - and simplifying the customer journey - between discovery of product and conversion will continue to be a critical focus area for CMOs as B2B companies now build their digital B2C channels

- ▶ Zero and first-party data continue to be high priority for marketers, considering the impending cookie-less world and increased consumer power to restrict use of their personal data for marketing purposes. Brands are engaging with the customer using interactivity and gamification to gather user data
- ▶ With the change in content consumption patterns due to the COVID-19 pandemic, the media mix is becoming different from what it was in 2018, and more dispersed, and marketers need to re-evaluate the efficiency of their media mix

ROI measurement and ad inflation were the top challenges for 2023

Marketers' top challenges for 2023



EY Marketer Survey 2023 | % of total respondents

- ▶ ROI measurement continued as the most critical challenge for marketers, similar to our survey last year, a fact compounded by the lack of a unified planning and measurement metric across television and digital media and inadequate/ imperfect attribution models
- ▶ A majority of respondents also were concerned about ad inflation, driven by rising rates on some digital

platforms as well as higher CPRPs due to fragmented viewership on television

- ▶ Given the abundance of options and complexities involved, building a relevant martech stack for the business continued to be a challenge for marketers; in some cases, marketers had ceded control of this area to sales, IT or digital teams

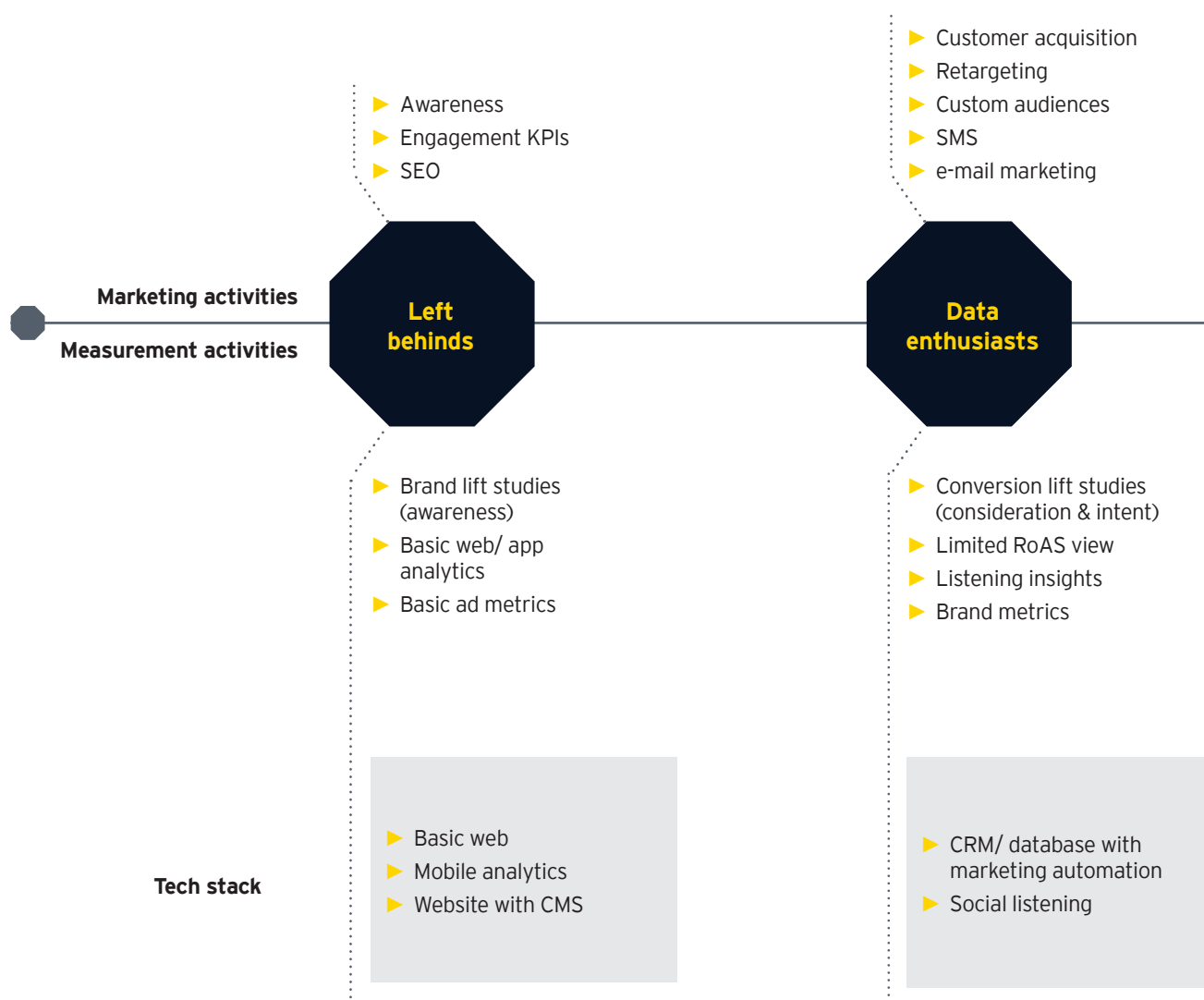


Amiya Swarup
Partner, Marketing & Advertising Advisory

Marketers' tech maturity roadmap for 2023

Powered by FoxyMoron

EY conducted a survey of 100 CMOs on their data and martech capabilities. The survey revealed that respondents were largely classified into four categories, each with different sets of martech capabilities and data maturity. In this section, we summarize capabilities and define the next level for the four categories.



Definitions

Left behinds - Not yet started/ just about starting the journey of using consumer data for marketing and large gaps exist in data availability and RoI measurement, as they are yet to invest in data capabilities and skills and define processes around governance and access. No 1P data

Data enthusiasts - High use of data for marketing activities, but with gaps in governance and ownership, and lack of access to resources, as they are yet to invest in data capabilities and skills to improve governance and processes. Ownership of some 1P data of its customers



Data committed - Started the journey of using consumer data for marketing but gaps exist including in RoI measurement, but have invested in required capabilities and skills and have defined processes around governance and access. Ownership of large 1P data of its customers

Data leaders - High use of data, well defined RoI measurement, access to required capabilities and skills and defined processes around governance and access. Fairly large ownership of almost all of 1P data of customers and are enabling usable integration with 3P data

Digital ad fraud

Powered by mFilterIt

Digital ad fraud is estimated at ~10% of ad spends globally

	Platforms	Average invalid traffic % across platforms			
		Europe	US	India	MENA
Walled gardens	Search platforms	7%	8%	7%	9%
	Partner networks	16%	18%	18%	20%
	Social media direct	9%	7%	9%	8%
	Video platforms	16%	18%	17%	18%
Open networks	Affiliate networks aggregating traffic	35%	35%	43%	35%
	Programmatic platforms	27%	28%	27%	32%

Source: mFilterIt first party analysis of 200 campaigns during 2022

- ▶ Global digital ad spends are projected to reach US\$563 billion in 2023, increasing 14% over 2022¹
- ▶ Digital ad fraud is estimated to cause around 10% loss to advertisers i.e., around US\$65 billion² by the end of 2023, with majority of the invalid traffic (IVT) originating from bots
- ▶ Bots are evolving and today 64% of the internet traffic globally is estimated to be driven by bots, of which around 40% comes from bad bots³
- ▶ Earlier it was possible to detect bot activities with basic rule-based checks. However, today bots are capable of not just generating bulk clicks but also filling out a form or making a purchase. Sophisticated and randomized bot patterns are discreet, and it is difficult for advertisers to differentiate between a real human and a bot

In India, digital ad fraud is around INR43 billion

- ▶ We estimate that India witnessed a loss of INR43 billion in 2022⁴ on account of digital ad fraud, with BFSI, e-commerce and gaming being most vulnerable to mobile ad fraud
- ▶ This has led to an average reduction of 11% on return on ad spends (ROAS) and a 9% increase in customer acquisition cost (CAC)⁵

¹ GroupM TNY 2023 report

² mFilterIt Internal estimates basis first party data

³ Baraccuda Report

⁴ mFilterIt internal estimates, Business of Apps

⁵ Optikssecurity

CMO ad fraud management agenda

Marketers are adopting the following framework to manage the risk of ad fraud:



Expert speak



Sam Balsara
Madison World

India is the one bright spot in a dull and gloomy world and so is Indian Adex. However media habits of Indians are rapidly changing and Advertisers are well advised to take a relook at their age old beliefs.



CVL Srinivas
WPP

Indian M&E is at the cusp of a very interesting innovation cycle. While all indicators point to decent overall growth over the next 4-5 years, several interesting opportunities will open-up. We have a golden opportunity of becoming a creative superpower with our talent, cultural diversity, and entrepreneurial spirit.



Divya Karani
Dentsu Aegis

Our marketing and media world is irrevocably converging, with man-made walls and silos collapsing all around us. There is a definite and decisive shift in the way brands need to be built and grown in the coming year/s. Brand success will hinge on being an intrinsic part of people's lives, building continuous relationships in real-time.



Rana Barua
Havas Group India

We are in the era of hyper-experience, where consumers' expectations from brands are higher than ever before. For brands, consumer-centricity and having a meaningful connection is now the most critical factor. Using story telling with utmost efficiency & effectiveness, backed by data and MarTech, will play a huge role in brands being recognized as meaningful.



Shashi Sinha
Mediabrand India

The India Advertising industry has a good growth potential in line with the growth story of the Indian economy. There may be some temporary blips but the fundamentals are strong.



Anupriya Acharya
Publicis Groupe South Asia

India remains a bright spot in a slowing world economy. We expect Adex to continue surging driven by domestic factors. More importantly, significant growth will come from marketing transformation as legacy businesses adapt to the digital first landscape.



LV Krishnan
TAM Media Research

Transition of 'audience generation' is causing major upheavals in media consumption – Understanding granular differences between Gen X, Millennials, Gen Z & Gen Alpha will be the key to opening new vistas on future media mix to deliver effective brand communication strategy.



Sunil Lulla
The Linus Adventures

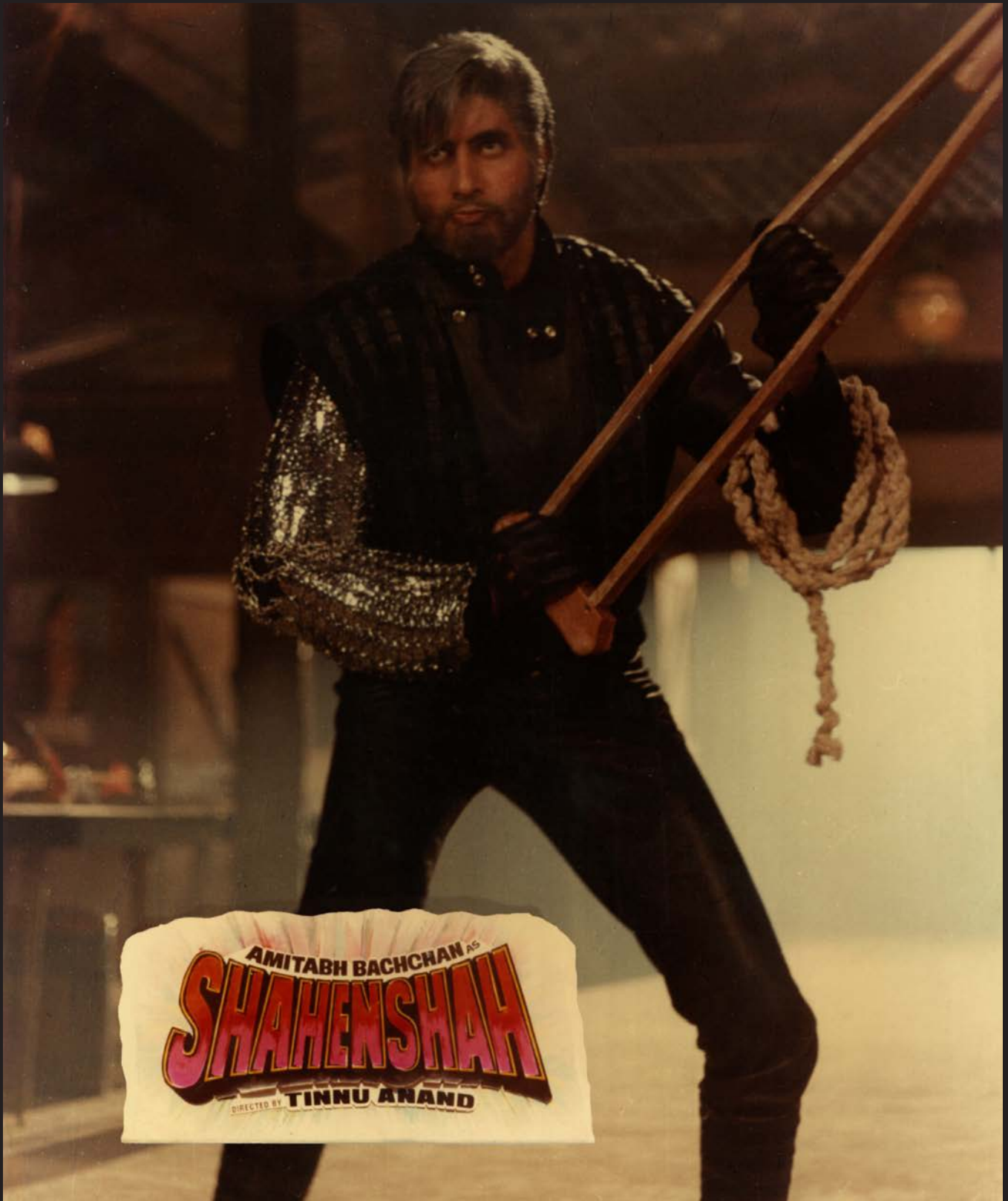
Entertainment in India means engaging excitement, leading to sustained earnings. We expect to see an era of growth and emergence of many new entertainment ecosystems. E= success!



Enabling environment



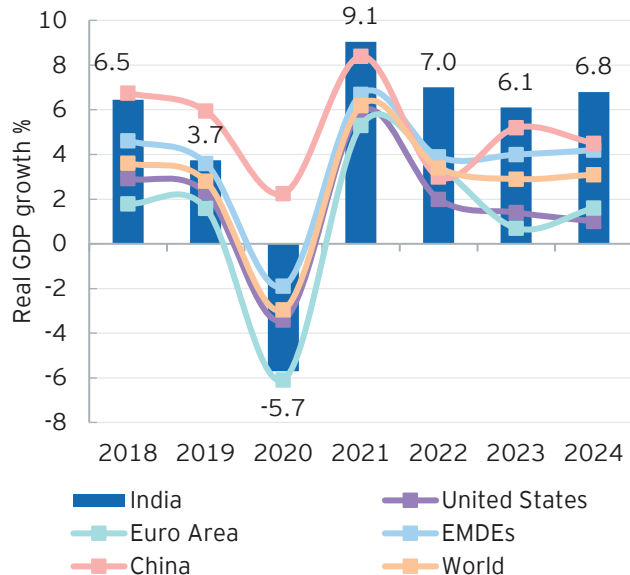
Indian economy



Indian economy and its impact on M&E

India is expected to remain a bright spot amid the global growth slowdown

GDP growth: cross country comparison



Source (basic data): IMF World Economic Outlook October 2022; IMF World Economic Outlook January 2023 update; NSO, MoSPI
 Notes: (1) For India a year represents the fiscal year. For instance, the year 2020 refers to the fiscal year 2020-21.
 (2) Growth for India from 2018 till 2022 is taken from data provided by NSO, MoSPI. Growth for 2023 and 2024 are as per projections by the IMF (January 2023).

- ▶ The National Statistical Office (NSO) estimated India's real GDP growth at 7.0%¹ in FY23, as compared to 9.1% in FY22. Growth in FY22 was high partly due to a favorable base effect on account of a contraction of (-)5.7% in the Covid year of FY21
- ▶ The IMF in its January 2023 issue of the World Economic Outlook Update has projected India's growth to dip transitorily to 6.1% in FY23 before improving to 6.8% in FY24. Despite this, India is projected to remain the fastest growing major economy in the world. In comparison, the world economy is forecasted to slow down to 2.9% in 2023 from 3.4% in 2022
- ▶ India's FY24 growth is projected to exceed global as well as EMDE growth by 2.1% points and 3.2% points, respectively. It is projected to outpace China's growth by 0.9% points

India is expected to contribute 15% of global growth in 2023

- ▶ The IMF has attributed this primarily to India's efforts towards digitalization, and a strong policy framework
- ▶ In particular, the 2023 (FY24) Union Budget has signaled a resumption of fiscal consolidation while boosting capital expenditures, and an increasing emphasis on transitioning to a green economy²
- ▶ These measures would enable laying down a strong foundation for a robust medium-term growth

Per capita nominal GDP is projected to grow by 14.7% in 2022

- ▶ India's per capita nominal GDP is estimated to grow by 14.7% in 2022 (FY23) to INR1,96,716³ (US\$2,459⁴) as compared to a growth of 17.2% in FY22 (INR1,71,498)
- ▶ China's⁵ per capita nominal GDP growth is estimated to have increased by 7.7% to Yuan87,217 (US\$14,340) in 2022 as compared to 11.5% in 2021
- ▶ The IMF has forecasted India's per capita nominal GDP growth to remain high at 11.3% in FY24, slowing only marginally to 10.1% by FY27
- ▶ High growth envisaged in India's per capita income is expected to support consumption growth, including that in the M&E sector

¹ MoSPI's second advanced estimates for FY23 released on 28 February 2023

²<https://www.thehindu.com/business/Economy/india-remains-a-bright-spot-to-contribute-15-of-global-growth-in-2023-imf-md/article66540985.ece>

³Second advance estimates of National Income 2022-23 released by MoSPI on 28 February 2023

⁴Assuming an average exchange rate of INR80.0/US\$ which was the average over the period April 2022 to January 2023

⁵IMF World Economic Outlook, October 2022 edition

India is expected to remain the fifth largest economy in 2024 (FY25)

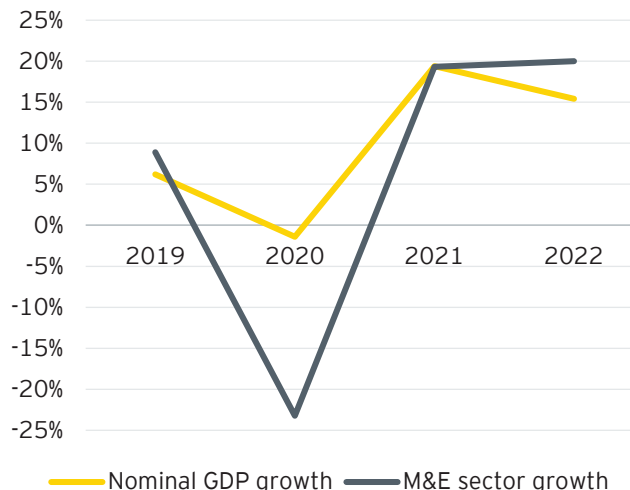
Nominal GDP in US\$ and PPP dollar terms: cross country comparison

Country	GDP 2024			
	Nominal (US\$ billion)	Rank	PPP (\$ billion)	Rank
United States	27,057	1	27,057	2
China	23,124	2	34,706	1
Japan	4,569	3	6,653	4
Germany	4,337	4	5,690	5
India	4,170	5	13,973	3
United Kingdom	3,757	6	4,028	9
France	2,932	7	3,987	10

Source (basic data): IMF World Economic Outlook October 2022

- ▶ India accounts for 17.8% of the total world population (2023⁶) and 2.4% of the world's surface area (2020)⁷
- ▶ According to IMF's World Economic Outlook (October 2022), India overtook the UK as the fifth largest economy in nominal US\$ market exchange rate terms in 2022 (FY23)
- ▶ In 2024 (FY25), India's nominal GDP at market exchange rate is estimated at US\$4,170 billion, accounting for 3.6% of global GDP, ranking fifth among all economies
- ▶ In purchasing power parity (PPP) terms, India is estimated to be the third largest economy at PPP\$13,973 billion in 2024 (FY25)

M&E sector again overtook India's GDP growth in 2022



Source: Advertising & M&E sector revenue: FICCI M&E reports | Growth (Basic data): Second Advance Estimates, NAS dated 28 February 2023, NSO, MoSPI
Note: While advertising and M&E sector revenues are estimated for a calendar year, GDP estimates are for a fiscal year (April to March)

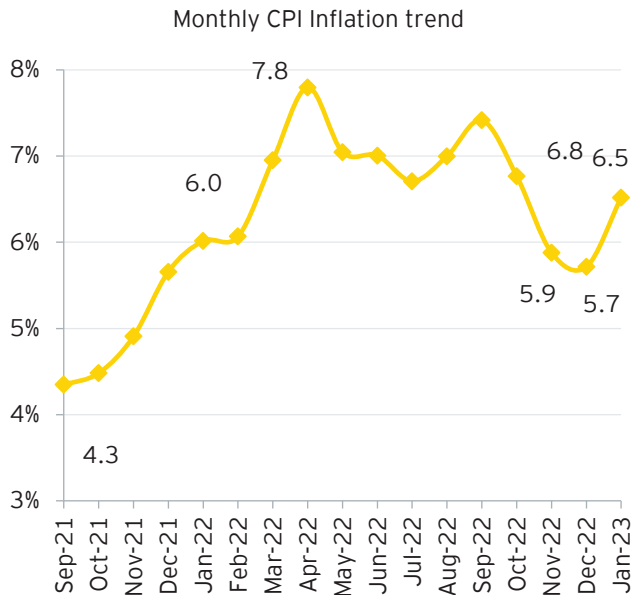
- ▶ In times of growth, the M&E sector outperforms India's nominal GDP, but being by nature a discretionary spend, the M&E sector fell dramatically (-23% in 2020) when India's nominal GDP fell in 2020 (-1.2% for FY21)
- ▶ When GDP recovered 19% in 2021 (FY22), M&E recovered 16%, while advertising recovered 25% – outpacing GDP growth
- ▶ The trend continued in 2022 (FY23) when the sector grew 20% when nominal GDP grew 15%

⁶ UN World population prospects 2022

⁷ World Bank

Forward trends

RBI projects inflation to ease in FY24



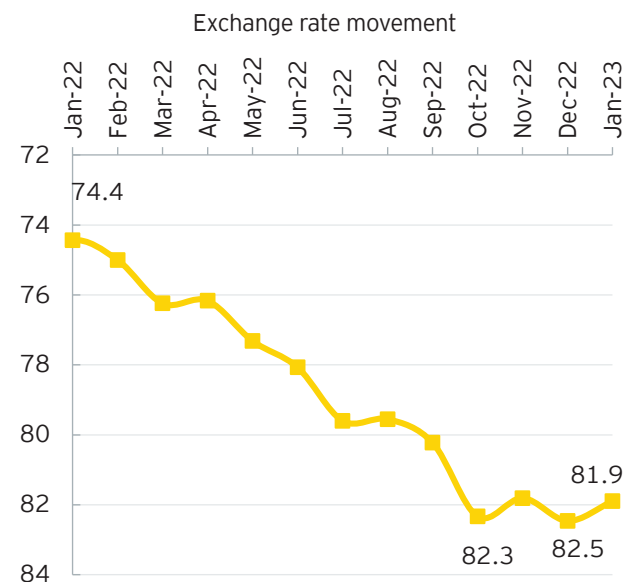
Source (basic data): RBI

- ▶ From a trough of 4.3% in September 2021, CPI inflation steadily increased to 6.0% in January 2022 led by rising consumer food inflation
- ▶ Since then, CPI inflation remained elevated, staying at or above the RBI's 6% upper tolerance limit for 10 successive months up to October 2022 when it was at 6.8%. This was primarily due to global supply constraints and rising global crude and commodity prices
- ▶ November and December 2022 saw an easing of CPI inflation to below 6%. However, in January 2023, it picked up to 6.5% driven by rising food inflation
- ▶ Core inflation (excluding food and fuel) has remained above 6.0% since March 2022 due to sustained price pressures in health, education, personal care and effects, and clothing and footwear
- ▶ As per the RBI, the global commodity price outlook, including crude, is subject to uncertainties on demand prospects as well as from risks of supply disruptions due to geopolitical tensions. Further, commodity prices are expected to face upward pressures with the easing of COVID-19-related mobility restrictions in countries such as China
- ▶ Some cost-push pressures on core inflation may also continue
- ▶ As per the RBI's February 2023 Monetary Policy

Statement, CPI inflation is projected at 5.7% in 4QFY23, 5.0% in 1QFY24, 5.4% in 2QFY24 and 3QFY24, and at 5.6% in 4QFY24

- ▶ For the full year FY24, CPI inflation is projected to ease to 5.3% from 6.5% in FY23, based on the assumption of a normal monsoon

Exchange rate to remain at a depreciated level owing to global developments



Source: RBI, FBIL | Rate of INR vs US\$1

- ▶ Starting from a level of INR74.4/US\$ (average) in January 2022, the INR consistently depreciated by 10.6% to a level of INR82.3/US\$ in October 2022. From October 2022 to January 2023, average exchange rate has ranged between INR81.9/US\$ and INR82.5/US\$
- ▶ The sharp depreciation in the INR which had reached an all-time low of INR82.5/US\$ in December 2022 was led by pressures emanating from a) rising global crude prices which led to widening current account deficit and elevated domestic inflation, and b) tightening monetary stance of central banks across the globe especially the US Federal Reserve and the associated lower foreign investment capital inflows into India
- ▶ In FY24, the INR is expected to remain at a depreciated level owing to concerns relating to global inflation and global growth. Geopolitical developments and the policy actions of the US Fed are likely to play a significant role in the movement of the INR

Union Budget 2023: laying foundations for a robust medium-term growth

- ▶ The 2023 Budget gave a direct push to growth through sharply accelerating infrastructure spending in the wake of global economic slowdown and continuing geopolitical uncertainties
- ▶ While supporting growth, the Gol also signaled resumption of fiscal consolidation by reducing its fiscal deficit to GDP ratio

I. Accelerating infrastructure expansion

- ▶ The main structural adjustment in centre's expenditure profile has been to uplift the share of capital expenditure in total expenditure. This has been progressively increased from 15.6% in 2021-22 to 17.4% in 2022-23 (RE) and further to 22.2% in 2023-24 (BE). Viewed in growth terms, capital expenditure in FY24 (BE) is budgeted to increase by 37.4% over FY23 (RE)
- ▶ Within capital expenditure, capital outlay is structured in favor of non-defence expenditure whose share is budgeted to increase to 15% in FY24, an increase of 3.8% points over FY23 (RE)
- ▶ The two main sectors that draw on Gol's resources are roads and bridges and the commercial lines of Indian railways
- ▶ The anticipated multiplier effects through Gol's infrastructure expansion would help augment employment and income levels and growth in private investment

II. Bringing states on board

- ▶ The Gol has endeavored to incentivize the state governments to augment their capital expenditures
 - ▶ First, grants have been given to the states for capital asset creation amounting to 1.2% of GDP
 - ▶ Second, an interest-free loan for 50 years has been extended to states for capital expenditures in FY24. For this purpose, the Gol has provided an outlay of INR1.37 trillion
 - ▶ Third, the fiscal deficit limit of the states has also been retained at the higher level of 3.5% of Gross State Domestic Product for FY24 as compared to the Fiscal Responsibility & Budget Management (FRBM) Act, 2003 target level of 3% of GSDP
- ▶ Total public sector investment, considering central and state governments and central PSUs, is estimated at close to 9% of GDP⁸

III. Uplifting private investment and consumption

- ▶ The Union Budget has also provided a push to private final consumption expenditure through tax slab adjustments, which would primarily benefit lower middle-income segments. The RBI estimates that the proposed tax changes would provide additional household income to the tune of INR 350 billion. Assuming a tax multiplier of 1.16, it estimates a push to real GDP growth of 15 basis points from tax reductions alone⁹
- ▶ An expected moderation in inflation would also add to disposable real incomes. Further, lower global crude prices would imply a lowering of energy costs for households, releasing incomes for augmenting expenditure on non-energy products

⁸ UN World population prospects 2022

⁹ World Bank

IV. Emphasis on green growth and reducing dependence on imported crude

- ▶ The GoI has had a clear emphasis on supporting green growth. This is reflected in the ongoing Green Hydrogen Mission and initiatives in the current Budget including a Green Credit Program, PM-PRANAM (PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth) and GOBARdhan scheme, Bhartiya Prakritik Kheti Bio-Input Resource Centres, and MISHTI (Mangrove Initiative for Shoreline Habitats and Tangible Incomes). These initiatives will not only help India achieve its net zero carbon emission goal but also reduce dependence on imported chemicals and fertilizers
- ▶ The GoI is determined to achieve a strategic reduction in India's dependence on imported crude, as the Indian economy has remained vulnerable to global crude price and supply instabilities. In this context, the current budget has allocated funds for augmenting India's storage capacity for petroleum reserves and for diversification of sources of crude supply by facilitating investment in other countries such as Venezuela, Russia and Columbia
- ▶ There is also a continued shift towards exploiting non-conventional energy sources including solar, wind, ethanol, and hydrogen

V. Resumption of fiscal consolidation

- ▶ While the GoI has realized its budgeted fiscal deficit to GDP target for FY23 at 6.4% (according to the revised estimates), a considerable distance remains from the FRBM operational target of 3% of GDP
- ▶ The government signalled its determination to move toward this target, even though constrained by the ongoing global economic slowdown. It has budgeted a reduction of 0.5% points of GDP, targeting to reach a level of 5.9% in FY24
- ▶ GoI has also indicated that it intends to reach a level of 4.5% by FY26, implying that an average reduction of 0.7% points of GDP each would be required in the next two years
- ▶ With a continued reduction in government's fiscal deficit, more resources would be freed up for the private sector to borrow and invest



FDI policy initiatives

- ▶ FDI limits for the telecom sector were eased in 2013¹⁰, while those for the media and entertainment sector were eased mainly in 2016
- ▶ In June 2016, FDI limits in teleports, DTH, cable networks, mobile TV, head-in-the sky broadcasting service, and cable networks were completely lifted, allowing 100% FDI through the automatic route
- ▶ Further, there were no express provisions in relation to digital media in the FDI policy until 2019. However, in December 2019, FDI up to 26% has been permitted under the Government approval route for uploading/ streaming of news and current affairs, through digital media
- ▶ In 2021, FDI automatic route limits for telecommunications were increased from 49% to 100%

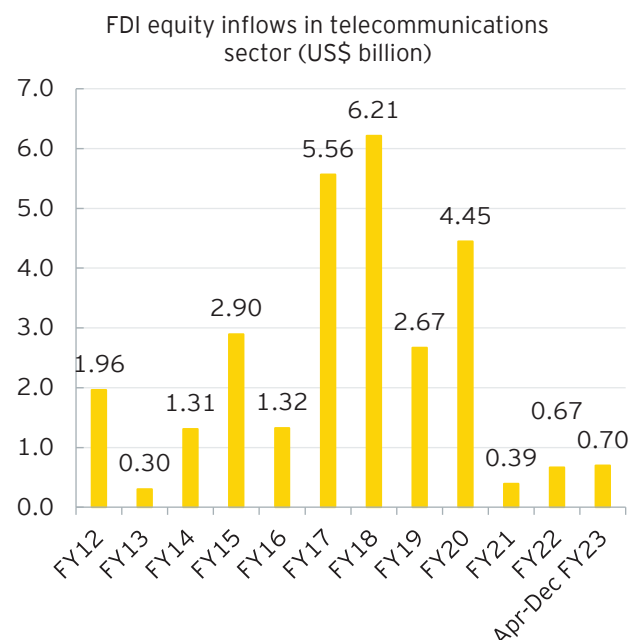
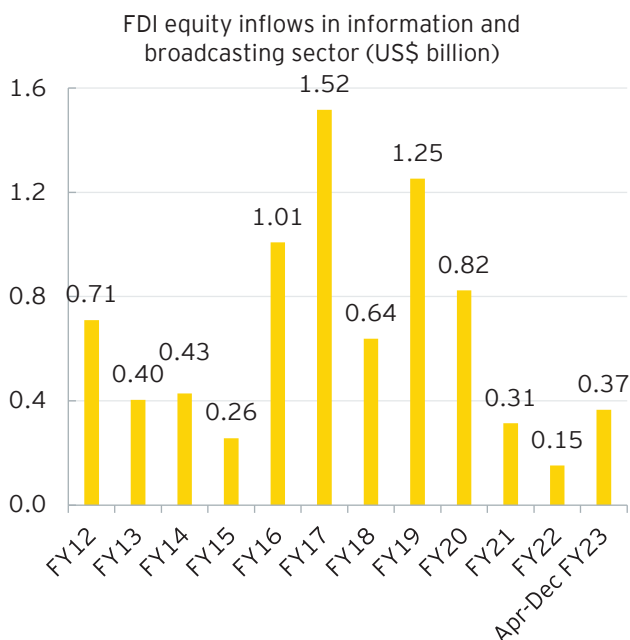
Services	FDI limit	Approval condition
Telecommunications		
Telecommunication services including Telecom Infrastructure Providers Category-I (basic, cellular, United Access Services, internet, national, international long distance, Unified License, Commercial V-Sat, Public Mobile Radio Trunked Services (PMRTS), Global Mobile Personal Communication Services (GMPCS), all types of ISP licenses, Voice Mail/ Audiotex/ UMS, Resale of IPLC, Mobile Number Portability services, etc.) Infrastructure providers Category -I (providing dark fiber, right of way, duct space, tower) Other Service Providers and such other services as permitted by the Department of Telecommunications	100%	▶ Automatic route
Telecom equipment manufacturers	100%	▶ Automatic route
Media and entertainment		
Teleports, DTH, cable networks (MSOs operating at National or State or District level and undertaking up-gradation of networks towards digitalization and addressability), mobile TV and head-end-in-the-sky broadcasting service	100%	▶ Automatic route ▶ However, infusion of fresh foreign investments, beyond 49% in a company not seeking license/ permission from sectoral ministry, resulting in change in the ownership pattern or transfer of stake by existing investor to new foreign investor, will require government approval
Cable networks (Other MSOs not undertaking up-gradation of networks towards digitalization and addressability and LCOS)	100%	▶ Automatic route ▶ However, infusion of fresh foreign investments, beyond 49% in a company not seeking license/ permission from sectoral ministry, resulting in change in the ownership pattern or transfer of stake by existing investor to new foreign investor, will require government approval
FM radio (subject to such terms and conditions, as specified from time to time, by the MIB, for grant of permission for setting up of FM radio stations) and the up linking of news and current affairs TV channels	49%	▶ Government route, subject to other conditions
Uploading/streaming of news and current affairs through digital media	26%	▶ Government route
Up-linking of non-news and current affairs' TV channels/ downlinking of TV Channels	100%	▶ Automatic route

¹⁰ <https://www.livemint.com/Politics/hxnnl3jx9kaChnKgsK9oQK/Govt-relaxes-foreign-investment-rules-to-revive-growth.html>

Services	FDI limit	Approval condition
Telecommunications		
Print media - publishing of newspaper and periodicals or Indian editions of foreign magazines dealing with news and current affairs, subject to certain conditions	26%	▶ Government route
Publishing or printing of scientific and technical magazine or specialty journals or periodicals, publication of facsimile edition of foreign newspapers, subject to conditions	100%	▶ Government route

Source: Foreign Exchange Management (Non-debt Instruments) Rules, 2019 dated 17th October, 2019 read with time to time amendments issued by the Ministry of Finance (Department of Economic Affairs)

Since FY21, FDI equity inflows have remained mostly tepid



Source: DPIIT, Ministry of Commerce and Industry

- ▶ In the information and broadcasting sector, FDI equity inflows at US\$0.37 billion from April to December FY23 were more than double the level achieved in FY22
- ▶ In the telecommunications sector, the magnitude of FDI equity inflows at US\$0.70 billion during April to December FY23 was also higher than that achieved in FY22
- ▶ However, with the clarity on online gaming and the promotion of Make-in-India content and VFX, we expect the FDI numbers to continue increasing in FY24



DK Shrivastava
Chief Policy Advisor, EY India

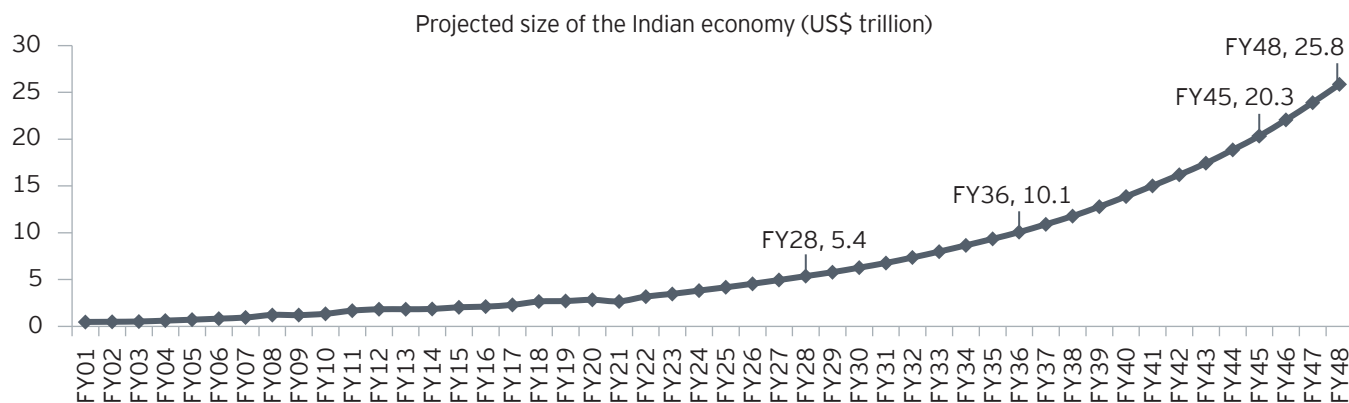
India @ 100

This section is a summary of relevant insights from the EY report India @ 100 released February 2023, projecting India's economic and social growth between 2022 and 2047, when India's 5,000 year old civilization will complete a 100 years of democracy.

India's GDP is expected to reach US\$26 trillion by 2047

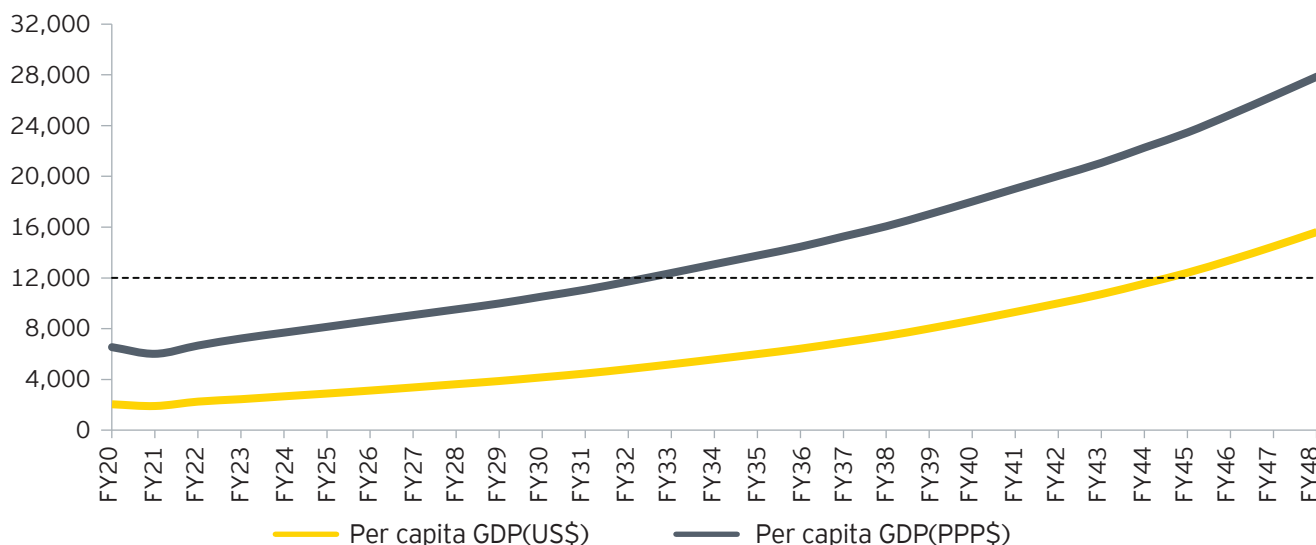
India is likely to cross the critical thresholds of US\$5, US\$10 and US\$20 trillion in market exchange rate terms in FY2028, FY2036 and FY2045 respectively. India's real GDP is projected to grow in the range of 6-6.4% over the period FY2023 to FY2048 although with a moderating decadal growth profile. Projected GDP in US\$ trillion terms shows an average annual growth of close to 8.4% over the forecast period (FY2023 to FY2048).

India's current strengths such as high services exports, a growing digital ecosystem, availability of a large working age population, track record in creating renewable energy capacity, low private debt to GDP ratio, and defining reforms agenda and mega trends such as a growing entrepreneurship and start-up ecosystem, making Indian manufacturing globally competitive, funding and facilitation of infrastructure development, improving the competitiveness of the economy, will play a critical role in sustaining growth over the next few decades.



Source (basic data): EY estimates

India's per-capita income is expected to grow 6x by 2047

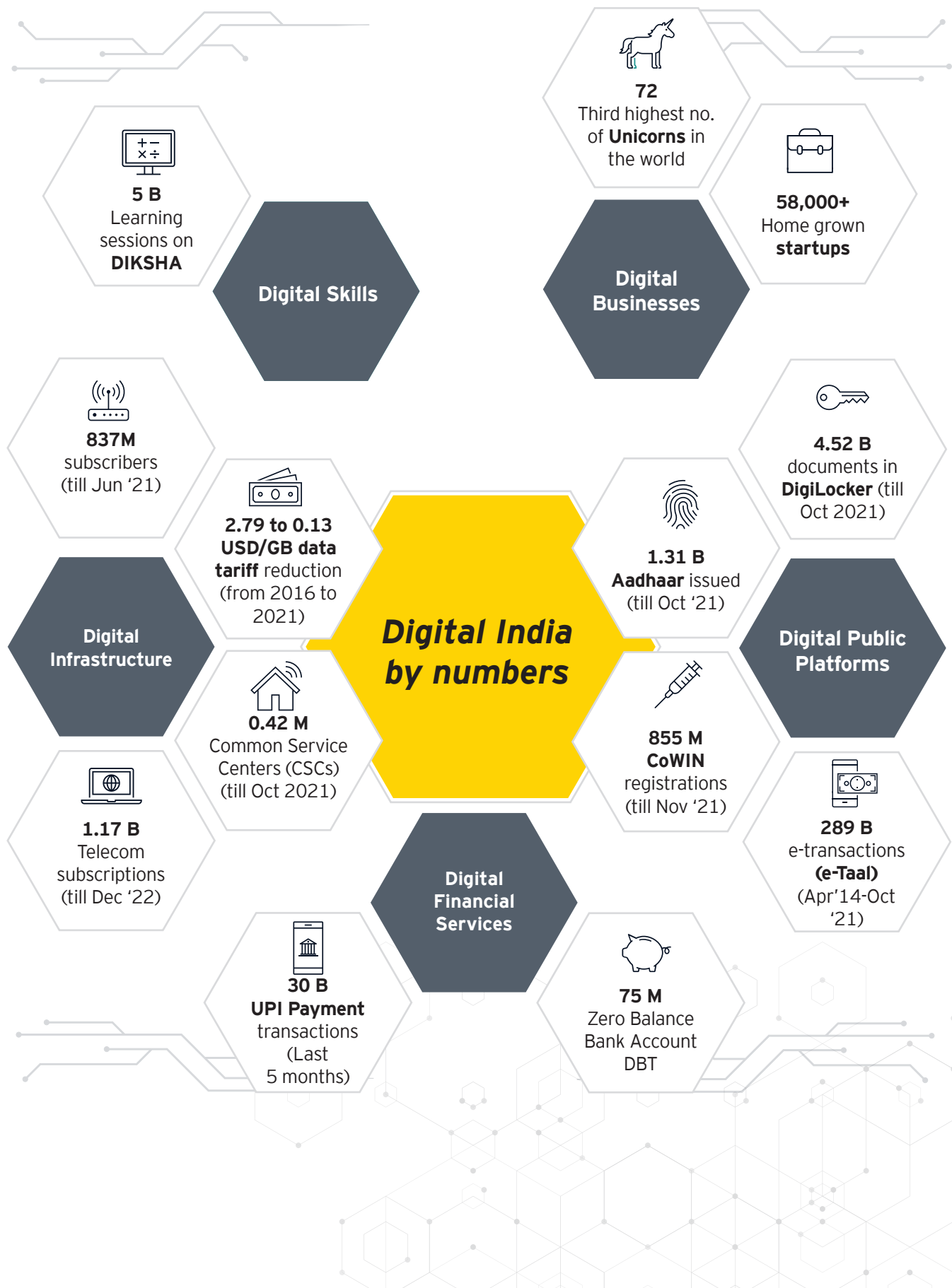


Source (basic data): EY estimates

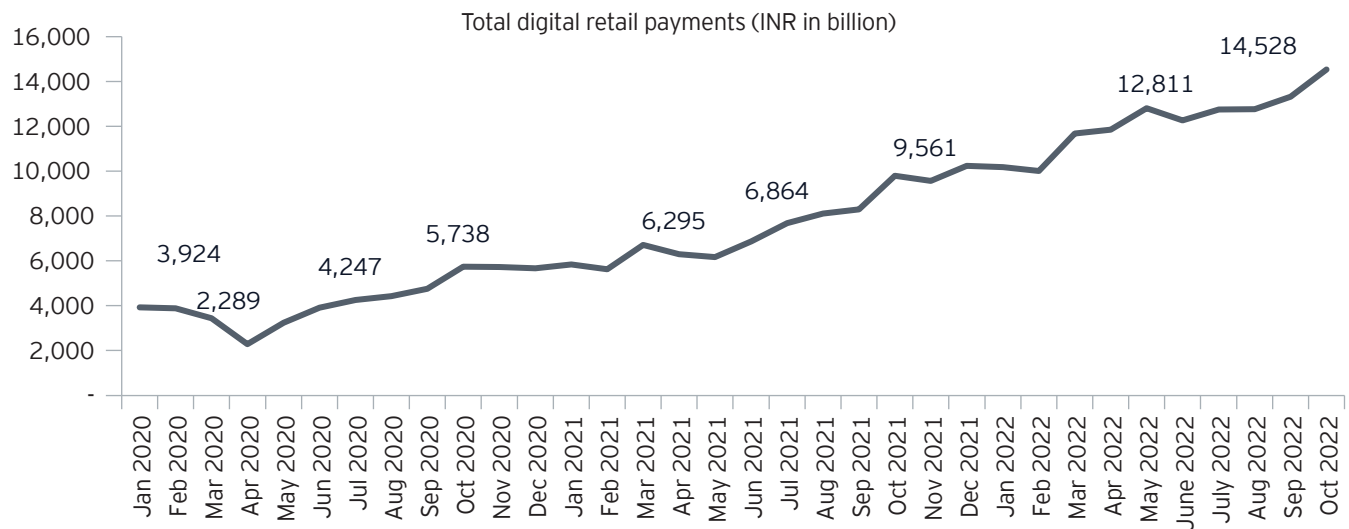
India's per capita income in market exchange rate terms is expected to cross US\$13,000 by FY2045, putting it in the

ranks of developed economies. By FY2048, it is expected to reach a level of US\$15,602.

The Digital India program is the single largest transformation in the world

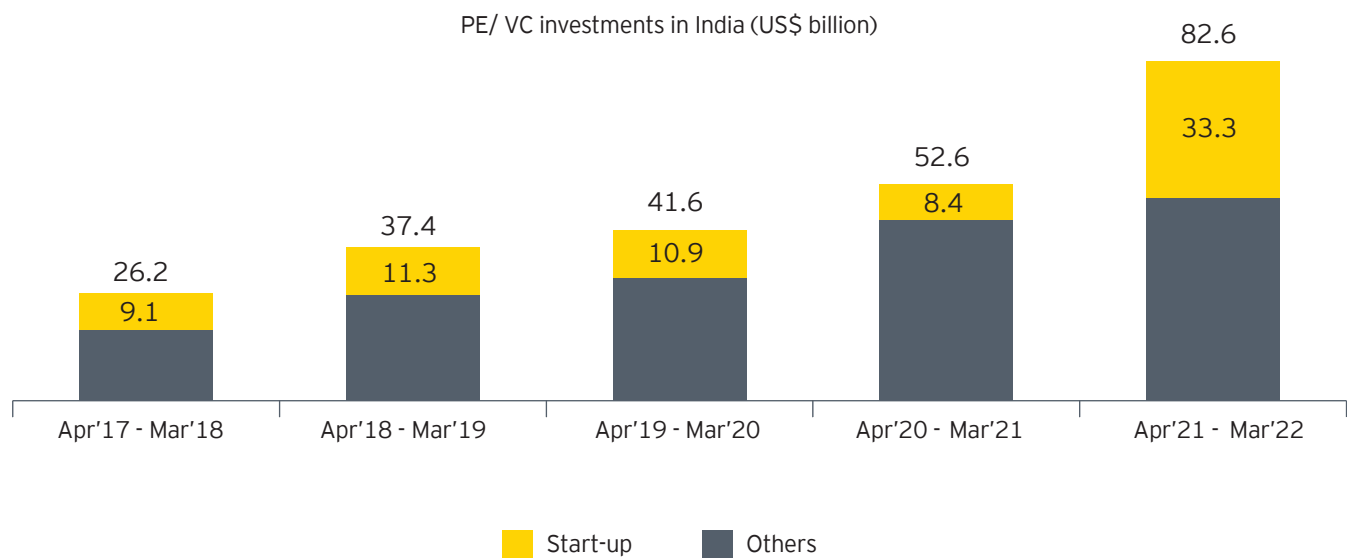


India leads the world in the number of digital payments



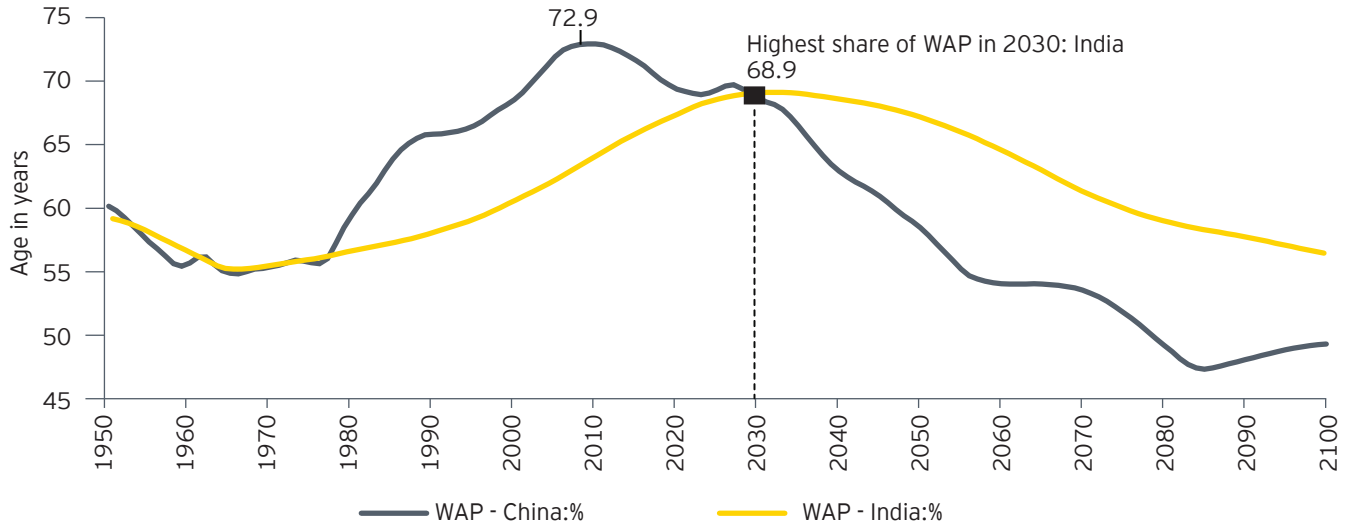
Note: Others include ECS, AEPS, APBS and BHIM
Source: TRAI, RBI

India has received foreign investment from over 160 countries



Source: RBI and EY analysis

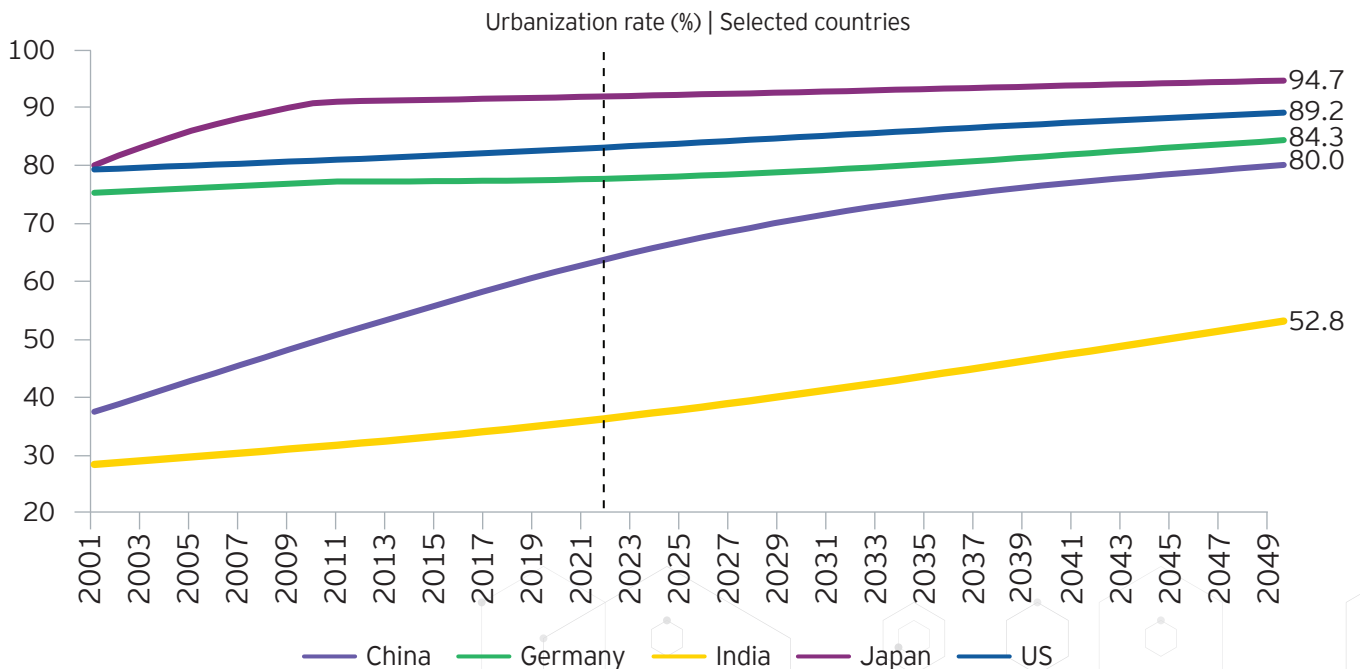
India's working age population (WAP) will peak by 2030



Source (basic data): UN Population statistics 2022

The size and age of a country's workforce plays a huge role in its economic growth, and when complemented by new age skills and a strong entrepreneurial spirit, would define the country's progress. India's WAP to population ratio will be the highest of any large economy.

11% of the world's urban population lives in Indian cities



Source: World Urbanization Prospects, 2018, UN; For India the year pertains to fiscal year

India is the second-largest urban system globally with nearly 11% of the total global urban population living in Indian cities. The UN has estimated that Indian cities contribute nearly 60% to the GDP. Moreover, India's urbanization rate would exceed 50% by 2046 from nearly 36% in 2023.

India is expected to remain the fastest growing large economy

The heavyweights: how the top 5 economies will grow according to the OECD

(Five yearly average growth rates in % terms)

	China	Germany	Japan	US	India	World
2022 to 2025	4.9	2.0	1.1	2.2	8.2	3.7
2026 to 2030	3.7	0.7	0.6	1.6	5.9	2.7
2031 to 2035	2.9	0.7	0.5	1.5	4.7	2.3
2036 to 2040	2.1	0.8	0.4	1.4	3.8	1.9
2041 to 2045	1.6	0.9	0.3	1.4	3.1	1.7
2046 to 2050	1.3	0.9	0.2	1.3	2.7	1.5
2051 to 2055	1.3	0.9	0.4	1.3	2.4	1.5
2056 to 2060	1.2	1.0	0.5	1.3	2.3	1.5

Source (basic data): OECD; Note: For India, data is on fiscal year bases. 2022 implies FY23 and so on.

In purchasing price parity terms, India will become the 2nd largest economy by 2060

Changing global order - how the global economic dominance will change over time according to the OECD
(Average share in global GDP - in % terms)

	China	Germany	Japan	US	India
2022 to 2025	24.4	3.7	4.6	18.5	9.5
2026 to 2030	25.6	3.3	4.1	17.5	11.0
2031 to 2035	26.5	3.1	3.8	16.7	12.6
2036 to 2040	26.9	2.9	3.5	16.2	13.8
2041 to 2045	27.0	2.7	3.2	15.9	14.9
2046 to 2050	26.8	2.6	3.0	15.7	15.9
2051 to 2055	26.5	2.6	2.9	15.6	16.7
2056 to 2060	26.2	2.5	2.7	15.4	17.5

Source (basic data): OECD

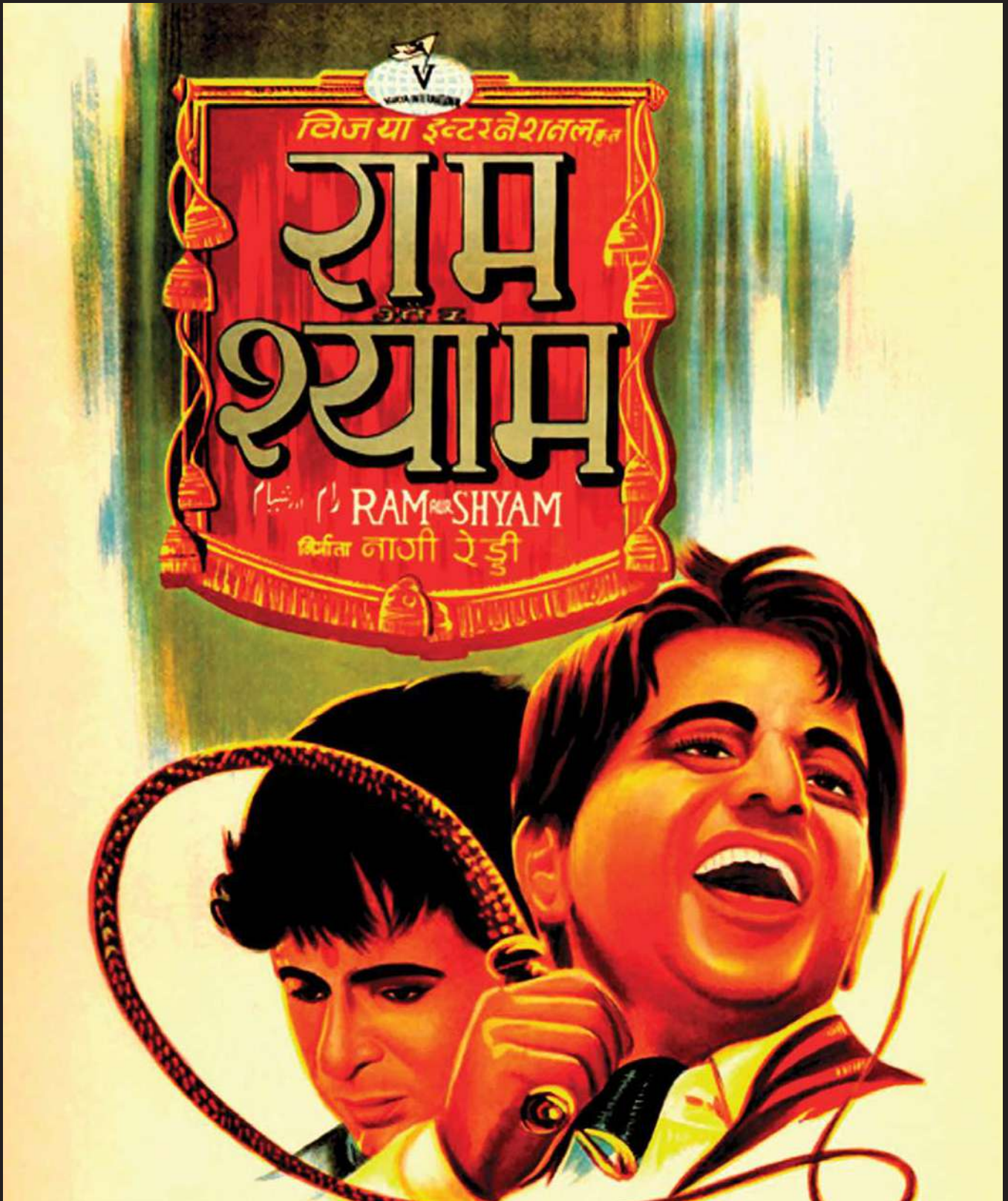
Notes: (1) For India, data is on fiscal year bases. 2022 implies FY23 and so on.

(2) Shares are based on measurement of GDP in PPP terms.

OECD projects that India's share in global GDP would increase to 15.7% in FY2048, from 8.9% in FY2023, making it the second largest economy after China.



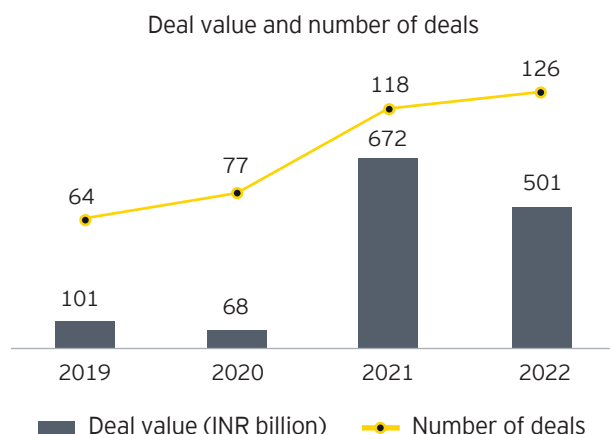
M&A activity



M&A activity

This section has been compiled by EY using publicly available information and hence, is not a complete representation of all deals during 2022

M&A activity continued strong in 2022



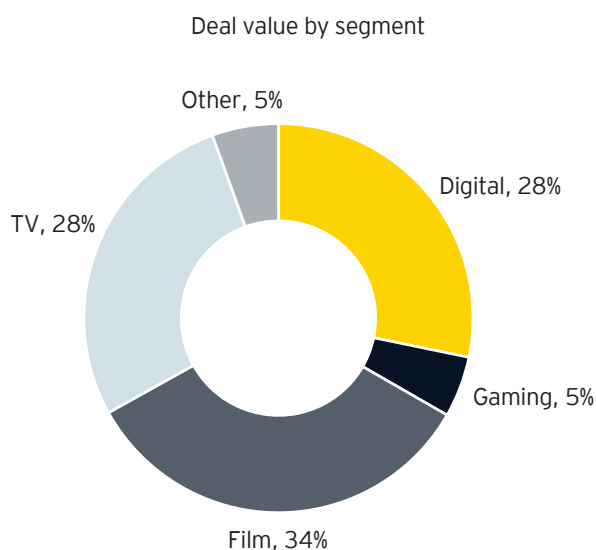
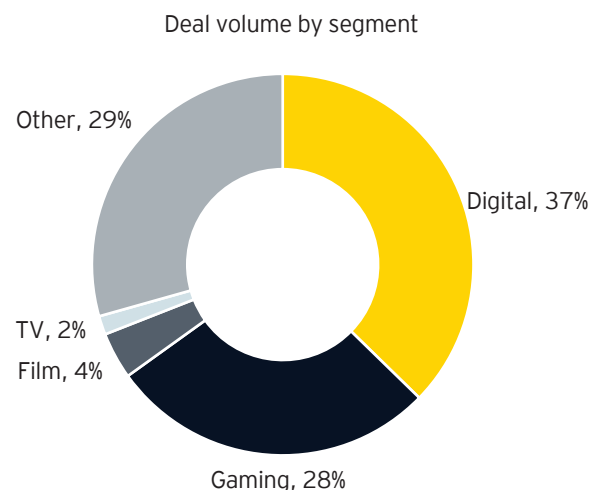
- ▶ Deal value decreased from INR672 billion in 2021 to INR501 billion in 2022¹
- ▶ Decline in deal value was primarily because of a one-off large transaction in 2021 viz., the merger between Sony and Zee

10 deals contributed 90% of the total funding

Particulars	Deal count	Deal count %	Deal value (INR billion)	Deal value %
Undisclosed	33	26%	-	0%
Less than INR1 billion	68	54%	17	3%
INR1 - 5 billion	15	12%	30	6%
Above INR5 billion	10	8%	455	91%
Total	126	100%	501	100%

- ▶ 2022 saw 25 deals above INR1 billion as against 35 such deals in 2021
- ▶ Over half the deals were below INR1 billion in size

Digital media and gaming segments witnessed the most deal volumes

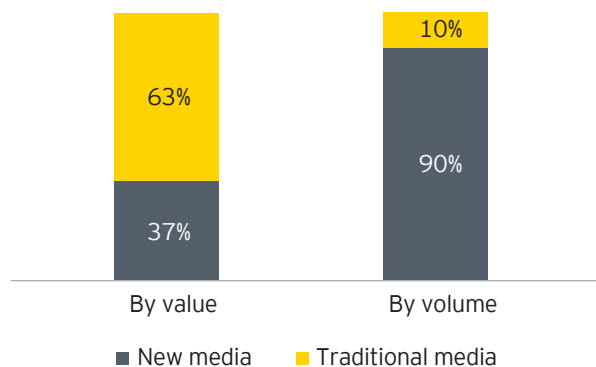


- ▶ Digital and gaming aggregated 65% of deal volumes, but 33% of the deal value
- ▶ Traditional media deals in television and film comprised 62% of the deal value

¹ Not including 2 deals for IPL teams, which were valued at over INR120 billion

Deal values were driven by traditional media²

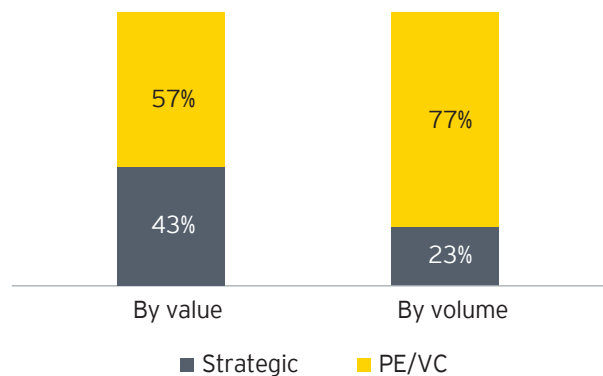
Deal value and volume analysis



- Deal value was skewed in favor of traditional media due to two marquee transactions - merger of PVR with Inox and PE investment in Viacom18

Private equity and venture capital provided 57% of the funding³

Deal value and volume analysis by investor



- PE/ VC led 77% of M&E deals in 2022, contributing to 57% of the total funding; while only 23% of total deals were led by strategic players in 2022

²EY Analysis

³EY Analysis

Key M&A themes going forward

The “new” in new media

- ▶ As players in new media continue to scale, we expect increased M&A activity with a focus on improving unit economics and accelerating path to profitability particularly for smaller regional or niche OTT players
- ▶ Also, with Meta and Google’s dominance in the digital AdEx pie, Indian new media companies will look to make strategic acquisitions to increase their share in the digital ad pie – many of which could be new products per se, and not “me too” entertainment, social and news options
- ▶ Print and news companies could acquire communities to build sticky audience bases and enable transaction revenues

Do the DOOH!

- ▶ The large investment required in putting up digital OOH assets and infrastructure could also result in the OOH segment witnessing strategic and/ or PE/ VC deals

Content is king

- ▶ Companies creating (and owning the intellectual property to) premium diversified content will attract strong interest from large media houses, both global and domestic
- ▶ Mass music, film and episodic franchises, and games will continue to demand a valuation premium

Better-verse

- ▶ As technology evolves and rationality sets in, realistic models and use-case scenarios for Web3.0 and metaverse are being tested, and the segment will attract interest from strategic and financial investors

Radio++ ga ga

- ▶ Given that radio’s revival has been slowest post COVID-19, many companies are looking at significant diversification – which could involve acquisition of digital content and marketing companies as well as acquisition of standalone stations by larger national media brands

Advertising and martech data > oil

- ▶ With around half of all advertising now in digital formats, deals in companies and technologies that provide ad efficiency solutions, cookie-less targeting, cross-media planning will continue to remain in vogue
- ▶ AI-based audience targeting, ad fraud management and media planning will attract investment



Tax environment



Direct tax

Key proposals in the Union Budget 2023-24¹

I. Taxation on winnings from online games

- ▶ In a significant amendment which will positively impact the gaming sector, Budget 2023 has made a distinction between online games and offline games and has introduced specific taxability and withholding tax ('WHT') provisions to tax winnings from online games
- ▶ While "net winnings" from online games will be taxed at 30% and the payer will be required to withhold taxes at 30%, clarity on the timing of tax trigger and ease of implementation can really help boost gaming economics (while taxability provision is proposed to be effective from 1 April 2023, WHT provision is proposed to be effective from 1 July 2023)

II. Withdrawal of exemption for news agencies

- ▶ Presently, income of a notified news agency set up in India solely for collection and distribution of news and whose income is applied or accumulated for such activities without any distribution to its members, is exempt from income-tax. Such exemption is proposed to be withdrawn from 1 April 2023

III. Expansion of angel tax provision

- ▶ Angel tax provision is proposed to be expanded to investments from "non-resident" investors in an Indian company to whom shares are issued at premium
- ▶ Consideration received in excess of the fair market value of the shares will now be taxable in the hands of the investee company
- ▶ Fair market value will have to be determined in accordance with prescribed valuation norms

IV. Incentives for start-ups

- ▶ Currently, 100% deduction of profits and gains generated by a start-up is allowed for three consecutive years, out of 10 years beginnings from the year of incorporation
- ▶ Such start-ups should be incorporated before 1 April 2023
- ▶ With a view to continue promoting start-ups, the Budget proposes to extend the period of incorporation to 1 April 2024

- ▶ Further, the Budget proposes to extend the period of carry forward and set off of business losses for start-ups from the first 7 years to 10 years from the year of incorporation, so long as the shareholders who held shares in the year of loss continue to hold shares in the year of set off. The condition of maintaining parity of 51% shareholding with voting power will not be applicable to start-ups. This will lead to tax efficiencies when a start-up begins to turn profitable

V. Clarification on WHT on benefit or perquisite

- ▶ Vide Finance Act 2022, WHT on benefits or perquisites at 10% was introduced. However, there was ambiguity on WHT on benefits or perquisites provided in cash. CBDT Circular 12/ 2022 dated 16 June 2022 had clarified that WHT is applicable even on cash benefits or perquisites. The provision under the law has now also been amended to clarify that WHT is applicable to benefit or perquisite in cash or in kind or partly in cash and partly in kind

VI. Valuation of content and media inventory

- ▶ While conducting the assessment proceedings, the jurisdictional tax officer has been given the power to ask for a valuation report of inventory by a cost accountant. It will be relevant to examine whether such a valuation report can also be asked in respect of valuation of content and media inventory

¹The Finance Bill 2023 is currently pending before the Lower House of the Parliament for approval.

Taxability and WHT on winnings from online games

- ▶ Currently, there is no distinction on taxability and WHT between online and offline games and winnings from both types of games are taxed at 30%, where the amount of winnings exceeds INR10,000
- ▶ Ambiguity existed on the following aspects which led to dispute between the online gaming platforms and the Indian tax authorities with respect to the WHT position:
 - ▶ Applicability of threshold of INR10,000 for WHT to be applied per game vs in aggregate in a financial year
 - ▶ Quantum on which WHT should be applicable - gross winnings vs. net winnings
- ▶ Finance Bill 2023 proposes to introduce separate provisions for taxability and WHT on winnings from online games. The Memorandum to Finance Bill 2023 provided the following rationale for the introduction of separate provision to tax winnings from online games:
 - ▶ It is seen that deductors are deducting tax under section 194B and 194BB of the Act by applying the threshold of INR10,000/- per transaction and avoiding tax deduction by splitting a winning into multiple transactions each below INR10,000/-. This is against the intention of legislature.
 - ▶ It is also seen that in recent times, there has been a rise in the users of online games. There is a need to bring in specific provisions regarding TDS and taxability of online games due to its different nature, being easily accessible via the Internet and computer resources with a variety of playing options and payment options.
- ▶ Finance Bill 2023 proposes the following amendments with respect to taxability and WHT of games:

Taxability and WHT on winnings from online games

- ▶ "Net winnings" from online games proposed to be subject to tax at 30%
- ▶ Further, "net winnings" from online games are also subject to WHT at 30%
- ▶ No de-minimis threshold for WHT on "net winnings"; INR10,000 threshold proposed to be removed
- ▶ WHT to be undertaken at the end of financial year or at the time of withdrawal, on the "net winnings" component
- ▶ The manner of calculation of "net winnings" will be prescribed by the Government
- ▶ Net winnings in kind are also subject to WHT

- ▶ Person responsible for paying required to ensure that WHT on such payment is paid before payment of winnings; default in paying WHT may trigger prosecution

Winnings from lottery or crossword puzzle or card game, etc. (i.e., offline games)

- ▶ The WHT provision was earlier applicable to winnings from any lottery or crossword puzzle or card game and other game of any sort. The provision is proposed to be amended to specifically include winnings from gambling or betting of any form or nature whatsoever. Further, the provision is proposed to be not applicable to winnings from online games from 1 July 2023 onwards. Thus, the amendments to the provision will apply to winnings from online games from 1 April 2023 to 30 June 2023.
- ▶ WHT to apply on payment of winnings or aggregate of winnings exceeding INR10,000 during a financial year. Thus, the threshold to be seen in aggregate during the financial year
- ▶ The above amendment is proposed to be effective from 1 April 2023

A summary of the WHT provisions with respect to winnings from online games is provided below:

Particulars	Pre-April 2023	April-June 2023	July 2023 onwards
Threshold	Winnings from any game exceeding INR 10,000	Winnings exceeding INR 10,000 in aggregate during the FY	No threshold
Winnings/ Net winnings	Winnings	Winnings	Net winnings
Timing of WHT	Payment	Payment	(i) At the end of the financial year; or (ii) At the time of withdrawal by the user, whichever is earlier

Implications of the proposed amendments

- ▶ The users may now prefer to keep their monies within the online gaming ecosystem during the year and use them to access games on the platforms without withdrawing. This may help boost gaming volumes and in turn contribute towards (i) gaming companies earning greater platform fees; and (ii) higher GST collection for the exchequer
- ▶ The removal of the threshold of INR10,000 for the purpose of WHT on winnings from online games could also significantly increase the level of WHT compliances for the online gaming platforms. Online gaming platforms may be inclined to use automation tools for WHT compliances to reduce manual efforts.
- ▶ Online gaming platforms may also be required to change their existing IT systems and user dashboards to keep a track of the winnings and net winnings qua each user under different time periods to ascertain and discharge applicable WHT.
- ▶ The operation of dual WHT regimes during Financial Year 2023-24 (April 2023-June 2023 and July 2023 onwards) are likely to create additional complexities and ambiguities. The industry bodies - E-Gaming Federation, All India Gaming Federation and Federation of Indian Fantasy Sports have represented to the CBDT to reconsider the changes in the WHT provisions to reduce the potentially increased cost of compliances².
- ▶ The way in which the calculation of "net winnings" will be prescribed by the Government will be critical for the gaming segment and the segment expects that the Government undertakes stakeholder consultation before prescribing the manner of calculation

Digital tax developments

Global developments

- ▶ In July 2021, the members of the OECD/ G20 Inclusive Framework ('IF') on Base Erosion and Profit Shifting ('BEPS') had agreed to a two-pillar solution to address the tax challenges arising from digitalization of the economy - Pillar One and Pillar Two
- ▶ **Pillar One** – aims to define a new taxation framework to identify nexus of activities carried out by multinational enterprises ('MNE') and to provide additional rights to a market jurisdiction where customers are located to tax MNEs. Such profits of MNE groups re-allocated to market countries is termed as "Amount A"
- ▶ In February 2022, the OECD had issued draft Model Rules for nexus and revenue sourcing and for tax base determinations under Amount A for public consultation
- ▶ In a conference held from 27 to 28 June 2022, the Director of the OECD– Centre for Tax Policy and Administration acknowledged the need to reset Pillar One timeline to provide more time to complete the work and obtain business input. A consolidated consultation document on different aspects relating to Pillar One was proposed to be released in July 2022 for stakeholder comments. However, the same is yet to be released by OECD
- ▶ In the run up to the meeting of G20 Finance Ministers in India, the French Finance Minister Mr. Bruno Le Maire suggested that the European Union should come up with its own digital tax as the global tax reform to tax multinationals was being blocked by three countries - India, the US and Saudi Arabia
- ▶ On 24-25 February 2023, the First G20 Finance Ministers and Central Bank Governors Meeting ('G20 Meeting') was held in India, wherein the group jointly issued a statement to, inter alia, show commitment to the swift implementation of the OECD/ G20 two-pillar international tax package and urged the OECD/ G20 to finalise Pillar One to enable signing of Multilateral Convention in the first half of 2023³
- ▶ **Pillar Two** – aims to introduce a Global Anti-Base Erosion (GloBE) proposal to impose minimum tax rules for MNEs to deter them from taking benefit of low-tax jurisdictions by shifting majority of profits to low-tax jurisdictions without carrying out any substantial activities in these jurisdictions

²<https://www.livemint.com/technology/tech-news/online-gaming-cos-move-cbd-t-pmo-to-oppose-tax-rules-11678041063344.html>

³https://www.g20.org/content/dam/gtwenty/gtwenty_new/document/1st%20FMCBG%20Chair%20Summary.pdf

- ▶ The OECD had promised a series of documents on the GloBE Rules comprising its design and architectural framework, as also providing the means to interpret and implement the same in various jurisdiction. In this respect, the OECD/ BEPS IF published the Model Rules, Commentary and Implementation Framework between December 2021 to December 2022
- ▶ On 2 February 2023, OECD/ G20 IF released the Administrative Guidance providing direction on the scope, operation and transitional elements of the GloBE Rules for BEPS IF members to reflect this guidance in respective domestic legislations in a co-ordinated manner so as to ensure consistent and coherent outcomes from its implementation worldwide. Broadly, this covers the following technical issues such as:
 - ▶ Applicability of deemed consolidation tests
 - ▶ Scope of Excluded Entities
 - ▶ Certain specific aspects of ETR computation
 - ▶ Operation of transitional rules
 - ▶ Qualified Domestic Minimum Top-up Taxes (QDMTT)
- ▶ Countries in Europe (EU, UK, Switzerland) and Asia-Pacific (Korea, Japan) have undertaken significant steps for adoption of GloBE Rules in their local laws
- ▶ In the G20 Meeting, the group welcomed the steps taken by countries to implement the GloBE Rules and called upon the IF to finalize the negotiations on the Subject to Tax Rule (STTR) under Pillar Two

India developments

I. BEPS

- ▶ India has not yet made any formal announcements regarding withdrawal of Equalization Levy post the implementation of Pillar One
- ▶ In the past, India has favored a consensus solution for the adoption of Pillar Two. However, there have been no proposals or guidance around implementation of the same in the income-tax law, including no announcements in the Union Budget 2023
- ▶ On 24 November 2021, it was announced that India and the US had agreed on a transitional approach for e-commerce Equalization Levy under which India will grant credit of Equalization Levy during the interim period until implementation of Pillar One. The agreement was expected to be available by 1 February 2022, however, there have been no announcements yet

- ▶ On 7 February 2023, the CBDT notified⁴ Centralised Processing of Equalization Levy Statement Scheme, 2023 ('Scheme'). The Scheme, inter-alia, outlines the following:
 - ▶ Requiring every assessee or e-commerce operator to furnish the Equalization Levy statement
 - ▶ Manner of centralized processing of Equalization Levy statements
 - ▶ Transmission of Equalization Levy statements to the jurisdictional assessing officer, where Equalization Levy statements cannot be centrally processed

II. Ruling on characterization of fee in lieu of right to distribute advertising space

- ▶ In a recent ruling pronounced on 19 October 2022 in the case of a leading online search engine, the Bangalore Income Tax Appellate Tribunal held that payments made by the Indian entity to its foreign enterprise for distribution of online advertising space to advertisers in India was not in the nature of royalty
- ▶ The Tribunal observed that:
 - ▶ All intellectual property was to remain the exclusive property of the foreign enterprise
 - ▶ Trademark and other brand features of foreign enterprise were not used by the Indian entity independently or de hors the distribution agreement, but were incidental and ancillary for the purpose of carrying out the marketing and distribution activity
 - ▶ Online advertisement was covered under the provisions of the Equalization Levy. If online advertisement was already covered under the definition of "royalty", then it would not have been included under Equalization Levy
- ▶ While there are several rulings on the characterisation of distribution fee in the broadcasting space, the above ruling is possibly the first in the digital industry

III. Ruling on characterization of consideration from grant of live broadcasting rights and sponsorship rights

- ▶ In a recent ruling pronounced on 14 December 2022 in the case of a Singapore-based company, the Mumbai Income Tax Appellate Tribunal has dealt with characterization of consideration from grant of broadcasting and sponsorship rights in respect of international cricket events
- ▶ With respect to taxability of consideration from grant of broadcasting rights, the Tribunal observed as under:
 - ▶ The Tribunal reviewed various clauses in the agreements entered by the Singapore entity with the broadcasters and observed that the consideration paid by the broadcasters could not be considered simply for "live" broadcast/ re-broadcast of the sporting event

⁴Notification No. 3/ 2023

- ▶ The Tribunal also noted that the exhibitions made by the broadcasters after the conclusion of the match contained recordings and/ or cinematograph film

The Tribunal held that the taxpayer granted a bouquet of rights to the broadcasters and absent specific bifurcation of the consideration into "live" and "non-live" rights, the Tribunal allocated 25% consideration towards "non-live" rights and characterized the same as royalty

- ▶ Further, the Tribunal held that consideration from grant of sponsorship rights was towards advertisement and not for the use of equipment and therefore, not characterized as royalty
- ▶ While the above ruling supports the view that consideration from "live" broadcasting rights is not royalty, the ruling may have a far – reaching impact on the agreements entered into by sports bodies/ commercial rights holders with respect to broadcasting rights. The ruling highlights the importance of the terms of the agreement, especially the rights granted and the consideration thereof, to assess the withholding tax obligation and/ or taxability in the hands of the grantor of broadcasting rights. The ruling may also require an assessment of reasonableness of allocation of consideration into "live" and "non-live rights" having regard to the rights (any recorded material say, highlights, archive material, etc.) being exploited during a live event and post-match shows

IV. Significant Economic Presence ('SEP')

- ▶ SEP was introduced vide Finance Act, 2018 to cover emerging business models, such as digitized businesses within the India tax ambit, which did not require a physical presence to operate
- ▶ Following thresholds were prescribed for the purpose of trigger of SEP:
 - ▶ Amount of aggregate of payments arising from transaction or transactions in respect of any goods, services or property carried out by a non-resident with any person in India, including provision of download of data or software in India during the previous year - INR20 million
 - ▶ Number of users with whom systematic and continuous business activities are solicited or who are engaged in interaction - 3,00,000
- ▶ SEP has been effective from 1 April 2021 (i.e., FY 2021-22 onwards)
- ▶ The Income Tax Return forms require specific disclosure on the applicability of SEP in India. Accordingly, non-resident taxpayers are examining the applicability of SEP to their facts, especially if the non-resident taxpayer is subject to Equalization Levy

V. Clarification on taxation of Virtual Digital Assets

- ▶ The Finance Act, 2022 had introduced provision for taxation of Virtual Digital Assets ('VDA'), including Non-Fungible Tokens ('NFTs')
- ▶ Vide Notification No. 74/ 2022 and Notification No. 75/ 2022 dated 30 June 2022, the Central Board of Direct Taxes has clarified that the following shall be excluded from the scope of virtual digital assets:
 - ▶ Gift card or vouchers, being a record that may be used to obtain goods or services or a discount on goods or services
 - ▶ Mileage points, reward points or loyalty card, being a record given without direct monetary consideration under an award, reward, benefit, loyalty, incentive, rebate, or promotional program that may be used or redeemed only to obtain goods or services or a discount on goods or services
 - ▶ Subscription to websites or platforms or applications
 - ▶ NFTs represented by underlying tangible assets and whose transfer results in a legally enforceable transfer of ownership of underlying tangible asset
- ▶ Ambiguity continues to exist on applicability of VDA provisions to digital tokens (even if not generated through cryptographic means) purchased from online platforms, and redemption thereof
- ▶ Further, including NFTs and other digital assets within the ambit of VDAs and taxing them on the same lines as crypto currencies is leading to administrative and compliance difficulties, besides impacting the growth of digital assets/ NFTs which are not cryptocurrencies

VI. Clarification on WHT on benefit or perquisite on products provided to social media influencers

- ▶ The Finance Act, 2022 had introduced a new WHT provision of 10% on payment of benefit or perquisite to a resident
- ▶ Vide Circular No. 12/ 2022 dated 16 June 2022, the Central Board of Direct Taxes has clarified that benefit or perquisite such as car, mobile, outfit, cosmetics, etc., provided to social media influencers, which are retained by them, will be subject to WHT at 10%
 - ▶ However, if such products are returned by the social media influencers to the manufacturers after using for the purpose of rendering service, the same will not be considered as a benefit or perquisite for the purpose of WHT

Goods and services tax (GST)

GST environment

I. Compliance framework was tightened

- ▶ Over the last couple of years, India's tax administration has taken several measures to tighten the compliance framework and has enhanced punitive measures against tax fraud and evasion
- ▶ As a result of the above, the GST collections have significantly increased and reached a monthly collection level closer to INR1.5 trillion as against average collections per month closer to INR1 trillion about a couple of years back
- ▶ This has also led to a significant formalization of the economy triggering a massive increase in Income Tax collections too, which have grown at 40% to 50% for the last couple of years and even this year are witnessing a robust growth

II. E-invoicing thresholds were reduced

- ▶ E-invoicing was introduced in October 2020 for large enterprises having turnover exceeding INR5 billion and mandates taxpayers to register B2B invoices with the Government portal before issuance
- ▶ The turnover threshold has over the years been gradually reduced and now effective 1 October 2022, taxpayers having turnover exceeding INR100 million¹ are mandated to comply with the e-invoicing framework
- ▶ This is resulting in a significant increase in real-time reporting of transactions even for smaller taxpayers, such as production houses, event management companies, etc., which now need to adhere to this mandate
- ▶ Input Tax Credit (ITC) of the taxes charged on the supplies availed on invoices where the e-invoicing mandate, wherever applicable, is not adhered to by suppliers could be challenged. Enterprises should have adequate processes to identify suppliers liable to adhere to this compliance mandate and also check whether a valid e-invoice is received

Proposals in the recent Union Budget

The following proposals announced in the Budget presented by Honorable Finance Minister of India on 1 February 2023 are likely impact the M&E sector:

I. GST

- ▶ Foreign service providers need to register and pay GST in India in relation to Online Information Database Access and Retrieval (OIDAR) services
 - ▶ Advertising services on the Internet, OTT platforms, cloud services, access to database services, Distance learning services, etc., are specifically covered within the OIDAR services definition
 - ▶ At present, OIDAR services for the purposes of the GST levy are defined as services:
 - ▶ that are primarily automated i.e., have minimal human intervention, and are provided over the internet
 - ▶ provided to consumers in India not registered for GST, and
 - ▶ used by consumers for purposes other than commerce, industry or any other business or profession
 - ▶ There have been disputes related to the ambit of OIDAR services. For e.g., should university courses provided by foreign institutions over the internet requiring tutors to manually lecture or those that entail manual invigilation of tests, i.e., services requiring more than minimal human intervention, be considered as OIDAR services liable to GST in India
 - ▶ Also, it is challenging for a service provider to ascertain whether a service is used by the recipient for commercial purpose or otherwise
 - ▶ The Union Budget proposals seek to remove these ambiguities by expanding the OIDAR services definition to include all services provided over the internet (regardless of the extent of manual intervention) and provided to un-registered customers (regardless of the usage by the recipients)
 - ▶ Foreign online service providers need to re-ascertain their liability to register and pay taxes in India

¹ Notification No. 17/2022 - Central Tax

- ▶ Input tax restrictions on corporate services responsibility (CSR) expenses
 - ▶ A recipient is allowed to claim ITC of GST paid on all expenses incurred in the course or furtherance of business
 - ▶ However, a few procurements are specifically excluded from the ITC ambit i.e., GST charged on these procurements are not eligible for ITC
 - ▶ These denied ITC list of expenses as on date inter alia include expenses related to employee consumption, expenses incurred in construction of immovable property, goods distributed as free samples, etc.
 - ▶ CSR expenses incurred by Indian corporates under an obligation prescribed² under the Companies Act is proposed to be added to the denied ITC list. Enterprises would need to maintain documentation justifying the basis for ITC availment, especially related to expenses for social causes incurred for brand building and not under the CSR obligation

II. Customs duties

- ▶ Relaxations on customs duty exemptions
 - ▶ Following customs duty exemptions due to lapse by 31 March 2023 have been extended:

Goods	Date till when extended
Cups, trophies to be awarded to winning teams in international tournament/ World Cup to be held in India	31 March 2028
Specified sports goods imported by National Sports Federation or by a sportsperson of outstanding eminence for training	
Television equipment, cameras and other equipment for taking films, imported by a foreign film unit or television team	31 March 2024
Photographic, filming, sound recording and radio equipment, raw films, video tapes and sound recording tapes of foreign origin if imported into India after having been exported therefrom	To be taken up for review in the current year

Clarifications issued

I. GST rates on activity of selling of space for advertisement in souvenirs

- ▶ Selling of space for advertisement in print media attracts GST at 5% whereas such services in other media are liable to a GST of 18%
- ▶ The Central Board of Excise and Customs (CBIC) has clarified that selling of space for advertisement in souvenirs published in the form of books by different institutions/ organizations will be considered as 'advertisement in print media' liable to GST at 5%

II. Clarification on GST applicability on certain contractual payments³

- ▶ Liquidated damages: The circular clarifies that GST is not leviable on 'liquidated damages' paid to compensate for injury, loss, etc., due to a contractual breach subject to certain conditions
- ▶ Recovery of notice period from employees: Employment arrangements are not liable to GST in India. The circular clarifies that recoveries from employees under the employment arrangements, such as recoveries on breach of employment contract (not adhering to a notice period), should not be liable to GST
- ▶ GST on cancellation charges: The circular suggests that cancellation fees of an intended supply should be assessed with the same taxability as the principal supply. This clarification could be relevant for the cancellation fees charged on various events, such as sports events, concerts, filmed entertainment, etc., where the tickets are liable to varied GST rates of 12%, 18% and 28%

² Under section 135 of the Companies Act, 2013

³ Circular No. 178/10/2022-GST issued by the CBIC in August 2022

III. Clarification on difference in ITC availed as compared to auto-populated ITC for initial years⁴

- ▶ As per the GST legislation, ITC can be claimed only on invoices that are reported on the government portal and in respect of which applicable GST has actually been paid. This requires an enterprise to reconcile the quantum of credit availed with the transactions reported by the suppliers
- ▶ There were several representations made to the Government seeking rationalization of the above provisions. The industry submitted that ITC on bona fide transactions should not be denied on account of non-compliances or errors by suppliers. Private enterprises also contended that, in the initial years of GST, the transactions reported by vendors on the government portal were made available for reconciliations to customers only after a lag and that key details such as compliance conduct of the taxpayer was furnished only post 2019
- ▶ This made it impossible for customers to ensure taxes have been paid at the time of availment of credits. Further, since compliance errors in reporting were also rampant, un-reconciled invoices not reported would not necessarily suggest that applicable taxes had not been paid by vendors
- ▶ In response to the above credible submissions, the government has partially relaxed the conditions by way for a clarification
- ▶ According to the circular, ITC shall be allowed on a self-declaration basis by the vendor, if the difference between reporting done by vendor in his returns (as appearing in the customer's GSTR 2A statement) and the ITC availed by the customer is up to INR0.5 million per annum. In case of differences above this value, ITC shall be allowed basis a chartered account or cost Accountant certificate
- ▶ The circular provides relief for the initial period up to FY 2018-19. It is also evident that as per the government, ITC shall be denied where no taxes are paid by the vendor

Judicial announcements

I. Hon'ble Supreme Court order provided transitional relief to the industry

- ▶ In 2017, several taxpayers across industries faced challenges while carrying out compliances related to the transition of old Central VAT credits from the old indirect tax regime to the GST regime, resulting in losses
- ▶ The Hon'ble Supreme Court of India in the case of 'Filco Trade Centres Pvt. Ltd.'⁵ issued directions to re-open the GST portal enabling taxpayers to either initiate fresh or revised transitional compliances up to 31 October 2022. This period was further extended by four weeks

II. Ruling on intermediary - Genpact India Pvt. Ltd. Vs Union of India and Others⁶

- ▶ Export of services are zero-rated under the GST regime and no tax is payable on the same
- ▶ 'Intermediary services' provided in India are not considered as being exported even though they might be provided to clients located outside India
- ▶ In certain jurisdictions, BPO services to offshore clients were being denied export status on the grounds that BPO services are 'intermediary services'
- ▶ After a prolonged litigation, The Punjab & Haryana High Court has issued a favorable ruling holding BPO services should qualify for the export status. This is likely to provide relief on ongoing litigations

III. Service Tax ruling on export position on post-production services⁷

- ▶ In a recent CESTAT ruling it was held that services of post-production, special effects, 2D to 3D conversion services, etc., shall meet the conditions of export under the erstwhile service tax legislation

⁴ Circular No. 183/15/2022-GST

⁵ Union of India vs. Filco Trade Centre Pvt. Ltd., SLP(C) No. 32709- 32710/2018

⁶ U2022-VIL-751-P&H

⁷ 2023 (1) TMI 1142 - CESTAT MUMBAI

Ambiguity on GST taxability on online skill gaming platforms

- ▶ Entities operating online skill gaming platforms have been levying GST at the rate 18% on the platform fee collected from online gaming participants. Views have been adopted that no GST is being levied on the entry fee collected by the online skill gaming platforms in the form of a custodian/ trust
- ▶ With a view to remove ambiguities, the GST Council⁸ constituted a Committee of Group of Ministers (GoM) in May 2021 to examine the issue of valuation and taxability of services provided by casinos, racecourses, and online gaming platforms
- ▶ Based on publicly available information, it appears that the GoM has submitted their detailed findings to the GST Council wherein there appears to be a consensus between the members of the committee to levy GST at 28%
- ▶ However, the taxable value, i.e., the base value on which GST is calculated, has not been unanimously agreed upon. Thereby, the final decision/ discussion on the same is expected to be taken by GST Council in future meetings⁹
- ▶ Meanwhile, GST authorities have issued show cause notices demanding GST of 28% on gross amount collected (i.e., entry fee) from some platforms. Writ petitions have been filed before the Honorable Karnataka High Court and the Rajasthan High Court, wherein interim relief has been granted
- ▶ GST Authorities are contending that activities carried out by the platforms are 'game of chance' and platform makes profits from such games, thereby essentially making it 'betting' and 'gambling' activity and subject to GST on gross value. However, platforms are contending that the games that are being offered have been declared and held as being games of skill and not a game of chance under several judicial proceedings

⁸ GST Council is a joint forum of the Centre and the States and it makes recommendations to the Union and the States on important issues related to GST

⁹ <https://www.financialexpress.com/brandwagon/b-stylefont-size-x-large-color-revertgst-on-online-gaming-industry-awaits-clarityb/2987399/>

Regulatory update

Compiled by Nishith Desai Associates



Regulatory update

AVGC

To realize the potential of the Indian AVGC segment, in the Budget speech for the year 2022-2023, a formation of an AVGC Task Force headed by the Secretary of the Ministry of Information and Broadcasting ("MIB") was announced. The task force comprised members from the government ministry, the industry, and academia. The core task force thereafter divided into four sub task forces:

- ▶ Education
- ▶ Gaming
- ▶ Skilling
- ▶ Policy and industry

In December 2022, the Task Force presented its report to Anurag Thakur, the Union minister of MIB ("AVGC Report"). The AVGC Report presented recommendations on (1) market access and development, (2) skilling and mentorships, (3) education, (4) access to technology, (5) financial viability, (6) promotion of high quality content, (7) diversity, equity and inclusion in the AVGC segment.

The report, inter alia, recommends various measures as stated below:

I. Market access and development

- ▶ Create a National Center of Excellence ("NCOE") for the AVGC sector to serve as a global hub for the advancement of knowledge in fields of education, industry development, research, and innovation
- ▶ Establish Regional Centres of Excellence ("RCoE") on the lines of NCoE in collaboration with state governments
- ▶ Incentivize industry to invest in R&D centers at these CoEs
- ▶ Strengthen existing COEs on AVGC and conceptualize new ones through effective public private partnership models
- ▶ Conduct an annual international AVGC expo with regional events to establish India as a leading service and solution hub for the AVGC sector globally
- ▶ Undertake national level information, education and communication campaigns to increase awareness among the stakeholders
- ▶ Publish a vision document on promotion of the AVGC sector in domestic and international markets with a focus on market potential for each sub sector

II. Skilling and mentorship

- ▶ Establish a UGC-recognized curriculum for undergraduate and postgraduate degrees with a dedicated and significant component of practical skills
- ▶ Industry partners to work closely with formal and vocational training institutions to ensure linkages between skilling demand and supply

- ▶ Vocational education in schools to be expanded and streamlined to include courses from the AVGC sector
- ▶ Development of a job aggregation platform by AVGC industry associations and consortiums, showcasing all contractual and permanent jobs for the AVGC sector
- ▶ Identify best practices from the various schemes of the Ministry of Skill Development & Entrepreneurship involving industry partnership for training and mentoring
- ▶ Promote entrepreneurship and innovation among AVGC Industry players by finding convergence opportunities with the Atal Innovation Mission
- ▶ Identifying, encouraging and skilling individuals, groups and cultural organizations engaged in performing visual and literary arts, etc.
- ▶ Undertake a study for assessing the future skill and competency requirement by the industry

III. Education

- ▶ MIB to closely work with the Ministry of Education in drafting a holistic framework for AVGC education in India
- ▶ The Ministry of Education may advise the National Council of Educational Research and Training ("NCERT") to create books focusing on subjects relevant to AVGC
- ▶ Promote creative thinking in schools and give students exposure to subjects that help them sharpen their skills
- ▶ Promote high quality and well-structured AVGC education across undergraduate and postgraduate levels
- ▶ Curriculum may be developed and upgraded as per the international standards on a periodic basis

IV. Access to Technology

- ▶ Technology Incubation and Development of Entrepreneurs ("TIDE") scheme should focus on the AVGC segment to ensure transformation of research output.
- ▶ Democratizing technology through use of subscription models wherein companies offering AVGC technology products may be requested to move from a traditional license and maintenance model to a subscription-based model
- ▶ Providing incentives for development of software and hardware designed especially for the Indian market and price point
- ▶ Take adequate steps to curb piracy of software in the AVGC-XR sector
- ▶ Chart a comprehensive plan to fund higher education institutions to set up labs to evangelize new and emerging technologies into academics as well as industry practices
- ▶ Facilitate financial support for technology acquisition

V. Financial viability

- ▶ Design an umbrella initiative called “India AVGC Mission” supported by a holistic financial package in coordination with the Ministry of Finance and other ministries
- ▶ State level scholarship funds/ corporate social responsibility (“CSR”) programs to be set up through state governments
- ▶ Funds towards development and continuous upgradation of curriculum and content to be provisioned under the National AVGC policy

VI. Promotion of high-quality content

- ▶ Launch the ‘Create in India’ initiative to give the needed impetus for high-quality content creation in India
- ▶ Promote children-specific content and create a Doordarshan¹ kids television channel through the Public Broadcaster

VII. Diversity, equity, and inclusion

- ▶ Undertake steps to promote AVGC in Tier-2 and Tier-3 cities by conceptualizing dedicated centers with hi-tech infrastructure, providing AVGC oriented education in vernacular languages, formation of AVGC centric colleges, etc.
- ▶ Draft adequate policies with necessary initiatives to encourage AVGC companies to establish offices in Tier-2 and Tier-3 cities
- ▶ Twinning programs between towns and cities across educational institutions may be established
- ▶ Carrying out a survey in collaboration with the local industry to recognize the clusters with AVGC talent in rural or Tier-2 and Tier-3 areas, for focused interventions

Filmed entertainment

Film schemes

The MIB announced two schemes (“Schemes”) at the Cannes Film Festival in May 2022. The Schemes have been introduced to incentivize global collaborations of foreign countries with India and attract foreign filmmakers to shoot films in India.² These are:

- ▶ Incentive for shooting of foreign films in India: This scheme has been introduced to offer cash incentives to an “International Producer” which is defined as the entity responsible principally for all activities involved in making the production in India. Under this scheme, an International Producer can claim a reimbursement of 30% of their Qualifying Production Expenditure up to INR20 million. They can also claim an extra 5% bonus up to INR5 million for employing more than 15% manpower from India.
- ▶ Incentive for audio-visual co-production with foreign countries: This scheme incentivizes an “Official Indian Co-production” i.e., a production between India and one or more of the countries with whom India has entered into an official bi-lateral co-production treaty on Audio-Visual Co-production, and which production has been granted official ‘Co-production Status’ by the MIB. Under this scheme, official Indian Co-Productions can claim up to 30% reimbursement of Qualifying Co-Production Expenditure up to INR20 million. At present, India has audio-visual co-production treaties with 15 countries³ namely Bangladesh, Brazil, Canada, China, France, Germany, Israel, Italy, New Zealand, Poland, Portugal, Republic of Korea, Russia, Spain and the United Kingdom. In August 2022, the Union Cabinet has reportedly also approved the signing of an audio-visual co-production treaty between India and Australia.⁴

Schemes are being executed through the Film Facilitation Office (“FFO”), which has been set up under the aegis of the National Film Development Corporation (“NFDC”) to promote global collaboration in filmmaking and facilitate film shootings by domestic and international filmmakers in India.

¹ Doordarshan is an Indian public service broadcaster founded by the Government of India, owned by the Ministry of Information and Broadcasting. Available at: <https://prasarbharati.gov.in/doordarshan/> (last accessed March 6, 2023).

² See <https://pib.gov.in/PressReleasePage.aspx?PRID=1826395> (last accessed January 10, 2023).

³ See <https://ffo.gov.in/co-productions/international-treaties> (last accessed March 6, 2023).

⁴ See <https://www.livemint.com/industry/media/cabinet-approves-india-australia-pact-to-promote-co-production-of-films-11660131802638.html> (last accessed March 6, 2023).

Cinematograph (Amendment) Bill, 2021 ("2021 Bill")

In 2021, MIB published the 2021 Bill to amend the Cinematograph Act, 1952 seeking public comments.⁵ The 2021 Bill is still pending and has not been introduced in the Parliament. Following are the key changes proposed by the 2021 Bill:

- ▶ Sub-division of unrestricted public exhibition category (U/A category): For certification of films, the unrestricted public exhibition category is proposed to be sub-divided into age-based categories, i.e., U/A 7+, U/A 13 + and U/A 16+.
- ▶ Validity of certificate: Currently, the certificate issued by the Central Board of Film Certification ("CBFC") for a film is valid only for 10 years. The 2021 Bill proposes this certificate to be valid in perpetuity.
- ▶ Re-examination powers of the Central Government: The 2021 Bill proposes the Central Government to have the revisional power to direct the CBFC to re-examine an already certified film if such film violates Section 5B of the Cinematograph Act, 1952.⁶ However, news reports suggest that the government may drop this provision.⁷
- ▶ Prohibition of Unauthorized Recording: With an intention to eradicate film piracy, the 2021 Bill proposes that no person, without the authorization of the author, shall be permitted to use any audio-visual recording to make or transmit or abet the making/transmission of a copy of a film. The penalty for such unauthorized recording is proposed to be an imprisonment not less than three months, which may go up to three years and/or a fine not less than INR3 lakh rupees, which may extend up to 5% of the audited gross production cost of the film.

Schemes are being executed through the Film Facilitation Office ("FFO"), which has been set up under the aegis of the National Film Development Corporation ("NFDC") to promote global collaboration in filmmaking and facilitate film shootings by domestic and international filmmakers in India.

CCI suggests the film industry to adopt self-regulatory measures, eschew anti-competitive practices⁸

A market study on film distribution chain in India by the Competition Commission of India ("CCI"), a first ever of its kind, furthers the recommendation of formulation of self-regulatory measures by the film industry itself for different stakeholder categories to restrain anti-competitive practices and limit regulatory interferences.

The study has encapsulated the role of various associations in the distribution chain and some key competition issues in the film distribution chain. Some of these issues are discussed below:

- ▶ With regards to multiplexes and producers, CCI noted that multiplexes enjoy considerable bargaining power against upstream players. Deal terms offered by multiplexes are non-negotiable and the lack of flexibility can make recoupment of investment in films untenable in certain instances. It was noted that typically arrangements between multiplexes and distributors/producers are such that distributors/producers' share of revenue drops in subsequent weeks of release and the multiplexes retain the revenues. CCI therefore suggested tailor-made arrangements as opposed to having standard templates accommodating the type of content being shown to allow smaller projects which attract larger audiences in later weeks to be remunerative for the producers
- ▶ Adoption of box office monitoring systems to generate, record and maintain ticketing logs and reports for mitigating information asymmetries and possibly translating these into reasonable terms for revenue sharing arrangements and mitigate disputes. CCI called upon stakeholders to collaborate on a cost-effective monitoring system to ensure widespread adoption of the same. Producers may also hire independent auditors to check such monitoring systems and prevent any potential tampering
- ▶ Pertaining to the arena of digital cinema, the CCI recommended that agreements that digital cinema equipment service providers enter into with exhibitors or producers should have scope for negotiations to reduce bargaining power imbalance which is currently enjoyed by such service providers
- ▶ The CCI noted that bans and boycotts are anti-competitive and should not be resorted to when a dispute arises. In this regard, the CCI recommended that associations should avoid bans and boycotts and any other conduct which has previously been found to be anti-competitive by the CCI

⁵ See <https://mib.gov.in/sites/default/files/Public%20comments%20sought%20on%20Cinematograph%20%28Amendment%29%20Bill%202021.pdf> (last accessed February 3, 2023).

⁶ Section 5B of the Cinematograph Act states, "A film shall not be certified for public exhibition if, in the opinion of the authority competent to grant the certificate, the film or any part of it is against the interests of the sovereignty and integrity of India, the security of the State, friendly relations with foreign States, public order, decency or morality, or involves defamation or contempt of court or is likely to incite the commission of any offence."

⁷ See <https://www.hindustantimes.com/india-news/cinematograph-act-govt-may-drop-provisions-on-re-examination-of-films-101668970674631.html> (last accessed March 7, 2023).

⁸ See <https://www.cci.gov.in/images/whatsnew/en/market-study-on-the-film-distribution-chain-in-india1665747371.pdf> (last accessed February 3, 2023).

Guidelines for employment of children to regulate child participation in the entertainment industry

On 24 June 2022, the National Commission for Protection of Child Rights ("NCPCR") published the draft 'Regulatory Guidelines for Child Participation in the Entertainment Industry or Any Commercial Entertainment Activity' ("Draft Guidelines").⁹ The Draft Guidelines document that the reason for their introduction is (i) lack of specific regulation or rule for protection of child artists in the entertainment industry, (ii) need to bring new platforms such as OTT platforms, news and content creation on social media, etc. under the ambit of the Draft Guidelines. Key highlights are:

- ▶ Coverage: The Draft Guidelines encompass all television programming, including but not limited to reality shows, soap operas, news and informational media, films, content on OTT platforms, content on social media, performing arts, advertising, and any other form of children's participation in commercial entertainment activities
- ▶ Approval from the District Magistrate: Producers of any audio-visual media production or commercial event involving the involvement of a child must secure approval from the District Magistrate in the jurisdiction where the event is to be held. In addition, producers must include a disclaimer that all necessary measures have been taken to prevent any abuse, neglect, or exploitation of children throughout the production process
- ▶ Parental accountability: Parents who use children for financial gain must be held responsible.
- ▶ Statutory provisions referred in the Draft Guidelines: The provisions of various statutes that protect children, including the Juvenile Justice Act, 2015, Child Labour Amendment Act, 2016, Protection of Children from Sexual Offences Act, 2012, and the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021, among others, have been incorporated into the Draft Guidelines

- ▶ Prohibited roles for children:
 - ▶ The guidelines prohibit the casting of children in inappropriate roles or situations
 - ▶ The child's age, maturity, emotional or psychological development, and sensitivity must be taken into consideration and a child must not be subjected to ridicule, insult, discouragement, harsh comments, or any behavior that could negatively impact their emotional well-being
 - ▶ It is forbidden for children to be portrayed consuming alcohol, smoking, or using any other substance or engaging in any form of antisocial or delinquent behavior
 - ▶ No child may be involved in any situation that involves nudity
- ▶ Presence of caregiver: During production, a parent or legal guardian or a recognized individual must be present. For infants, a registered nurse, in addition to the parent or guardian, must be present
- ▶ Prohibited hazardous lighting and cosmetics: Children, especially those under six years old, should not be subjected to hazardous lighting or irritating or contaminated cosmetics
- ▶ Medical clearance: Anyone involved in the production who may come into contact with children must provide a medical certificate demonstrating they are free from contagious diseases, and the staff must undergo police verification
- ▶ Education rights: The producer must ensure the child's education under the Right to Education Act, 2009, and provide adequate nutrition, water, and medical facilities during production
- ▶ Limited shift hours: Children may only participate in one shift per day, with a break every three hours
- ▶ Deposited income: 20% of the child's income from the production or event must be deposited into a fixed deposit account in a nationalized bank in the child's name, which will be credited to them upon reaching majority

The NCPCR has recommendatory powers only. Hence, unless the relevant laws are amended to include the changes suggested by NCPCR, technically the suggestions will not have force of law.

In December 2022, the NCPCR sought details from district magistrates on how many producers had taken permissions before shooting films with children.¹⁰ It has also warned non-governmental organizations ("NGOs") against depiction of vulnerable children for fundraising activities.¹¹

⁹ See https://ncpcr.gov.in/uploads/165606353162b5862bf25fb_draft%20media%20guidelines.pdf (last accessed February 3, 2023).

¹⁰ See <https://www.thehindu.com/news/national/ncpcr-seeks-details-from-district-magistrates-on-how-many-producers-have-taken-permission-before-film-shoots-with-child-artists/article66267442.ece> (last accessed February 3, 2023).

¹¹ See <https://www.thehindu.com/news/national/ncpcr-warns-ngos-against-depiction-of-vulnerable-children-for-fundraising/article66304975.ece> (last accessed February 3, 2023)

State government has no authority to fix prices of movie tickets - Andhra Pradesh High Court

- ▶ In April 2022, the Andhra Pradesh High Court¹² issued an interim order ruling that the state government cannot by itself fix prices of movie tickets. It held that the ultimate decision shall be made by the licensing authority¹³ and the state government can, at best, only convey its opinion on the pricing of cinema tickets to

the licensing authority. The petitioner had challenged the state government's order, directing inclusion of service charges for online ticket bookings in the overall price for admission into the cinema hall. The matter was last heard by the Andhra Pradesh High Court on 25 January 2023 and is still pending before the court.

AVGC Task Force recommendations

Some of the recommendations specific for the film industry are stated below:

- ▶ Market access and development:
 - ▶ Creation of an AVGC Helpdesk within the Film Facilitation Office to provide information on latest trends and opportunities in the sector
- ▶ Education:
 - ▶ To facilitate admissions into film making, Media and Entertainment Creative Aptitude Tests ("MECAT") may be considered / administered
- ▶ Promotion of Indian content:
 - ▶ Through a 'Create in India' initiative, the government of India may:
 - ▶ Promote international co-productions to help Indian films get global audiences
 - ▶ Focus on creation of content in vernacular languages for promotion of Indian culture, heritage, and folk arts globally
 - ▶ Encourage knowledge sharing and collaboration between the entertainment and gaming industries to convert successful films, or popular characters from the films, into game content
- ▶ Promotion of Indian animated content through mandating content reservation for local animation content
- ▶ States may consider reimbursing a portion of investment made by companies to create content based on Indian themes (this will be undertaken in accordance with the respective state specific schemes)
- ▶ Creation of financial viability
 - ▶ Government of India may evaluate categorization of IP that has a monetization track record (substantiated by signed contracts) as intangible assets that can be offered to banks as collateral
 - ▶ Taxation related incentives to boost local IP production, research and development and investment in the AVGC industry
 - ▶ Under international agreements (co-production treaties and other trade agreements) AVGC should be categorized as a priority sector to gain access to focused incentives. This would give domestic AVGC companies an opportunity to compete in international markets

¹² Multiplex Association of India v. State of Andhra Pradesh, IA No. 1 of 2022 (W.P No. 7049 of 2022); See <https://www.thehindu.com/news/national/andhra-pradesh/pricing-of-cinema-tickets-high-court-ruled-that-government-cannot-be-the-authority-by-itself-to-fix-rates-and-charges/article65340952.ece> (last accessed February 6, 2023).

¹³ Section 4 of the Andhra Pradesh Cinemas (Regulation) Act, 1955 states, "The authority having power to grant licenses under this Act (hereinafter referred to as the licensing authority) shall be the District Collector".

Television and broadcasting

Indian Telecommunication Bill 2022

The Indian Telecommunication Bill 2022¹⁴ ("Telecommunication Bill") was released for public comments on September 21, 2022. It is a consolidation and amendment of all laws pertaining to the operation and expansion of telecommunication services, networks, and relevant infrastructure. Owing to considerable technological advancement, three current legislations, namely, the Indian Telegraph Act 1885, the Indian Wireless Telegraphy Act 1933 and the Telegraph Wires (Unlawful) Possession Act 1950, will be repealed by the enactment of this Telecommunication Bill. Some of the aspects are discussed below:

- ▶ Expansion of definition of "telecommunication services"¹⁵: 'Telecommunication services' has been defined broadly to include e-mail, broadcasting services, voice mail and Over-The-Top ("OTT") communication services under its purview. The Telecommunication Bill consolidates the Central Government's powers to provide licenses/ authorizations/ permissions to entities seeking to provide telecom services (which includes broadcasting services), operate telecom networks, and/ or provide telecom infrastructure.

The expansion of the scope of 'telecommunication services' to include 'broadcasting services' could lead to overlapping remits for the Department of Telecommunications ("DoT") and the MIB which deals with all aspects related to broadcasting as per the Government of India (Allocation of Business) Rules, 1961. Broadcasters are in any case required to register with and be verified by the MIB for operating their television channels. Additionally, inclusion of intermediary applications such as OTT communication services will result in an overlap with the Ministry of Electronics and Information Technology ("MeitY").

- ▶ There are some additional compliances prescribed under the Telecommunication Bill, such as requiring licensed entities to identify persons to whom it provides services (through a verifiable mode of identification), and notifying the Central Government for any licensee/ registered entity undertaking a merger, demerger, acquisition or any other form of restructuring.
- ▶ There is also a provision to allow Central or State Governments to take temporary possession of telecommunication services in case of a public emergency or in the interest of public safety.

Guidelines for Uplinking and Downlinking of Satellite Television Channels in India, 2022

The MIB issued the Guidelines for Uplinking and Downlinking of Television Channels in India¹⁶ ("Television Channel Guidelines") via a notification on 9 November 2022. Previous guidelines from 2011, i.e., the Policy Guidelines for Uplinking of Television Channels from India, 2011 and the Policy Guidelines for Downlinking of Television Channels, 2011 ("2011 Guidelines") have been replaced by these Television Channel Guidelines. The goal of the revised Television Channel Guidelines is to ease compliances and simplify processes:

- ▶ Inclusion of LLPs: In addition to companies, now Limited Liability Partnerships ("LLPs") can also seek permission for uplinking/ downlinking under the guidelines. One of the conditions provided eligibility for companies/ LLPs is that FDI in the company/ LLP must be as per the FDI policy of the government. In this regard, the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 provide that FDI into LLPs is only allowed (i) in sectors where foreign investment up to 100% is permitted under automatic route; and (ii) if there are no "FDI linked performance conditions".¹⁷ Currently, FDI into LLPs in the broadcasting sector may not be possible.
- ▶ Teleport, uplinking and downlinking¹⁸: Subject to the minimum net worth and Foreign Direct Investment ("FDI") compliance, a company/ LLP may apply online on the Broadcast Seva on payment of processing fees for setting up a Teleport/ Teleport Hub, uplinking a news or non-news TV channel from a teleport and satellite, or for downlinking a TV channel if it meets the net worth criteria, it has a commercial presence in India and it owns the channel or owns relevant rights related to the same. Permissions will be granted for 10 years. Thereafter, application for renewal of ten years may be filed three months prior to the last month of permission granted.
- ▶ News agencies¹⁹: For setting up a news agency, a company/ LLP may apply online on the Broadcast Seva, subject to it being controlled and managed by Indians, employing working accredited journalists and complying with FDI requirements. Permission granted in this case is only for five years and can thereafter be renewed for five more years. Additionally, the Television Channel Guidelines stipulate requirements for the application and process of purchase and hiring of Digital Satellite News Gathering and Satellite News Gathering equipment.

¹⁴ See <https://dot.gov.in/sites/default/files/Draft%20Indian%20Telecommunication%20Bill%2C%202022.pdf> (last accessed January 17, 2023).

¹⁵ Section 2(24) of the Telecommunications Bill.

¹⁶ See <https://static.pib.gov.in/WriteReadData/specificdocs/documents/2022/nov/doc2022119122101.pdf> (last accessed January 17, 2023).

¹⁷ Schedule VI, Non-Debt Rules

¹⁸ Guidelines 3, 4, 5, 6, 7, 8, 9 and 10, Television Channel Guidelines.

¹⁹ Guidelines 13, 14, 15, 16, 17 and 18, Television Channel Guidelines.

- ▶ Foreign channels²⁰: A foreign channel/ entity may be granted permission up to 12 months for live uplinking through a pre-designated teleport. The applicant is required to have a binding agreement with a permitted teleport, pay a processing fee of INR100 thousand per day of live telecast and should uplink only for usage abroad and not in India (if in India, downlinking permission and registration of the channel is required).
- ▶ Operational status²¹: During the period of permission granted, a TV channel must remain operational and in case it fails to do so for more than 60 days, the company/ LLP must inform the MIB of such status along with reasons for the same. If the MIB is not informed, violation may lead to penal action.
- ▶ Public service broadcasting²²: Companies/ LLP may undertake public service broadcasting for a minimum period of 30 minutes a day on themes of national importance and of social relevance inter alia education, agriculture, health, science, welfare of women, welfare of weaker sections of society, protection of environment and national integration. The advisory on Obligation of Public Service Broadcasting released in January 2023 requires all private satellite TV channels to undertake public service broadcasting from March 2023 onwards.
- ▶ A comparison of key aspects of the 2011 Guidelines with the 2022 guidelines is below:

SNo.	Provision	2011 Guidelines	2022 Guidelines
1	Applicability Criteria	Application is only open to Companies registered under the Companies Act, 1956.	Applicants can be companies registered under the Companies Act, 2013, as well as Limited Liability Partnerships registered under the Limited Liability Partnership Act, 2008.
2	Application process	No provision for online filings	An applicant may apply online on Broadcast Seva Portal with processing fees and other documents as specified in the Guidelines. The Broadcast Seva Portal has been launched by the MIB in 2022 to make application process for various registrations, permissions and licenses for broadcast related activities easier
3	Prior permission for telecast of Live Events	Prior Permission to be taken for usage of facilities for live news or footage collection and transmission.	No prior permission to be taken for telecast of live event, provided that such live event has been registered for telecast.
4	Live events by foreign channels	Not permitted	A foreign channel entity may be granted permission up to 12 months at a time for live uplink of an event from time to time through a pre-designated permitted teleport, subject to the fulfillment of the conditions provided in the Guidelines.
5	Permission duration for news agency	1 year	5 years
6	Uplinking of foreign channels	Not permitted	Company or LLP would be allowed to uplink foreign channels from Indian teleports.
7	Change in language and mode of transmission from standard definition to high definition	Prior permission needed	Only prior intimation needed
8	Payment of security deposit	NA	Permission will be granted upon the entity furnishing a performance bank guarantee and a security deposit as mentioned in Appendix IV to the Guidelines

²⁰ Guideline 19, Television Channel Guidelines.

²¹ Guideline 23, Television Channel Guidelines.

²² Guideline 35, Television Channel Guidelines.

SNo.	Provision	2011 Guidelines	2022 Guidelines
9	Signal encryption	No mandatory encryption of signals in any frequency band.	TV channels uplinking in any frequency band other than C-band must encrypt their signals.
10	Change in CEO or Board of Directors	No changes to the CEO or Board of Directors could be made without the MIB's prior approval.	A new CEO (by whatever name called), director, or designated partner cannot be appointed without MIB's prior approval. If a company only has two directors or an LLP only has two designated partners, the new director or designated partner may be appointed and notification sent to the MIB, along with all details required for security clearance by the MIB of Home Affairs (MHA).
11	Penalties for violation	Different penalties for first violation and subsequent violations	Different penal actions identified for different violations. The actions differ in severity based on the type of violation. For instance, for delay in intimation regarding change in shareholding pattern, the penal action is a warning. On the other hand, for transfer of a channel without permission of the MIB, the action is suspension/cancellation of permission

Tariff Order 2022²³ & Interconnection (Addressable Systems) Regulations 2022²⁴

TRAI issued an order titled 'The Telecommunication (Broadcasting and Cable) Services (Eighth) (Addressable Systems) Tariff (Third Amendment) Order, 2022' ("Tariff Order") to amend the Tariff Order of 2017. The order is applicable throughout India and is enforceable from 01 February 2023 (except for clauses 4 and 5, which will be applicable from 22 November 2022). The Tariff Order states that for a broadcaster offering pay channels in the form of bouquets, no pay channel should be included if its MRP is more than INR19/ month. The previous rate was INR12/ month. Additionally, it states that the MRP per month of such bouquet shall not be less than 50% of the sum of MRP per month of à la carte pay channels forming part of that bouquet.

TRAI also issued the Telecommunication (Broadcasting and Cable) Services Interconnection (Addressable Systems) (Fourth Amendment) Regulations, 2022 to further amend the Telecommunication (Broadcasting and Cable) Services Interconnection (Addressable Systems) Regulations, 2017. The amendment allows broadcasters to offer discounts on the MRP of pay channels or a bouquet of pay channels, to distributors of television channels. However, this should not exceed 15% of the MRP. The sum of distribution fee declared by a broadcaster and discounts offered should not exceed 35% of the MRP of a pay channel or bouquet.

Kerala High Court dismisses challenge to Tariff Order

The Kerala High Court, in All India Digital Cable Federation & Anr. v. Telecom Regulatory Authority of India & Anr., dismissed the petition filed by the All Indian Digital Cable Federation ("AIDCF") challenging TRAI's new Tariff Order, under which broadcasters were allowed to increase channel prices for inclusion in bouquets of channels from INR12 to INR19. The Kerala High Court held that AIDCF have failed to establish any arbitrariness or illegality or any other legal infirmities on the part of TRAI in passing the new Tariff Order. AIDCF's challenge was primarily based on the ground that pursuant to the Tariff Order, the broadcasters have priced channels in such a way that consumers prefer to opt for a bouquet instead of opting for a high priced popular channel on a-la-carte basis, thereby rendering a-la-carte choice of consumer meaningless.

Supreme Court sets aside order revoking uplinking/downlinking permission to Media One

The Supreme Court ("SC"), in Madhyamam Broadcasting Ltd ("MBL") v. Union of India and Ors., allowed appeals filed by the petitioner challenging the orders of the MIB denying renewal of permission previously granted to MBL to uplink and downlink the news channel MediaOne under the Policy Guidelines for Uplinking of Television Channels from India, 2011 and the Policy Guidelines for Downlinking of Television Channels, 2011. MIB had denied renewal on the ground that under Clause 9.2 of the Uplinking Guidelines, security clearance is a pre-condition for the grant of permission and the Ministry of Home Affairs has refused to grant security clearance to MBL. MBL approached the Kerala High Court challenging the order of refusal. The government filed a response before the Kerala High Court

²⁴See https://www.trai.gov.in/sites/default/files/Regulation_Interconnection_22112022_1.pdf (last accessed January 17, 2023).

²⁵See <https://tra.gov.in/consultation-paper-issues-related-community-radio-stations-0> (last accessed February 2, 2023).

stating that MHA cannot disclose reasons for the denial “as a matter of policy and in the interest of national security” based on information submitted in a sealed cover. The Single Bench and Division Bench of the Kerala High Court upheld MIB’s decision. However, the SC set aside the orders passed by the Single Bench and Division Bench of the Kerala High Court. The SC held that as per the principles of natural justice, the relevant material must be disclosed to the affected party so that it can exercise its right to appeal. The SC also stated that the presence of national security concerns in an entity’s functioning should not prevent the State from acting fairly, and the State cannot use this as a tool to deny citizens of the appropriate remedies available to them. Additionally, the SC emphasized on the freedom of press under Article 19(1)(a), stating that the critical views on policies of the government expressed through MediaOne cannot be termed as anti-establishment; and that MIB’s action produces a chilling effect on free speech and freedom of press.

TRAI Consultation Paper – Leveraging Artificial Intelligence and Big Data In Telecommunication Sector

The Telecom Regulatory Authority of India (“TRAI”), in August 2022, released a Consultation Paper titled ‘Leveraging Artificial Intelligence and Big Data in Telecommunication Sector’. The paper presented use cases of Artificial Intelligence (“AI”) and Big Data (“BD”) in matters of Quality of Service (“QoS”), Spectrum Management and Network Security. The paper briefly discusses the opportunities AI brings in for the M&E industry, such as metadata tagging, content personalization and automated subtitle generation. Various risks associated with AI and BD are also discussed, namely, data and algorithm bias, unethical use, privacy, model instability, non-compliance, and legal regulations.

TRAI Consultation Paper on Issues related to Community Radio Stations (“CRS”)²⁵

The paper explores issues and concerns being faced in relation to CRS. The paper then poses questions in relation to these issues, including whether Section 8 companies (not-for-profit) should be allowed to establish CRS, term of license, permitted duration of advertisements, factors for slow growth of CRS in India, etc. The paper also summarizes key provisions globally with respect to CRS.

TRAI Recommendations on “Market Structure/ Competition in Cable TV services”²⁶

- ▶ In September 2022, TRAI published recommendations on Market Structure/ Competition in Cable TV services. The recommendations are largely based on the themes of (a) market structure; (b) infrastructure sharing at the local cable operator (“LCO”) level; and (c) mergers and acquisitions (“M&A”) and horizontal and vertical integrations.
- ▶ In this regard, TRAI noted that the level of competition in the cable TV services market has increased considerably in recent years in terms of both, number of players and the number of platforms. In light of this, TRAI recommended that there is no need to introduce any additional regulations or take any corrective measures to enhance the level of competition in the cable TV distribution sector. TRAI will monitor developments in this space closely and decide to intervene when needed.
- ▶ With respect to LCOs, TRAI stated that sharing of infrastructure at the cable operator level will facilitate broadband service in remote areas where it may be difficult even for major Internet Service Providers to develop their own infrastructure for effective broadband service. Hence, it is important to facilitate and promote sharing of cable infrastructure by LCOs with Telecom Service Providers to enable a last mile for provision of broadband services and TRAI recommended that the Government should issue necessary amendments to existing rules/ guidelines to enable this.
- ▶ TRAI also re-emphasized the need to establish requisite safeguards for dissemination of unbiased and impartial information and promote pluralism and diversity, but noted that issues pertaining to vertical integration, horizontal integration and M&A are being dealt through a separate consultation process on media ownership.
- ▶ Lastly, TRAI reiterated its recommendation that the registration of LCO and its renewal should be carried out through an online portal. However, this recommendation is yet to be implemented by the MIB. TRAI stated that these recommendations should be implemented by MIB at the earliest.

²³See https://traf.gov.in/sites/default/files/Regulation_22112022.pdf (last accessed January 17, 2023).

²⁶See https://traf.gov.in/sites/default/files/Recommendation_07092022_0.pdf (last accessed February 2, 2023).

²⁷See: https://www.traf.gov.in/sites/default/files/CP_IRMO_12042022.pdf (last accessed February 3, 2023).

TRAI consultation paper on issues relating to media ownership²⁷

TRAI, in April 2022, released a consultation paper titled "Issues relating to Media Ownership". In the consultation paper, TRAI raised a total of 28 questions for stakeholder comments, which inter alia relate to: (i) the need for monitoring cross media ownership and control (in light of expansion of media industry to various digital media); (ii) need for common regulatory mechanism/ self-regulation to monitor ownership and acquisitions of print, television, radio, or other internet-based news media; (iii) criteria for measuring ownership, control, market concentration, levels of consumption; (iv) criteria for determining relevant geographic market (urbanization, locality, languages, etc.); (v) viewpoint neutrality; (vi) restraints, if any, on entities from entering media sector in public interest; (vii) requirement of restrictions on cross ownership in various media segments, if any, and whether this should be based on thresholds of ownership/ control in one segment and market concentration; and (viii) permissibility of vertical integration, i.e., whether entities should be permitted to own an interest in both broadcasting and distribution companies/ entities.

TRAI Consultation Paper on Issues related to New Regulatory Framework for Broadcasting and Cable services ("Broadcasting Consultation Paper")

- ▶ TRAI notified a new regulatory framework for the telecommunication system in 2017, which was amended in 2020 through a few amendments such as the Telecommunication (Broadcasting and Cable) Services Interconnection (Addressable Systems) (Second Amendment) Regulations, 2020 and the Telecommunication (Broadcasting and Cable) Services (Eighth) (Addressable systems) (Second Amendment) Tariff Order, 2020 (collectively "New Regulatory Framework"). The main shifts in the regulatory regime introduced through this amendment, in comparison to the 2017 framework, are summarized below:
 - ▶ 1 Recognition of multi-TV homes, i.e., a household having multiple connections under a single ID for which a single bill is generated. There is a change in the network's capacity fee ("NCF") for multi-TV homes and increased flexibility has been granted.
 - ▶ 2 Provision for a long-term subscription (over six months), on which a distribution platform operator ("DPO") may offer a discount on the NCF. This was a new introduction.

- ▶ 3 A cap of INR400 thousand per month has been prescribed on the carriage fee payable by a broadcaster to a platform operator per month for carrying a channel in the country. There was no such cap earlier.
- ▶ TRAI reflected on the issues in the changes based on the New Regulatory Framework 2020 and released the Broadcasting Consultation Paper in May 2022 to suggest methods for smooth implementation of the New Regulatory Framework 2020. In order to balance the interests of subscribers, broadcasters and platform operators, TRAI invited discussions on three main points:
 - ▶ The ceiling on Maximum Retail Price ("MRP") of channels provided as a part of a bouquet (INR12).
 - ▶ The ceiling on the discount structure of bouquet pricing: the 2017 Tariff Order provided a flat discount of 15% on the sum of all MRPs in the pay channel of the bouquet, while the 2020 Tariff Order (including amendments) created a relation between the sum of à la carte prices and bouquet prices
 - ▶ As per the 2017 regulatory framework, a broadcaster was permitted to offer a discount of maximum of 15% on the MRP of a pay channel or a bouquet of pay channels to DPOs, in addition to distribution fee. Often, the broadcaster utilizes this discount as an incentive only on subscription of certain minimum subscription of bouquets of pay channels to DPOs, thus again pushing the offering of bouquets to the subscribers and hindering their free choice.

The New Regulatory Framework is meant to benefit consumers, as they will have access to increased channel offerings, revised NFCs, particularly for multi-TV homes, as well as reduction in the number of bouquets offered to them to ensure freedom of choice. Post the Broadcasting Consultation Paper, the Tariff Orders described in point (c) above came into force from 3 February 2023 onwards, popularly known as the New Tariff Order 3.0.²⁸

²⁸See <https://bestmediainfo.com/2023/02/nto-3-0-comes-into-force-siti-cable-from-aidcf-agrees-to-comply> (last accessed March 1, 2023).

Consultation paper on Regulatory Framework for Promoting Data Economy Through Establishment of Data Centers, Content Delivery Networks, and Internet Exchanges in India

TRAI released this consultation paper in 2021. In May 2022, TRAI conducted an open house discussion on the promotion of data economy and published its recommendations in November 2022. The recommendations include online registration of content delivery networks with the DoT, with a one-time registration fee, incentivizing establishment of data centers and data center parks, authorizing BIS to develop India-specific standards for data centers, promoting green data centers and facilitating connectivity for coastal states to cable landing stations. The M&E sector could stand to benefit from such incentives provided to data centers, as it would help with quicker storage and distribution of multimedia, increased uptime of content online, and more cost-effective options due to the fiscal incentives provided for the set-up of the data centers.

MIB's advisory dated 20 January 2023 to carry sign language interpretation²⁹

In order to facilitate accessibility to people with hearing impairments, the public broadcaster Doordarshan indicated that it will carry sign language interpretation along with English and Hindi closed captions for (i) the President's speech to the nation on 25 January 2023; and (ii) live commentary of the Republic Day celebrations and parade. The MIB notified that this telecast would be made available free of cost, and all TV channels interested in broadcasting the President's speech and live commentary may carry the signals of DD Bharti/ DD News containing the sign language interpretation along with English and Hindi closed captions for ensuring accessibility to differently abled people. This advisory was specific to the public broadcaster Doordarshan. The MIB has previously issued advisories to private satellite TV channels to carry sign language interpretation for Independence Day ceremonies³⁰.

Delhi High Court held broadcaster must bear in mind precautions while airing content³¹

The Delhi High Court held that cable TV broadcasters have an obligation to blur or obscure disturbing images that may be harmful to children, as under Rule 7(7) of the Cable Television Networks Rules, 1994, and upheld the penalty of warning issued by the MIB. The court stated that such images have a negative impact on the mental and psychological well-being of children and may lead to serious consequences. The court further directed the MIB to ensure that cable TV broadcasters adhere to the Cable TV Programme Code and take necessary measures to protect children from harmful content. Cable TV broadcasters will, therefore, need to ensure that all content aired on TV channels complies with this obligation to blur or obscure disturbing images, and any other measures to ensure children are protected from harmful content.

News viewership

BARC was directed by the MIB to release news viewership ratings³² in the beginning of 2022. In March 2022, a new system of four-week rolling average data was introduced for calculation of ratings and channel rankings for the news and niche genres, instead of the weekly audience estimates.³³

Separately, the Delhi High Court has sought the Central Government's response to a PIL seeking government takeover of BARC³⁴. The matter is due for its next hearing in April 2023.

²⁹ See <https://mib.gov.in/sites/default/files/Advisory%20dated%2020.01.2023%20to%20Carry%20Sign%20Language%20Interpretation.pdf> (last accessed February 2, 2023).

³⁰ See <https://mib.gov.in/sites/default/files/Advisory%20to%20all%20channels%20-%20Independence%20Day.pdf> (last accessed March 1, 2023).

³¹ See <https://www.livelaw.in/news-updates/delhi-high-court-cable-tv-programme-code-broadcaster-obligation-blurr-disturbing-images-204442> (last accessed February 2, 2023).

³² See <https://pib.gov.in/PressReleasePage.aspx?PRID=1789392> (last accessed February 2, 2023).

³³ See <https://www.barcindia.co.in/policy-updates/barc-india-policy-for-augmented-data-reporting-standards.pdf> (last accessed March 1, 2023).

³⁴ See https://www.business-standard.com/article/current-affairs/delhi-hc-seeks-centre-s-response-on-plea-seeking-govt-takeover-of-barc-122122100625_1.html (last accessed February 2, 2023).

Music

Updates on copyright societies: Delhi High Court reinstates (for now) RMPL as copyright society for sound recordings

Currently the following copyright societies are registered in India:

Copyright society	Types of works	Members
Indian Performers Rights Society ("IPRS")	Literary works associated with musical works	Authors, composers and publishers of music
Indian Singers Rights Association ("ISRA")	Performers rights	Singers
Indian Reprographic Rights Organisation ("IRRO")	Reprographic works	Authors and publishers of literary works
Recorded Music Performance Ltd. ("RMPL")	Public performance rights and radio broadcasting rights in relation to sound recordings	Music labels

On April 18, 2023, Cinefil Producers Performance Limited ("Cinefil") was granted registration as a copyright society for cinematographic film works. (Source: [cinefilindia.com](https://www.cinefilindia.com)) The object of Cinefil is to issue licenses and collect royalties on behalf of its member film producers from entities using cinematographic film works at below the line avenues such as shopping malls, shops, hotels, resorts, restaurants, airport terminals, commercial surface vehicles, etc.

In addition to the above, Phonographic Performance Limited's ("PPL") application for registration as a copyright society remains pending. Presently, PPL issues licenses by virtue of assignment deeds and/ or exclusive licenses executed by its member music labels under Section 30 of the Copyright Act, 1957.³⁵ If registered, PPL will be another copyright society administering public performance rights and radio broadcasting rights in relation to sound recordings. By order dated 11 April 2022, the Division Bench of the Delhi High Court³⁶, as an interim measure, reinstated Recorded Music Performance Limited's ("RMPL") registration as a copyright society and also directed the Government to consider PPL's application for re-registration as a copyright society.

The Copyright Act, 1957 states that the Government shall not ordinarily register more than one copyright society to do business in respect of the same class of works. Therefore, both PPL and RMPL may not be able to concurrently function as copyright societies for administering the same rights in relation to sound recordings.

³⁵ See <https://www.pplindia.org/s/what-is-ppl> (last accessed February 28, 2023).

³⁶ RMPL vs. PPL & Ors., LPA 243/2022

FM Radio

FM radio broadcasting policy relaxes recasting and ownership norms

In October 2022, certain provisions contained in the Policy Guidelines on Expansion of FM Radio Broadcasting Services through Private Agencies (Phase-III) (Private FM Phase-III Policy Guidelines) ("FM Radio Guidelines") were amended. The FM Radio Guidelines lay down the eligibility criteria, permission requirements, and procedure for obtaining permission for FM radio channels. There are three key amendments:

- ▶ The government has removed the three-year window for restructuring of FM radio permissions within the same management group during the license period of 15 years. As per the earlier guidelines, any such restructuring of FM radio permissions between different holding companies/ subsidiaries/ interconnected undertakings/ companies with same management was allowed only during the time between the submission of the last bids till a period of three years from the date on which all the channels allotted to any company holding permission stood operationalized.
- ▶ Earlier, no entity was allowed to hold ownership of more than 15% of the total number of channels allotted in the country³⁷. However, these amendments have removed the 15% national cap on channel holding
- ▶ An applicant company can now participate in bidding for 'C' and 'D' category cities with a net worth of INR10 million in place of INR15 million earlier

These amendments are likely to ensure further expansion of FM radio to Tier-III cities in the country.³⁸ This will culminate into creation of new employment opportunities and enable music and entertainment in smaller cities as well

Advisory for FM radio channels to adhere to rules for appropriate content

In November 2022, the MIB directed private FM channels to not play songs "glorifying" alcohol, drugs, weapons and "gangster/ gun culture", warning of penal action, including suspension of permissions.³⁹

³⁷ Excluding channels located in Jammu and Kashmir, North Eastern States and island territories

³⁸ See <https://pib.gov.in/PressReleaseFramePage.aspx?PRID=1865015> (last accessed January 27, 2023).

³⁹ See <https://mib.gov.in/sites/default/files/doc08586320221201175152.pdf> (last accessed February 3, 2023).

Social and digital media

Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Amendment Rules, 2022⁴⁰

The Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 ("IT Rules") have been modified by the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Amendment Rules, 2022 ("Amendment Rules"). Pertinent changes are as discussed below:

- ▶ The IT Rules now require intermediaries to prominently inform users of the privacy policy, user agreement, and rules and regulations in English or any other language listed in the Eighth Schedule of the Constitution.
- ▶ Intermediaries are now required to use reasonable efforts to cause users of their computer resource to publish, etc., certain categories of information. There is ambiguity around the exact scope of obligation, and the press note accompanying the Amendment Rules indicates that intermediaries are required to simply enforce their terms and conditions, i.e., take down content which has violated their user terms.
- ▶ In the types of prohibited content, the following changes have been made: the terms "defamatory" and "libelous" are deleted and new restrictions on "promoting enmity between different groups on the grounds of religion or caste with the intent to incite violence"⁴¹ and misinformation have been added.
- ▶ Intermediaries are required to ensure accessibility of their services to users, along with a reasonable expectation of due diligence, privacy and transparency.
- ▶ Intermediaries are required to respect all rights accorded to citizens under the Constitution of India, including under Article 14, 19 and 21.
- ▶ The Amendment Rules also require the Grievance Officer of the intermediary to act upon any requests for the removal of information or communication link relating to legal issues including privacy, obscenity, misinformation, impersonations, etc. expeditiously within 72 hours of such reporting by the user and any other complaints within 15 days.
- ▶ The inclusion of the Grievance Appellate Committee ("GAC")⁴² is the most significant amendment to the IT Rules. Any person aggrieved by a grievance officer's decision may submit an appeal to the GAC within 30 days of receipt of communication from the grievance officer. The GAC is required to endeavor to resolve the appeal within 30 days of receipt of the appeal. The intermediary must follow the GAC's orders and submit a report on its website. The GAC is required to comprise a chairperson and two whole-time members. As of January 2023, three GACs have been constituted with three members each for a period of three years.⁴³ Further, the process to be adopted by the GAC for disposal of the appeal has not been specified.

The impact of the Amendment Rules is most notably the constitution of the GAC. Now, the decisions taken by intermediaries on user grievances will be subject to review by GAC. In case the user is not happy with the decision of the GAC, the user may then file a writ petition.

⁴⁰ Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Amendment Rules, 2022, see <https://egazette.nic.in/WriteReadData/2022/239919.pdf> (last accessed January 9, 2023).

⁴¹ Rule 3(1)(b)(ii) of the Amendment Rules, 2022.

⁴² Rule 3A of the Amendment Rules, 2022

⁴³ See <https://pib.gov.in/PressReleasePage.aspx?PRID=1894258> (last accessed January 31, 2023).

Self-regulatory bodies under the IT Rules⁴⁴

The IT Rules, under the Code of Ethics applicable to publishers of news and current affairs content, and online curated content, required the formation of self-regulatory bodies as the second level of a three-tier grievance redressal mechanism.⁴⁵

A total of ten self-regulatory bodies ("SRB") have received approval from the MIB since the IT Rules came into effect in 2021. Nine SRBs are for news publishers (Journalist and Media Association Grievances Council, Print and Digital Media Association, Digital Media Publishers & News Portal Grievance Council of India, Working Journalist Media Council, DIGIPUB News India Foundation, Media9 Digital Media Foundation, Confederation of Online Media (India) - Indian Digital Publishers Content Grievance Council, Web Journalists Standards Authority, and Professional News Broadcasting Standards Authority) and one SRB (the IAMA - Digital Publisher Content Grievances Council) is for OTT platforms. It was reported in 2021 that the Indian Broadcasting and Digital Foundation would form an SRB named Digital Media Content Regulatory Council ("DMCRC") for OTT platforms.⁴⁶ However, the DMCRC does not appear to be registered as an SRB yet.

Amendment to the IT Rules for fake/ false news

On April 6, 2023, the MeitY notified the 2023 Amendments to the IT Rules.

The IT Rules, as amended by the 2023 Amendments, require intermediaries to 'make reasonable efforts' to cause by itself, and to cause users of its computer resource not to publish certain specified information.

The 2023 Amendments introduces "any information "in respect of any business of the Central Government" that is identified as fake or false or misleading by a fact-check unit of the Central Government^{46A} appointed by the MeitY, within such specified categories of information.

Intermediaries are also required to take down such information upon being notified by courts or Government / government agencies^{46B}.

This amendment has been challenged^{46C} as unconstitutional before the High Court of Bombay and the challenge is currently pending.

Endorsement know-hows for influencers⁴⁷

On January 23, 2023, the Department of Consumer Affairs under the Ministry of Consumer Affairs, Food and Public Distribution released a guide 'Endorsements Know-hows' ("Know-hows") for celebrities, influencers, and virtual influencers on social media platforms. The aim of the Know-hows is to generate awareness among such individuals so that individuals or groups do not mislead their audiences when endorsing products or services, and to ensure compliance with consumer-related laws in India.

The Know-hows require disclosure of a material connection with advertisers to the influencer's audience, and when this material connection may affect the credibility of what the influencer states about the product or disclosure. Material connection includes but is not limited to: monetary or other compensation, free products received whether with or without any conditions attached (solicited or unsolicited), discounts, gifts, free stays, media barter, or family, personal or employment relationship. Disclosures should be prominently and clearly displayed in the endorsement, making it hard to miss. Disclosures must be included in text, images, and videos, and should not be mixed with a group of hashtags or links. The Know-hows are conceptually the same as the Advertising Standards Council of India ("ASCI") Influencer Guidelines released in 2021.

⁴⁴ See <https://mib.gov.in/self-regulatory-bodies> (last accessed January 31, 2023).

⁴⁵ Rule 9(3), IT Rules.

⁴⁶ See <https://www.livemint.com/opinion/columns/ott-platforms-a-divided-house-on-selfregulation-11622664879112.html> (last accessed February 6, 2023).

^{46A} Such fact check unit of the Central Government may be notified by the MeitY by way of publication in the official gazette.

^{46B} Rule 3(1)(d), IT Rules

^{46C} WP(L)/9792/2023

⁴⁷ See https://consumeraffairs.nic.in/sites/default/files/filefield_paths/Endorsement_Know-Hows.pdf (last accessed February 1, 2023).

Supreme Court stays proceedings before high courts in matters relating to IT Rules⁴⁸

High Courts of Kerala, Madras and Bombay in petitions challenging the IT Rules had ordered as follows:

- ▶ 1LiveLaw had filed a case before the Kerala High Court, contending that the IT Rules were ultra vires to the Information Technology Act, 2000 (“IT Act”) apart from being violative of Article 14 and 19 of the Constitution. The Kerala High Court ordered that the Centre cannot take coercive action against news publishers under the IT Rules.⁴⁹
- ▶ A separate petition was filed by the Leaflet (an online platform) and Nikhil Mangesh Wagle challenging the rules concerning observance of the Code of Ethics, the grievance redressal mechanism and the power of the MIB to block information in case of an emergency under the IT Rules before the Bombay High Court, claiming that these provisions affect their freedom of speech and expression. The Bombay High Court observed that these rules run contrary to ‘well-recognized constitutional ethos and principles’ and barred the Centre from taking an action against any digital media publishers under the Code of Ethics in the IT Rules. The Bombay High Court issued

an interim stay on Rule 9(1) and 9(3), i.e., the rules on observance of the Code of Ethics and the grievance redressal mechanism under the IT Rules.⁵⁰

- ▶ Musician T.M. Krishna petitioned the Madras High Court, challenging the validity of the rule concerning observance of the Code of Ethics which was previously stayed by the Bombay High Court and in relation to the grievance redressal mechanism. The Madras High Court observed that the order from the Bombay High Court would apply all over the country; and accordingly stayed Rule 9(1) and 9(3), i.e., the rules on observance of the Code of Ethics and the grievance redressal mechanism.⁵¹

Through an order passed in May 2022, the Supreme Court (“SC”) has stayed all further proceedings on matters regarding challenges to the IT Rules and the Cable Television Networks (Amendment) Rules 2021 before the High Courts. The SC has not stayed the interim orders passed by the High Courts, and is considering the transfer petition filed by the Centre for the transfer of all related petitions from various High Courts to the SC.

Intermediary is not a mere passive conduit, cannot claim that it has no control over the content that appears in search results⁵²

In December 2022, the Kerala High Court held that Google cannot claim to be a “content-blind” intermediary and that it can use AI to identify and remove private data from its platform. The court was hearing a petition filed by a woman seeking removal of her private images widely circulated on the internet without her consent. The court held that Google had a responsibility to remove the private images as they violated the woman’s right to privacy and directed Google to remove the images within two weeks. In the recent past, there has been a shift in the manner in which courts view intermediaries. Similar to this case, in some other instances as well courts have taken the view that intermediaries cannot turn a blind eye to unlawful activities on their platform. This has led to intermediary platforms having to exercise more control over activities on their platforms.

“Safe harbor” protection available to intermediaries qua criminal prosecution unless ‘active role’ is disclosed in commission of offence⁵³

The Delhi High Court has held that intermediaries are protected from criminal prosecution under Section 79 of the IT Act if they comply with the due diligence conditions specified in the IT Rules. The Court was hearing a petition challenging the criminal prosecution of a social media intermediary for alleged offences committed by its users.

⁴⁸ See <https://www.ndtv.com/india-news/supreme-court-stays-proceedings-before-high-courts-in-matters-challenging-it-rules-2960964> (last accessed February 1, 2023)

⁴⁹ Live Law Media Pvt. Ltd. & Ors v Union of India & Anr, WP (C) No. 6272 of 2021

⁵⁰ Ajit Promotion of Nineteenonea Media Ltd. & Ors. v Union of India & Anr WP (L) No. 14172 of 2021, Nikhil Mangesh Wagle v Union of India PIL (L) No. 14204 of 2021

⁵¹ T M Krishna v. Union of India WP No. 12515/2021

⁵² See <https://www.barandbench.com/news/google-cannot-claim-to-be-content-blind-intermediary-can-use-ai-to-identify-remove-private-data-kerala-high-court> (last accessed February 2, 2023).

⁵³ Flipkart Internet Private Limited v. State of NCT of Delhi & Anr. W.P.(CRL) 1376/2020

Supreme Court seeks social media platforms' compliance regarding child pornography⁵⁴

The Supreme Court has (a) directed social media platforms to submit a compliance report regarding the removal of child pornography content from their platforms, including steps taken to remove child pornography and measures to prevent uploading of child pornography, and (b) appointed a committee of experts to suggest recommendations on this aspect. The directive was given in response to a petition seeking action against the proliferation of child pornography on the internet. As of December 2022, the Supreme Court has directed a meeting of the committee of experts to determine if the steps taken to remove and prevent uploading of child pornography have been sufficient and in line with the recommendations of the Central Government.⁵⁵

WhatsApp LLC v. CCI, Facebook vs. CCI⁵⁶

The Delhi High Court heard a case regarding WhatsApp's privacy policy that requires users to agree to the sharing of sensitive data with Facebook. The Delhi High Court observed that the 2021 Policy was termed as a "take-it-or-leave-it" situation, forcing users into agreement, followed by sharing of sensitive data with Facebook Companies.

In a separate matter in relation to the WhatsApp privacy policy, in February 2023, the Supreme Court heard a case in which the petitioner contended that the new WhatsApp privacy policy, on the introduction of the payments service, enabled WhatsApp to share financial information of users to third parties including those that did not provide any services to the WhatsApp users. The Supreme Court directed WhatsApp to publicize its undertaking given to the Central Government that WhatsApp will not base functionality for users based on their agreement to the privacy policy⁵⁷, and an undertaking that WhatsApp will adhere to the terms of the letter until the next hearing in the case.

Telegram ordered to disclose information of copyright infringers circulating e-papers⁵⁸

In *Jagran Prakashan Limited vs Telegram Fz Llc & Ors.*, the Delhi High Court ordered Telegram (the app) to disclose the identities of Telegram channel operators sharing Dainik Jagran e-newspapers for free without the newspaper's authorization. The court stated that such unauthorized sharing of the e-paper amounts to copyright infringement and required Telegram to assist in identifying the individuals responsible.

The court held that foreign entities offering services in India can be asked to disclose data in certain circumstances, which in this case was to prevent copyright infringement.

Delhi High Court rules on obscenity

A single-judge bench of the Delhi High Court ("Court") in the case of *TVF Media Labs Pvt. Ltd. v. State (Govt. of NCT of Delhi) & Anr.* has passed an order directing the Delhi police to register an FIR under the obscenity - related provisions of the Information Technology Act, 2000 ("IT Act") against the producers, cast members, and casting director the web series named "College Romance" available on SonyLiv, YouTube, and TVF Play (an OTT platform). The Court also directed YouTube to take "appropriate remedial steps will be taken by YouTube, as per law, rules, and guidelines of the IT Act issued by the Ministry of Information and Technology from time to time in case the episode of the Web Series in question was posted on YouTube without any classification on age-rating and age-gating. After viewing a few episodes of the Web Series and the episode in question, the Court found excessive use of 'swear words', 'profane language' and 'vulgar expletives' and accordingly held that the content would violate Section 67 of the IT Act (which prohibits publishing obscene content in electronic form).

⁵⁴ See <https://www.republicworld.com/india-news/law-and-order/supreme-court-seeks-compliance-report-from-social-media-platforms-on-child-pornography-articleshow.html#:~:text=The%20Supreme%20Court%20has%20asked%20the%20central%20government%20to%20list,videos%20on%20social%20media%20platforms> (last accessed February 17, 2023).

⁵⁵ <https://www.livelaw.in/top-stories/child-pornography-supreme-court-directs-another-meeting-of-expert-committee-for-measures-to-remove-offensive-videos-from-internet-215369> (last accessed February 17, 2023).

⁵⁶ 2022 LiveLaw (Del) 799

⁵⁷ SLP(C) 804 of 2017

⁵⁸ 2022 LiveLaw (Del) 1118.

Print media

Digital India Bill

The Digital India Bill ("DIB") is expected to replace the Information Technology Act, 2000,⁵⁹ in order to revamp the current law to cover the rapidly changing internet landscape. The DIB would potentially regulate a wide range of online platforms, including social media websites, OTT platforms, e-commerce entities, fact-checking portals, and artificial intelligence-based platforms. The DIB is likely to be less prescriptive and more principle-based in order to support innovation and start-up ecosystem⁶⁰.

As per reports, the DIB is likely to:

- ▶ Make social media platforms liable for any content violations and cybercrimes taking place online⁶¹
- ▶ Introduce a digital space regulator and may include guidelines for emerging domains such as blockchain and metaverse⁶²
- ▶ Strengthen safeguards for consumer rights and foster innovation⁶³
- ▶ Include provisions that make social media platforms accountable for their algorithms, in order to avoid the misuse of personal data of Indian citizens⁶⁴
- ▶ Regulate online harm, de-platforming, and doxing⁶⁵ i.e., search for and publish private or identifying information about (a particular individual) on the internet, typically with malicious intent
- ▶ Create a regulator for the internet similar to the TRAI⁶⁶

It would need to be observed how newer issues such as doxing and catfishing would be defined, and the threshold considered making these punishable offences. The DIB is expected to regulate previously unregulated domains such as the blockchain industry and metaverse, which would impact the operations and business model of hundreds of companies such as crypto exchanges, Web3.0 platforms and any other company using blockchain, even if not for Web3.0 purposes. Further, the Indian government has stated that it intends to categorize intermediaries in the upcoming DIB (such as social media intermediaries, gaming intermediaries, e-commerce intermediaries, etc.) and would have different thresholds of due diligence for each type of intermediary. The DIB may also require more conditions than due diligence to be adhered to by the intermediaries to avail safe harbor.

The Registration of Press and Periodicals Bill, 2022

The Registration of Press and Periodicals Bill, 2022, was planned to be introduced in the 2022 monsoon session of Parliament. The aim of this bill was to decriminalize several provisions and simplify the Press and Registration of Books Act, 1867. However, this bill was not introduced in the Parliament in 2022.

⁵⁹ See <https://indianexpress.com/article/business/economy/digital-india-bill-to-replace-it-act-2000-govt-plans-classification-of-online-intermediaries-separate-norms-8316146/#:~:text=The%20new%20legislation%2C%20dubbed%20as,and%20blockchain%2C%20it%20is%20learnt> (last accessed January 9, 2023).

⁶⁰ See https://www.business-standard.com/article/economy-policy/digital-india-act-to-be-less-prescriptive-more-principle-based-mos-it-123011901348_1.html (last accessed January 31, 2023).

⁶¹ Ibid

⁶² Ibid

⁶³ See <https://economictimes.indiatimes.com/tech/technology/draft-digital-india-bill-to-be-available-for-public-consultation-by-month-end-rajeev-chandrasekhar/articleshow/96091651.cms> (last accessed January 31, 2023).

⁶⁴ See <https://economictimes.indiatimes.com/tech/technology/centre-mulling-algorithmic-accountability-for-social-media-firms-sources/articleshow/96009246.cms> (last accessed January 31, 2023).

⁶⁵ See https://www.business-standard.com/article/economy-policy/digital-india-act-to-be-less-prescriptive-more-principle-based-mos-it-123011901348_1.html (last accessed January 31, 2023).

⁶⁶ Ibid.

Gaming

Cabinet secretariat appoints nodal ministries for online gaming, esports paving way for potential central regulation⁶⁷

Vide the Government of India (Allocation of Business) (Three Hundred and Seventieth Amendment) Rules, 2022 dated 23 December 2022, the Cabinet Secretariat in India has appointed MeitY as the nodal ministry for online gaming and the Ministry of Youth Affairs and Sports as the nodal ministry for esports. Earlier, there was no central ministry appointed for these industries. The definitions of 'online gaming' and 'esports' have not been provided.

MeitY notifies amendments to IT Rules on online gaming

As mentioned above, MeitY was appointed as the nodal ministry for online gaming on 23rd December 2022. Thereafter on 6th April 2023, the MeitY notified⁶⁸ the amendments to the IT Rules ("2023 Amendments") which introduce regulations for online real money games⁶⁹, effective immediately.

The 2023 Amendments do not replace State-wise anti-gambling laws.

The 2023 Amendments introduce obligations for online gaming intermediaries ("OGI") as well as extend certain obligations applicable to intermediaries to OGI as well. OGIs are required to comply with the obligations under the IT Rules after the expiry of three months from the designation of at least three self-regulatory bodies ("SRB") by MeitY.⁷⁰

Some of the key features of the Amendments and obligations for OGIs under the Amendments are summarized below:

I. Permissible Games

- ▶ The 2023 Amendments treat certain games as "permissible"^{70A} which include (1) online real money games verified by SRBs (hereinafter referred as "Permissible Online Real Money Game" or "PORMG"), and (2) online games which are not real-money games, (i.e., games where there is no deposit or winnings).
- ▶ Specific regulations are provided for permissible online real money games ("PORMG"). For other online games there are no specific regulations but MeitY has the power to apply certain obligations under the IT Rules to other online games as well, if it believes it is necessary to do so on certain grounds.

II. Co-Regulation with SRB

- ▶ The 2023 Amendments propose a co-regulatory framework between MeitY and designated self-regulatory bodies ("SRB")^{70B}. MeitY is empowered to designate as many SRBs as it may consider necessary for the purpose of verifying online games as PORMG, subject to such bodies meeting eligibility criteria.^{70C}
- ▶ The SRBs are required to undertake verification of online real money games as PORMG after being satisfied they meet criteria specified under the 2023 Amendments, and are empowered to suspend/revoke verification in certain instances.^{70D} They must also publish their framework for verifying such games, and other matters.^{70E}
- ▶ SRBs must also appoint a grievance officer ("GO") and publish their contact details. Applicant OGIs aggrieved by SRBs' decision with respect to verification of games, or other matters, may make a complaint to the GO. Appeals from the decisions of the GO are directly heard by the Grievance Appellate Committees ("GAC").^{70F}

⁶⁷See https://cabsec.gov.in/writereaddata/allocationbusinessrule/amendment/english/1_Upload_3515.pdf (last accessed February 3, 2023).

⁶⁸See: <https://www.meity.gov.in/writereaddata/files/Information%20Technology%20%28Intermediary%20Guidelines%20and%20Digital%20Media%20Ethics%20Code%29%20Rules%2C%202021%20%28updated%2006.04.2023%29-.pdf> (last accessed April 10, 2023).

⁶⁹Online real money game means 'an online game where the user makes a deposit in cash or kind with the expectation of earning winnings on that deposit.' 'Winnings' is defined in relation to 'cash or kind.' Thus, games where there are no deposits and winnings do not fall in this category.

⁷⁰Rule 4B

^{70A}Rule 2(1)(qf) of the 2023 Amendments - 'permissible online real money game' means an online real money game verified by an online gaming self-regulatory body under rule 4A.

^{70B}The 2023 Amendments also provide for the establishment of SRBs to be registered with the MeitY.

^{70C}SRBs are required to:

- ▶ Be company registered under Section 8 of the Companies Act, 2013 (i.e., non-profit companies);
- ▶ Have membership representative of the gaming industry;
- ▶ Have members who have been offering and promoting online games in a responsible manner;
- ▶ Have a board of directors comprised of individuals of repute and do not have conflict of interest and possess special knowledge / practical experience suitable for the performance of functions of the SRB. The Amendments also prescribe what type of experience/qualifications members of the board must have.

^{70D} Rule 4A(6)

^{70E} As per Rule 4A(2)(e), the SRBs charter documents, i.e., the memorandum of association and articles of association, are also required to contain certain provisions:

- ▶ The performance of functions of SRB, including grievance redressal, in a manner free from conflict of interest, and at an arm's length from its members ;
- ▶ Disclosure and reporting by, and accountability of members in relation to online games verified by the SRB ;
- ▶ Clear and relevant criteria consistent with the IT Rules for acceptance and continuation of members, and revoking/suspension of members after giving the member an opportunity of being heard;
- ▶ The requirement that any amendments to the above terms being carried out only with the approval of the MeitY

^{70F} Rule 3A(3)

III. Key Obligations of OGIs:

- ▶ Register themselves as a member of an SRB and get its online real money games verified as PORMG by such SRB ;
- ▶ Display a demonstrable and visible mark of verification of such online games by an online gaming SRB ;
- ▶ Mandatorily publish certain information in their terms and conditions ;
- ▶ Appoint resident grievance officers , nodal contact persons and chief compliance officers ;
- ▶ Identify and verify the user's identity before accepting any deposit in cash or kind as per the RBI's Know Your Customer (KYC) Direction, 2016 ;
- ▶ Provide information under their control or possession to authorized Government agencies within 24 hours for the purpose of verification of identity or prevention, detection, investigation, or offences under law, or cyber security incidents ;
- ▶ Implement an appropriate mechanism for receipt of complaints and grievances which enables the complainant to track the status of such complaints and grievances by providing a unique ticket number for the same ;
- ▶ Publish periodic compliance reports containing the details of complaints received and actions taken ;
- ▶ Enable users to voluntarily verify their accounts by using an appropriate mechanism, and upon verification of such users' accounts, provide such user with a demonstrable and visible mark of verification visible to all users of the service ;

IV. Prohibition on financing or enabling third party financing

- ▶ OGIs are prohibited from financing through credit or enabling financing to be offered by a third party, for playing online games.

V. Blocking by MeitY

- ▶ The MeitY may issue a blocking order in respect of a PORMG in exercise of its powers under Section 69A of the IT Act if it believes necessary in the interest of the sovereignty and integrity of India, defence of India, security of the State, friendly relations with foreign States, public order, or prevention of incitement of offences relating to these grounds. MeitY has also previously blocked gaming apps under Section 69A.

VI. Furnishing of information to MeitY by SRB

- ▶ The MeitY may require an SRB to furnish information to the MeitY or disclose information on the SRBs' website/ mobile application, or both.

Union budget 2023-24 proposes 30% TDS on net winnings from online games

On 1 February 2023, the Indian Finance Minister ("FM"), Nirmala Sitharaman, presented the Union Budget ("Budget") of India for the financial year ("FY") 2023-24. The Finance Bill, 2023 ("Finance Bill") has overhauled the taxation regime for income from online games. Under the current tax provisions, gaming operators are subject to a withholding obligation, which requires the person responsible for paying winnings to the players to withhold taxes at the rates in force, if the winnings are in excess of INR10,000. However, the Finance Bill proposes to introduce a new provision - Section 194BA (applicable from July 1, 2023) for deduction of tax at source ("TDS") on winnings from 'online games' and another Section 115BBJ (applicable from 1 April 2023) to provide for tax on winnings from online games which shall be calculated at rate of 30% on amount of net winnings from such online game. Under the new provisions, the threshold of INR10,000 has been removed for winnings from any lottery, crossword puzzle, card games and other games of any sort (including online games) and the withholding is proposed to take place on 'net winnings' in the user account at the end of the financial year. In case there is withdrawal from the user account during the financial year, tax shall be deducted at the time of such a withdrawal on net winnings. The definition of 'net winnings' is still awaited. The Finance Act, 2023 has been passed, with some changes, and the withholding tax provision for online games will now come into effect from April 1, 2023, rather than July 1, 2023.

Finance Ministry constitutes a Group of Ministers to examine Goods and Services Tax ("GST") on online gaming, casinos and horse racing

The Union Finance Ministry of India has constituted a Group of Ministers ("GoM") to look into GST-related matters related to casinos, racecourse, and online gaming.⁷¹ Currently, GST at rate of 28% is applicable to games of chance, and the skill gaming industry pays 18% GST on the commission or gross gaming revenue ("GGR") (i.e., fee charged by online gaming operators). However, there are ongoing discussions at the GoM level on (1) whether GST should be charged at the rate of 28% or 18% on both, skill gaming and chance gaming, and (2) whether it should be charged on the entire amount which a player deposits for a game, or simply the platform fee. As per latest reports,⁷² the GoM is likely to suggest 18% GST on the GGR for games of skill (<https://economictimes.indiatimes.com/tech/technology/group-of-ministers-likely-to-propose-18-gst-for-games-of-skill-28-for-chance/articleshow/99369204.cms>).

⁷¹ See <https://g2g.news/online-gaming-laws/fin-ministry-reconstitutes-gom-examining-gst-on-online-gaming-casinos-and-race-courses/> (last accessed January 31, 2023)

⁷² See https://www.business-standard.com/article/economy-policy/gst-council-meeting-gom-on-online-gaming-casinos-submits-report-122121501268_1.html (last accessed February 3, 2023)

CBDT scrutinizes players' winnings on online gaming platforms

As per reports, the Central Board of Direct Taxes ("CBDT") is scrutinizing earnings by players on fantasy gaming apps and online gaming platforms, and non-filing of income tax returns in this respect.⁷³ The reports suggest that the department has uncovered earnings amounting to INR580 billion in the last three years.

Under the Income Tax Act, 1961, a tax of 30% is required to be deducted before paying income from winnings above INR10,000. Accordingly, the department is seeking to recover INR200 billion in tax, as per officials' statements.⁷⁴

NSE issues 'cease and desist' notices to fantasy stock trading apps

The National Stock Exchange ("NSE") has reportedly issued cease and desist notices to fantasy stock trading applications to stop using data from NSE Data and Analytics Ltd. ("NSE Data") for virtual gaming platforms that use real-time stock movements.⁷⁵ These notices are issued to companies that are believed to be operating illegally or in violation of regulations. The notices also seek damages for infringement of intellectual property rights, loss of revenue, and reputation. NSE Data, a unit of the NSE, claims that the apps are using data that is similar to their real-time data and are misrepresenting that they have been authorized by NSE Data to use the data. NSE was willing to provide the data to start-up firms for educational purposes without charge, but they were not allowed to use the data for charging users for gaming or competitions. A failure to comply with the notice could lead to civil or criminal proceedings.

Google launches pilot program to allow daily fantasy sports and rummy applications on Google Play Store

In a huge win for Indian daily fantasy sport ("DFS") and online rummy operators, Google has announced the launch of a limited-time pilot to distribute DFS and rummy apps on the Google Play Store in India.⁷⁶ The pilot program commenced in September 2022 and requires applicants to submit an application form for Google Play team's assessment. Previously, all real-money gaming apps were prohibited by the Google Play Store in India.

Regulatory clampdown on foreign betting and gambling operators

I. MeitY likely to ban 200+ illegal gambling websites, including mirror sites⁷⁷

During October 2022, it was reported that certain Indian telecom service providers ("TSP") had blocked access to several leading offshore sports betting and gambling platforms in India.⁷⁸ Under Section 69 A of the IT Act, MeitY is empowered to issue directions to intermediary⁷⁹ platforms (such as internet service providers, network service providers, TSPs, etc.) to block access to content on certain grounds.⁸⁰ Non-compliance by the intermediary with MeitY's order would result in loss of immunity from liability for unlawful content⁸¹ hosted by them. The grounds on which MeitY has ordered the blocking of these websites are not clear. Some reports suggest that tax violations raised by GST authorities and violations of exchange control regulations raised by the Enforcement Directorate ("ED") of India were factors contributing to MeitY's decision to issue the blocking order. In February 2023, MeitY further blocked 138 betting and gambling sites and apps conducting online offshore betting.⁸²

⁷⁷ See <https://g2g.news/online-gaming-laws/exclusive-government-to-block-220-more-domains-of-offshore-gambling-websites/> and <https://g2g.news/online-gaming-laws/exclusive-leading-offshore-gambling-websites-not-accessible-due-to-ban-under-it-act-2000/> (last accessed February 3, 2023).

⁷⁸ See <https://g2g.news/online-gaming-laws/exclusive-leading-offshore-gambling-websites-not-accessible-due-to-ban-under-it-act-2000/> (last accessed February 3, 2023).

⁷⁹ Section 2(w) of the IT Act: intermediary, with respect to any particular electronic records, means any person who on behalf of another person receives, stores or transmits that record or provides any service with respect to that record and includes telecom service providers, network service providers, internet service providers, web-hosting service providers, search engines, online payment sites, online-auction sites, online-marketplaces and cyber cafes.

⁸⁰ Grounds include in the interest of the sovereignty and integrity of India, security of the State, friendly relations with foreign States, public order, or certain offences relating to these grounds.

⁸¹ Under Section 79 of the IT Act, an intermediary is accorded 'safe harbour' from liability for unlawful content made available or hosted by it, subject to compliance with certain conditions. One of these conditions is the intermediary takedown content within certain timelines, upon being required to do so by certain authorities and courts.

⁸² See https://www.business-standard.com/article/economy-policy/centre-initiates-process-to-block-over-230-apps-including-chinese-123020500598_1.html (last accessed March 7, 2023).

⁸³ See <https://g2g.news/gst-on-online-gaming/offshore-betting-firms-set-to-be-blocked-shell-entities-under-tax-department-scanner-report/> (last accessed February 2, 2023).

⁸⁴ See <https://g2g.news/gaming/t20-world-cup-star-and-hotstar-go-mute-on-betting-ads-gambling-platforms-shift-to-facebook-and-instagram/> (last accessed February 3, 2023).

⁸⁵ See <https://g2g.news/gaming/with-digital-and-mainstream-media-embargo-illegal-gambling-and-betting-websites-focus-on-outdoor-advertising/> (last accessed February 3, 2023).

⁸⁶ See <https://g2g.news/gaming/ccpa-invokes-provisions-under-the-consumer-protection-act-issues-notices-to-gambling-websites-for-surrogate-ads/> (last accessed February 3, 2023).

⁷³ See <https://www.deccanherald.com/business/business-news/indian-gaming-app-players-under-cbdt-scanner-over-winnings-worth-rs-58000-crore-report-1142322.html> (last accessed January 31, 2023)

⁷⁴ Ibid

⁷⁵ See <https://g2g.news/gaming/reports-nse-issues-cease-desist-notices-to-fantasy-stock-trading-apps/> (last accessed January 31, 2023)

⁷⁶ See <https://support.google.com/googleplay/android-developer/contact/dfsrform> (last accessed February 2, 2023)

II. Offshore betting companies under the tax scanner

In October 2022,⁸³ MeitY was set to block 25 offshore betting sites for GST evasion and the Foreign Exchange Management Act ("FEMA") violation. As per FEMA regulations, remittances related to income from winnings from lottery, racing/ riding or any other hobby are prohibited. Reports also suggest that over 100 domestic online gaming companies will receive a show cause notice from the GST department for not paying the 28% GST tax on the face value of bets, which they are accused of evading.

III. Issues on advertisements by offshore gambling/ betting operators

As discussed, MIB has thrice in the past six months in view of the latest advisory issued in April, 2023. Several offshore gaming companies use surrogate advertisements to promote gambling, despite it being illegal in India. Even in the recently concluded Cricket Asia Cup, several offshore gambling operators promoted illegal offerings.⁸⁴ Some broadcasters, OTT players and digital news publishers have discontinued such advertisements. However, the gambling platforms presently appear to advertise via outdoor advertising on billboards, vehicles, etc.⁸⁵ To curb this, the Central Consumer Protection Authority ("CCPA") invoked provisions under the Consumer Protection Act, 2019 ("CPA") and issued show-cause notices to six online betting apps for violating advertising norms.⁸⁶

State specific updates

- ▶ **Andhra Pradesh:** The Government of Andhra Pradesh had passed the Andhra Pradesh Gaming (Amendment) Act 2020 ("AP Amendment") to amend the Andhra Pradesh Gaming Act, 1974 ("AP Act"). The amended AP Act includes 'any act of risking money or playing for stakes or otherwise on the result of a game or an event including on a game of skill,' within the definition of 'wagering or betting,' (and therefore, under the definition of 'gaming'). Accordingly, even skill-based games cannot be offered in Andhra Pradesh. The AP Amendment was challenged before the Andhra Pradesh High Court ("AP HC") and recently, a division (two judge) bench of the AP HC directed the state to constitute a committee to examine and submit a report on how rummy is played online within 4 weeks from the date of order.⁸⁷

- ▶ **Tamil Nadu:** On April 10, 2023, the Tamil Nadu Prohibition of Online Gambling and Regulation of Online Games Act, 2022 ("TN Act") was introduced. The TN Act is expected to be notified as coming into effect imminently. Some of the key features of the TN Act are:

- ▶ **Registration of Local Online Games Providers:** The TN Act mandates local online games providers⁸⁸ to obtain a certificate of registration from the Tamil Nadu Online Gaming Authority^{88A} ("TN OG Authority")^{88B} order to offer online games in the State.
- ▶ **Prohibition on offering and advertising gambling:** The TN Act prohibits (1) online gambling^{88C}, i.e., and (2) offering and playing online games of chance^{88D} specified in the schedule with money or other stakes^{88E}. Poker and Rummy have been identified/ specified as games of chance under the TN Act.
- ▶ **However, out of State operators (i.e., non-local online games providers) are exempt from these prohibitions if they exercise specified due diligence, or geo block Tamil Nadu while offering such games in the State^{88F}.**
- ▶ **Prohibition on Advertising:** The TN Act prohibits advertisements in any media which promote persons to indulge in online gambling or specified online games of chance.
- ▶ **TN OG Authority and Appellate Authority:** The TN Act also establishes^{88G} "The TN OG Authority, required to regulate online games, register local online games providers, identify online games of chance and recommend their inclusion in the schedule to the TN Act, oversee functioning of online games provider, resolve grievances and complaints from users, among other functions.^{88H} The TN Act also provides for the constitution of an Appellate Authority to hear appeals from decisions of the TN OG Authority suspending/ revoking registration.

^{88E} Section 2(h) - "other stakes" means anything recognised as equivalent to money and includes virtual credits, virtual coins, virtual tokens, virtual objects or any similar thing that is purchased within, or as part of, or in relation to, an online game

^{88F} Section 14(2), TN Act

^{88G} Section 3 - Establishment of Tamil Nadu Online Gaming Authority

^{88H} As per Section 4, such functions inter alia include to: regulate online games, identify online games of chance, oversee the functioning of online game providers, resolve grievances or complaints and advise the government on matters regarding online games, etc.

^{69A} Power to issue directions for blocking for public access of any information through any computer resource. -

- ▶ Where the Central Government or any of its officer specially authorised by it in this behalf is satisfied that it is necessary or expedient so to do, in the interest of sovereignty and integrity of India, defence of India, security of the State, friendly relations with foreign States or public order or for preventing incitement to the commission of any cognizable offence relating to above, it may subject to the provisions of sub-section (2) for reasons to be recorded in writing, by order, direct any agency of the Government or intermediary to block for access by the public or cause to be blocked for access by the public any information generated, transmitted, received, stored or hosted in any computer resource.
- ▶ The procedure and safeguards subject to which such blocking for access by the public may be carried out, shall be such as may be prescribed.
- ▶ The intermediary who fails to comply with the direction issued under sub-section (1) shall be punished with an imprisonment for a term which may extend to seven years and shall also be liable to fine.]

⁸⁷ Writ Petition No. 19659 of 2020 Writ Petition No. 19571 of 2020 and Writ Petition No. 19732 of 2020.

⁸⁸ Online games providers whose central management/control of service is in the State of Tamil Nadu, or whose service is hosted in Tamil Nadu

^{88A} Section 10 - Registration of local online games providers

^{88C} Section 2(i) - "online gambling" means online wagering or betting and includes playing of any online game of chance for money or other stakes, in any manner.

^{88D} Section 2(i) - "online game of chance" includes any online game which, - (i) involves both an element of chance and an element of skill and the element of chance predominates over the element of skill; or (ii) involves an element of chance that can be eliminated only by superlative skill; or (iii) is a game that is presented as involving an element of chance; or (iv) involves cards, dice, wheel or such other device, which works on random outcome or event generator

- ▶ Regulation of other online games: Currently, there are no regulations for online games. However, the TN OG Authority is empowered to introduce regulations for online games which may prescribe time limits, monetary limits, age restrictions, etc., in respect of online games⁸⁸ⁱ.
 - ▶ Recommendations to block online games: The Central Government is empowered to direct intermediaries to block access to content on certain grounds under the Information Technology Act, 2000^{88j}. The TN Act empowers the TN OG Authority to recommend blocking of access to non-local online games provider's games in Tamil Nadu.
 - ▶ News reports suggest that the All India Gaming Federation ("AIGF") is likely to challenge the TN Act.^{88k}
 - ▶ Earlier in 2022, the State of Madras had filed an appeal against a Madras High Court order^{88l} striking down certain amendments to the Tamil Nadu Gaming Act, 1930, seeking to prohibit online games of skill for stakes in Tamil Nadu, as unconstitutional. This appeal is also pending before the Supreme Court.
 - ▶ **Kerala:** In September 2021, the Kerala High Court struck down a February 2021 notification as unconstitutional. The notification was introduced by the State of Kerala seeking to prohibit "online rummy when played for stakes" (i.e., a game of skill). An appeal has been filed and is pending before a division (two-judge) bench of the High Court. News reports suggest that the State of Kerala is planning to reintroduce a ban on online rummy.
 - ▶ **Karnataka:** In February 2022, the Karnataka High Court struck down certain provisions introduced by the Karnataka Police (Amendment) Act 2021 that sought to prohibit all online games for stakes, including games of skill. The state government has filed an appeal against the High Court's order before the Supreme Court, which is currently pending.
 - ▶ **Telangana:** Currently, offering all games for stakes (including games of chance as well as games of skill) is prohibited in Telangana. However, news reports suggest that Telangana may soon introduce a law to regulate online games of skill owing to difficulty in enforcing a complete ban. The constitutional challenge to the Telangana Gaming (Amendment) Act, 2017 is currently pending and a transfer petition has been filed to the Supreme Court, which has not been allowed presently.⁸⁹
 - ▶ **Rajasthan:** The State of Rajasthan has proposed the draft Rajasthan Virtual Online Sports (Regulation) Bill, 2022, which suggests a licensing regime to regulate fantasy sports, esports and derivative formats.
 - ▶ **Puducherry:** News reports suggest that Puducherry is also considering a ban on online rummy.
 - ▶ **Chhattisgarh:** The Chhattisgarh Gambling (Prohibition) Act, 2022 ("Chhattisgarh Act") was introduced on 23rd March 2023 in the State, replacing the Public Gambling Act, 1867 as applicable in the State. The Chhattisgarh Act prohibits offering and playing online gambling in the State^{89a}. However, the prohibitions under the Chhattisgarh Act do not apply to games of skill^{89b}.
 - ▶ **Meghalaya:** In October 2022, the Chief Minister of the State of Meghalaya announced the repeal of the Meghalaya Regulation of Gaming Act 2021 and the Meghalaya Regulation of Gaming Rules 2021 in response to concerns from church leaders that the legislation was immoral. Subsequently, the Meghalaya government passed an ordinance to repeal the Meghalaya Law. A copy of the ordinance is not publicly available.
 - ▶ **Odisha:** In its petition^{89c} challenging the Odisha Gambling Act, 1955 ("Odisha Act"), Tic Tok Skill Games Pvt Ltd argued that the Odisha Act prohibits games of skill if a person intentionally exposes money to the risk of loss by chance and hence, is in flagrant disregard of the law laid down by the Supreme Court which protects all games of skill. The case was disposed of by the Odisha High Court on February 10, 2023. However, a copy of this order is not available in the public domain.
- Separately, the Supreme Court has also stayed the operation of a **Bombay High Court** order that held that fantasy sports games are games of skill. Accordingly, the Supreme Court may take up the question of whether fantasy sports qualify as games of skill during the appeal hearing.

⁸⁸ⁱ See: <https://g2g.news/online-gaming-laws/all-india-gaming-federation-to-challenge-tn-govt/> (last accessed April 13, 2023).

^{88j} *Jungle Games India Private Limited vs. State of Tamil Nadu*, AIR 2021 Mad 252

⁸⁹ See <https://g2g.news/online-gaming-laws/online-gaming-ban-laws-supreme-court-to-hear-tn-and-karnataka-appeals-on-tuesday/?amp> (last accessed March 7, 2023).

^{89a} Section 8, Chhattisgarh Act, Section 7 Chhattisgarh Act

^{89b} Section 15, Chhattisgarh Act

^{89c} *Tic Tok Skill Games Pvt. Ltd vs State of Odisha*, W.P. (C) No.34338 of 2021

AVGC Task Force recommendations relating to gaming

I. Market access and development:

- ▶ Conduct an annual Gaming Expo as an outreach event to focus on FDI in gaming, facilitating market access and employment in gaming, new age technologies, and co-production partnerships. Within the expo, organize annual competitions to encourage creation of Indian IP by small businesses, start-ups and independent game developers
- ▶ Create a national framework for online skill gaming that classifies games such as casual games, real money games and e-sports, with inputs from the Central Government

II. Skilling and mentorship:

- ▶ Inclusion of applied games in the school curriculum, especially at upper primary and secondary levels
- ▶ Consideration of financial incentives for enterprises developing educational games and other forms of applied games

III. Education:

- ▶ The Government of India may assist in the development of faculty for the gaming sector
- ▶ Indian entities may be encouraged to invite industry experts from abroad to develop skills required for the Indian gaming ecosystem, in lieu of incentives

IV. Through a 'Create in India' initiative boost content creation in India, which would:

- ▶ Encourage cooperation between the entertainment and gaming segments to encourage conversion of films into games. Global studios may be incentivized to tap into stories from India to create gaming content
- ▶ Promote indigenous content to build pipeline of ideas for gaming
- ▶ Encourage creation of gaming content for children

V. Financial viability:

- ▶ Government of India may commission a 'Game Development Fund' along with the industry to promote and educate consumers/ players on responsible gaming, wherein companies contribute 1% of their annual profits to promote and educate stakeholders
- ▶ Attract foreign gaming companies to co-produce in India and relocate in India through additional/ special tax breaks (up to 3 to 5 years), or otherwise incentivize foreign companies to outsource work to India or employ Indian game developers

VI. Develop game IP:

- ▶ Encourage gaming start-ups to file applications for patents, designs and trademarks under Start-ups Intellectual Property Protection (SIPP) scheme.
- ▶ Organize state-wide awareness workshops on IPR procedures and methods specifically for gaming in collaboration with academic institutes and industry bodies.

Advertising

Advertising in India is largely regulated under consumer protection laws (i.e. the Consumer Protection Act ("CPA") and the rules made thereunder), and the self-regulatory guidelines by the Advertising Standards Council of India ("ASCI").

Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements, 2022

- ▶ The CPA prohibits false and misleading advertisements by traders, manufacturers, endorsers, advertisers and publishers. CPA defines "advertisement" as "any audio or visual publicity, representation, endorsement or pronouncement made by means of light, sound, smoke, gas, print, electronic media, internet or website and includes any notice, circular, label, wrapper, invoice or such other documents". However, to further elaborate laws around misleading advertisements in June 2022, the Central Consumer Protection Authority, Department of Consumer Affairs, notified the Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements, 2022 ("MAG").⁹⁰
- ▶ The MAG are applicable to all types of advertisements regardless of format and medium and any entity whose products or services are the subject of advertisements, advertising agencies or endorsements.
- ▶ The MAG clarify when an advertisement is not likely to be a "misleading advertisement", clarify how disclaimers in advertisements must be used and introduce restrictions/ obligations in relation to "bait advertisement", "surrogate advertisement" and "free claim advertisements". The MAG also introduces restrictions in relation to advertisements targeting or using children. Due diligence obligations for endorsers have also been included.
- ▶ Some of the key obligations/ requirements under the MAG:
 - ▶ The advertisement must contain truthful and honest representation
 - ▶ The advertisement must comply with sector-specific laws and rules/ regulations
 - ▶ Disclaimers within advertisements must comply with the prescribed font, prominence, and visibility. There are also requirements for disclaimers in audio advertisements

⁹⁰ Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements, 2022; see <https://consumeraffairs.nic.in/sites/default/files/file-uploads/latestnews/CCPA%20Notification.pdf> (last accessed January 10, 2023).

- ▶ Bait advertisements, although not prohibited, must comply with conditions such as they must not entice consumers to purchase goods/ services without selling them at the price offered, the advertiser must meet demand, etc.
- ▶ Free claims advertisement (i.e., advertisements claiming certain goods services are offered for free) in certain cases are prohibited, i.e., when the consumer has to pay hidden costs (paying for packaging, when there is a cost of responding to the advertisement, etc.)
- ▶ There are certain preemptive norms to be followed for advertisements that address, target or use children
- ▶ The CCPA has issued show cause notices in the last few months in respect of misleading advertisements in the following sectors/ industries: food and beverages, personal hygiene, clothing, e-commerce and gaming.
- ▶ While the MAG are a positive step toward empowering consumers and fostering an ecosystem free of misinformation and false claims, there is a risk of multiple proceedings arising from complaints filed under the CPA, the ASCI Self-Regulatory Code, and other sector-specific laws and regulations such as laws prohibiting advertisements with respect to alcohol, cigarettes, etc.
- ▶ Entities advertising in the media, such as television and digital media, may benefit from formulating internal thresholds with respect to puffery and some of the other aspects covered in the MAG, especially children targeted/ using children.

BIS Fake Reviews Standard

- ▶ The Department of Consumer Affairs ("DCA") has adopted the 'Indian Standard on Online Consumer Reviews – Principles And Requirements for their Collection, Moderation And Publication' ("Standards")⁹¹ on November 25, 2022. The Standards are currently voluntary for compliance by organizations that publish consumer reviews online. The Standards provide the responsibilities of organizations that publish consumer reviews, review authors and the organization/ individual responsible for managing the consumer review content ("Review Administrator"), the process of moderation of reviews, and distinguishes between unsolicited and solicited reviews.
- ▶ While the Standards are voluntary for adoption, the press release and the press conference of the DCA⁹² in relation to the Standards state that the Standards may be made compulsory, in case it is noticed that the issue of fake and deceptive reviews have not been curbed.
- ▶ The Standards apply to "any organization that publishes consumer reviews online, including suppliers/ sellers of products and services that collect reviews from their own customers, a third party contracted by the suppliers/ sellers or an independent third party."⁹³
- ▶ The scope of applicability of the Standards is quite broad, as it would include: (i) entities that obtain reviews from their own customers, (ii) third parties that obtain reviews under a contract with the seller/ supplier, (iii) any organization that collects ratings (in the form of stars, on a numerical scale, etc.), such as OTT platforms, travel-related service providers, and aggregator businesses, as ratings also appear to be included under the definition of consumer reviews, and (iv) any independent third party that accepts and displays reviews (but does not offer the product/ service being reviewed), such as platforms that specifically list restaurants, places to visit, and other businesses and allow reviews of these places to be made on the platform.
- ▶ "Consumer review" has been defined as "recorded information made publicly available by a consumer deemed to be a review author about a specified product or service provided or sold by a supplier/ seller"⁹⁴.

⁹¹ The DCA Press Release. See (<https://pib.gov.in/PressReleasePage.aspx?PRID=1877733>) (last accessed December 6, 2022).

⁹² The DCA Press Conference. See (https://www.youtube.com/watch?v=5_IOMeHQbpl) (last accessed December 6, 2022).

⁹³ Clause 1.2 of the Standards.

⁹⁴ Clause 3.5 of the Standards.

Industry-specific guidelines by the ASCI

The ASCI Code and the industry specific guidelines issued by the ASCI do not have the force of law except for the broadcasting industry. Further, technically, they are not binding on non-members.

I. Virtual digital assets and services

In February 2022, the ASCI released Guidelines to Regulate Advertisements of Virtual Digital Assets ("VDA") and its services ("VDA Guidelines")⁹⁵, effective from April 1, 2022. The VDA Guidelines require all ads for or featuring VDAs to carry the following disclaimer prominently: "Crypto products and NFTs are unregulated and can be highly risky. There may be no regulatory recourse for any loss from such transactions." In social media posts, the disclaimer must be in the post and upfront in the caption.

Further, the VDA Guidelines prescribe key dos and don'ts relating to advertisements on VDAs. The VDA Guidelines ensure sufficient disclaimers are provided in advertising crypto and NFTs and ensure that the common man is not misled by crypto or NFT-related products and services. However, the VDA Guidelines do not have the force of law. Additionally, as crypto assets are largely unregulated in India, the advertising compliances required by companies in this space are bound to evolve if any specific law is introduced.

II. Guidelines on harmful gender stereotypes⁹⁶

- ▶ On June 8, 2022, in a progressive move, ASCI laid down Guidelines on Harmful Gender Stereotypes ("Gender Stereotypes Guidelines") to set out boundaries for unacceptable portrayal of genders in advertising and also to encourage advertisers to publish gender progressive content. The Gender Stereotypes Guidelines states that ASCI will consider the impact of an ad as a whole and observe stereotypes from the stereotyped group's perspective. However, ads are not prevented from featuring gender stereotypes as a means to challenge the harmful effects of the stereotyping. The key points include:
 - ▶ The Gender Stereotype Guidelines prohibit the showing of certain gender stereotypical practices in advertisements, such as portray stereotypical roles as uniquely associated with a particular gender or in a manner that the roles are never carried out by other genders
 - ▶ Ads aimed at children or depicting children should not convey that a product, pursuit, behavior or activity is inappropriate for another gender. For example, a boy should be daring and a girl should be caring
 - ▶ Reinforce unreliable gender ideas, such as a woman being overly grateful for a man helping her in everyday chores, or that a task is failed by a person only because of their gender, such as a man being unable to change nappies.

⁹⁵ ASCI Guidelines for Advertising and Promotion of Virtual Digital Assets and Services. See <https://ascionline.in/images/pdf/vda-guidelines-23.02.22.pdf> (last accessed January 10, 2023).

⁹⁶ ASCI Guidelines on Harmful Gender Stereotypes; See <https://ascionline.in/images/pdf/guidelines-on-harmful-gender-stereotypes.pdf> (last accessed January 6, 2023).

III. Advisory on advertisements of online betting platforms⁹⁷

- ▶ On June 13, 2022, MIB, in consultation with the Department of Consumer Affairs, has issued separate advisories to (1) TV channels and (2) digital news publishers and OTT platforms, strongly advising them against showing (i) advertisements of online sports betting platforms and (ii) surrogate ads for offshore sports betting platforms in the guise of sports news websites, and targeting such advertisements toward Indian audiences. The advisories contain examples of such online advertisements in the exhibit, specifically capturing advertisements of the offshore platforms. The advisories mention that in the case of the surrogate advertisements, the brand/ logos of such news websites bear striking resemblance to those of the betting platforms.
- ▶ The advisory states that betting and gambling are illegal in most Indian States. It also points out that the Misleading Advertisements Guidelines, issued by the Central Consumer Protection Authority (“CCPA”) under the CPA, prohibits advertisements for prohibited products or services. The advisory states that advertisements of such sports betting platforms contravene these guidelines.
- ▶ The advisory issued to digital news platforms and online publishers mentions that under the IT Rules, advertisements of betting platforms cannot be shown on digital media. No specific provision has been pointed out, however under Rule 3(b) of the IT Rules, the MeitY can direct intermediaries to take down unlawful content, such as content which relates to or encourages money laundering or gambling.
- ▶ The advisory issued to private TV channels states that under the Advertising Code under the Cable TV Network (Regulation) Act, 1995, advertisements of betting platforms cannot be shown on TV channels. It states that contravention may invite penal action.

IV. Dark patterns⁹⁸

- ▶ In November 2022, ASCI released a discussion paper on dark patterns. Dark patterns are patterns included in the user interface of websites/ apps that have been designed and displayed in a way that may trick or manipulate users into making choices that are detrimental to their interest. For example, if a product available on app ‘X’ is displayed as worth INR100, however, at the time of checkout the amount payable becomes INR200, because the tax, handling and delivery charges were not provided upfront to the consumer. There are several types of dark patterns, such as forced continuity (where a free trial becomes a paid service without warning to the user), bait and switch (changing information or products/ services in a way that makes the user falsely assume something), disguised ads, and putting items in a user’s basket/ cart without the user’s permission.
- ▶ The ASCI paper outlines the current actions and guidelines that cover dark patterns such as the action of the Department of Consumer Affairs against cab and two-wheeler aggregators about the charges and algorithms used, and the ASCI Influencer Guidelines that requires social media influencers to disclose promotions, to address disguised ads.
- ▶ ASCI set up a task force to understand the dark patterns issues and propose a relevant expansion of the ASCI Self-Regulatory Code to include regulation of such dark patterns. ASCI sought public views and stakeholder comments before extending the ASCI Self-Regulatory Code to the below mentioned areas.
- ▶ The dark patterns proposed to be regulated under the ASCI Self-Regulatory Code include:
 - ▶ drip pricing (where only a part of a product’s price is disclosed to potential buyers, leaving out costs such as tax and handling charges)
 - ▶ bait and switch
 - ▶ false urgency
 - ▶ disguised advertising
 - ▶ putting items in a user’s basket/ cart without the user’s permission, and
 - ▶ nagging users to complete transactions

⁹⁷ Advisory on Advertisements of Online Betting Platforms; See https://mib.gov.in/sites/default/files/Advisory%20on%20online%20betting%20advertisements%2013.06.2022%282%29_0.pdf (last accessed January 6, 2023).

⁹⁸ See <https://ascionline.in/images/pdf/dark-patterns.pdf> (last accessed February 1, 2023).

Intellectual property rights

The Delhi High Court Intellectual Property Rights Division Rules, 2022⁹⁹

- ▶ Due to the abolishment of the Intellectual Property Appellate Board (“IPAB”), High Courts and Commercial Courts in India are now the relevant courts to deal with, inter alia, appeals arising from orders of the Controller General of Patents and the Trademarks Registry.
- ▶ The Delhi High Court established the Intellectual Property Division (“IPD”) to deal with matters pertaining to intellectual property rights in July 2021. In February 2022, the Delhi High Court issued the Delhi High Court Intellectual Property Rights Division Rules, 2022 (“IPD Rules”) covering aspects of functioning and procedures to be followed by the IPD. The IPD Rules are the first of their kind rules adopted by any High Court in India for effective management of IP disputes. Some of the key aspects of the IPD are as follows:
 - ▶ In cases before the IPD, the Court may pass summary judgment without the requirement of filing a specific application seeking summary. “Summary judgments” are orders deciding a claim passed by a court without recording oral evidence. Such a judgment can be passed on the ground that the plaintiff has no real prospect of succeeding on the claim or the defendant has no real prospect of successfully defending the claim, as the case may be, and there is no other compelling reason why the claim should not be disposed of without recording of oral evidence.
 - ▶ The Court can seek assistance of expert(s) (including individuals and institutions) relating to the subject matter of the dispute as may be necessary. The opinion of the expert is persuasive in nature and is binding on the Court. The IPD may maintain a panel of experts to assist the Court and which panel may be reviewed from time to time.
- ▶ Factors that a Court may consider when determining the quantum of damages has been laid down. These are: (a) lost profits; (b) profits earned by the infringing party; (c) Quantum of income which the injured party may have earned through royalties/ license fees, had the use of the subject IPR been duly authorized; (d) The duration of the infringement; (e) Degree of intention/ neglect underlying the infringement; (f) Conduct of the infringing party to mitigate the damages being incurred by the injured party.
- ▶ Principles already laid down in the Delhi High Court (Original Side) Rules, 2018 such as Constitution of confidentiality clubs for the preservation and exchange of confidential information filed before the Court, including documents and hot tubbing of experts, are also present.
- ▶ The Delhi High Court has also issued the High Court Of Delhi Rules Governing Patent Suits, 2022¹⁰⁰ to provide for procedures and mechanisms for simpler, effective and efficient adjudication of complex patent litigations before the Delhi High Court. All patent suits will be listed before the IPD, established by the Delhi High Court. Rules of this nature to deal with patent infringement actions are first in the country.
- ▶ It has also been reported¹⁰¹ that the Madras High Court has directed the Tamil Nadu government to notify the creation and inauguration of the Intellectual Property Division at the Madras High Court.

⁹⁹ See <https://egazette.nic.in/WriteReadData/2022/233739.pdf> (last accessed February 3, 2023).

¹⁰⁰ See https://delhihighcourt.nic.in/uploads/notifications/NotificationFile_WPGZPIF1R3R.PDF (last accessed February 3, 2023).

¹⁰¹ See <https://www.barandbench.com/news/madras-high-court-directs-state-notify-inauguration-intellectual-property-division> (last accessed March 7, 2023).

Copyright infringement actions and orders against rogue websites

- ▶ In 2022, several orders were passed restraining infringers from unlawfully hosting and streaming movies/ web series. Some of these are mentioned below:
 - ▶ The Madras High Court granted an interim injunction in favor of Viacom18 Media Private Limited and restrained several cable and internet service providers involved in illegal activities and unauthorized retransmitting, recording, streaming, audio-visual clips and full sports event of FIFA World Cup, 2022 from broadcasting the FIFA World Cup.
 - ▶ Star India Pvt. Ltd. filed a suit seeking an injunction against parties engaged in illegally communicating to the public, hosting, and streaming the movie named Brahmastra Part One: Shiva.¹⁰² The Delhi High Court restrained 18 websites from making the movie available for public viewing, sharing and downloading through the internet or any other platform.
 - ▶ The Delhi High Court permanently restrained a total of 732 rogue websites from broadcasting and streaming the Ajay Devgn starrer movie "Bhuj: The Pride of India."¹⁰³

AVGC task force recommendations on IP

- ▶ The AVGC Task Force has noted that the AVGC sector in India does not have adequate original Indian intellectual property, and most of the IP creation in India is outsourced to other countries. Accordingly, it has recommended several measures to incentivize local productions and encourage creation and protection of original Indian IP.
 - ▶ Focus by the MeitY Start-up Hub (which is an entity formed by MeitY to promote innovation and creation of IP), on the AVGC sector
 - ▶ Development of model intellectual property licensing agreements by the AVGC promotion nodal agency for the AVGC sector
 - ▶ Establishment of a platform for pro-bono legal and technical consultation on IP protection for developers and designers by industry-led incubators and accelerators
 - ▶ An incubation fund for IP and content development for products. The fund may be funded by groups of investors in partnership with universities
 - ▶ Financial support through institutional means may be provided to MSME developers and designers for filing IP infringement claims

¹⁰² Star India Pvt. Ltd. v. 7MOVIERULZ.TC & Ors., CS Comm No. 604 of 2022

¹⁰³ Star India Pvt Ltd & Anr. v. Moviesghar.Art & Ors., CS(COMM) 364/2021

E-commerce

ONDC

- ▶ The government has introduced the Open Network for Digital Commerce ("ONDC") initiative to develop a democratic, open and freely accessible network for e-commerce.¹⁰⁴ The ONDC network's aim is to negate the role of a common platform for buyers and sellers, by creating open network protocols through which applications focused on onboarding either buyers, sellers or both, can interact and transact.
- ▶ As of February 2023, ONDC is limited to e-commerce for goods. If ONDC is opened for content distribution, it could be a gamechanger for the M&E industry.

New technologies

NFTs

- ▶ Non-fungible tokens ("NFTs") rose to prominence in 2020, with several high-value and high-profile sales of NFTs of artwork occurring. 2022 saw a slowdown in the trade of NFTs, and values of sales being made dropped significantly from previous years. Below are some relevant industry updates on NFTs:
 - ▶ In January 2022, Mastercard announced its partnership with Coinbase that allows users to buy and sell NFTs on Coinbase only with fiat currency¹⁰⁵
 - ▶ In February 2022, Walmart filed trademark applications for registration of their mark within the virtual market in Class 9 relating to downloadable media and computer software¹⁰⁶ and there are also applications under class 35, relating to retail services and virtual media¹⁰⁷
 - ▶ NFTs have found use-cases in more than just the collectibles space. For example, companies have begun using NFTs in the ticketing industry.¹⁰⁸ Owing to its irreplaceable nature, ticketing service providers have issued NFT tickets for movies, concerts, musical events, etc. These NFT tickets can later be retained as souvenirs too. This is where NFTs provide value and a technology driven authentication mechanism to keep the artwork unique.

Metaverse

It has been reported that the upcoming Digital India Act is likely to regulate social media companies, OTT platforms as well as the metaverse.¹⁰⁹ The AVGC Report has also envisaged that the rise of metaverse will create increased demand from the Indian M&E sector.

¹⁰⁴ More information is available at: <https://www.medianama.com/wp-content/uploads/2022/03/ONDCStrategyPaper.pdf> (last accessed December 5, 2022).

¹⁰⁵ See <https://www.mastercard.com/news/perspectives/2022/coinbase-nft-marketplace-making-it-easier-for-everyone-to-buy-nfts/> (last accessed January 18, 2023).

¹⁰⁶ See <https://spicyip.com/2022/05/trademarks-and-the-metaverse-imaginary-rights-or-real-wrongs.html> (last accessed January 18, 2023).

¹⁰⁷ See <https://www.mondaq.com/india/trademark/1219658/registration-of-trademarks-operating-in-the-metaverse> (last accessed January 18, 2023).

¹⁰⁸ See <https://www.seatlabnft.com/> (last accessed January 18, 2023).

¹⁰⁹ See <https://www.cnbctv18.com/technology/india-to-introduce-new-digital-act-to-protect-children-from-the-dangers-of-internet-15639141.htm> (last accessed February 3, 2023).

Competition

Responsible AI

The NITI Aayog released a discussion paper on Responsible AI in November 2022. This comes as a follow up to the 2018 NITI Aayog National Strategy on Artificial Intelligence that provided a roadmap to adopt AI in five public sectors in a manner that is safe and dispenses benefits to all citizens. The 2022 paper on Responsible AI discusses responsible AI principles such as safety and reliability, inclusivity and non-discrimination, equality, privacy and security, transparency, accountability, and protection and reinforcement of positive human values. Facial recognition technology has been taken as the first use case for examining the AI principles of responsibility and has been implemented in the Digi Yatra program under which the facial verification technology was used at different process points for airlines. The paper discusses Digi Yatra processes that have been prescribed for operationalizing it, and the intent of evaluating their success in terms of meeting the AI principles and determining actionable next steps which can further augment the program's compliance with these ethical benchmarks. The paper also puts forth recommendations for applications of facial recognition technology within India – a comprehensive data regime, ensure transparency in using the technology, make technological systems self-explanatory and accurate and ensure inclusion.

The Competition (Amendment) Bill, 2022¹¹⁰

- ▶ The Competition (Amendment) Bill, 2023 ("Amendment Bill"), with some proposed additional changes to the Competition (Amendment) Bill introduced in August 2022 ("2022 Bill"), was passed in the Lok Sabha on March 29, 2023 and the Rajya Sabha on April 3, 2023 and is pending the President's assent as of the date of writing. The Amendment Bill introduces several key changes to the existing Competition Act, 2002 ("Competition Act"). Some of the key amendments are:
 - ▶ A deal value threshold has been added i.e., deals with transaction value of more than Rs 2,000 crore will require CCI's approval if either party has "substantial business operations in India".
 - ▶ As per the Competition Act, any combination cannot come into effect until the CCI has passed an order or 210 days have passed from the day notice has been given to CCI, whichever is earlier. This timeline has been reduced to 150 days
 - ▶ The Competition Act defines "control" to include control over the affairs or management of an entity or a group of entities. However, the definition of "control" has been expanded and now reads as "the ability to exercise material influence" over the management or affairs or strategic commercial decisions of an entity or a group of entities
 - ▶ With respect to anti-competitive agreements involving cartels, currently the Competition Act only covers agreements between entities or persons or associations of persons engaged in identical or similar trade of goods or provision of services. However, the Competition Bill proposes to introduce hub and spoke cartels as well by stating that enterprises or persons not engaged in identical or similar businesses shall be presumed to be part of the relevant anti-competitive agreements, if they actively participate in the furtherance of such agreements
 - ▶ It also provides for the settlement and commitment framework to reduce litigations. As per this framework, an enterprise can make an application offering commitment (likely to involve process/ structural changes to their present business practices/arrangements) or settlement (likely to involve payments) during an inquiry by CCI. As per the amendment, the CCI's decision regarding commitment or settlement will not be appealable

¹¹⁰ See http://164.100.47.4/BillsTexts/LSBillTexts/Asintroduced/185_2022_LS_Eng.pdf (last accessed January 10, 2023).

- ▶ The Competition Bill provides that all “agents” of a party which are under investigation must preserve and produce all information, books, papers and other documents which are in their custody or power to the Director General. The definition of “agent” has been expanded to include legal advisors. Therefore, the Director General can approach legal advisors as well for the production of documents
- ▶ The Competition Bill decriminalizes certain violations under the Competition Act by changing the nature of punishment from imposition of a fine to civil penalties. These violations include failure to comply with orders of the CCI and directions of the Director General related to anti-competitive agreements and abuse of dominant position.
- ▶ These amendments will be important for the M&E sector from, inter alia, a deal-making perspective. Currently, the Competition Act does not contain a deal value threshold. At present, the thresholds for obtaining CCI approval are dependent on the value of assets or turnover of the parties to the transaction or of the group that they belong to. If the deal value threshold is adopted, more deals in the M&E space will likely be subject to CCI approval if either party has “substantial business operations in India” as the transaction value will become the relevant parameter for CCI approval.

Standing Committee on Finance's report on anti-competitive practices by big tech companies

- ▶ The Standing Committee on Finance chaired by Mr. Jayant Sinha (“Standing Committee”) submitted a report on Anti-Competitive Practices by Big Tech Companies on 22 December 2022.¹¹¹ In its report, the Standing Committee has recommended the development and adoption of an ex-ante Digital Competition Act, influenced significantly by the European Union's Digital Markets Act (DMA). The report includes the following key observations and recommendations:
 - ▶ India should identify key players in digital markets that may impact competition and categorize them as Systemically Important Digital Intermediaries (SIDIs). SIDIs should be determined by revenue, market capitalization and number of active businesses/ users and submit a yearly report to CCI on compliance with mandatory obligations
 - ▶ Several specific ex-ante obligations have been recommended for SIDIs such as restricting SIDIs from incorporating anti-steering provisions which prevent business users from ‘steering’ a SIDI's end-users away from the SIDI's core platform; prohibiting all forms of self-preferencing by SIDIs on their platforms; prohibiting SIDIs from engaging in any manner of bundling whereby business users or end users are compelled to subscribe to/ register with further platform services of the SIDIs in order to use the SIDI's core platform service
 - ▶ While the report seems to be based on issues related to big-tech intermediaries. It will have to be seen how SIDIs are defined in the proposed law (if any) to determine the impact on the M&E sector.

¹¹¹ See https://loksabhadocs.nic.in/lssccommittee/Finance/17_Finance_53.pdf (last accessed January 31, 2023).

CCI imposed penalty for abuse of dominant position relating to Play Store¹¹²

- ▶ The CCI imposed a penalty of INR 9364.4 million on Google for abusing its dominant position with respect to its Play Store policies. It held that Google has violated the provisions of Section 4 (abuse of dominant position) of Competition Act, 2002 in the following manner:
 - ▶ Imposition of unfair condition on application developers by making access to the Play Store dependent on mandatory usage of Google Play Billing System ("GPBS") for paid apps and in-app purchases
 - ▶ Google followed discriminatory practices by not using GPBS for its own applications i.e., YouTube
 - ▶ Mandatory imposition of GPBS by Google results in denial of market access for payment aggregators as well as application developers
 - ▶ The practices followed by Google result in leveraging its dominance in the market for licensable mobile operating systems and app stores for Android OS, to protect its position in the downstream markets
 - ▶ Mandatory imposition of GPBS disturbs innovation incentives and limits technical development in the market for in-app payment processing services
- ▶ In January 2023, Google filed an appeal before the National Company Law Appellate Tribunal ("NCLAT"), challenging the order passed by CCI imposing a penalty of INR9364.4 million on Google. NCLAT ordered them to pay 10% of the penalty amount as a deposit. No interim relief was granted upon request by Google. The matter is next listed for hearing before the NCLAT on 17 April 2023.

¹¹² See <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1870819>, XYZ v. Alphabet Inc., CCI Case No. 07 of 2020; Alphabet Inc. & Ors. v. Competition Commission of India & Ors., Competition App. (AT) No. 4 of 2023.

¹¹³ See <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1869748>; Google L.L.C. v. Competition Commission of India & Ors., Civil Appeal No. 229 of 2023.

¹¹⁴ Competition Appeal (AT) No. 01 of 2023

¹¹⁵ See https://main.sci.gov.in/supremecourt/2023/1168/1168_2023_1_18_41202_Order_19-Jan-2023.pdf (last accessed March 7, 2023).

¹¹⁶ See <https://www.livemint.com/technology/tech-news/google-makes-policy-changes-to-accomodate-cci-directives-11674657187709.html> (last accessed February 3, 2023).

¹¹⁷ Together We Fight Society v. Apple Inc. And Another, Case No. 24 of 2021.

¹¹⁸ See <https://www.thehindubusinessline.com/info-tech/apple-faces-anti-trust-heat-following-google-rulings/article66103675.ece> (last accessed February 3, 2023).

CCI imposed penalty for abuse of dominant position in multiple markets relating to the Android mobile device ecosystem¹¹³

- ▶ The CCI imposed a penalty of INR 13.38 billion on Google for abusing its dominant position in multiple markets with its Android mobile operating system, and prescribed, inter alia, the following key measures:
 - ▶ Original Equipment Manufacturers ("OEMs") of mobile devices shall not be restrained from (a) choosing from amongst Google's proprietary applications to be pre-installed and should not be forced to pre-install a bouquet of applications, and (b) deciding the placement of pre-installed apps, on their smart devices
 - ▶ Licensing of Play Store (including Google Play Services) to OEMs shall not be linked with the requirement of pre-installing Google search services, Chrome browser, YouTube, Google Maps, Gmail or any other application of Google
 - ▶ Google shall not deny access to its play service apps to disadvantage OEMs, app developers and its existing or potential competitors
 - ▶ Google shall not offer any monetary/ other incentives to, or enter into any arrangement with, OEMs for ensuring exclusivity for its search services
 - ▶ Google shall not restrict uninstalling of its pre-installed apps by the users
- ▶ CCI observed the onus is on dominant players such as Google to ensure their conduct does not affect competition on merit. It was noted that Google has a dominant position in the online search market, resulting in denial of market access to competing applications, which violates competition law.
- ▶ Google filed an appeal before the NCLAT against the CCI's order.¹¹⁴ While admitting the appeal, NCLAT directed Google to deposit 10% of the penalty amount within three weeks from 4 January 2023. However, the NCLAT did not grant any interim stay in the other directions of the CCI. Thereafter, Google approached the Supreme Court, which refused to interfere with NCLAT's order and directed Google to approach NCLAT.¹¹⁵ Currently, the matter before the NCLAT is pending and is listed for a final hearing on 3 April 2023.
- ▶ Meanwhile, it has been reported that Google will make changes to its policy in compliance with the CCI's orders.¹¹⁶
- ▶ CCI ordered similar investigations into Apple's App Store policies for unfair trade practices in India.¹¹⁷ The investigation report that was supposed to be prepared by the Director General ("DG") is likely to be submitted soon and will be shared with the parties for their responses.¹¹⁸

Supreme Court dismisses petitions filed by WhatsApp and Meta seeking to stay CCI's investigation into its privacy policy¹¹⁹

The CCI has launched an investigation into WhatsApp's updated privacy policy on its own initiative and stated that the investigation was based on concerns over WhatsApp's sharing of user data with Meta in a manner that could be anti-competitive. WhatsApp and Meta approached the Delhi High Court, challenging the jurisdiction of the CCI on the grounds that the Supreme Court is already looking into WhatsApp's privacy policy. However, the Delhi High Court refused to interfere with the investigations, stating that the Supreme Court was considering the privacy policy from the lens of violation of Indian citizen's privacy rights. The Supreme Court in appeal also upheld this decision of the High Court, stating that the CCI is an independent authority empowered to look into violations of the Competition Act.

CCI orders DG investigation against BookMyShow for its exclusive agreements with theatres¹²⁰

The CCI has initiated an investigation into the online ticket platform, BookMyShow, due to the possibility of its exclusive deals with cinemas and multiplexes which could hamper competition in the relevant market. The investigation was prompted by a complaint made by Vijay Gopal, who operates a competing movie ticketing platform, Showtyme. The investigation report by the DG has not been submitted yet.



Gowree Gokhale

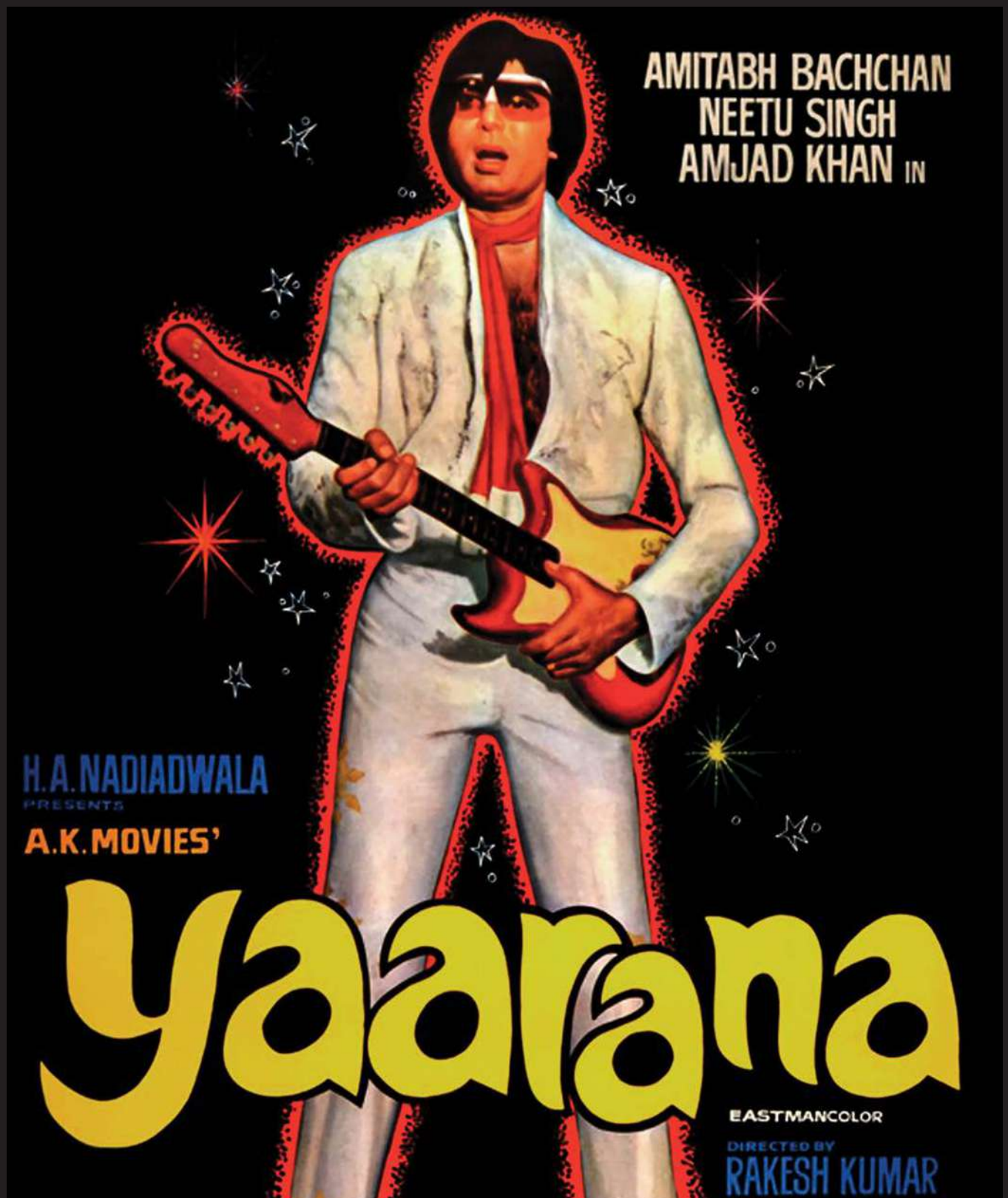
*Leader and Head to Technology,
Telecom, M&E practice
Nishith Desai Associates*

¹¹⁹ Meta Platforms Inc. v. Competition Commission of India & Anr, Special Leave to Appeal (C) No(s). 17121/2022 and 17332/2022.

¹²⁰ Vijay Gopal v. Big Tree Entertainment Pvt. Ltd., CCI Case No. 46 of 2021



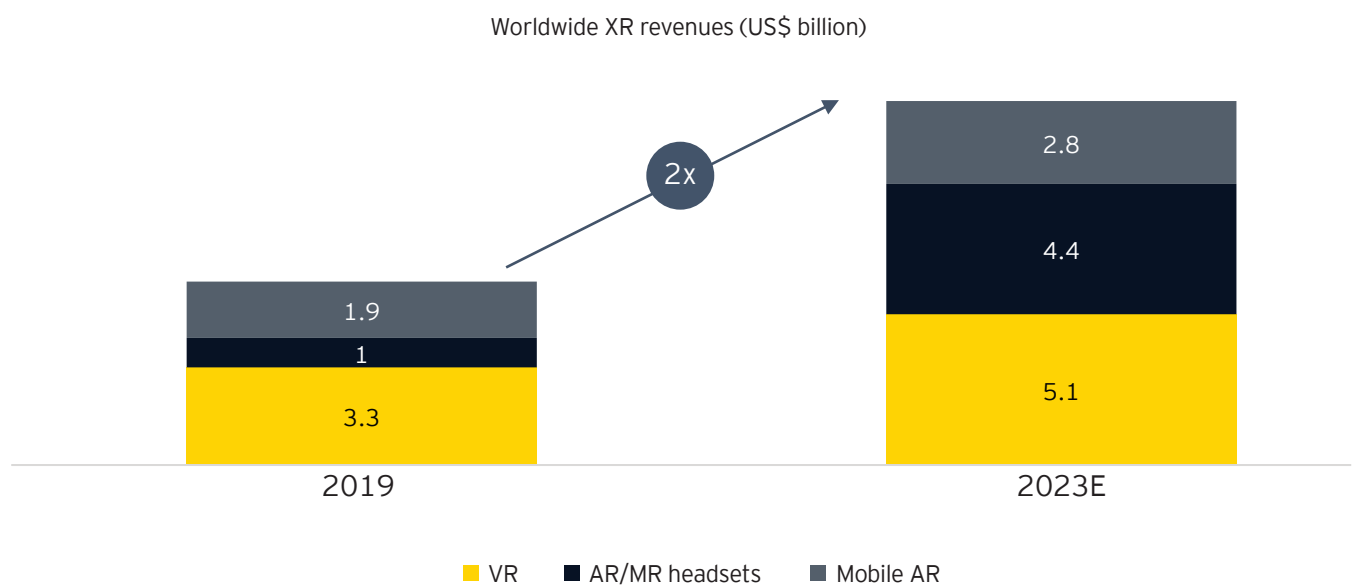
Technology imperatives



Technology imperatives for M&E companies

Significant demand side changes are re-shaping the Indian M&E sector as digital infrastructure grows, content palettes get influenced by global and freely accessible niche content, new user cohorts emerge and broadband reach and quality improve. In this section, we provide our point of view on some of the key changes that M&E companies are currently experiencing, how we believe business leaders will react to these, and the consequent ask from technology to support the business.

Demand for unique content experiences is growing



<https://www.superdataresearch.com/blog/superdata-xr-update>

Business agenda

- ▶ Tailor content to meet audience's preferred formats by understanding their needs and preferences
- ▶ Enable newer content formats such as short video, vertical video, interactive content, metaverse, AR/VR
- ▶ Enable immersive experience on capable devices
- ▶ Protect content and maintain audience trust

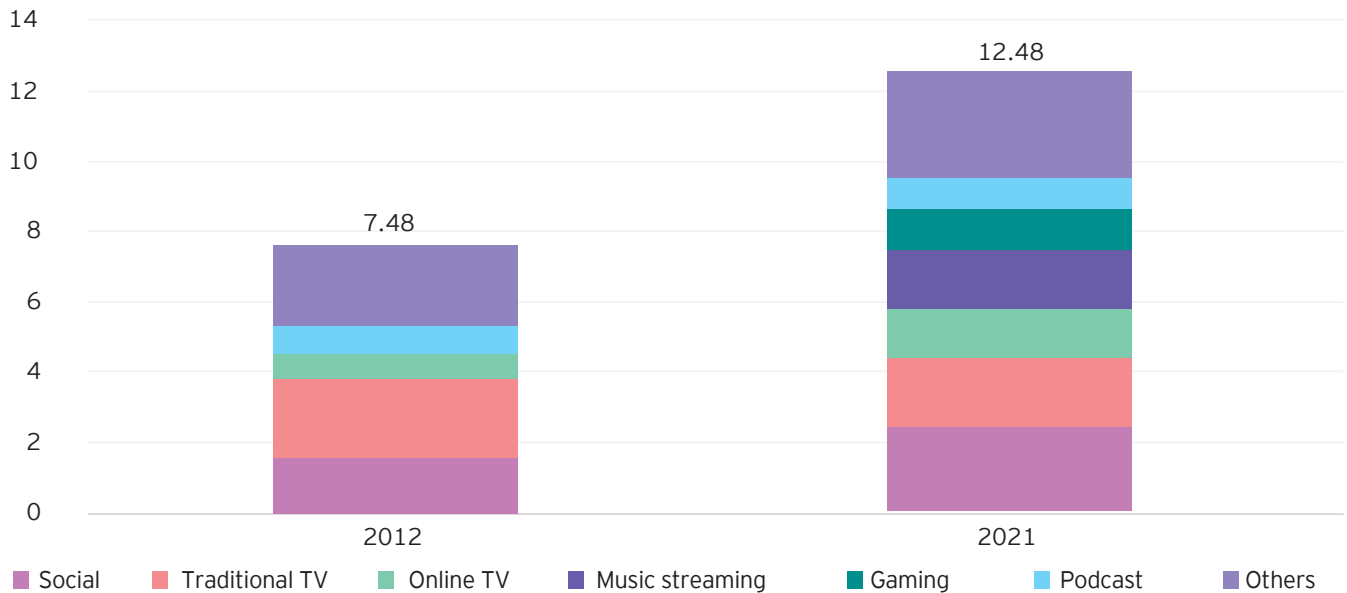
Technology imperatives

- ▶ Multi-format content delivery to multi-platform across geographies (unified tech stack)
- ▶ Advanced content management systems
- ▶ Build AR/VR capabilities
- ▶ AI-driven efficient content delivery networks
- ▶ Upgrade MAM to manage multiple content formats
- ▶ Blockchain-based transparent rights management systems



Insatiable demand for content/ exponential growth in content volume

Average time spent on media consuming (hours)



<https://www.gwi.com/reports/global-media-landscape>

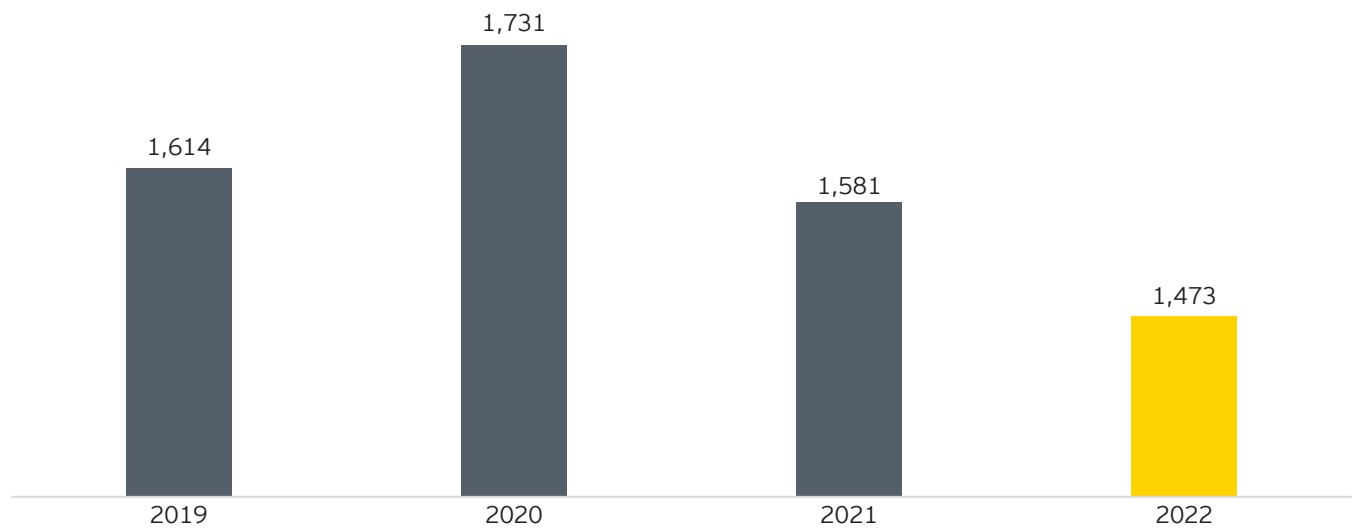
Business agenda

- ▶ Manage and distribute more content, more effectively, across larger audiences
- ▶ Accelerate content creation, production, and preparation
- ▶ Strategize delivery across multiple platforms for wider reach
- ▶ Adopt data driven content development

Technology imperatives

- ▶ User behaviour and content performance analysis
- ▶ Advanced content management and distribution systems, with automated workflows
- ▶ Personalized recommendation and content curation; alternate search on audio, video, characters, etc.
- ▶ Enhanced security and anti-piracy measures
- ▶ Auto content moderation
- ▶ As CTV consumption grows, manage capacity across CDNs, including through technologies like DTT and broadband over satellite

Plateauing viewership across linear pay television, global reach reducing 2-3% each year



BARC | 2+ sum of weekly AMA in India (in billion)

Business agenda

- ▶ Enable multi-platform linear and non-linear advertising
- ▶ Expand subscription and transactional models with dynamic pricing, sachet pricing
- ▶ Implement customized ad creatives with contextual advertising

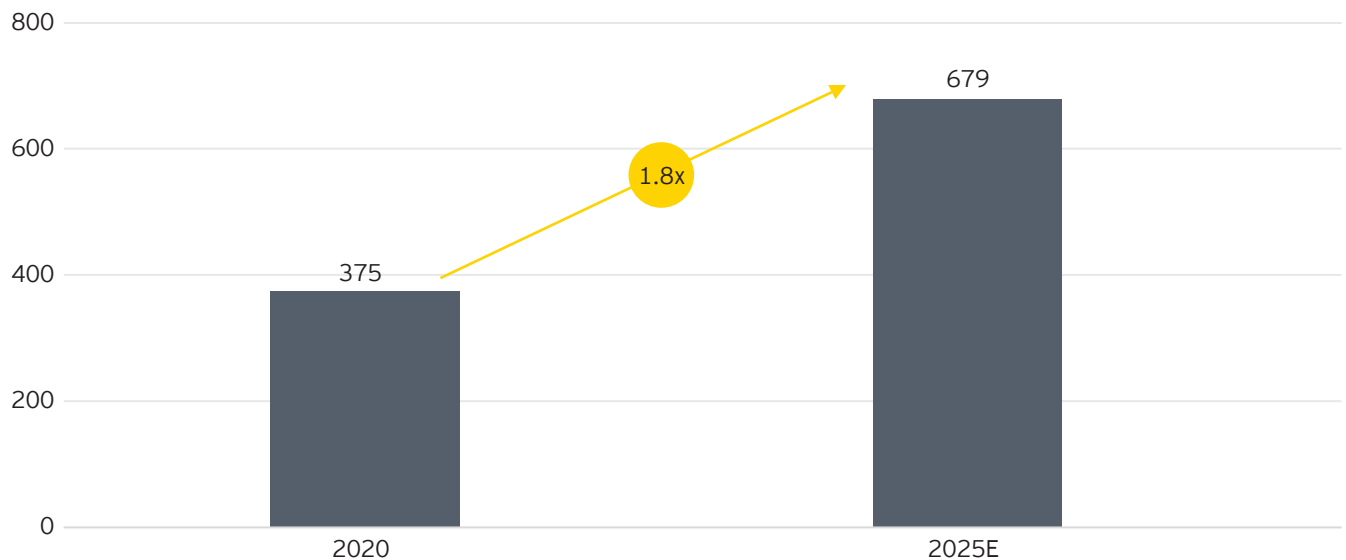
Technology imperatives

- ▶ Employ FAST channels, connected TV and OTT technologies
- ▶ Deploy multi-platform SMS with a dynamic monetization module
- ▶ Implement platform agnostic content distribution
- ▶ Enable e-commerce integration
- ▶ Enable quick profile creation



Digital ad revenues growing fastest amongst all media

Global digital ad revenue (US\$ billion)



<https://www.groupm.com/this-year-next-year-global-2022-end-of-year-forecast/>

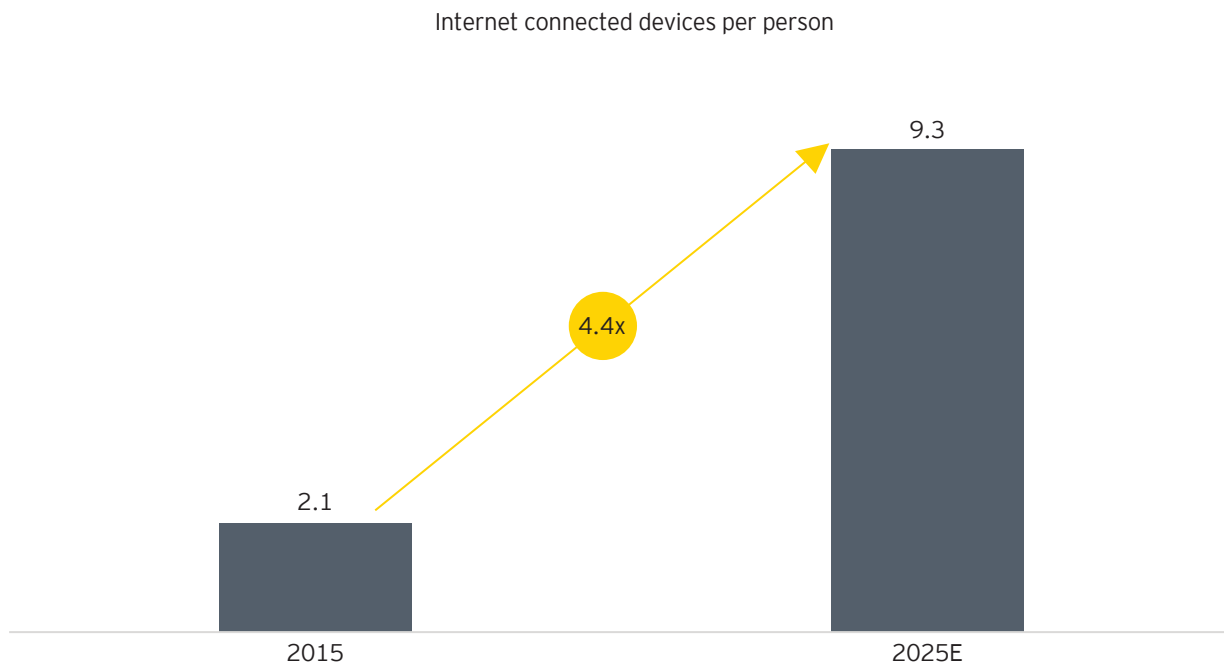
Business agenda

- ▶ Monetize increased number of consumer touchpoints
- ▶ Utilize ad inventory
- ▶ Enable targeted ad serving at scale
- ▶ Provide advertisers with the right data and technology to prove ROI and gain share of wallet

Technology imperatives

- ▶ Data analytics for advertisers who are demanding optimised ad targeting, ad serving assurance
- ▶ Digital campaign planning and performance measurement tools
- ▶ Contextual ad targeting to better identify and target specific audiences; based on consumer behaviour and interests
- ▶ Implement advanced programmatic ad platforms - direct, guaranteed, native, etc.
- ▶ Data privacy and security of first party data
- ▶ Ad network integrations

Platform agnostic consumer behaviour



https://www.researchgate.net/figure/Estimated-Number-of-Connected-Devices-Per-Person-By-2025_fig4_322050538

Business agenda

- ▶ Understand consumption patterns across devices to drive consumer acquisition
- ▶ Implement the monetization and retention agenda across the customer lifetime
- ▶ Optimize customer acquisition cost
- ▶ Deliver content in the right quality ensuring smooth consumer experience across devices and platforms

Technology imperatives

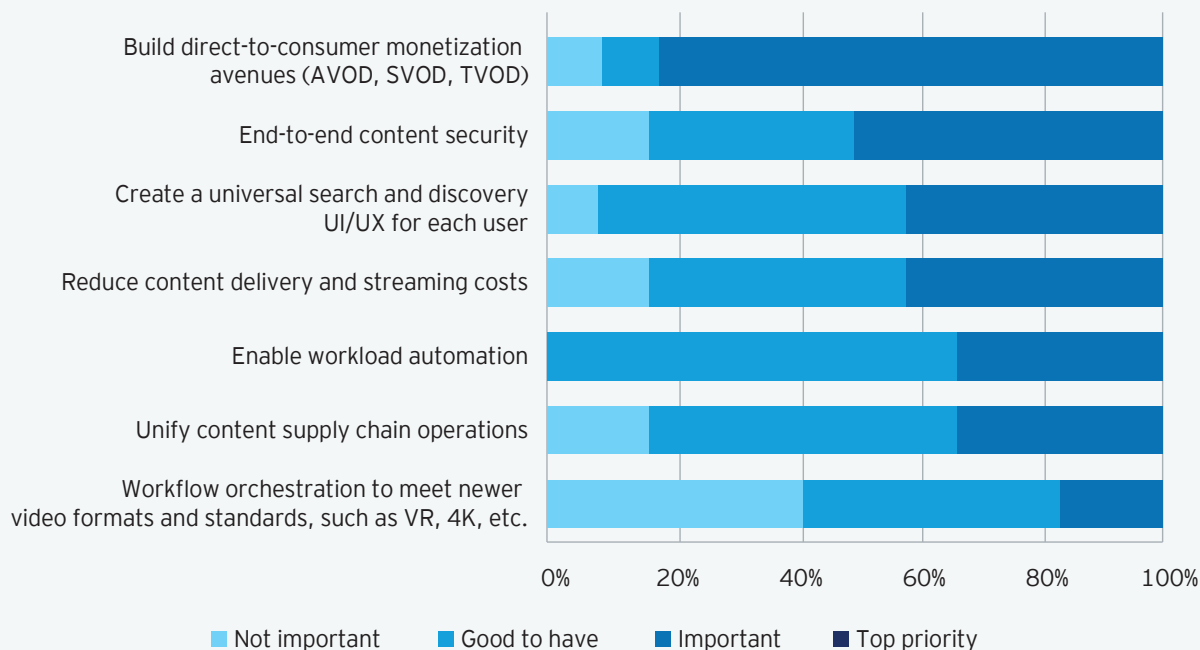
- ▶ Cross-platform single view of audience behaviour
- ▶ Build retargeting and customer engagement models
- ▶ Cross-platform attribution models
- ▶ Develop flexible content to be delivered over multiple device/ format/ connection types
- ▶ Use concurrent streaming acceleration technology to speed up live stream delivery



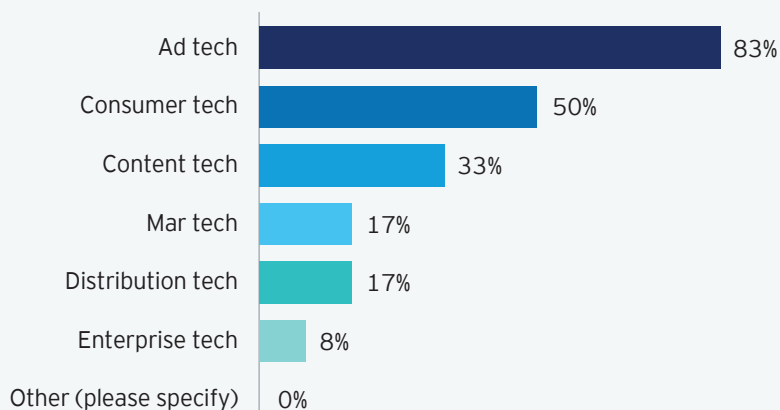
Trends Media tech

A survey of 12 Indian M&E CIOs

D2C monetization
is the biggest
priority for M&E
companies



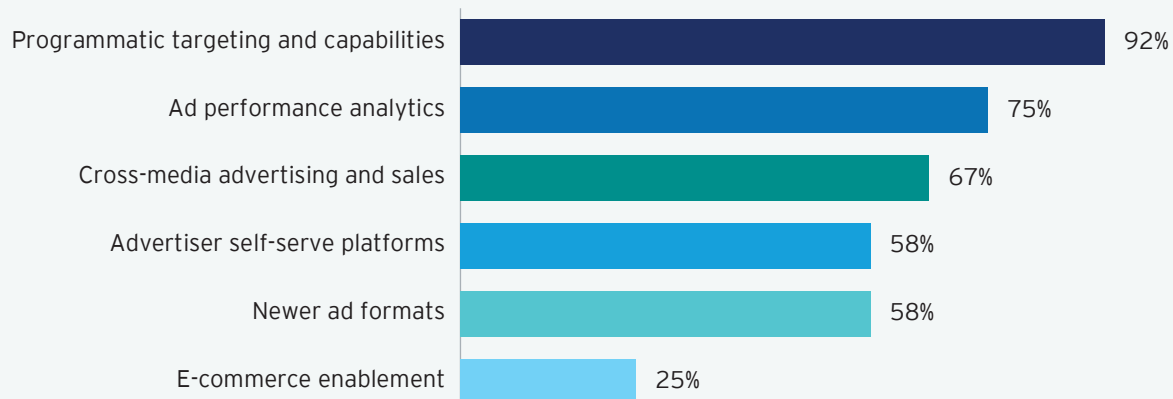
%age of respondents



%age of respondents for whom each area was in the top two focus areas for 2023

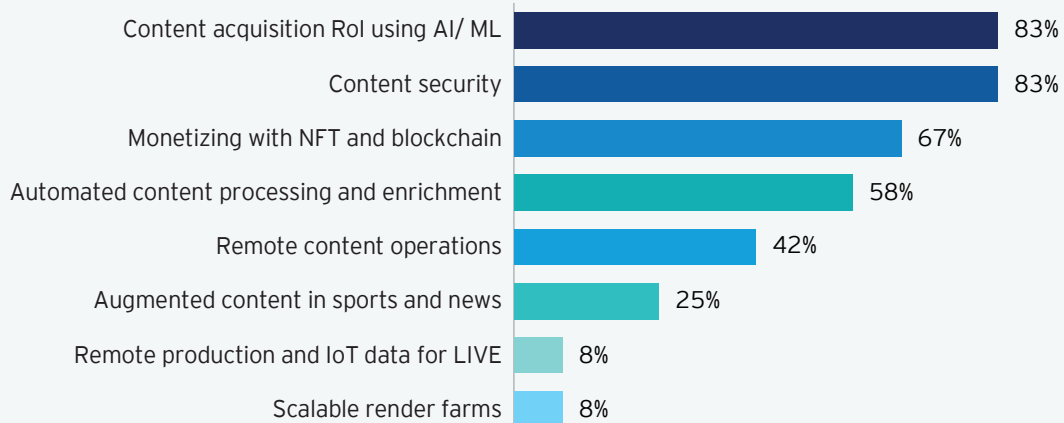
Ad tech is the
top focus CIO
area for **2023**

**Focus areas
in ad tech** are
programmatic
targeting,
performance analytics
and cross-media
advertising



%age of respondents for whom each area was in the top focus areas for 2023

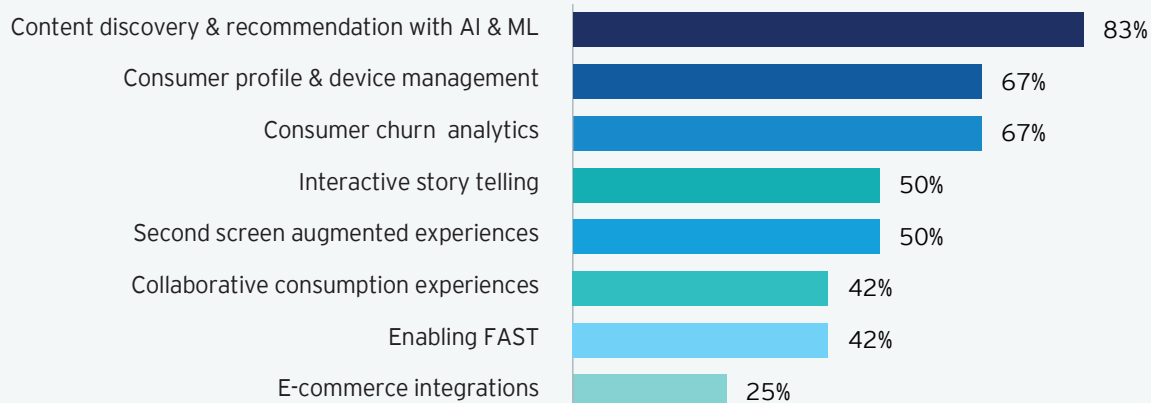
**Content RoI and
security are the
content tech
focus areas**



%age of respondents for whom each area was in the top focus areas for 2023

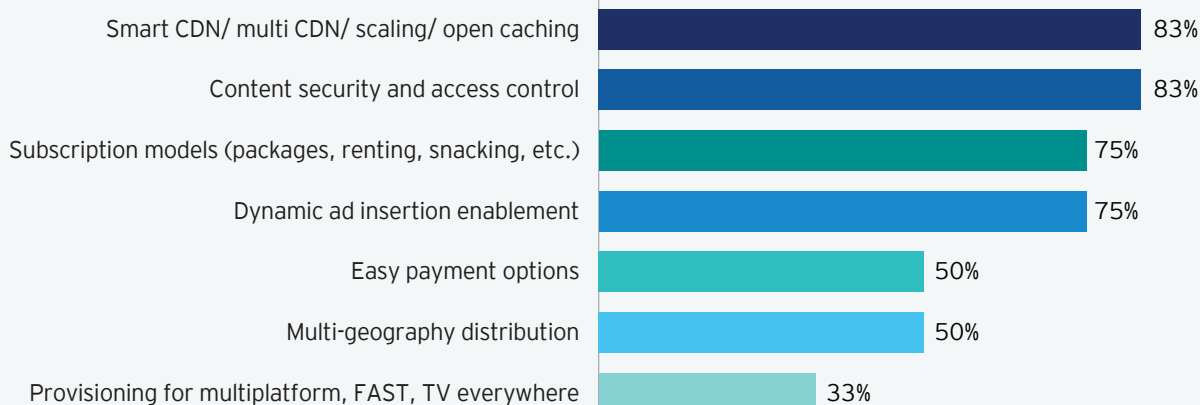
Consumer agenda is focused on

content discovery,
profile and device
management and
churn analytics



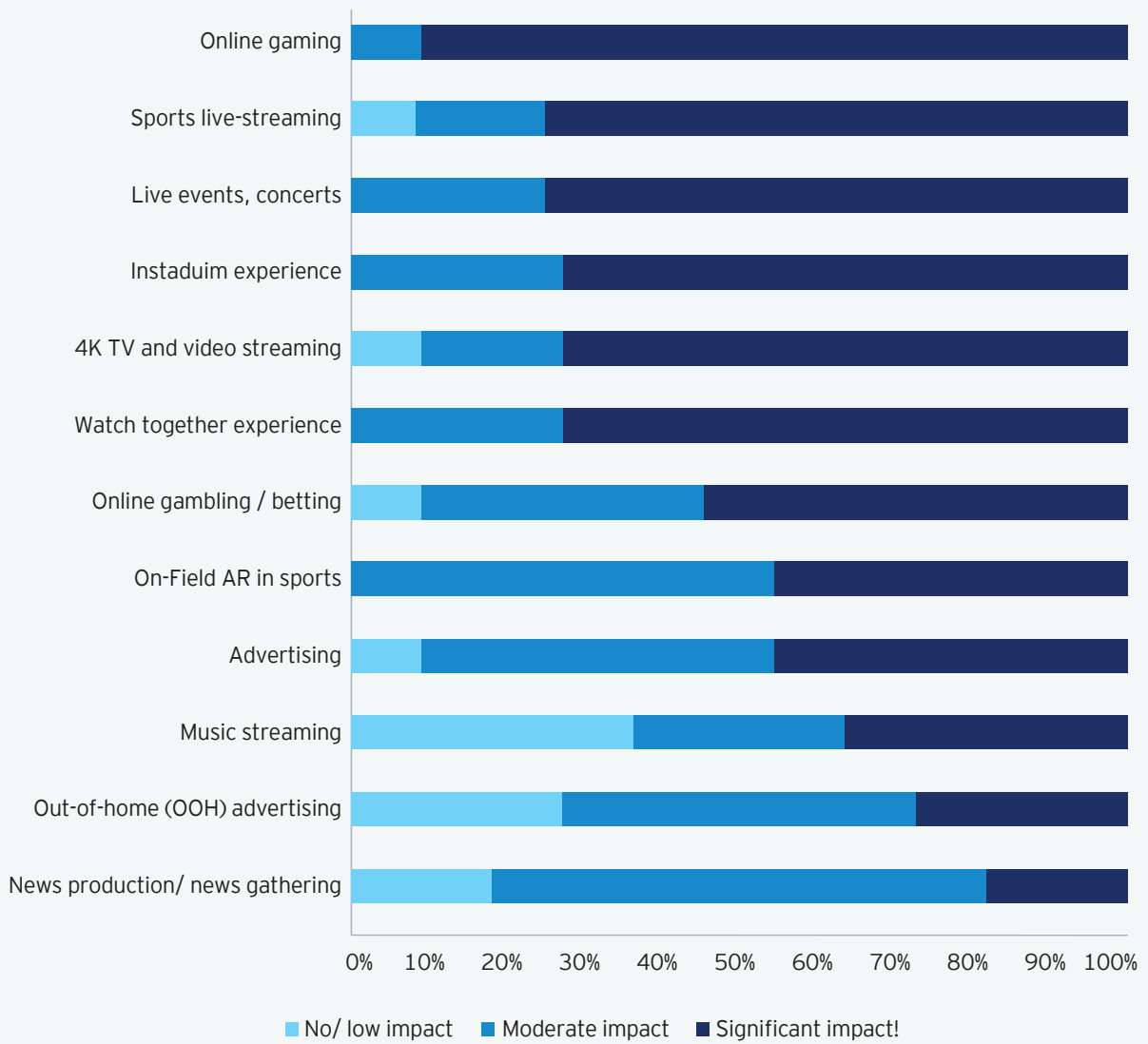
%age of respondents for whom each area was in the top focus areas for 2023

In **distribution**, CDNs, security and subscriptions are **focus areas**

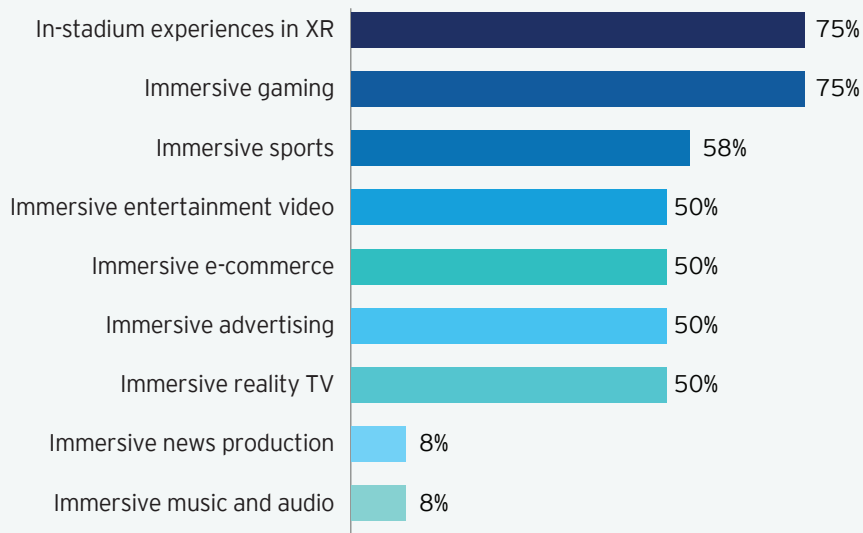


%age of respondents for whom each area was in the top focus areas for 2023

5G would have the largest impact on **gaming, sports and events**



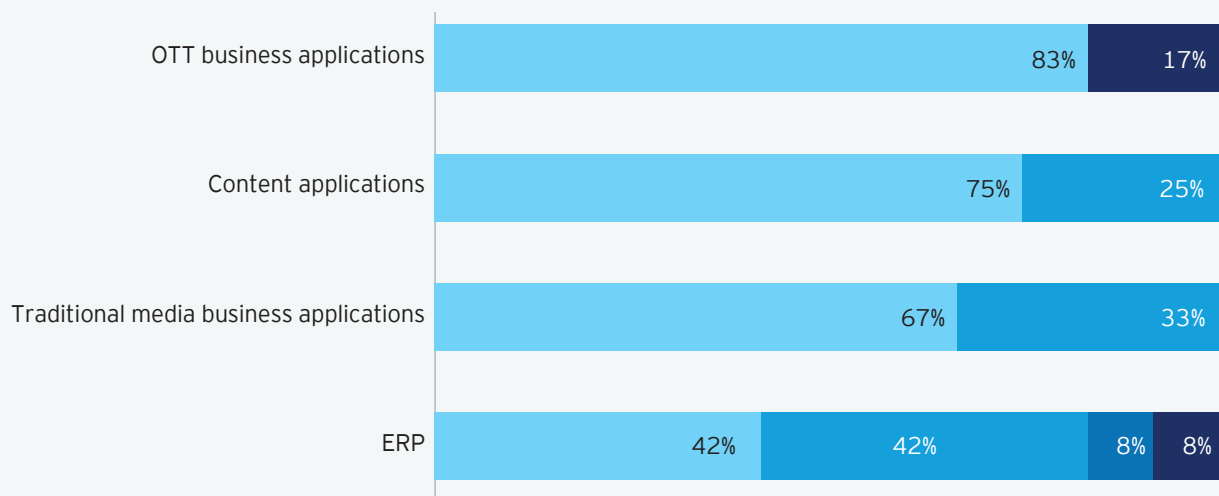
%age of respondents



%age of respondents for whom each use case had potential

The best
AR/VR/XR
use cases are
in-stadia and
immersive
sports

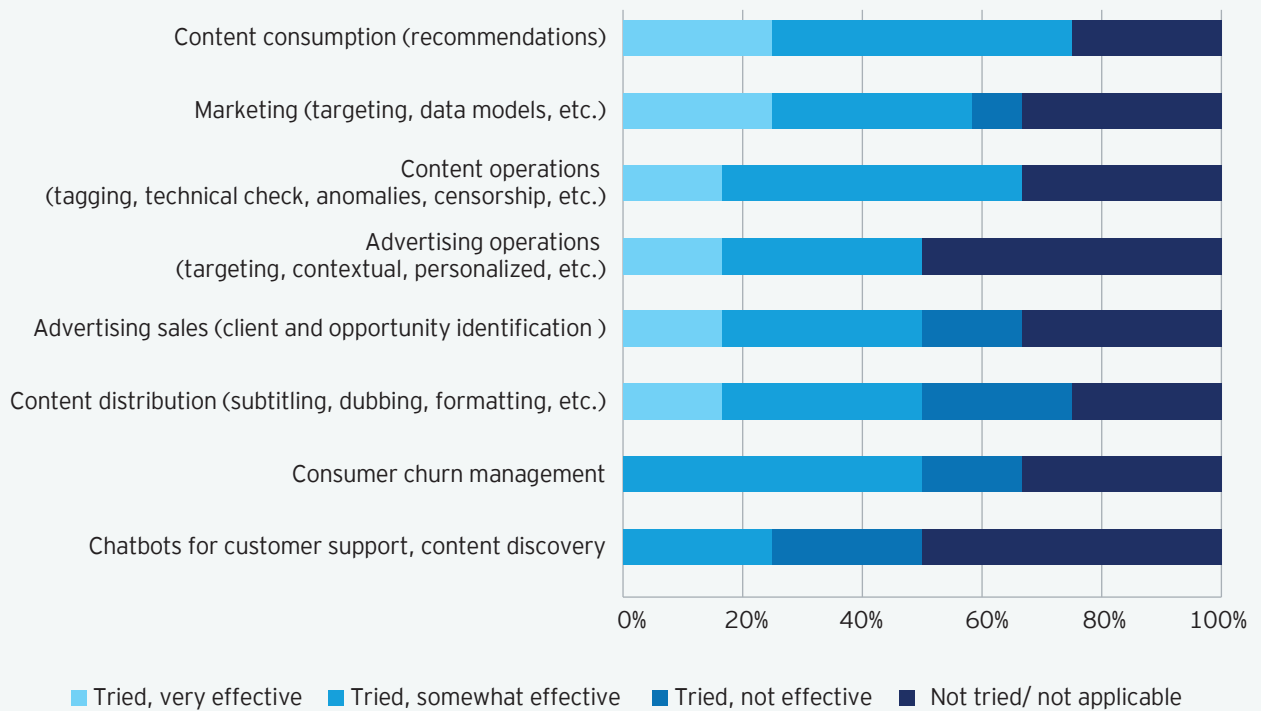
**Cloud
adoption** is
highest for OTT
business
and content
applications



■ Implemented/ in progress ■ Implementation planned ■ No intention ■ Not applicable

%age of respondents

Respondents found **AI/ML** and **RPA** most effective in content and marketing



%age of respondents

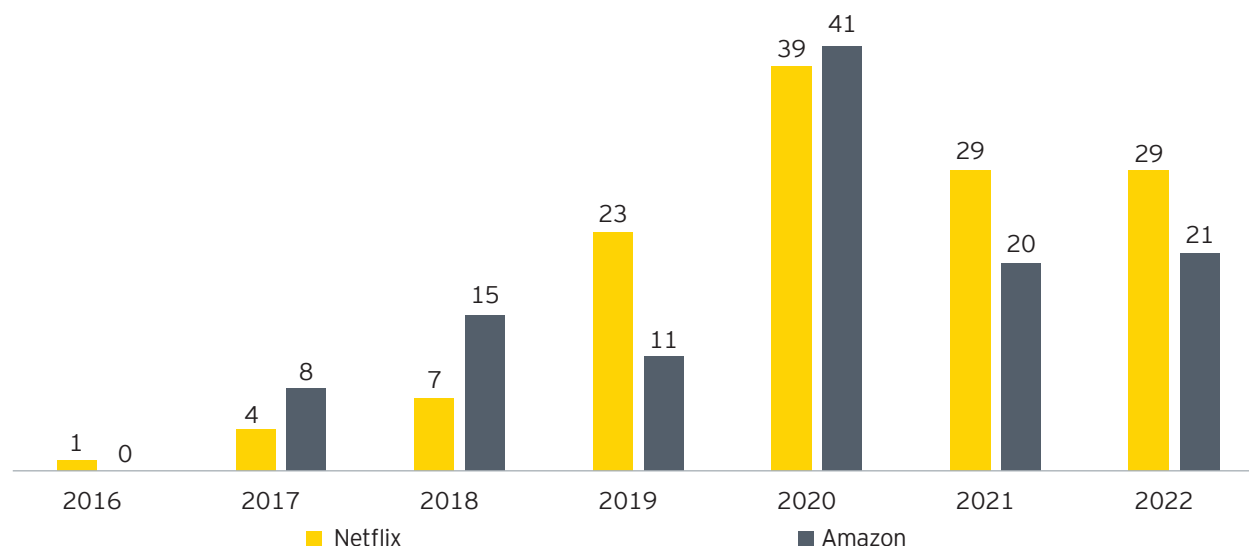


India M&E tech opportunity

Powered by Omdia

India will buck the trend of slowing investment in streaming content

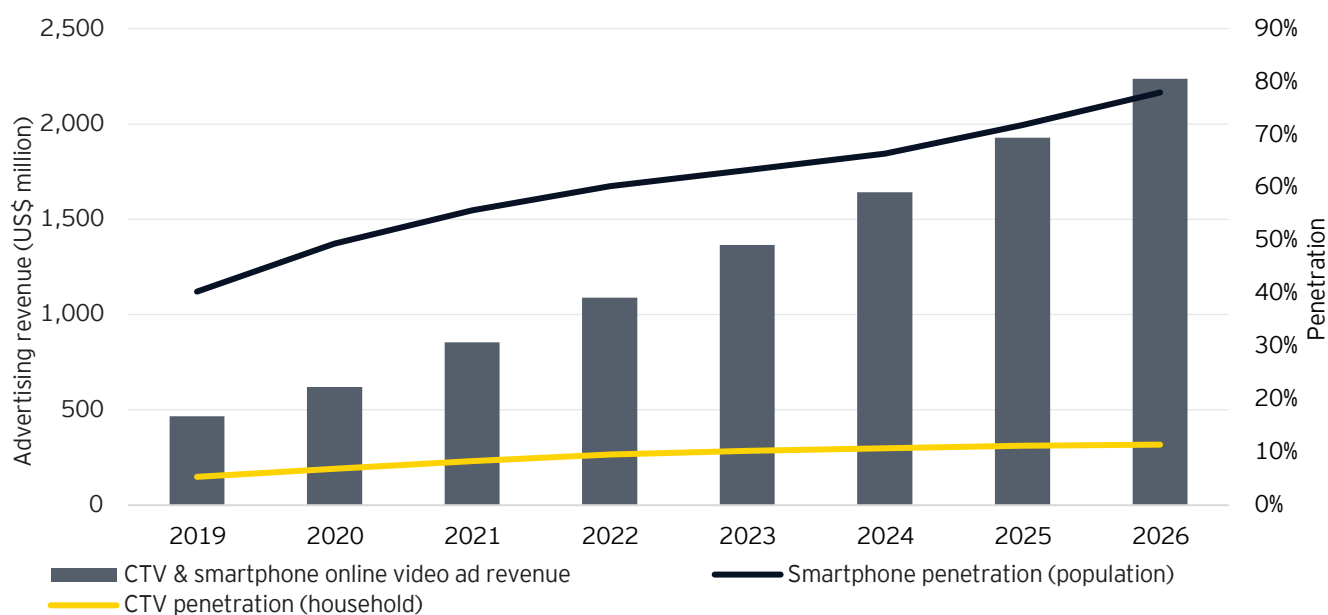
Netflix and Amazon original productions in India by year of first transmission, 2016-2022



- ▶ While many observers think that the growth in content production in recent years will run out of steam in 2023, India presents a different scenario. India is a key market for Amazon, Netflix, and Disney
- ▶ All three companies are heavily investing in Indian content. Amazon Prime Video has announced that it will double its investment in Indian content over the next five years
- ▶ In Q2 2022, the local Netflix original Gangubai Kathiawadi was number one with 9.09 million viewers, beating Stranger Things into second place. This shows that Indian content is typically the first choice of local viewers. Hence, India should remain unaffected by any slowdown in content investment

Connected TV makers are becoming key gatekeepers - and monetizers - of content

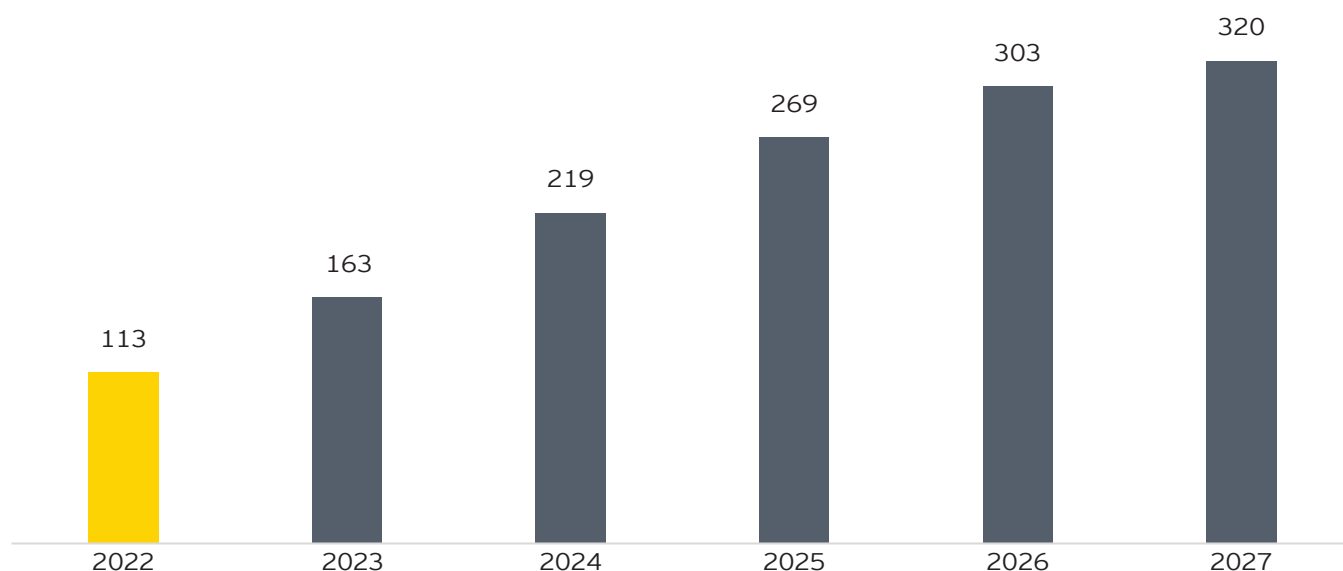
India CTV and smartphone video advertising revenue and penetration, 2019 - 2026



- ▶ Connected TV (CTV) devices represent a growing advertising opportunity thanks to the expansion of free ad-supported streaming TV (FAST) services and the continued growth of premium online video
- ▶ However, CTV ownership in India is far behind other markets with only 10% of homes owning a CTV set, due to the growth of adoption and usage of smartphones, which had a 60% penetration of population in 2022 that could increase up to 80% in 2026
- ▶ This is also reflected in the advertising market share with smartphones accounting for 60% of online video ad revenue and CTV less than 5%
- ▶ As online video consumption on CTVs increases, manufacturers are copying pay-TV operator strategies in controlling the electronic program guide (EPG) and user interface (UI) of their devices. This is in addition to funneling users to their own ad-supported online video services - such as Samsung TV Plus, which launched in India in March 2021
- ▶ This provides opportunities for new ad inventory across the CTV UI and within manufacturer-owned OTT video apps. As advertising becomes more important to CTV manufacturers, many have also invested strongly in ad tech
- ▶ This pivot towards advertising will play a key role in bolstering CTV penetration in India by helping manufacturers to offer lower-priced devices that a wider base of consumers can afford
- ▶ By 2027, Omdia expects CTV advertising revenues in India to be worth US\$300 million, a 4X growth from 2022

5G will enhance M&E for consumers and industry stakeholders

M&E opportunity (US\$ million) for private LTE and 5G networks, 2022-2027



- ▶ Mobile operators are in the middle of deploying 5G across their networks with the latest generation of the 3GPP standard having the potential to make a more far-reaching impact on the M&E landscape than ever before
- ▶ Enhanced mobile broadband (eMBB) will improve the experience of consuming traditional media such as music, video and games over mobile networks by increasing data capacity and coverage, and reducing latency
- ▶ The increased bandwidth along with reduced latency will also improve the delivery of augmented reality (AR) and virtual reality (VR) experiences
- ▶ Network slicing will offer M&E sector stakeholders dedicated localized mobile networks with high capacity and ultra-low latency
- ▶ M&E sector spend on such private mobile networks will increase from US\$113 million in 2022 to \$320 million in 2027
- ▶ Lowering the cost barrier for live production will increase the variety of live content available to consumers, enabling remote production services and streamlining operations
- ▶ 5G release 17 includes multicast and broadcast services (MBS) designed to improve TV and video distribution
- ▶ M&E stakeholders must pay attention to 5G releases to benefit from its potential in India, where mobile Internet is essential for online media consumption

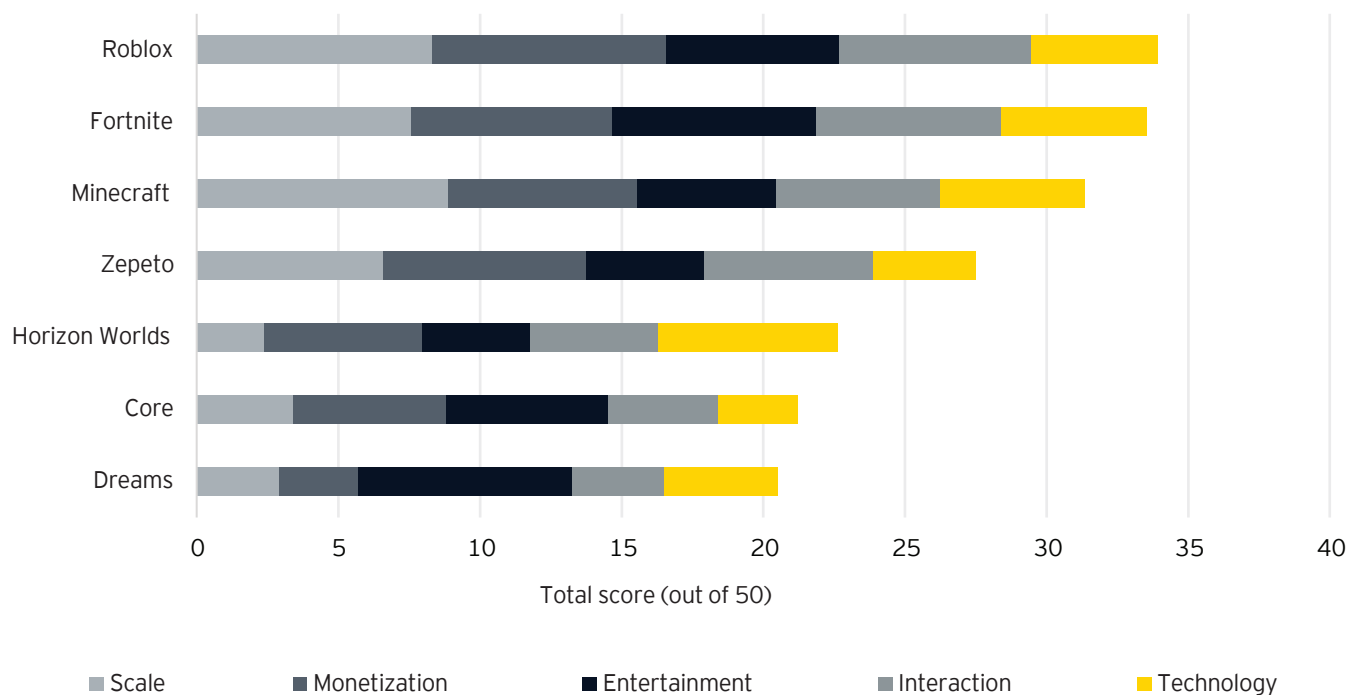
AI is transforming TV and video: the big picture

Data	Compliance	Production	Delivery
▶ Automated data collection, management & processing ▶ AI augmented predictive and prescriptive analytics for deeper insights ▶ AI automated video content metadata tagging using a range of technologies (e.g. object/image recognition, facial recognition, audio/speech recognition)	▶ AI assisted content moderation, quotas, copyright compliance ▶ Monitoring the use of data, aligning with privacy rules ▶ AI to assist with AI governance (e.g. ML models to scan for potential algorithmic bias)	▶ Automated captioning & dubbing ▶ Advanced, automated camera operations & video capture ▶ Automated clip generation, trailers ▶ Video upscaling ▶ Virtual sets & AR overlay graphics ▶ Generative AI (e.g. advanced dubbing, story-boarding, script generation, aging/de-aging actors, 3D virtual presenters)	▶ Core network optimization (e.g. capacity planning, anomaly detection) ▶ CDN optimization, e.g. real-time automated content routing ▶ Automated adaptive video streaming
Security	Engagement	Monetization	
▶ ML models to monitor and detect illicit activity on accounts ▶ ML models to monitor and detect piracy attacks, triggering counter measures ▶ AI to scan the web for illegal video streaming in real time, triggering take downs	▶ AI enhanced content discovery (e.g. more accurate search results, voice search, personalized recommendations) ▶ AI generated personalized clips/highlights, trailers ▶ Advanced control interface (e.g. voice, gestures, eye tracking) ▶ AI to support interactive, adaptive video narratives ▶ AR TV companion apps ▶ Advanced parental controls, e.g. face recognition	▶ Augmented analytics & modelling to support business decisions (e.g. optimum content bundles, churn prevention, TV/ film investments) ▶ AI enhanced TV advertising (e.g. optimized ad insertion, product placements, automated ad workflows) ▶ Enhanced TV shopping (e.g. improved security, voice payments, AR companion apps)	
▶ AI is enabling automation of media assets and production workflows, and transforming video content metadata tagging along with TV and video production via automated subtitles and clip generation ▶ AI-powered network resource planning, orchestration, and fault detection can improve network performance and viewing quality ▶ AI is also enhancing how consumers engage with TV and video by making recommendations more relevant, providing new types of user interface (e.g. voice and gesture control), and with augmented reality (AR) applications that can make content more interactive and immersive		▶ AI is improving monetization opportunities by enabling more precise, contextual ad placements and driving advances in shoppable TV ▶ Generative AI could enable better localization of video content in India and empower smaller video production companies and start-ups ▶ Generative AI governance will need particular attention, and Indian authorities must be proactive in protecting people from potential harms and addressing copyright frameworks	



Metaverse: A long-term vision with short-term opportunities

Omdia Games Metaverse Benchmark ratings by game and parameter, July 2022



- ▶ The metaverse is a popular topic, and companies are exploring its potential, with some creating their own metaverse platforms, while others are experimenting with metaverse games to reach consumers
- ▶ The fully immersive vision of the metaverse favoured by companies like Meta is still over a decade away
- ▶ Indian companies are also exploring the metaverse, with Tech Mahindra, Volvo Car India, and Hyundai Motor India among those taking early steps
- ▶ Metaverse games like Roblox and Fortnite are offering opportunities for companies to engage with consumers, drive sales, and reach desirable demographics
- ▶ Brands are increasingly directing marketing budgets towards these games to drive engagement and sales
- ▶ Clothing brands like FabIndia or Mufti could benefit from exploring metaverse games partnerships to sell “skins” and reach a wider audience
- ▶ There is much potential in the metaverse, and companies worldwide are looking to fund or acquire businesses to help them build localised products and improve their position internationally

Contributors:

- ▶ Daniel Simmons, Research Director, Media Delivery
- ▶ David Tett, Principal Analyst, Addressable Consumer Devices
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- ▶ Eden Zoller, Chief Analyst, Consumer Platforms & AI
- ▶ Maria Rua Aguite, Senior Research Director, Media & Entertainment
- ▶ Matthew Bailey, Principal Analyst, Advertising
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- ▶ Tim Westcott, Senior Principal Analyst, Digital Content & Channels

Expert speak



Rajat Nigam
Network 18

Technology has empowered creativity for generation and consumption of Content. Pluralism of formats, standards, protocols and platforms have enhanced the spread of content offerings, be it for News, Entertainment or Sports ... you can watch the upcoming IPL in 25 different live content streams!



Raj Mohan Srinivasan
Sony Pictures Networks India

Our moment of truth is here. The consumer is no longer passive - technology is immersing them spatially into content, challenging storytelling itself. Yet, monetisation models continue to remain elusive.



Nitin Mittal
Zee Entertainment Enterprises

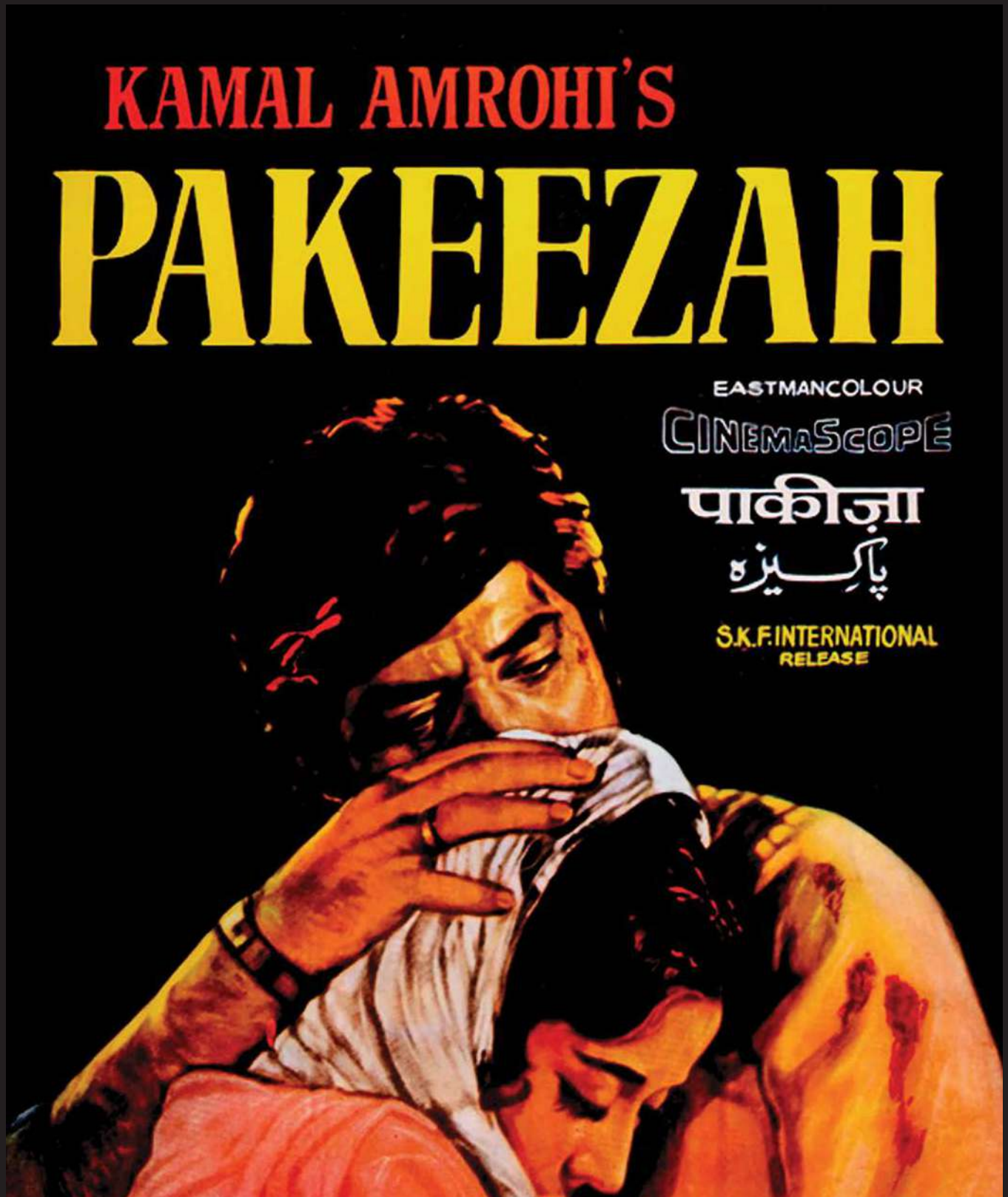
We'll soon see two sets of M&E winners. One set will be highly scaled direct-to-consumer services giants that attract and keep hundreds of millions of subscribers, and operate profitably. The other set will be the super aggregators that solve the content discovery and pricing problems by bundling services around common platforms that provide unified subscription and billing, as well as cross-channel content recommendations.



Rajeev Batra
Times Group

The pandemic democratized digital transformation at an unimaginable pace, and barriers around technology adoption were obliterated overnight. We are in the throes of the next wave of technology evolution - generative and conversational AI, which promises to transform the way we work – be it creating content, doing customer services, or innovating in any domain!

Shared services in M&E



Shared services in M&E

GCCs contribute over 1% of the Indian GDP

- ▶ India houses over 1.3 million people in 1,500+ Global Capability Centers (GCCs) that serve 80+ countries
- ▶ Due to mounting cost pressures across US and UK, and India's competitive supply of talent and efficiency in cost, the demand for global centers is expected to increase
- ▶ By 2026, India should see approximately two million people employed across 2,000+ GCCs that contribute ~USD65 billion

Advertising groups were the pioneers in establishing functional GCCs in India

- ▶ Advertising captive centers (ranging from 50 to 1,000+ people) started with traditional back-office services such as accounts receivable, accounts payable, accounting, intercompany, master data management, etc.
- ▶ These centers are now moving to provide sales operations, internal audit support, automation center of excellence (CoE), legal and contract management and other services including artwork design, research, media planning, scheduling, formatting, artwork management, copywriting, production rate benchmarking, etc.
- ▶ As regards digital and social media, new use cases include content monitoring (compliance with content policy), rights monitoring, brand safety monitoring, piracy management, etc.
- ▶ The area of focus for these GCCs continues to be:
 - ▶ Driving operational efficiency across standardization and centralization
 - ▶ Increasing the spread of services across geographies and group companies
 - ▶ Going up the value chain to move towards more middle office services such as risk management, legal support, procurement commercials, etc.

The inclination of other media houses towards BPOs is starting to evolve

- ▶ As of 2022, the M&E sector would be supported by over 12,000 people across BPOs for traditional transactional processes
- ▶ Media conglomerates have historically leaned towards BPO services rather than setting up their own GCCs
- ▶ These BPO contracts are largely supported out of India for English-speaking markets (70% to 75%) coupled with other centers in Eastern Europe (10% to 12%), China (5% to 7%), South-East Asia (8% to 12%) and LATAM (7% to 10%) for niche language capabilities
- ▶ M&E industry is gravitating towards outsourcing capabilities that require specialization such as post-production services, storyboarding and copywriting, subtitling and closed captioning, metadata research
- ▶ Over the last two to three years, these media companies have been stressing on the need for increased benefits from the BPO partners, which has resulted into:
 - ▶ Evolution of the contracting patterns towards outcome-based contracting, gain share models, value-based partnership models, etc.
 - ▶ Service innovations by outsourcing providers with increased use of automation, chatbots, workflow automation, self-service, data enabled insights, process mining, etc.
 - ▶ Increased focus on customer experience, personalization and communication using AI technologies



Engineering and technology services are expected to thrive and grow at a considerable pace

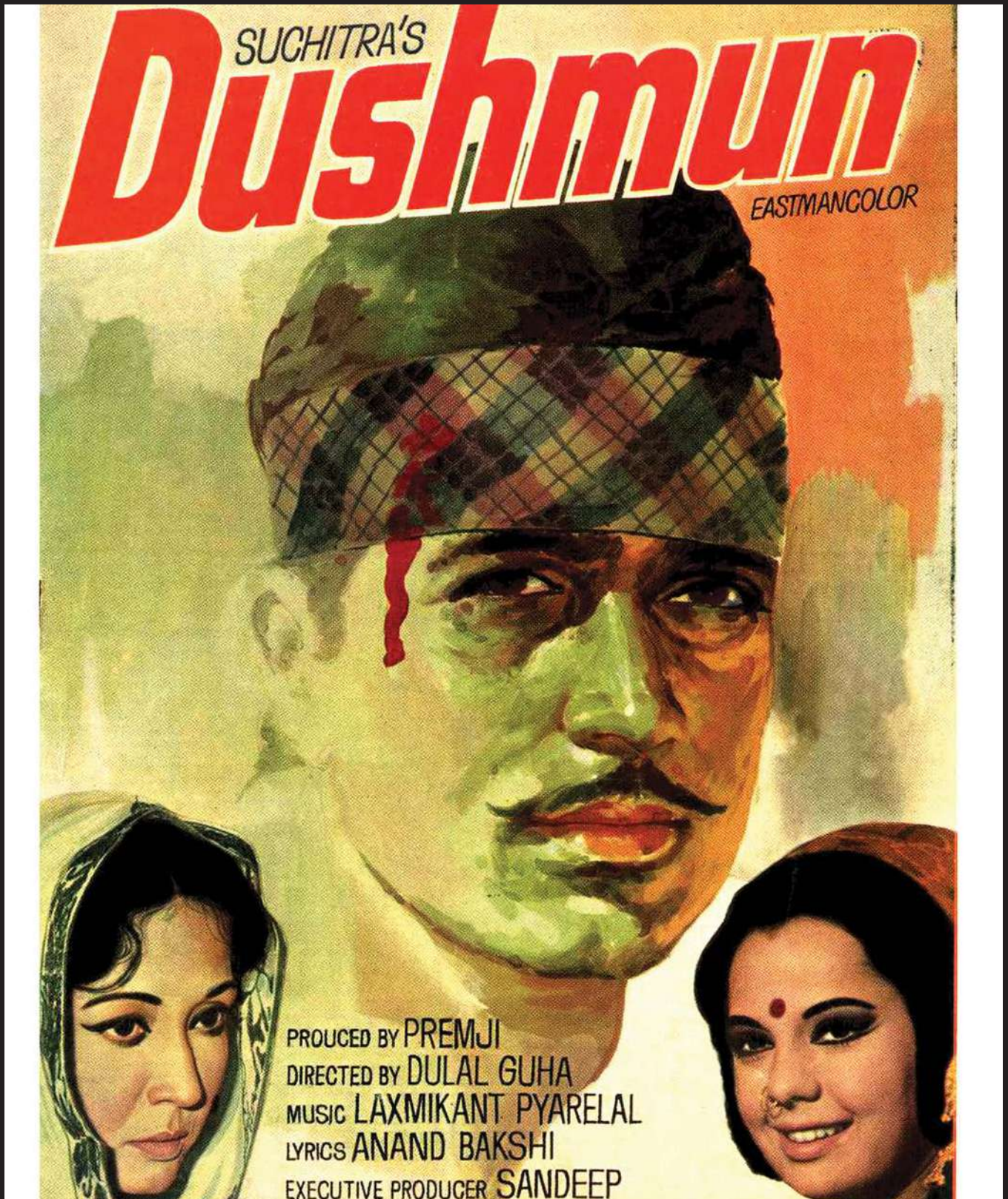
- ▶ India's rank in the Global Innovation Index 2022 has improved by six positions over its 2021 rank, making India the preferred destination for setting up engineering capabilities
- ▶ The engineering and technology services industry is expected to witness a ~17% growth with multiple global companies looking at India as a destination to build capabilities
- ▶ While Bengaluru continues to be the favored destination for global tech companies to nurture these capabilities, new set-ups are also considering other locations, such as Chennai, Hyderabad and West India (Mumbai and Pune) to nurture technology talent
- ▶ These centers focus on core engineering and operations, platform services, cybersecurity, cloud and network and infra services and other business-specific centers of excellence such as website and app development and testing, game development and skinning, interactive solutions and OTT and consumer analytics

Global M&E companies will need to use captives strategically to remain competitive

- ▶ The ability for M&E companies to be agile, relevant, and competitive in an evolving industry shall be based on their ability to use their captive centers to efficiently and sustainably be involved in the core elements of the business operating model (content development and management, rights management, meta tagging, predictive analytics, cloud transformation, etc.)
- ▶ While mature industries have been able to use their capability centers as a strategic asset in driving global business transformation, the role of GCCs in supporting global M&E organizations continues to be under penetrated
- ▶ M&E captives are yet to embark on the journey of being the nucleus of driving business transformation and driving CoE capability builds and moving towards supporting global middle-office and front-office operations



Data privacy



Data privacy

- ▶ Data privacy regime is becoming a critical business priority for M&E companies as the government plans to introduce the Digital Personal Data Protection Bill before the parliament in 2023
- ▶ A revised draft of the bill was released by MeITY for public consultation on 18 November 2022, which included some welcome changes

Shortened and simplified version containing 30 articles and 1 schedule vis-à-vis the previous version containing 99 articles and 1 schedule

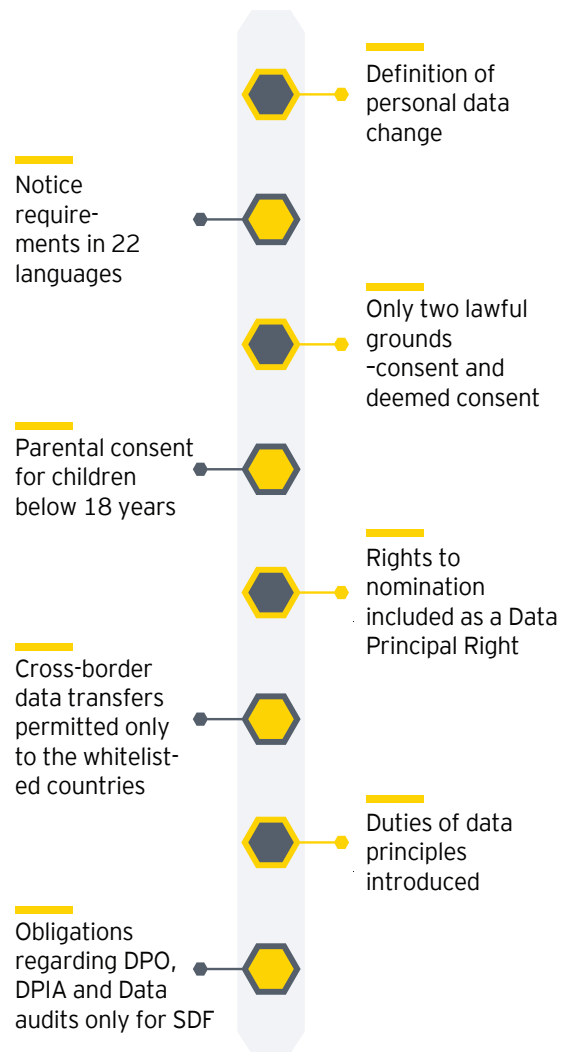
Dismissal of data localization requirement and recommending a globally aligned framework for cross-border data transfers, that will promote national security

Omission of non-personal data, shifting the focus on regulating only digital personal data

Bill stands as India's own model of the data privacy framework, taking into consideration India's business landscape and operating challenges

Key updates proposed in the bill¹

The following is a summary of some key updates proposed in the bill:



¹ DPO: Data Privacy Officer; DPIA: Data Privacy Impact Assessment; SDF: Significant Data Fiduciary

However, clarity is required in areas like privacy by design, automated decision making/ profiling, technical and organizational measures, and the implementation timeline.

Following are some of the provisions of the bill which require clarity as well as some areas that require the regulator's/ government's attention:

- 1 Consent is the primary ground for processing. No explicit mention of other grounds for lawful processing. More clarity shall be provided for lawful processing of digital personal data
- 2 The bill does not have defined category of sensitive personal data
- 3 The Data Protection Impact Assessment (DPIA) is applicable to significant data fiduciary. However, it should be applicable to only high-risk processing activities (including data fiduciary)

Parameters to perform DPIA shall be defined.
- 4 Timelines for reporting data breach to Data Principal as well as Data Protection Board is not mentioned
- 5 Bill shall clearly mention technical and organizational measures that data fiduciary as well as data processors need to implement to protect the personal data
- 6 Task and responsibility of data protection officer shall be included in bill to establish accountability for data practices running in the organization
- 7 Concept of "privacy by design and default" shall be included to ensure privacy requirements are addressed from the inception

Potential impact of the DPDPB on M&E companies

- ▶ All media companies with digital presence will have to update their digital platforms to include privacy notices in 22 Indian languages
- ▶ Media companies targeting children below 18 years will have to integrate mechanisms for age verification and parental consents for minors on their digital platforms
- ▶ Online transaction companies, such as online gaming companies, would require implementing adequate safeguards for financial transactions
- ▶ Sectors involved in capturing offline personal data and later digitizing it (such as television, film, and print) would be required to implement security measures to protect the data and abide by the requirements of regulation
- ▶ Media companies operating across geographies can only transfer personal data to countries whitelisted by the government

Benefits of implementing the provisions of the DPDPB

While the Indian regulatory environment is maturing, M&E companies should consider establishing a strong data privacy governance environment, irrespective of the regulation, due to various benefits, as indicated below:

► Competitive advantage

To establish a competitive differentiator amongst its peers and outperform their competitors, Indian M&E companies have started prioritizing privacy as their organizational goal

► ESG strategy

Establishing generally acceptable privacy principles that contribute towards the three pillars of environmental, social and governance (ESG) agenda. Examples include: data minimization under privacy, which results in lesser infrastructure components and hence aids the environment

► Cyber resilience

The nature of cyber threats is evolving, and business are in dire need to deploy privacy and security measures to safeguard customer personal data and remain resilient

► Stakeholder confidence

Embedding privacy into business practices leads to increased customer trust and confidence, which is a critical component, especially for consumer-facing M&E companies. As M&E companies are increasingly introducing technologies like AI, ML and RPA to provide personalized content, automated recommendations, and targeted advertisements, adopting privacy practices will provide greater confidence to consumers

► Attracting investments

Upholding data privacy requirements tests a company's capability to adapt to global data privacy trends and reduce the risks and exposures related to data. This is an important factor evaluated by investors while doing their due diligence on target companies

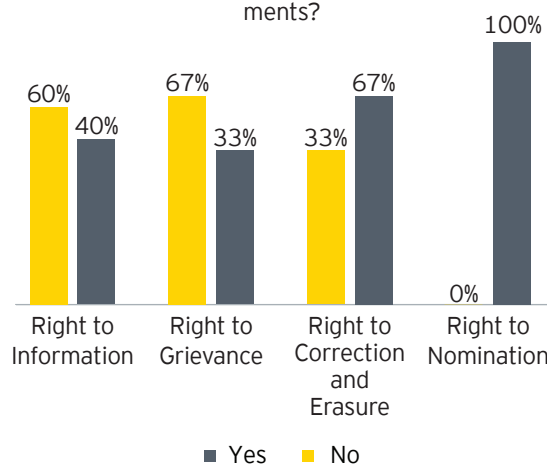
Current privacy maturity in M&E sector

Considering the above-mentioned advantages as an opportunity to embed a data privacy culture within their business practices, companies can assess their current privacy maturity levels against generally accepted privacy principles and the draft DPDPB and address any shortcomings observed.

EY conducted a survey to assess the readiness of M&E companies to become privacy compliant with the proposed draft DPDPB.

I. No M&E company was currently fully compliant with proposed DPDPB requirements

Q. Is your organization to cater to privacy rights requirements?



EY M&E CIO survey 2022 | Percentage of respondents

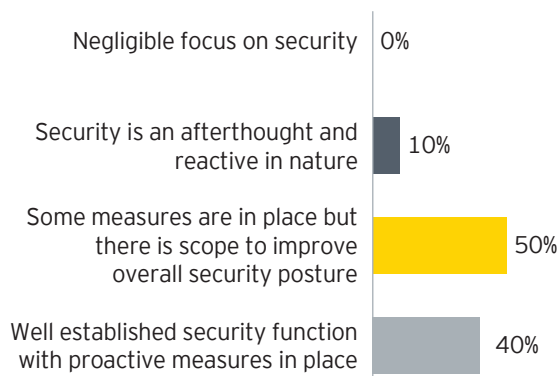
► No respondent organizations were ready to serve customers with all the proposed privacy rights under the DPDPB, and less than half could comply with three out of four privacy rights under it

► Companies do have basic manual processes to cater to the rights of the customers, however the processes need to be upgraded to cover all the provisions required under the law and to meet the required scale and response time

► For the rights that are newly introduced, such as the right to nomination, companies are yet to incorporate the same into their business processes

II. 60% believed in the need to improve cyber resilience across business functions

Q. Given the latest security threats and breaches, how well equipped is your security function?



EY M&E CIO survey 2022 | Percentage of respondents

- ▶ Companies have incorporated fundamental security measures in their business practices as a result of industry standards, such as ISO 27001 and PCI DSS. However adequate security controls such as anonymization, encryption, need to be implemented keeping data privacy into consideration
- ▶ Over 10% companies state that security is an afterthought after the incident and breaches occur and a general need of proactive measures to deal with such incidents is required

III. The technology roadmap of CIOs necessitated a deeper focus on security and privacy

- ▶ Over 90% of respondents were focusing on programmatic capabilities and ad performance, which has implications for consent, storage, and destruction of personal data
- ▶ 75% believed multiple subscription models were required by the business, which increases the usage of personal and payment data
- ▶ 83% planned to focus on AI/ML to provide content recommendations, which will demand the companies to undertake the Data Privacy Impact Assessments (DPIAs) to assess such high-risk data processing activities
- ▶ 75% feel that the introduction of 5G will positively impact live events conducted across multiple geographies, making data privacy controls imperative in business processes, especially focusing on cross-border data and fund transfers
- ▶ 60% companies already use technologies that have reasonable safeguards that can be implemented for personal data protection making compliance to regulation easier
- ▶ Data privacy requirements of consent and data subject rights are generally not available within the print sector, however fundamental security controls are established
- ▶ Consumer-centric platforms for online gaming and music generally do not obtain explicit consent related to advertisements, marketing, and personalization from the customers, which will need to be updated to meet the bill's requirements

We observe that companies across M&E segments are more privacy compliant on the frontend as details related to data are communicated through basic privacy policies and notices to the customer; however, they still need to ensure that the backend processes are well defined and integrated to establish privacy by design failing which organizations stand to incur significant penalties in the event of a personal data breach.

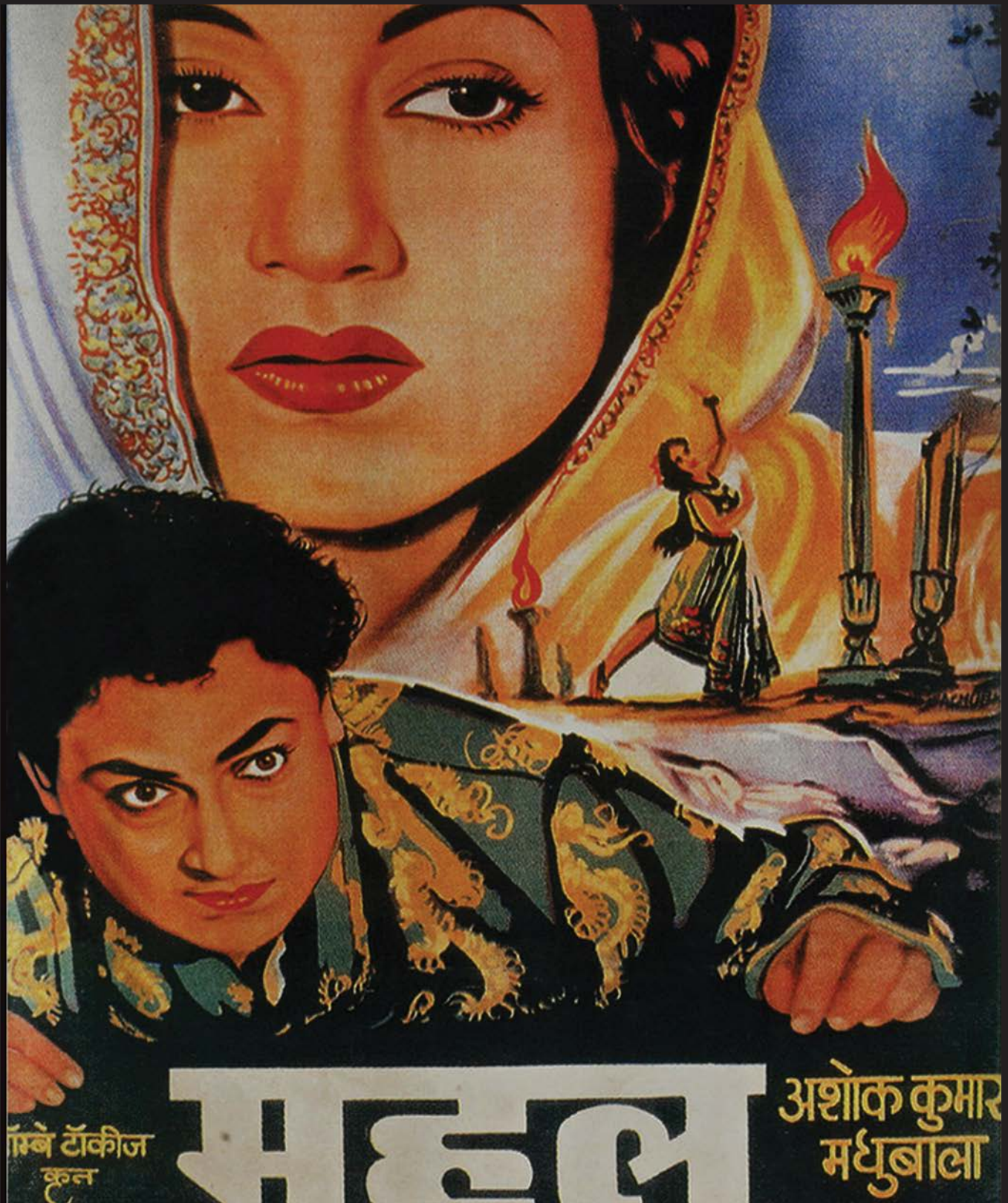
Way forward

Achieving a desired level of privacy maturity is not always straightforward. There are different factors that determine maturity, like size, nature and volume of personal data processed, types of customers, geographies, and applicable data privacy laws.

- ▶ Irrespective of the law/regulation, companies need to establish the fundamentals by following the bare minimum practices of:
 - ▶ performing data discovery and inventorization
 - ▶ knowing storage timelines
 - ▶ identifying third parties who are recipients of personal data
 - ▶ identifying processing activities and touch points where personal data is dealt with in the form of Data Flow Diagrams (DFDs) and Records of Processing Activities (ROPA)
- ▶ Companies having global business who have embarked upon the journey of data privacy compliance now need to focus on incorporating those practices into their Indian business operations
- ▶ Additionally, these companies need to consider investing in automation that will enable them to centralize, simplify, sustain, and scale data privacy programs and speed up operationalization of regulatory compliance
- ▶ For companies having business in India and who are yet to walk the data privacy path, it is an opportune moment for them to establish a data privacy regime to effectively and rapidly cope-up with the requirements of Indian law, which currently does not specify implementation period



Global M&E megatrends



Global M&E megatrends

M&E sector continues to evolve and grow

2025E: US\$811.6 billion

4.4% CAGR 2022-25

Total ad
spending
worldwide
2022:
US\$713.6
billion

Global games
market size
2022: US\$184.4
billion

2025E: US\$211.2 billion

4.6% CAGR 2022-25

2023E: US\$243 billion

+2% YoY

Global content
expenditure
2022: US\$238
billion

Global SVOD
subscriptions
2022: 1.3
billion

2028E: 1.76 billion

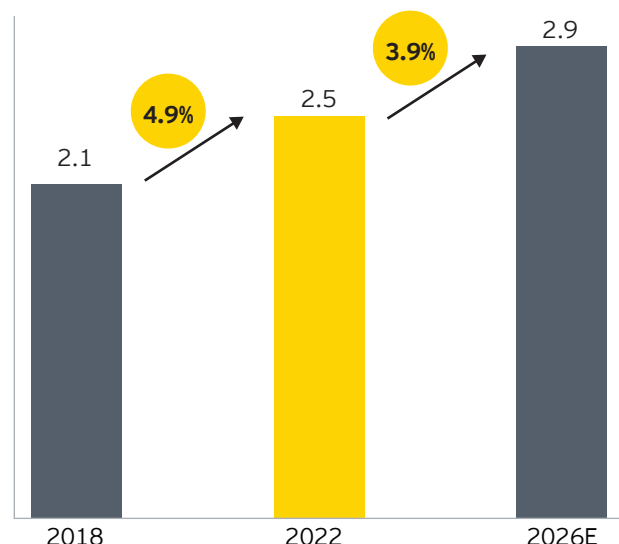
4.8% CAGR 2022-28

2025E: US\$97.9 billion

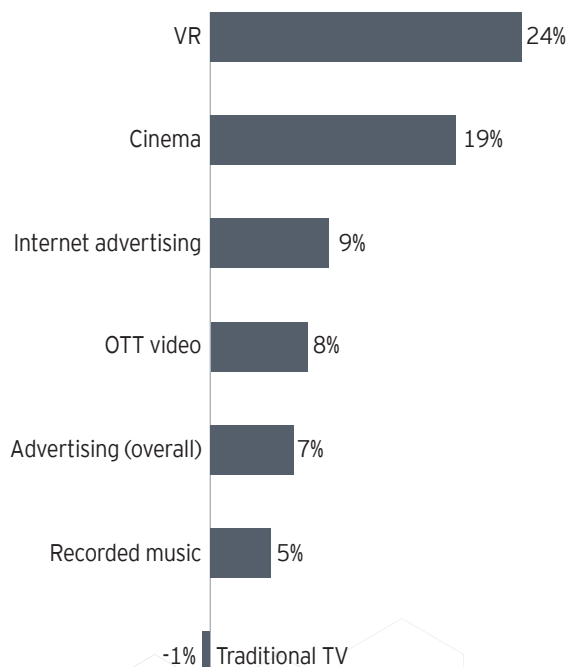
+18.5% CAGR 2022-25

Global streaming
revenues
2022: US\$58.8
billion

M&E revenues (US\$ trillion)



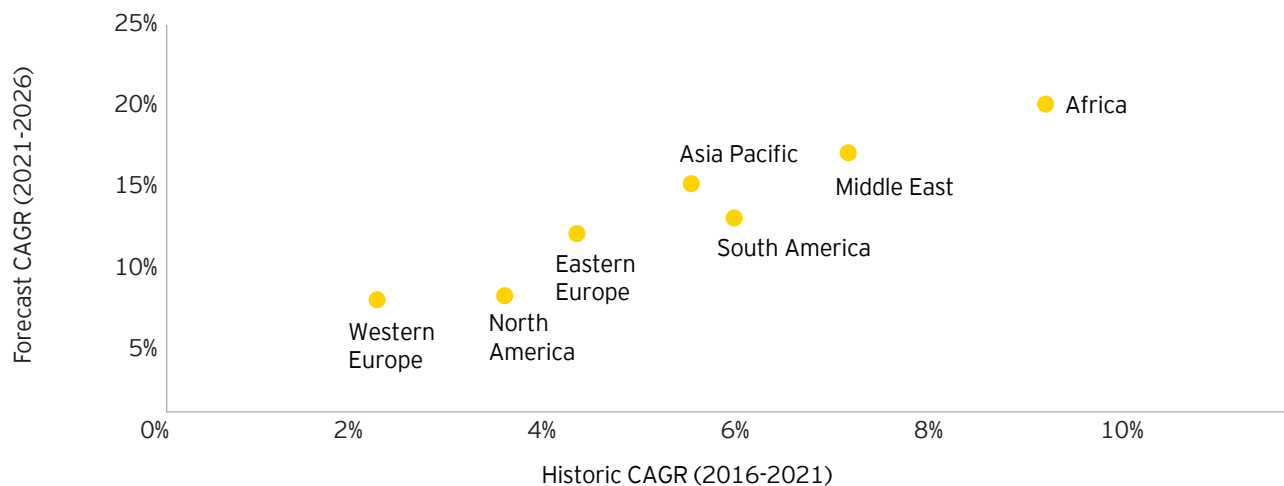
Growth by segment (CAGR 2021-2026)



Source: Magna, Capital IQ, Newzoo, Ampere Analysis, Digital TV Research, EMIS, PRNewswire

The highest growth potential is expected to be in Africa, Middle East and Asia Pacific

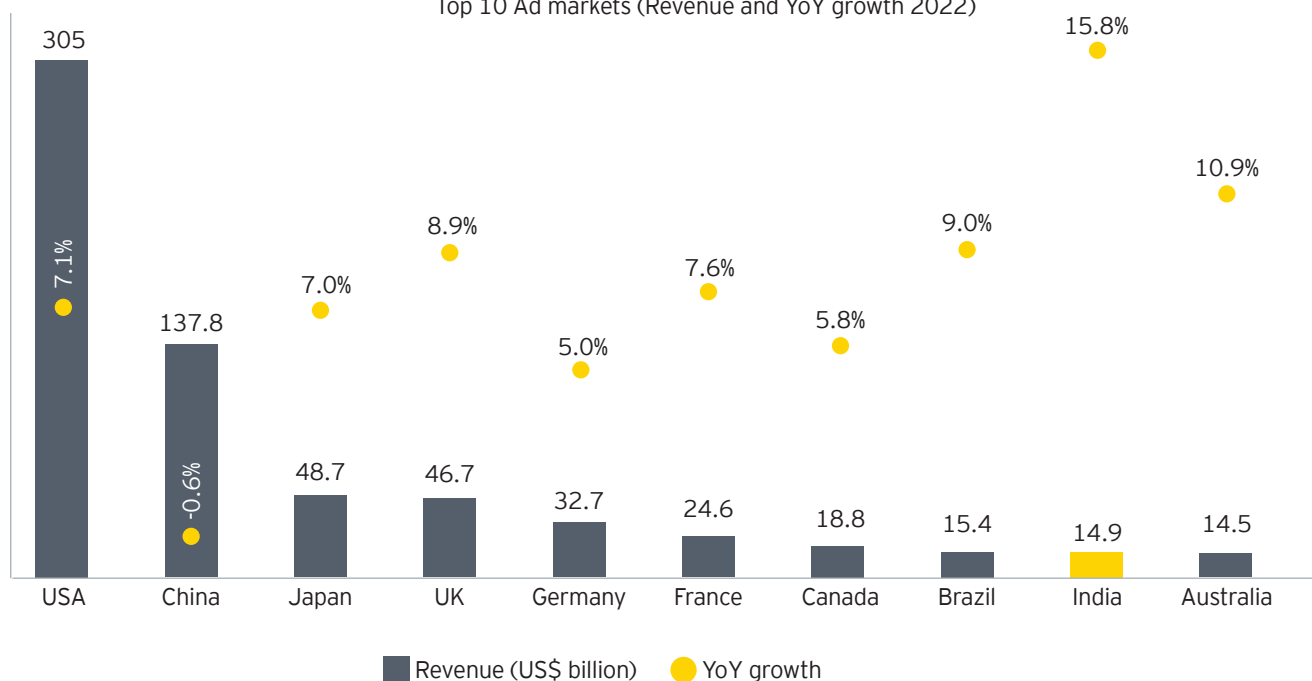
Global media market - 2021-2026



Source: The Business Research Company

Among the top 10 advertising markets globally, India recorded the fastest growth in 2022, growing by 15.8% YoY

Top 10 Ad markets (Revenue and YoY growth 2022)

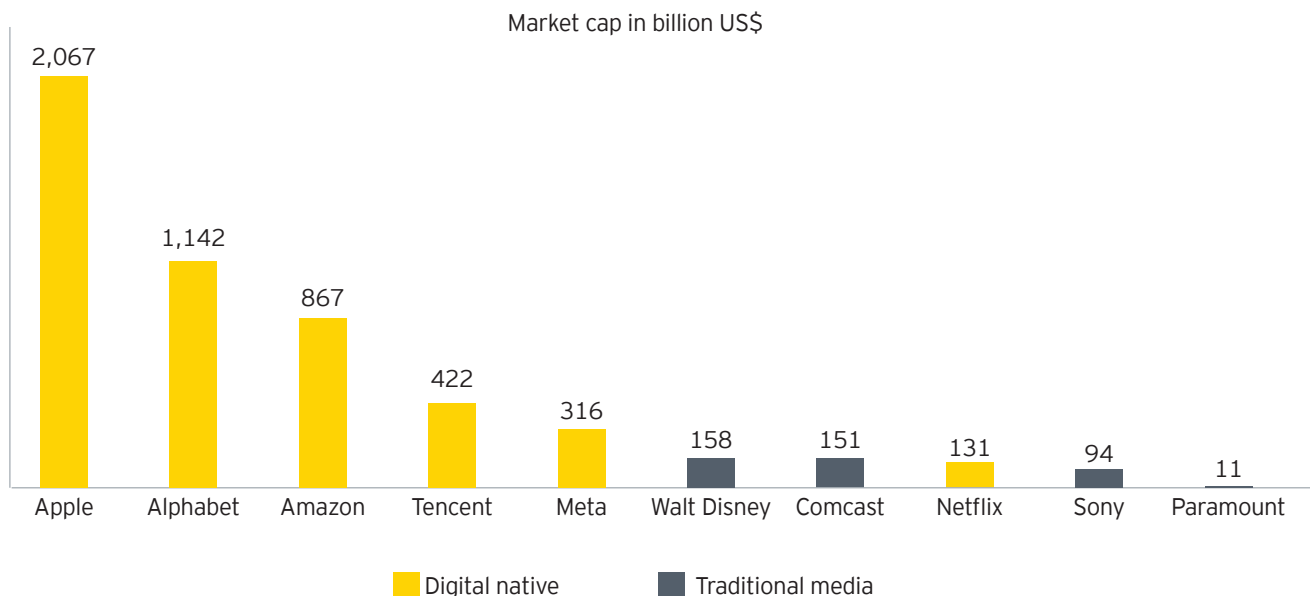


Source: GroupM TINY 2022

The media market includes TV and radio broadcasting; film and music; information services; web content, search portals and social media; print media; cable and other subscription programming.

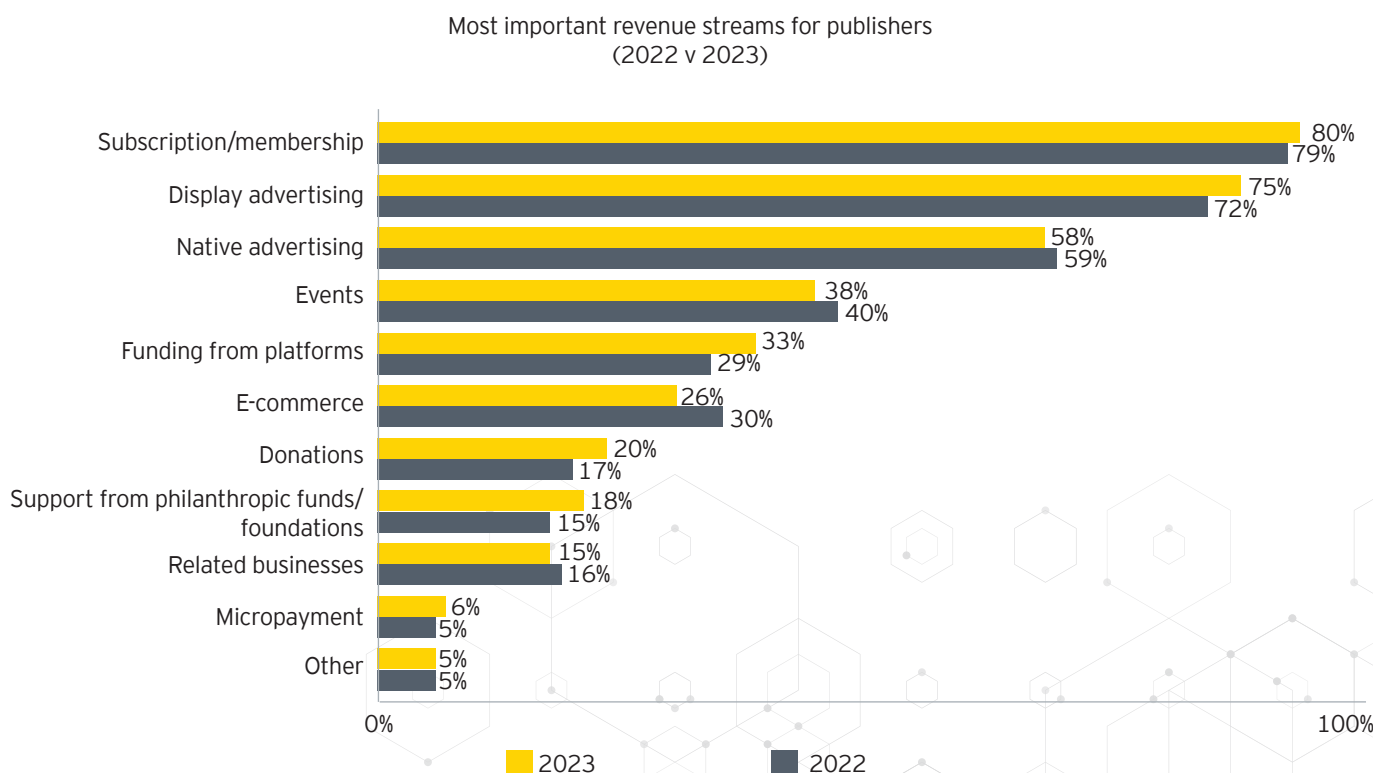
Digital media

Digital natives have redefined competition by building unprecedented scale; their market cap is significantly larger than traditional media players



Apple - 2b installed base; Alphabet - 2.6b monthly active users on YouTube; Amazon - >\$31b ad revenues; Meta - 1.98b daily active users on Facebook; Netflix - 223 million subscribers
Note: Market cap as of Dec 30, 2022

In 2023, globally, companies plan to focus on subscription revenue streams



Based on responses from 273 respondents from the industry (excluding most publicly funded broadcasters) in 2022 and 216 respondents in 2021

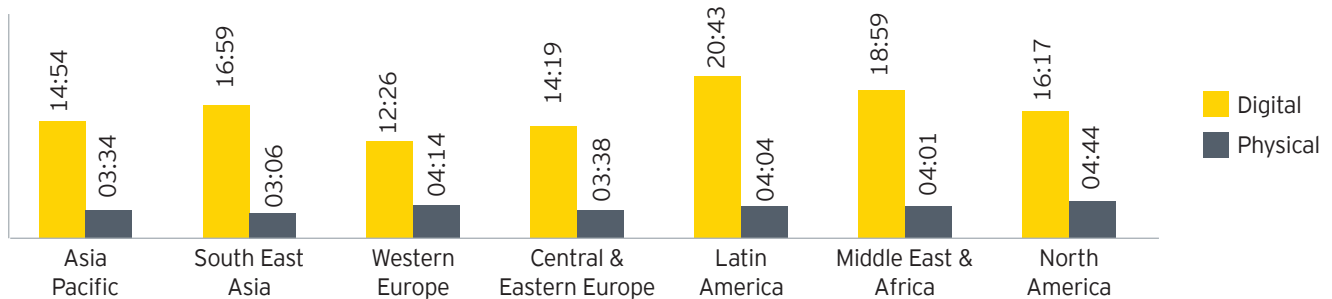
Globally, time spent on digital media is gaining momentum at the cost of traditional media

Where the world spends its media time, H1 2022 (hrs : mins)

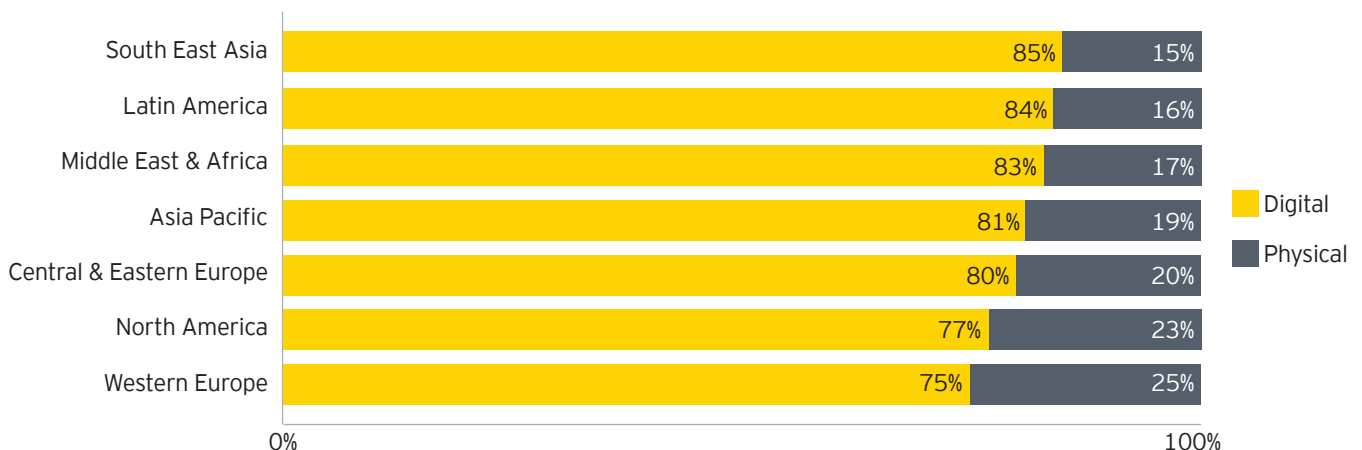
	Asia Pacific	South East Asia	Western Europe	Central & Eastern Europe	Latin America	Middle East & Africa	North America
Digital	14:54	16:59	12:26	14:19	20:43	18:59	16:17
PC/ Laptop/ Tablet	2:25	3:08	3:09	3:43	4:08	3:50	3:39
Mobile	3:27	4:31	2:41	3:49	5:07	4:35	3:26
Social/ Messaging	2:12	2:56	1:48	2:26	3:35	3:05	2:11
Music streaming	1:34	1:33	1:15	1:11	2:04	1:45	1:54
Podcasts	1:07	0:57	0:38	0:33	1:04	1:03	0:57
Online TV/ streaming	1:34	1:20	1:13	1:08	1:35	1:53	1:52
Online press	1:19	1:13	0:50	0:46	1:56	1:19	0:56
Gaming	1:16	1:21	0:52	0:43	1:14	1:29	1:22
Traditional	03:34	03:06	04:14	03:38	04:04	04:01	04:44
Broadcast radio	0:59	0:44	1:19	0:55	1:01	1:05	1:11
Broadcast TV	1:31	1:38	2:20	2:17	2:26	2:05	2:52
Print press	1:04	0:44	0:35	0:26	0:37	0:51	0:41

Laggard Leader

Time spent in hrs : mins (Digital v Physical)



Most important revenue streams for publishers (2022 v 2023)

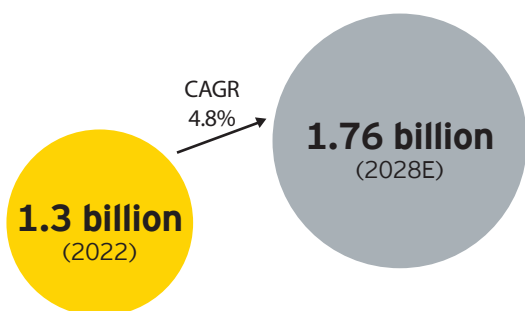


Note: Digital and physical have been arrived at by adding individual categories and will involve double counting (eg: a person may be using mobile while watching TV)

Source: Global Media Intelligence, eMarketer, Oct 2022

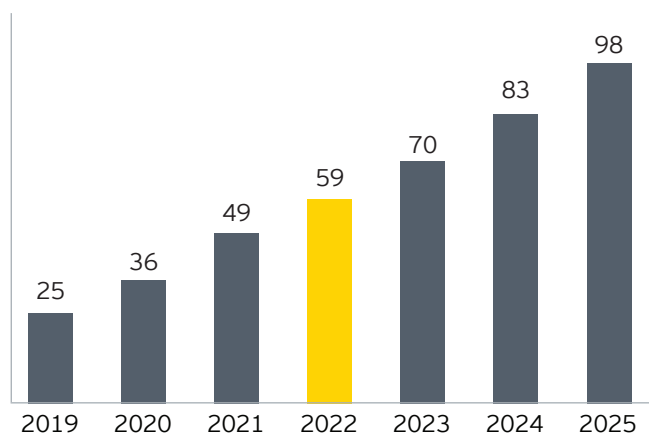
As digital media consumption is growing, streaming platforms are aiding the transformation

Global SVOD subscriptions



Source: Digital TV Research, Wells Fargo

Streaming revenues for top players (US\$ billion)

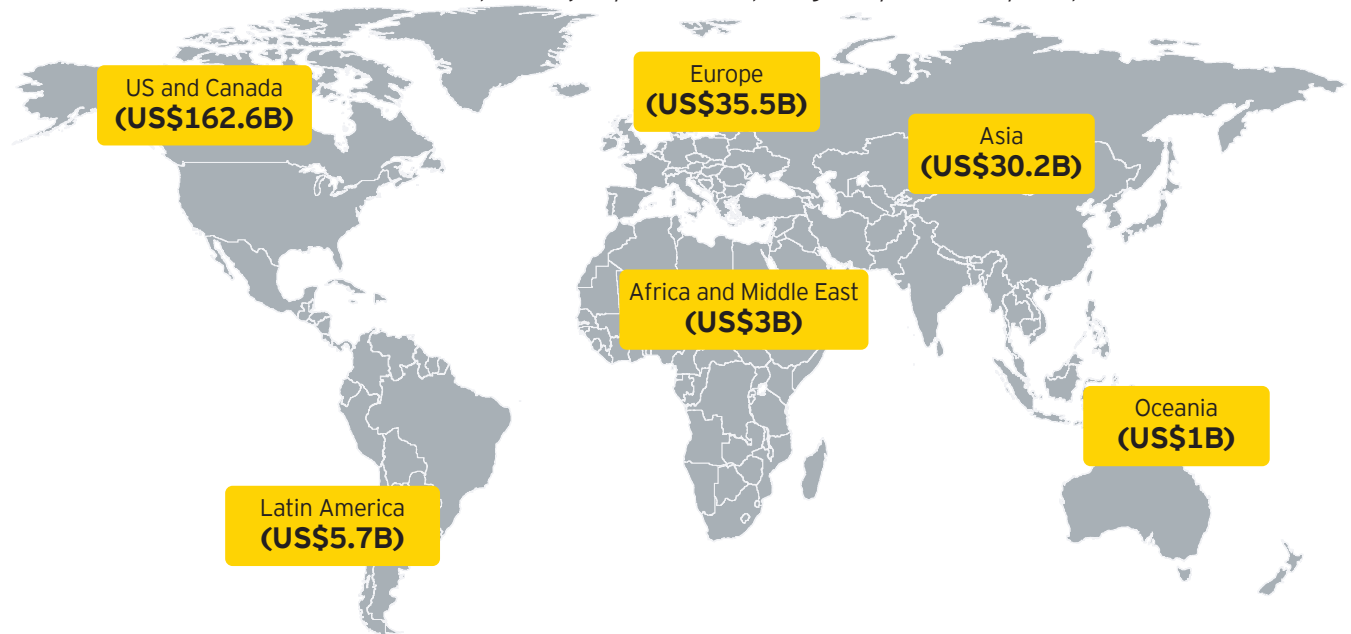


Content

The world spends US\$238 billion on content

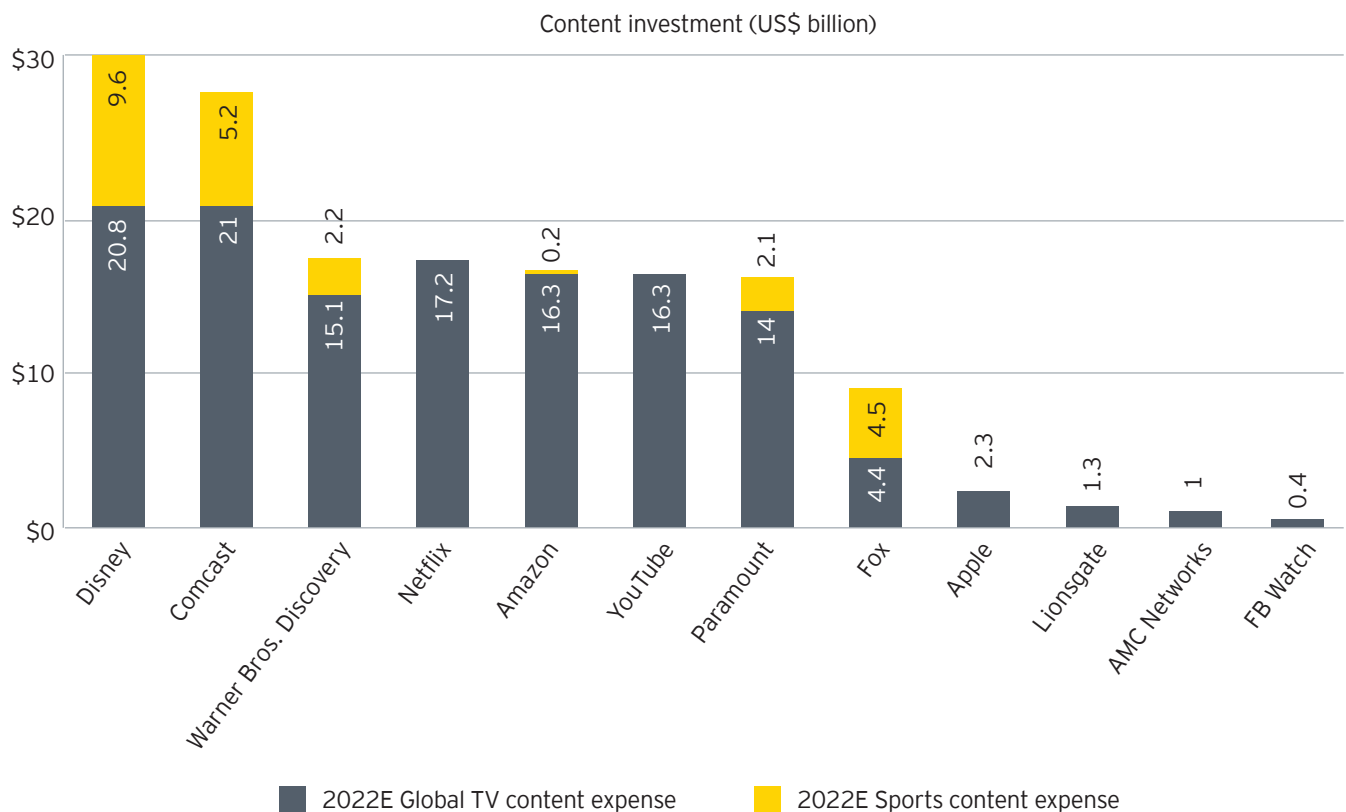
68% of which is from US and Canada

In 2022, US & Canada made up the majority of content spend globally, followed by Europe and Asia



Source: Purely Streamonomics, Ampere Analysis, EY estimates

Global content expenses will rise driven by increasing value of sports rights and production cost increases

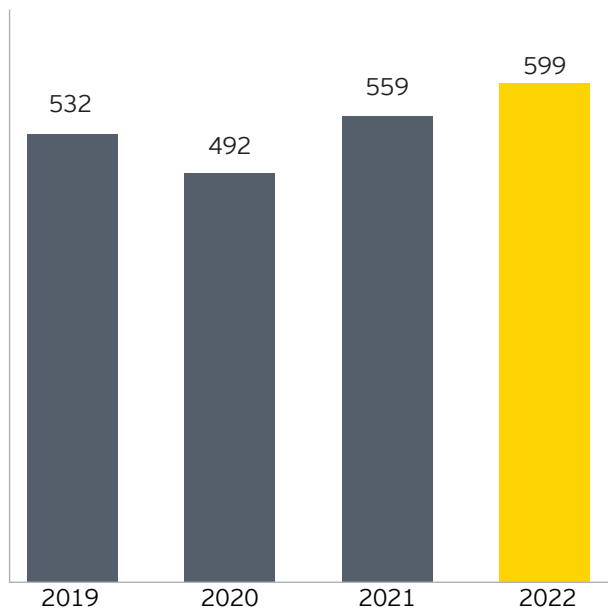


Note: Category splits are estimates

Source: Morgan Stanley Research, 19/12/2022

Digital platforms are driving up demand for original content

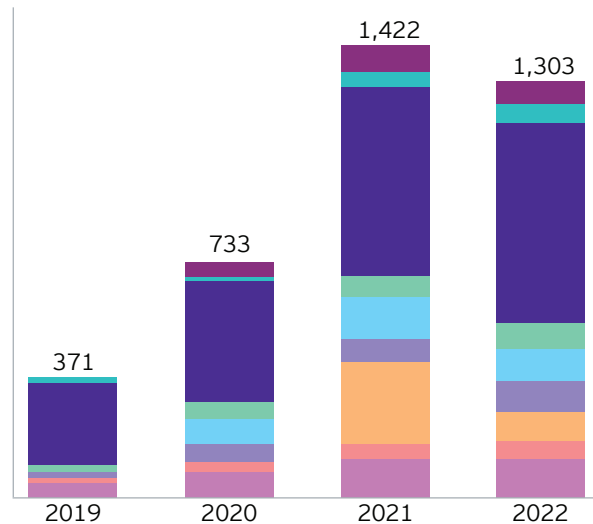
Number of scripted original series



Source: FX Networks; Variety, Motion Pictures Association
Note: Figures are for series aimed at US audiences

2021 saw the highest original content release volume driven by the pandemic; Netflix remains the platform with the largest number of original releases

Original content release volume by platform

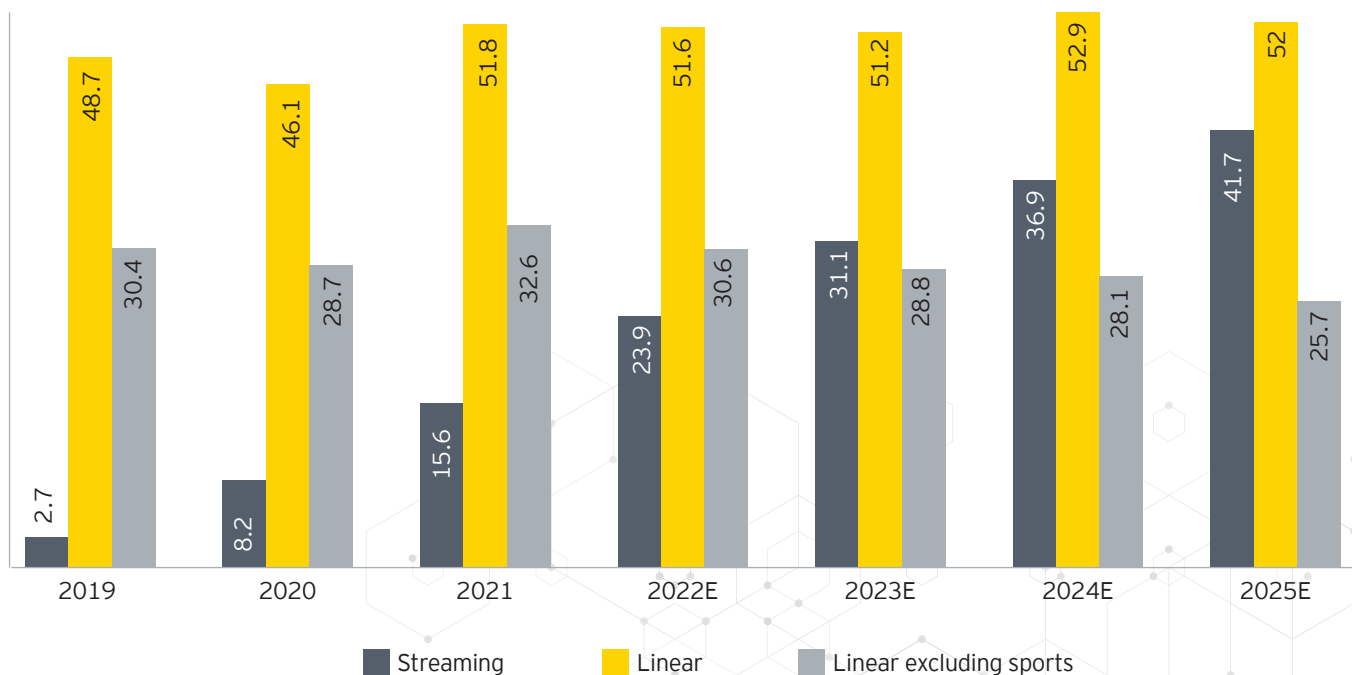


Amazon Prime Video Apple TV+ Discovery
Disney+ HBO Max Hulu
Netflix Paramount+ Peacock

Note: Includes TV shows and movies; subsequent seasons of shows do not count separately
Source: Wells Fargo, Variety

Sports makes up a key part of content spend by Linear TV; across other genres linear spend is decreasing

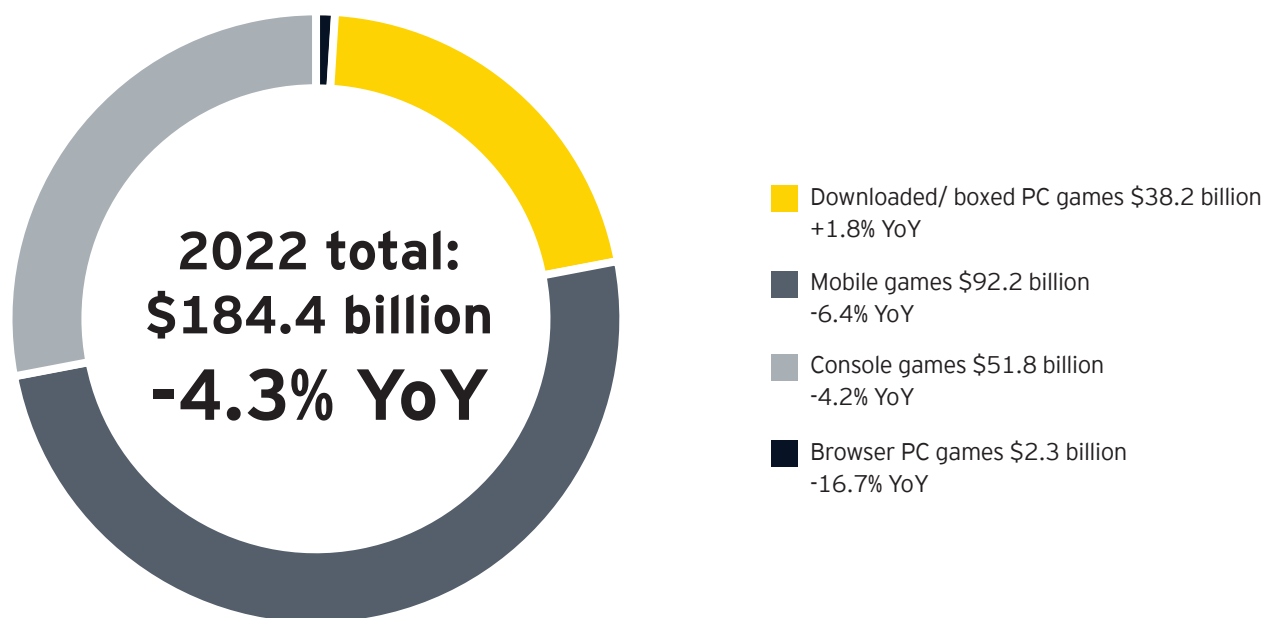
Content spend forecast: Linear TV vs Streaming (US\$ billion)



Source: Variety, Wells Fargo
Note: Data reflects only media companies with linear operations

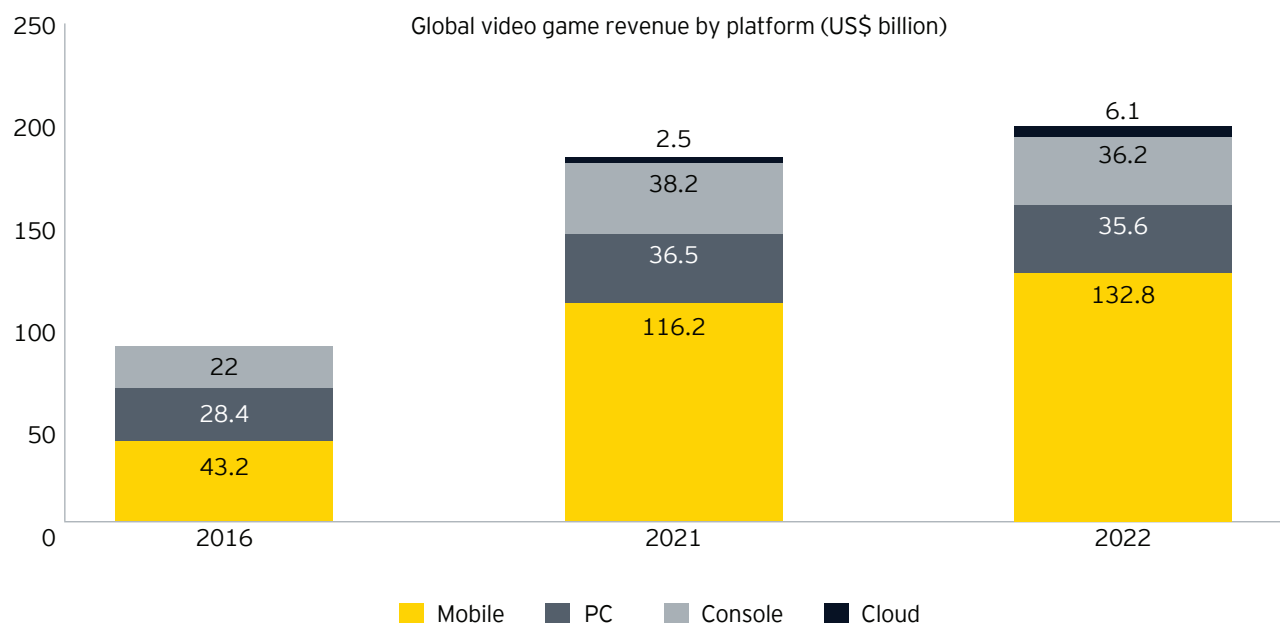
Gaming

The global games market saw a decline in 2022



Source: Newzoo

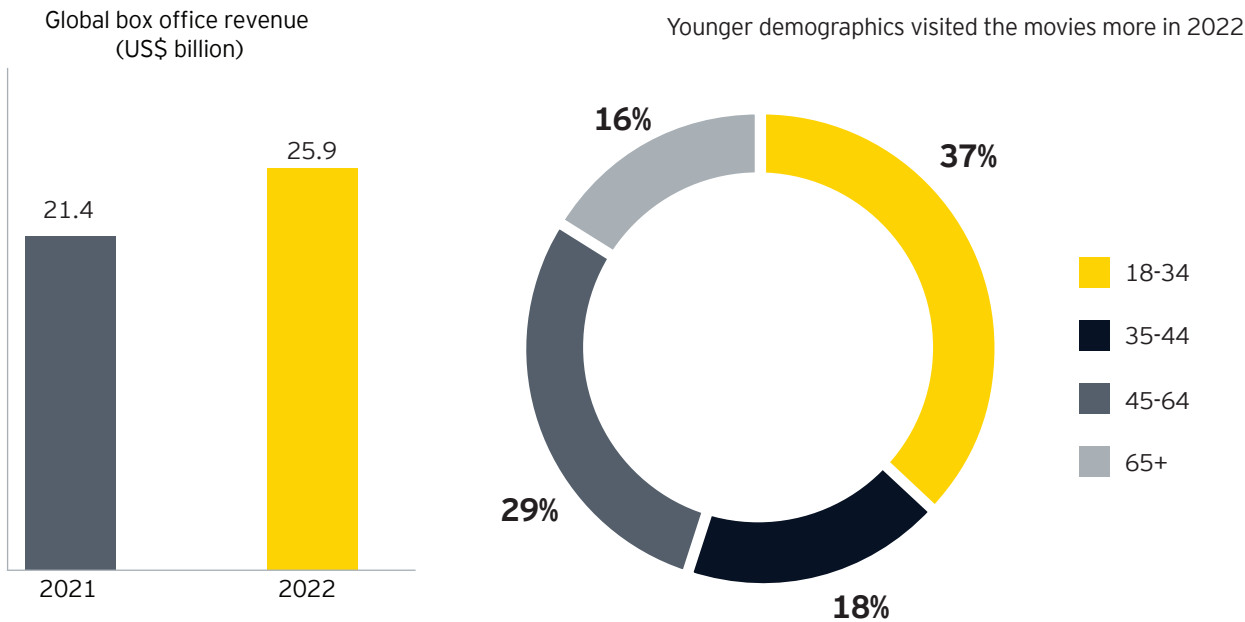
Mobile gaming will continue to drive video game content revenue



Source: EY Gaming Industry Survey

Film

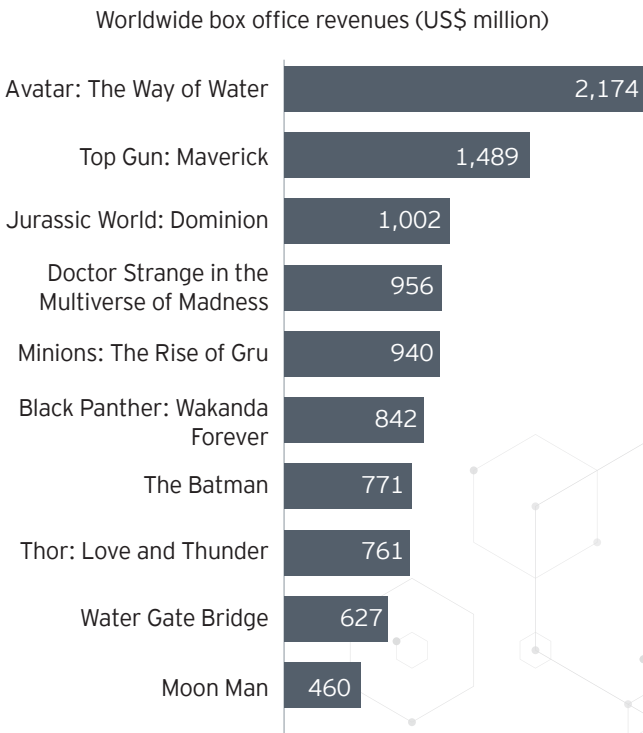
Global box office grew 27%, but was still below pre-pandemic average of US\$41.3 billion



Source: Variety

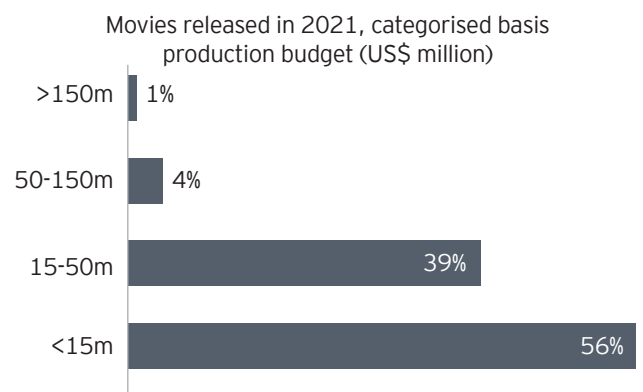
Note: Surveys conducted weekly among a representative sample of 2,200 US adults, with margin of error of +-2% | Source: Morning consult

2022 saw three movies cross the billion dollar revenue mark at the worldwide box office



Source: Box Office Mojo

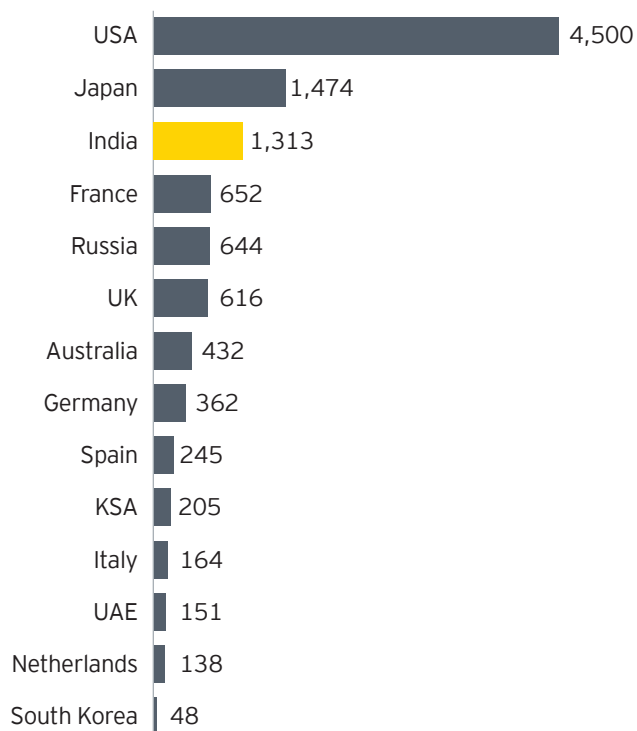
Use of VFX gained traction - 90% of all movies have some form of VFX involved



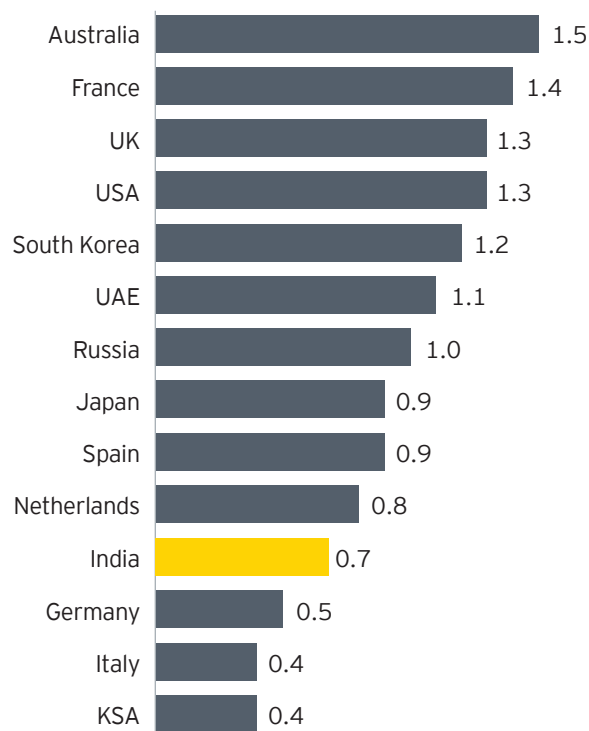
Sources: IMDBpro, industry interviews, EY analysis
Methodology: Considered US data for 2021 and have extrapolated the share across budgets, considering US holds the major share amongst all other countries.

USA is the leader in box office revenues and screens per million population; Australia leads in admissions per capita

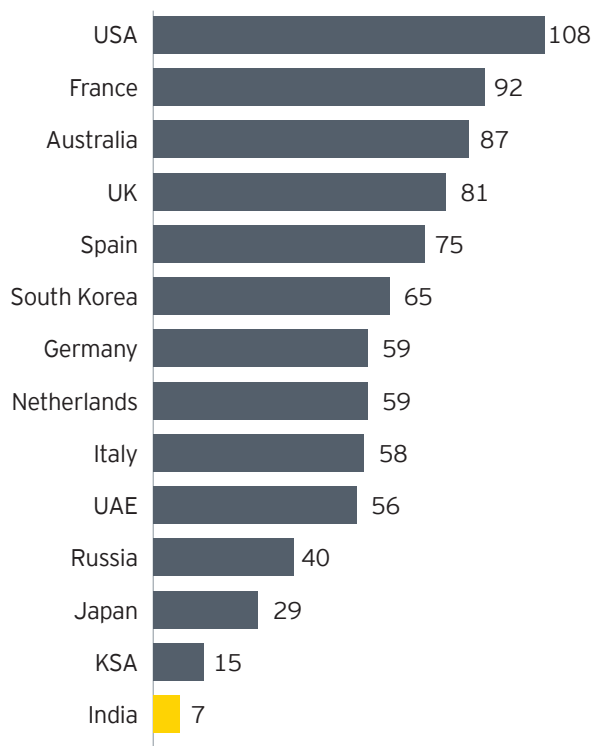
Box office revenues , 2021, \$M*



Admissions per capita, 2021



Cinema screens per million population, 2021

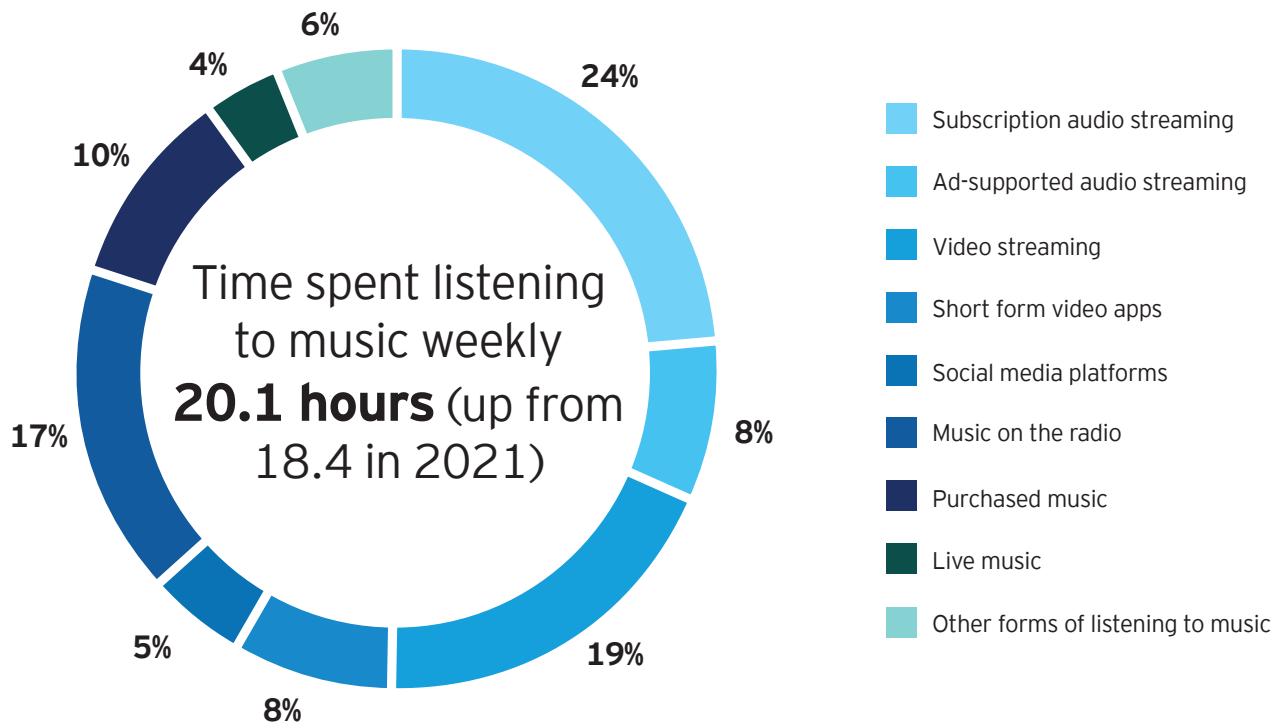


Source: Union Internationale Des Cinemas, Motion Picture Association, Motion Pictures Producers Association of Japan, Motion Pictures Distributors Association of Australia, GCAM, World Bank, EY estimates

Note: Select countries only

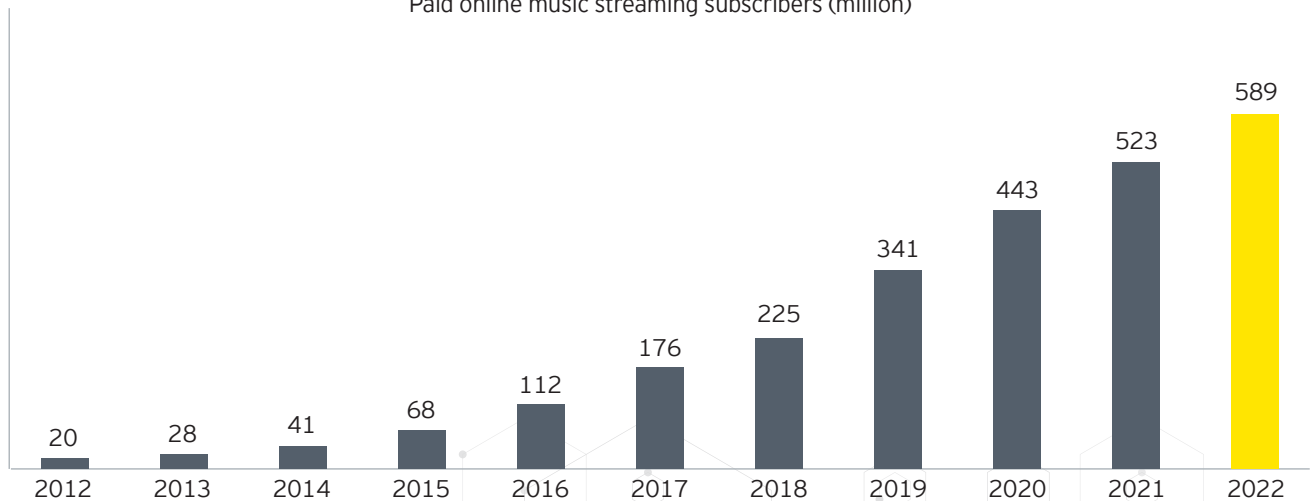
Music

Music consumption mix 2022



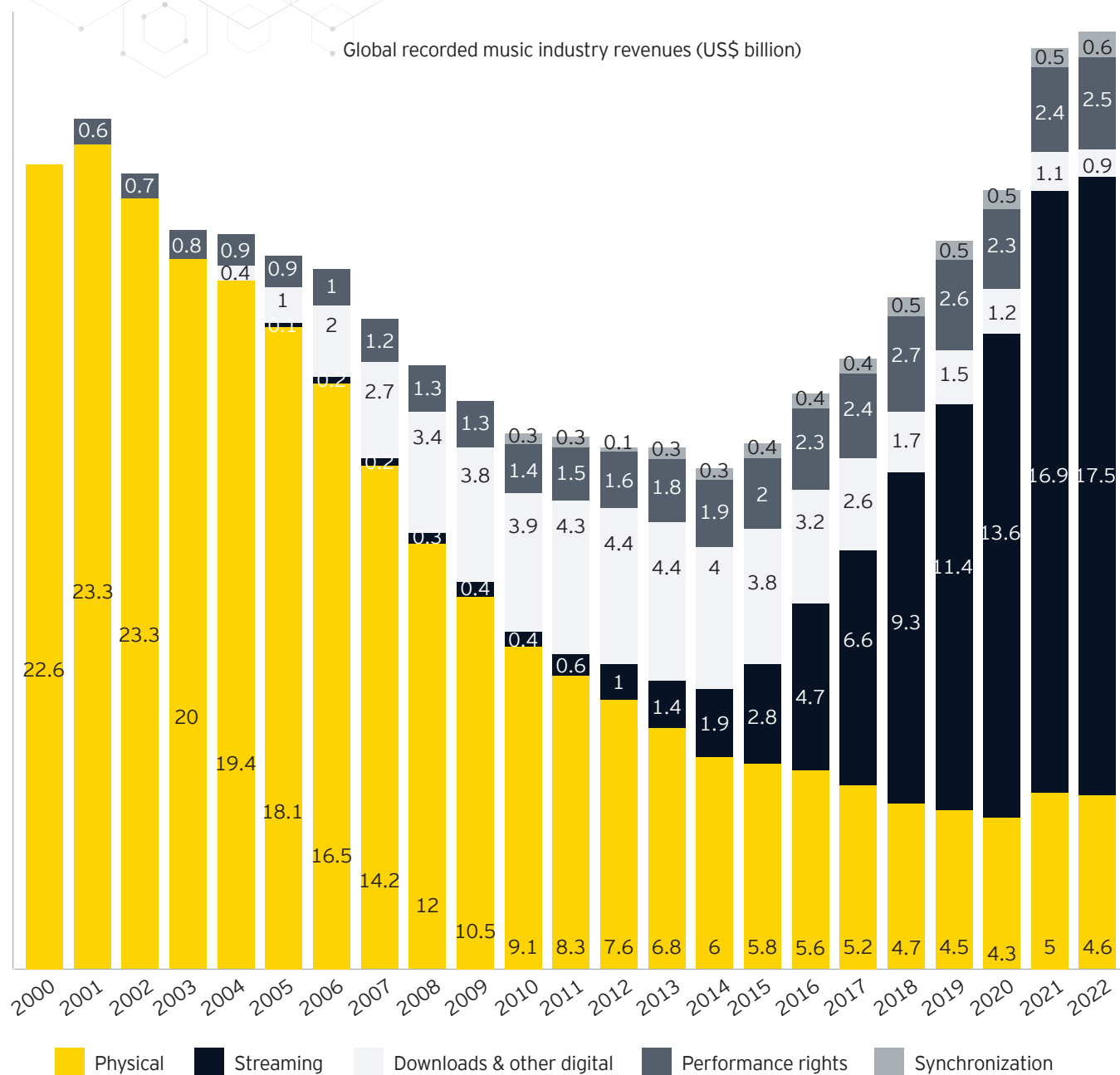
Global paid music streaming subscribers continue to grow

Paid online music streaming subscribers (million)



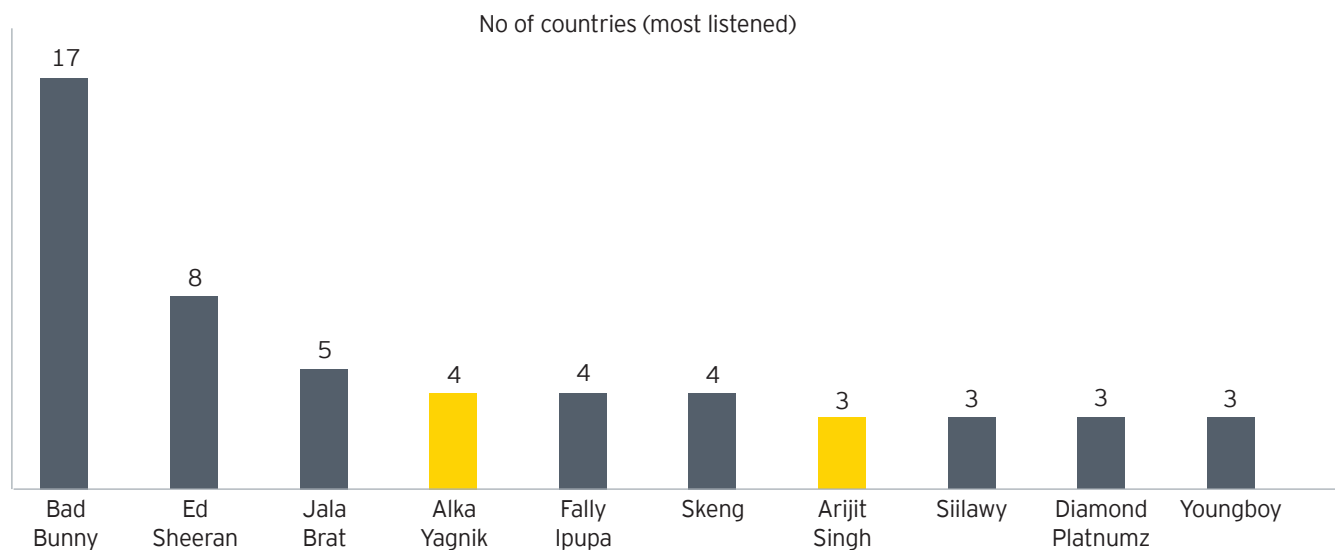
Source: IFPI, Billboard, Variety

Streaming music revenues have grown significantly in recent years



Source: IFPI

Bad Bunny is listed as the most heard artist in 17 countries

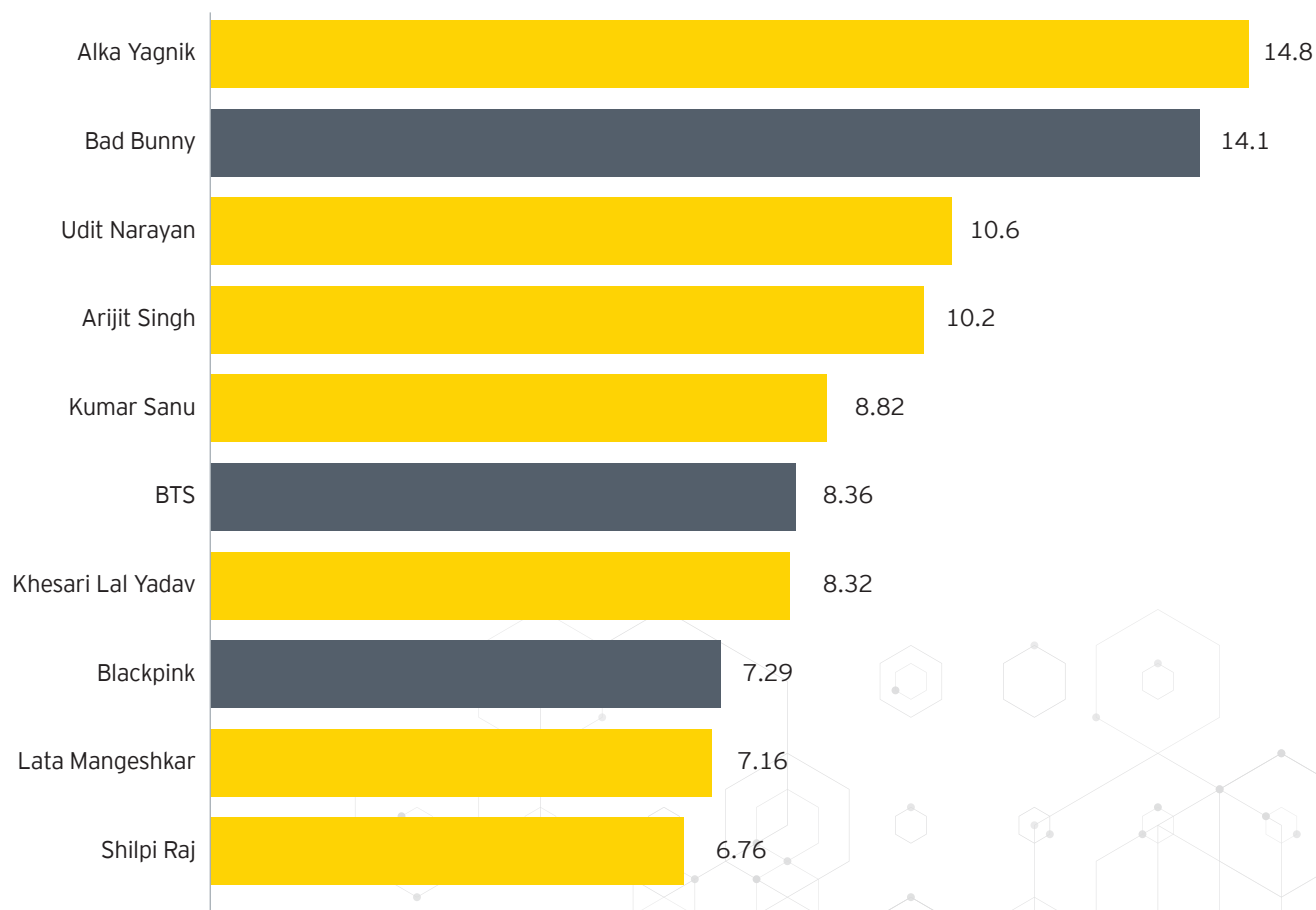


Note: Yellow has been used to denote Indian artists

Source: Liberty Games

7 of the top 10 most heard global artists on YouTube are Indian

Top global artists - by YouTube listens over 12 months (billion)

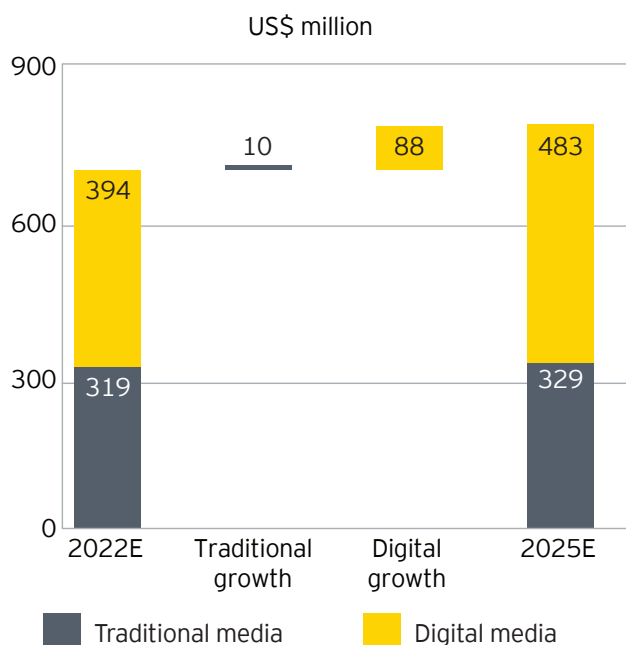


Note: Yellow used to denote Indian artists

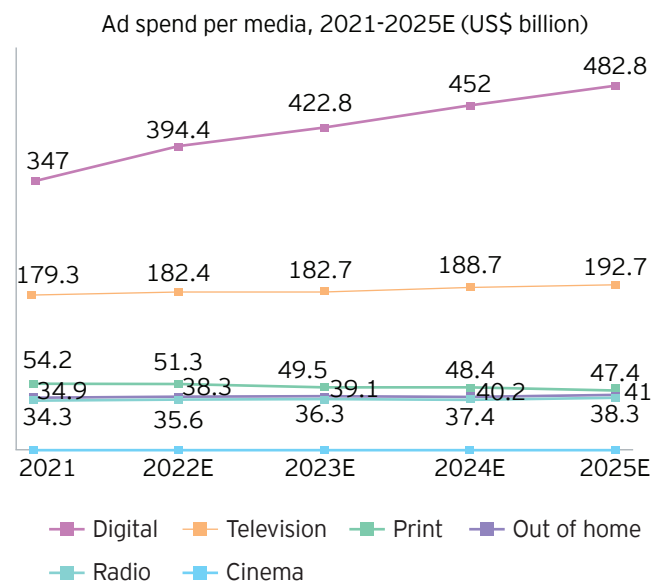
Source: Liberty Games

Advertising

Ad growth will be driven by digital spends till 2025

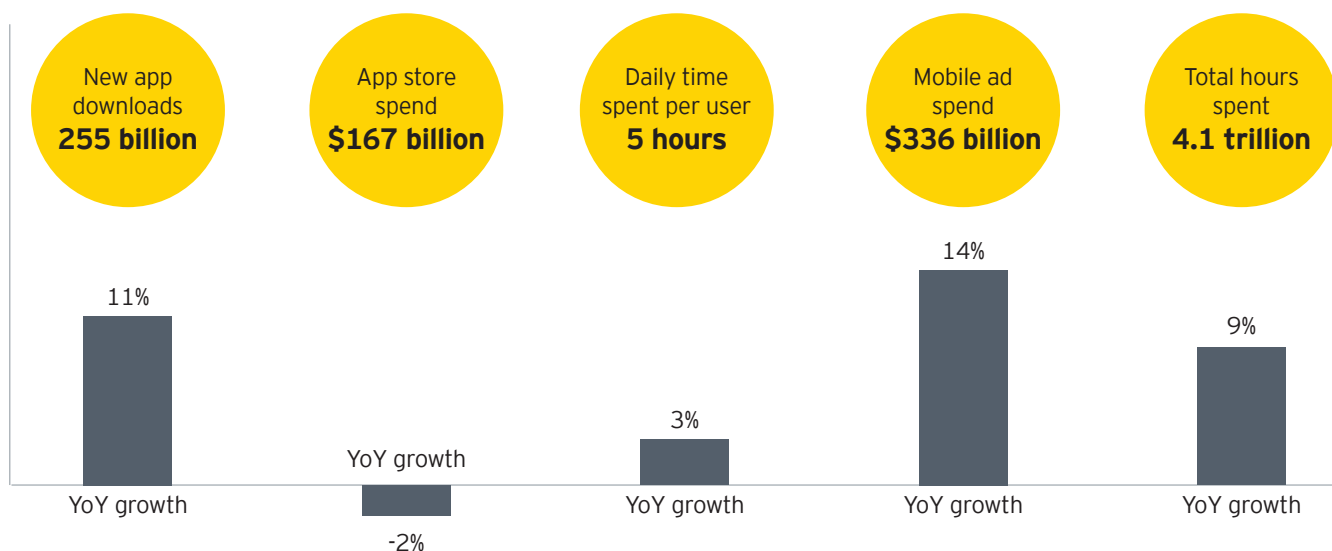


Ad spend will continue to grow with digital accounting for ~60% share by 2025



Source: Dentsu Dec 2022 update

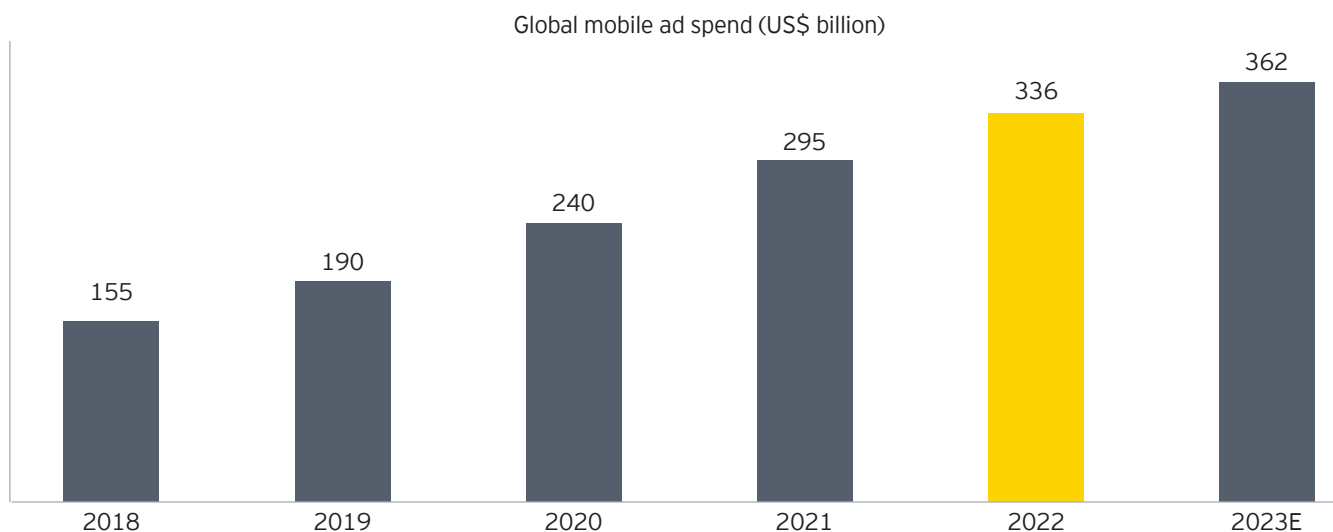
App store spend was marginally down; downloads, time spent and ad spend on mobile increased in 2022



Note: Figures for app downloads and spend include iOS, Android and third party stores in China; total hours spent is calculated only for Android

Source: Data.ai

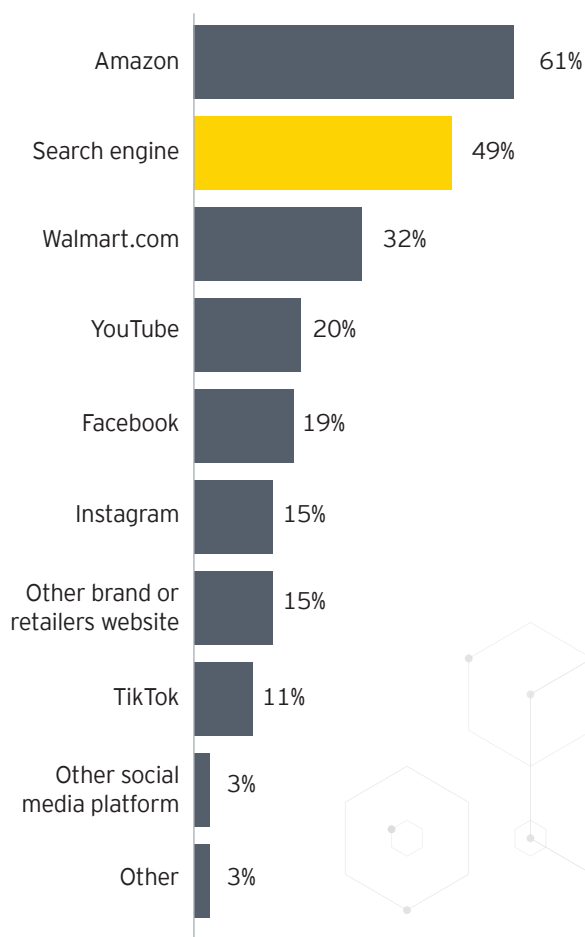
Mobile ad spend will grow to US\$362 billion in 2023



Source: Data.ai

Consumers will increasingly use multiple platforms for search

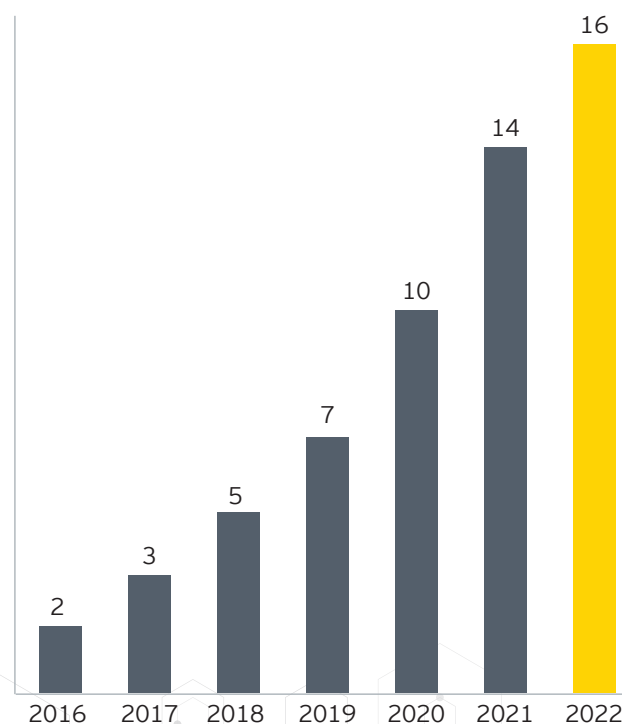
Where US consumers start their search when shopping online, May 2022



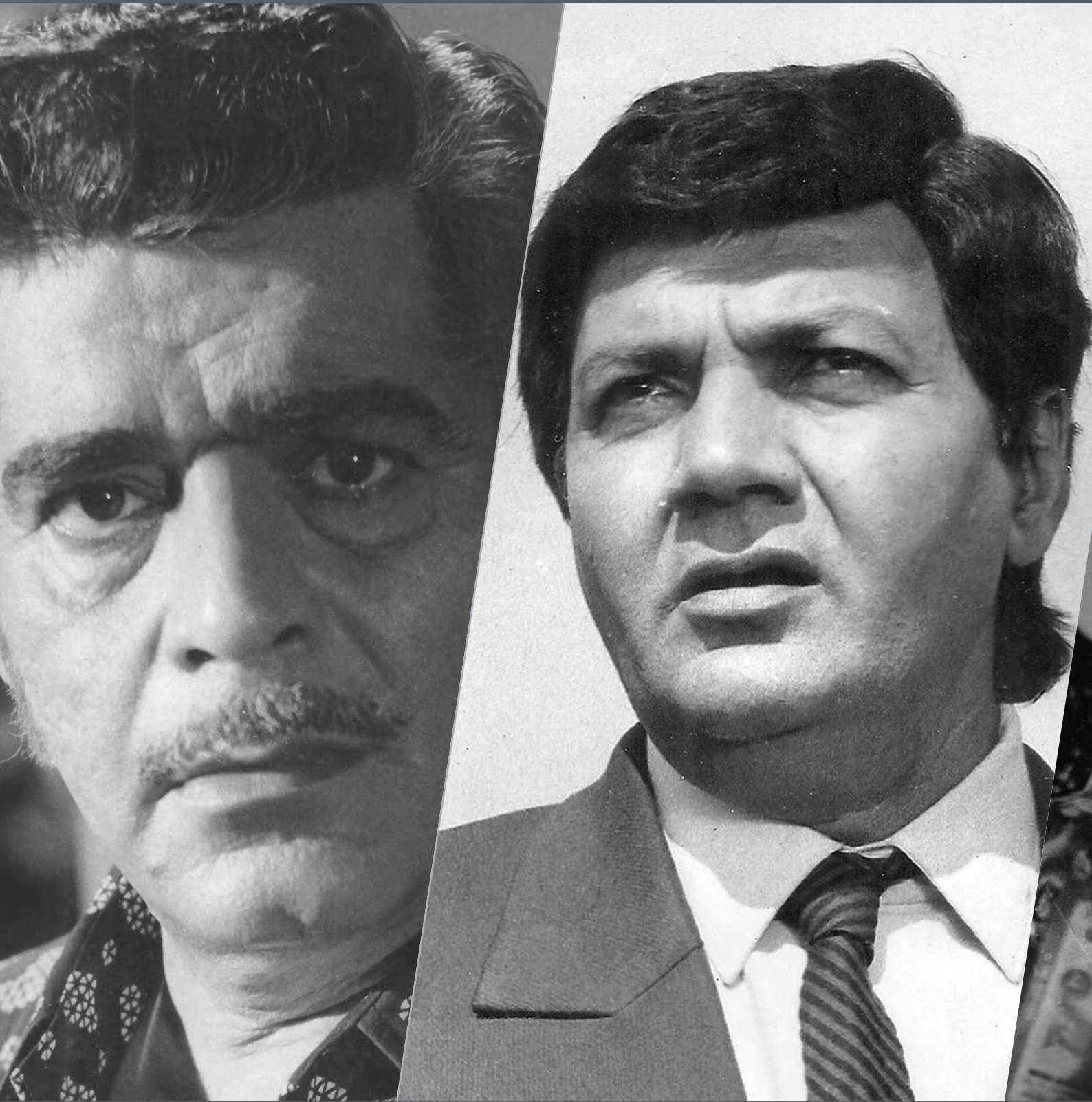
Source: eMarketer

Influencer marketing will impact shopping habits

Influencer marketing global market size (US\$ billion)



Source: Influencer Marketing Hub



About this report



Glossary

1P	First-party	CCI	Competition Commission of India
20XX	Calendar year 20XX	CCO	Chief Compliance Officer
20XXE	Estimated value for the year 20XX	CCPA	Central Consumer Protection Authority
2D	Two-dimensional	CDMS	Centralized Data Management System
3D	Three-dimensional	CDN	Content delivery network
3P	Third-party	CDP	Customer Data Platform
5G	5th generation mobile network	CEO	Chief Executive Officer
ABC	Audit Bureau of Circulation	CESTAT	The Customs Excise and Service Tax Appellate Tribunal
ABP	Ananda Bazar Patrika		
ACR	Automatic content recognition	CGI	Computer-generated imagery
Ad	Advertising	CGST	Central Goods and Services Tax
AdEX	Advertisement expenditure	CIO	Chief Information Officer
AFC	Asian Football Confederation	CISAC	International Confederation of Societies of Authors and Composers
AGR	Adjusted gross revenue		
AI	Artificial Intelligence	CLTV	Customer lifetime value
AIGF	All India Gaming Federation	CMO	Chief Marketing Officer
AIR	All India Radio	COE	Centre of Excellence
AMA	Average minute audience, as measured by BARC for TV	CPA	Consumer Protection Act, 2019
		CPI	Consumer price index
APAC	Asia-Pacific	CPM	Cost per mille (thousand)
App	Application	CPRP	Cost per rating point
AR	Augmented reality	CPSEs	Central Public Sector Enterprises
AROI	Association of Radio Operators in India	CPT	Cost per thousand
ARPU	Average revenue per user	CRISIL	Credit Rating Information Services of India
ASCI	Advertising Standards Council of India		
ATL	Above the line, or media spends	CRM	Customer relationship management
ATP	Average ticket price	Crore	Ten million
ATS	Average time spent	CRS	Community radio stations
Auto	Automobile	Crypto	Cryptocurrency
Avg	Average	CSC	Common service centers
AVGC	Animation, Visual effects, Gaming and Comics	CSO	Central Statistical Organisation
		CSR	Corporate social responsibility
AVOD	Advertising VOD	CTV	Connected TV
B2B	Business-to-business	CX	Customer experience
B2C	Business-to-customer	CY	Calendar year (January to December)
B2G	Business to Government	D2C or DTC	Direct-to-customer
BARC	Broadcast Audience Research Council	D2M	Direct-to-mobile
BCCI	Board of Control for Cricket in India	DAN	Dentsu Aegis Network
BD	Big Data	DAOs	Decentralized autonomous organizations
BE	Best estimates	DAS	Digital addressable system
BEAT	Base erosion anti-abuse tax	DAU	Daily active user
BEPS	Base erosion and profit shifting	DBT	Direct benefit transfer
BFSI	Banking, financial services and insurance	DCA	Department of Consumer Affairs
BGMS	Battlegrounds Mobile India Series	DD	Doordarshan
BI	Broadcast India survey conducted by	DFD	Data Flow Diagrams
BIS	Bureau of Indian Standards	DFS	Daily fantasy sport
Bn	Billion	DG	Director General
BPO	Business process outsourcing	DIB	Digital India Bill
BTL	Below the line or event spends	DMCRC	Digital Media Content Regulatory Council
C2C	Customer to Customer	DMP	Data Management Platform
CAC	Customer acquisition cost	DMs	Direct messages
CAGR	Compounded annual growth rate	DOOH	Digital Out of Home
CAS	Conditional access system	DOT	Department of Telecommunications
CBDT	Central Board of Direct Taxes	DPDPB	Digital personal data protection bill
CBFC	Central Board of Film Certification	DPIA	Data Privacy Impact Assessment
CBIC	Central Board of Indirect Taxes and Customs	DPIIT	Department for Promotion of Industry and Internal Trade

DPO	Data Privacy Officer	GoM	Group of Ministers
DPOs	Distribution Platform Operators	GPBS	Google Play billing system
DRM	Digital Radio Mondiale	GPS	Global positioning system
DSP	Demand side platform	GPT	Generative pre-trained transformer
DTAA	Double Taxation Avoidance Agreement	GSM	Grams per square meter
DTH	Direct-to-home satellite television	GSM	Global System for Mobile Communications
DTT	Digital terrestrial television		
EBITDA	Earnings before interest tax depreciation amortisation	GST	Goods and Services Tax
ED	Enforcement Directorate	GSTR	Goods and Services Tax Return
EEMA	Events & Entertainment Management Association	HC	High Court
		HD	High definition
eMBB	Enhanced mobile broadband	HFY	Half Financial Year
EMDEs	Emerging Markets and Developing Economies	HITS	Headend in the sky
EP	Executive producers	HNI	High net worth individual
EPG	Electronic program guide	HOD	Head of department
EPL	English Premier League	HR	Human resources
ER	Effective rate	HSM	Hindi speaking markets
ERP	Enterprise resource planning	IAMAI	Internet and Mobile Association of India
ESG	Environmental, social and governance	IBA	International Boxing Association
Esports	Electronic sports	ICC	International Cricket Council
ETR	Effective tax rate	ICEA	India Cellular & Electronics Association
EU	European Union	IDs	Identifiers
EY	Ernst & Young LLP, India	IF	Inclusive framework
F&B	Food & Beverage	IFPI	International Federation of the Phonographic Industry
FAST	Free ad-supported streaming TV	IFSG	Indian Federation of Sports Gaming
FC	Football club	ILM	Industrial Light & Magic
FCT	Free commercial time	ILT20	International Legends T20 League
FDI	Foreign direct investment	IMDb	Internet Movie Database
FEMA	Foreign Exchange Management Act, 1999	IMF	International Monetary Fund
FFO	Film Facilitation Office	IMI	Indian Music Industry
FICCI	Federation of Indian Chambers of Commerce & Industry	INR	Indian Rupees (US\$1 = INR80)
FIFA	Fédération Internationale de Football Association	iOS	iPhone operating system
FIH	International Hockey Federation	IoT	Internet of things
Fintech	Financial technology	IP	Intellectual Property
FIPB	Foreign Investment Promotion Board	IP or IPR	Intellectual property rights
FM	Frequency modulation	IPAB	Intellectual Property Appellate Board
FMCG	Fast moving consumer goods	IPD	Intellectual Property Division
FS	Financial services	IPL	Indian Premier League
FTA	Free-to-air	IPLC	International Private Leased Circuit
FY	Fiscal year (April to March)	IPRS	Indian Performing Rights Society
G20	Group of 20 countries	IPTV	Internet protocol television
GAC	Grievance Appellate Committee	IRL	In real life
GB	Gigabyte	IRRO	Indian Reprographic Rights Organisation
GBO	Gross box office	IRS	Indian Readership Survey
GCC	Global capability centers	ISL	Indian Super League
GDP	Gross domestic product	ISO	The International Organization for Standardization
GDPR	General Data Protection Regulation	ISP	Internet service provider
GEC	General entertainment channel	ISRA	Indian Singers Rights Association
GGR	Gross gaming revenue	IT	Information technology
GLoBE	Global Anti-Base Erosion	ITC	Input tax credit
GMPCS	Global Mobile Personal Communication Services	IVT	Invalid traffic
		JDXXXX	July to December XXXX
		JJXXXX	January to January XXXX
		JV	Joint venture
		K or k	Thousand
GOI	Government of India	KBC	Kaun Banega Crorepati

KPI	Key performance indicator	NFC	Near-field communication
KSA	Kingdom of Saudi Arabia	NFDC	National Film Development Corporation
KYC	Know your customer	NFL	National Football League
Lakh	A hundred thousand	NFT	Non-fungible tokens
LATAM	Latin America	NGO	Non governmental organisation
LCO	Local Cable Operators	NIC	National Informatics Centre
LLP	Limited Liability Partnership	NRI	Non-resident Indian
Ltd.	Limited	NSE	National Stock Exchange
M&A	Mergers and acquisitions	NSO	National Statistical Office
M&E	Media and entertainment	NTO	New Tariff Order
MAG	Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements, 2022	O2O2O	Online-to-Offline-to-Online
		ODI	One Day International
		OECD	Organization for Economic Cooperation and Development
MAM	Media asset management	OEM	Original equipment manufacturer
Martech	Marketing technology	OIDAR	Online Information Database Access and Retrieval
MAU	Monthly active users		
MCU	The Marvel Cinematic Universe	ONDC	Open Network for Digital Commerce
MDM	Master data management	OOH	Out of Home
MECAT	Media and Entertainment Creative Aptitude Tests	OS	Operating system
MEITY	Ministry of Electronics and Information Technology	OTT	Over the top
		P2P	Principal-to-principal
MENA	Middle East and North Africa	PAT	Profit after tax
MESC	Media & Entertainment Skills Council	PC	Personal computer
MF	Male and female audience segments	PCI DSS	Payment Card Industry Data Security Standard
MHA	Ministry of Home Affairs		
MIB	Ministry of Information & Broadcasting	pDOOH	Programmatic DOOH
MICE	Meetings, incentives, conferences and exhibitions	PDP	Personal Data Protection
		PE	Permanent Establishment or Private Equity
MIS	Management information system		
ML	Machine learning	PG	Post-graduate
MLB	Major League Baseball	PGA	Public Gaming Act, 1867
Mn	Million	PKL	Pro Kabaddi League
MNE/ MNC	Multi-national enterprise/ company	PLI	Production-linked incentive
MoSPI	Ministry of Statistics and Programme Implementation	PM	Prime minister
		PMRTS	Public Mobile Radio Trunk Service
MPC	Moving Picture Company	PPL	Phonographic Performance Ltd.
MPL	Mobile Premier League	PPP	Purchasing price parity
MR	Mixed reality	PSU/ PSE	Public sector undertaking/ enterprise
MRM	Marketing resource management	PWL	Pro Wrestling League
MRP	Maximum retail price	QDMTT	Qualified domestic minimum top-up tax
MSME	Ministry of Micro, Small and Medium Enterprises	QoS	Quality of Service
		QR	Quick response
MSO	Multi system operator	R&D	Research and Development
NA	Not applicable/ Not available	RBI	Reserve Bank of India
NAS	National Accounts Statistic	Rch	Reach
NBOC	Net box office collection	RCOE	Regional Centres of Excellence
NCCS	New consumer classification system	RE	Revised estimates
NCERT	National Council of Educational Research and Training	RERA	Real Estate Regulatory Authority
		RFID	Radio Frequency Identification
NCF	National Curriculum Framework or Network capacity fee	RFP	Request for proposal
		RJs	Radio Jockeys
NCLAT	National Company Law Appellate Tribunal	RMG	Real money games or transaction-based games
NCOE	National Center of Excellence		
NCPCR	National Commission for Protection of Child Rights	RMPL	Recorded Music Performance Ltd
		RoAS	Return on ad spends
NEP	National Education Policy	RoI	Return on investment

ROOH	Real Time Out of Home	VAT	Value added tax
ROPA	Records of Processing Activities	VC	Virtual currency or Venture capital
RPA	Robotic process automation	VDA	Virtual digital assets
RPM	Rotoscopy, paint and match moving	VFX	Visual effects
RSN	Regional Sports Network	Vlog	Video blog
SA20	South Africa T20 Cricket League	VOD	Video on demand
SAARC	The South Asian Association of Regional Cooperation	VR	Virtual reality
SC	Supreme Court of India	V-Sat	Very small aperture terminal
SD	Standard definition	Web	Website
SDF	Significant Data Fiduciary	WHT	Withholding tax
SEC	Socio economic category	Wk	Week
SEO	Search engine optimization	WPL	Women premier league
SEP	Significant economic presence	WWE	World Wrestling Entertainment
SGST	State Goods and Services Tax	XR	Extended reality
SIDI	Systemically Important Digital Intermediary	Y-O-Y	Year-on-year
SLA	Service level agreement		
SMB/ SME	Small and medium-sized businesses/ enterprises		
SMS	Short message service or Subscriber management systems		
SRB	Self-regulatory bodies		
SSP	Supply Side Platform		
STB	Set-top box		
STEM	Science, technology, engineering and mathematics		
STTR	Subject to Tax Rule		
SVOD	Subscription VOD		
T20	Twenty20 cricket		
TAM	Television Audience Measurement or Total addressable market		
TDS	Tax deducted at source		
TDSAT	Telecom Disputes Settlement Appellate Tribunal		
Tech	Technology		
Telco	Telecommunications company		
TIDE	Technology Incubation and Development of Entrepreneurs		
TRAI	Telecom Regulatory Authority of India		
TSP	Telecom service providers		
TV	Television		
TVOD	Transaction VOD		
UAE	United Arab Emirates		
UG	Under-graduate		
UGC	User-generated content		
UI	User interface		
UK	United Kingdom		
UMS	Universal Measurement System		
UPI	Unified Payments Interface		
UR	Urban and rural audience segments		
US	United States of America		
US\$	United States Dollar (US\$1=INR80)		
USP	Unique selling proposition		
UT	Union Territory		
UV	Unique visitor		
UX	User experience		

Note: This is an abbreviated list of all acronyms used.

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Industry insights

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Disclaimer and sizing assumptions

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Key assumptions used to size the segments of this report:

- Sizing of various segments has been arrived at using various sources of data, primary research and proprietary EY research. We have tried to then validate the sizing through industry discussions
- All INR amounts are gross of taxes. Changes in GST rates have been factored into the relevant segments
- Sales between any two segments of the M&E sector are included as revenues for the segment providing the service. Content production has not been independently sized as it is assumed to be a part of the segment it serves
- Digital subscription and TV distribution revenues are considered at end customer prices. Content purchased by telcos has been valued under subscription incomes of media companies and not at end customer prices of bundled data packs
- Digital ad and subscription revenues are not released by most companies and are hence sized based on industry discussions and correlated to media articles and analyst reports, should be used from a trending perspective only. Ad revenues are grossed up at 18%

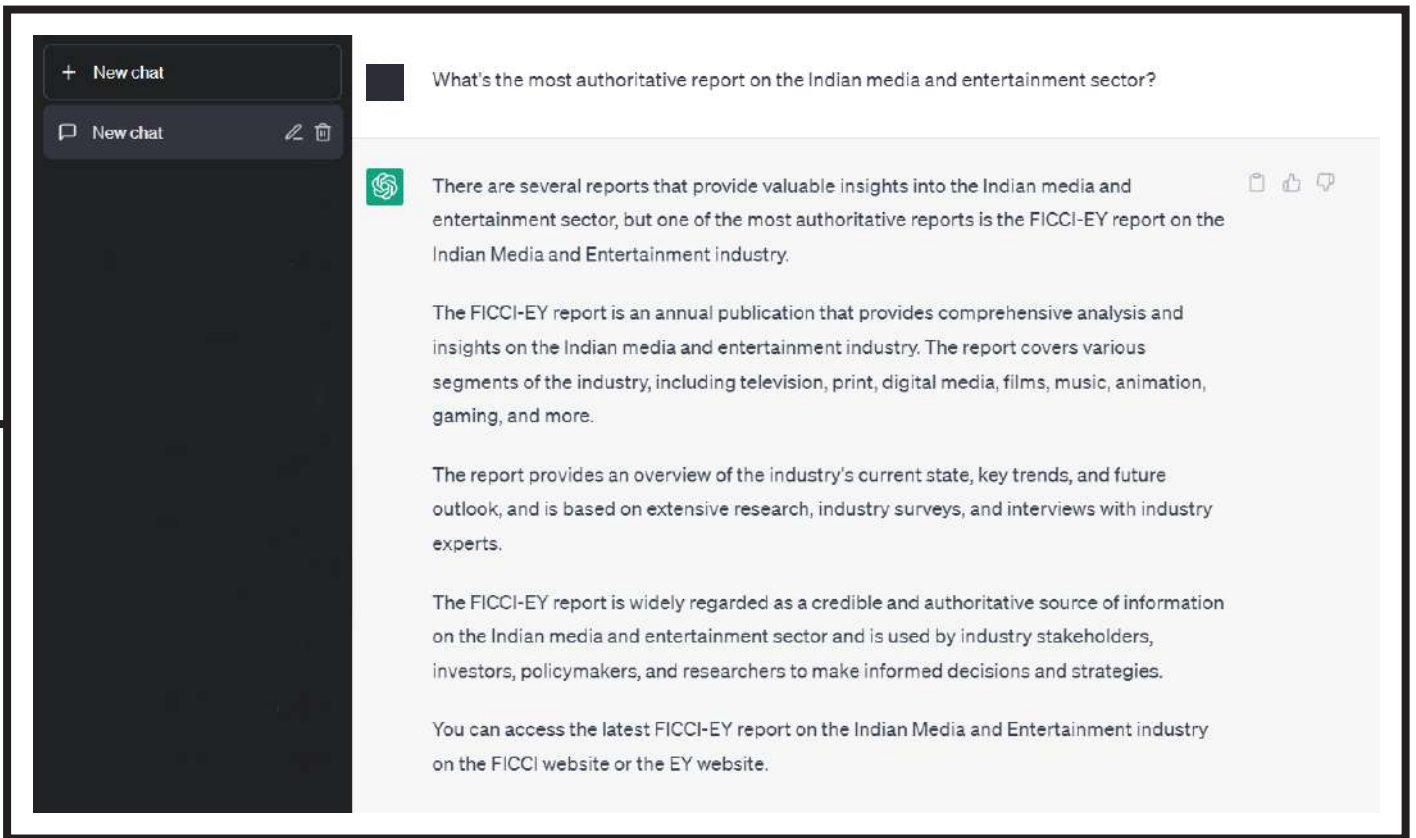


- ▶ International ad and subscription revenues of TV broadcasting companies have not been included in sizing the television segment
- ▶ Filmed entertainment segment does not include any revenues from food and beverage operations, parking revenues, retail revenues or any ticketing charges billed by online booking portals. Film gross box office is considered at end customer price, for both domestic and international theatricals, the latter being impacted by exchange rate fluctuations
- ▶ Gaming captures only online games of skill and no other forms of gaming
- ▶ OOH does not consider the large unorganised billboard wall-painting, ambient media and retail point of sale markets
- ▶ The live events segment does not consider value of broadcast rights (unless the IP is owned by the event company), the large unorganized sector and pure MICE and travel companies
- ▶ Animation, VFX and post production revenues include those earned from domestic and export services by companies in India and are correlated to averages across the content value chain
- ▶ No hardware sales are included where bundled with content. Value of sporting goods is not included in the sports segment
- ▶ The impact of free distribution of premium sports like FIFA and IPL on both TV and digital platforms, and subsequent pricing changes, can have a different impact than reflected in our forward estimates on FreeDish households and paid OTT subscriptions. Where alternate sources of sizing exist, we have considered the most conservative, unless there is adequate justification not to
- ▶ Forward estimates assume that there will be no further pandemic-related lock-downs or major restrictions
- ▶ There are several statements in this report which refer to certain media companies. Where sources for these statements have not been specifically mentioned, these statements have been sourced from news articles available in the public domain
- ▶ Prior year numbers have been updated where estimates were used, to reflect actuals
- ▶ Forward estimates have been provided on best effort basis and are subject to change to reflect the ground realities and unforeseen events
- ▶ Analysis of deals and content production is based on secondary research and may not be complete



Anatomy of this report







Media and entertainment

Notes

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