Digital push to drive growth for M&E sector

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Digital India to provide fillip to M&E industry

Indian Media and Entertainment (M&E) industry has shown impressive growth in the last few years across the segments like film, television, advertising, prints media etc. This is a sunrise sector for the economy and is making high growth strides. Presenting its resilience to the world, the Indian M&E industry is on the cusp of a strong phase of growth, backed by rising consumer demand and improving advertising revenues. The industry has been largely driven by increasing digitisation and higher internet usage over the last decade. Internet has almost become a mainstream media for entertainment for most of the people.

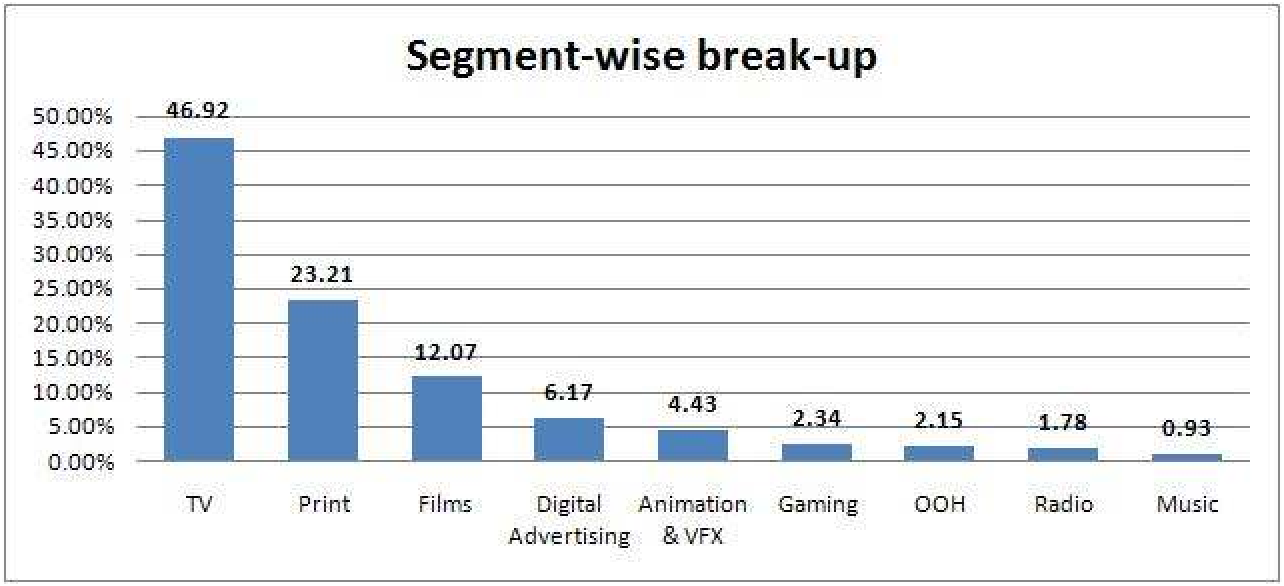
The Indian Government, considering that the industry plays a vital role in making people aware on various issues that impact the masses, has supported growth of this industry by taking various initiatives, such as digitising the cable distribution sector to attract greater institutional funding, increasing FDI limit from 74 per cent to 100 per cent in cable and DTH satellite platforms, and granting industry status to the film industry for easy access to institutional finance. In the media and entertainment industry, digital media continued its rapid penetration, the Digital India programme announced by the government of India set to transform India into a digitally empowered society and knowledge economy.

Industry

The Indian M&E industry estimated to register a growth of 13.7 per cent over 2015 & reach \$20.5 billion, in value terms in FY16. During 2015-2020, the industry is expected to grow at a CAGR of 14.33 per cent from 2015-2020 with the market expected to reach to \$35.20 billion by 2020. The next 5 years will see digital technologies increase their influence across the industry leading to a sea change in consumer behaviour across all segments and the entertainment industry is projected to be around \$62.20 billion by FY25.

Segment-wise bifurcation

The entertainment industry continues to be dominated by the television segment, with the segment accounting for 46.92 per cent of revenue share in 2016 and which is expected to grow further to 48.56 per cent by 2020. Television, print & films together are likely to account for 82.2 per cent of market share in 2016, in value terms. Print media would be the second largest sector in the overall entertainment industry in India, following which sectors of Gaming, Out of Home (OOH) & Radio are expected to contribute almost 2 per cent each to the entire industry by 2020.



Print media bucks global trend in India, posts healthy growth

India's print media is growing amid a global slowdown as readers in the country continue to find it more credible and aspirational. Print in India is growing at a healthy rate, with country's print publications having risen by 23.7 million copies in average daily circulation in the 2006-2016 period, at a compounded annual growth rate (CAGR) of 4.87%. The average number of copies circulated per day grew to 62.8 million during the period from 39.1million in 2006. Incidentally, among the four geographic zones, north India showed the highest growth at 7.83%, followed by the south, west and east zones with CAGRs of 4.95%, 2.81% and 2.63%, respectively. The number of publishing centres went up from 659 to 910 during the period, an increase of 251, at a CAGR of 3.28%. There was 5% increase in circulation and the cover prices also went up by 10% YoY in the last 10 years. There has been steady penetration across the country.

Online gaming segment to hit $1 billion mark by 2021 in India

Though still in a nascent stage, the online gaming industry in India is expected to grow to $1 billion by 2021 from the current $360 million - a growth rate of 20 per cent - with the online gamers community reaching 310 million by 2021. Reportedly there has been a 117 per cent spike in searches for online games by Indians, offering huge potential for developers.

Digital India to lend a hand to M&E sector

The government of India launched 'Digital India' with an aim to transform the country into a digital empowered society and knowledge economy. With 27.5 million shipments in the second quarter of 2016, India is the world's fastest growing smartphone market. It is also the world's second largest smartphone market with 220 million unique smartphone users. The high smartphone penetration will help Digital India and media segments to grow. The Digital India campaign will strengthen the industries such as video streaming, online music services and gaming in India by increasing the internet penetration.

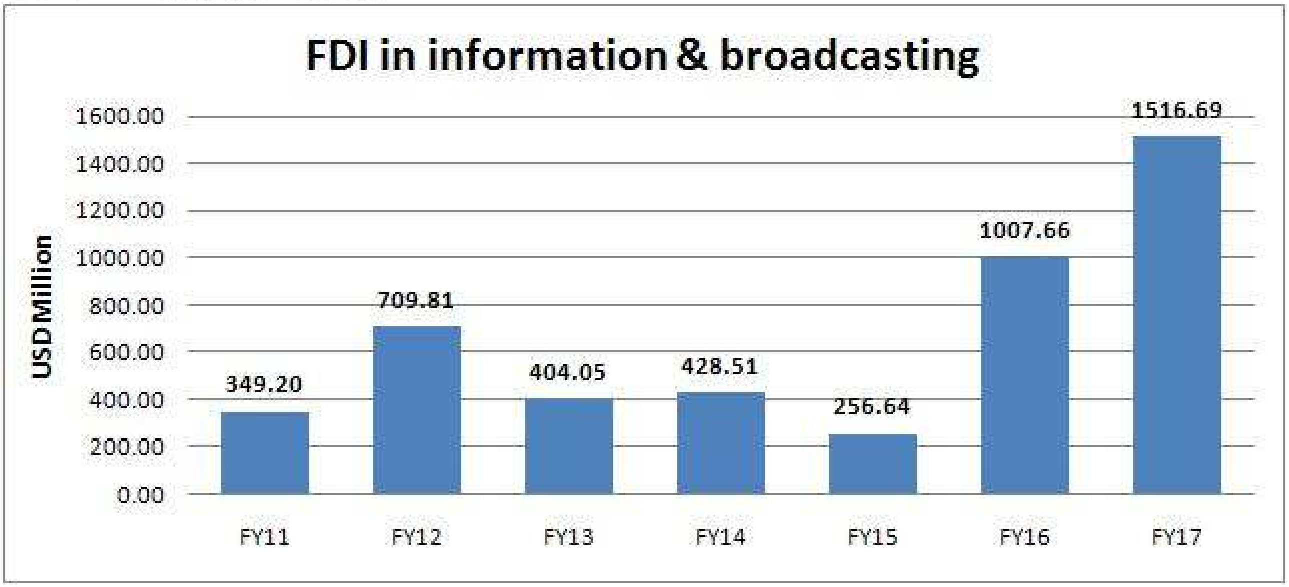
GST on M&E sector

Goods and Services Tax (GST) will include present entertainment tax and service tax to replace it with a single 28% tax, while a rate of 18% has been fixed for cable and direct-to-home (DTH) services. Currently, cinemas attract an entertainment tax of 8-10% (on average). Cable and DTH services attract tax of between 10% and 30%, depending on the states. But, the 28% GST on movie tickets is not all the tax that will be levied and though the GST rate subsumes central and state taxes on tickets, states are contemplating local body taxes on tickets over and above GST rate. Hence, watching movies at multiplexes is likely to get expensive. States such as Maharashtra, Madhya Pradesh, Gujarat and Rajasthan have already said they will levy an additional entertainment tax on cinema, and cable and DTH services. This dual taxation at prohibitive rates would not only lead to substantial increase in ticket prices for cinema goers, but may well sound the death knell for the film industry, which already is faring quite badly, due to the continuous onslaught of piracy.

FDI in information & broadcasting (including print media)

The government has liberalised Foreign Direct Investment (FDI) norms for various segments of Media and Entertainment industry. 100% FDI is permitted under automatic route in teleports, Direct to Home (DTH), Mobile TV, Cable networks and headend-in-the-sky broadcasting service (HITS). For non-news and current affairs channels, 100% FDI is permitted via automatic route. Apart from granting industry status to the film production for better access to financing, the government has permitted 100% FDI under automatic route in the industry.

The information & broadcasting (including print media) has attracted 1.96% of total FDI equity inflows in terms of US Dollar. The sector has attracted FDI worth Rs 10,142.85 crore or $1,516.69 million in FY17, as compared to Rs 6,690.12 crore or $1,007.66 million in FY16.



Government initiatives

- A new Print Media Advertisement Policy for Directorate of Advertising & Visual Publicity (DAVP) with the objective to promote transparency and accountability in issuing advertisements in print media has been framed. The policy introduces a New Marking System for newspapers to incentivize those with better professional standing. The policy also focuses on streamlining release of Government advertisements and to promote equity and fairness among various categories of newspapers/periodicals. Other key highlights of the policy are incentivizing all categories of Newspapers and ensuring quick and timely payment by client Ministries to DAVP.
- Policy guidelines regarding Central Government advertisements on online platform have been issued in May 2016, which sets out criteria for empanelment of suitable agencies and Rate fixation for advertisements on websites. The aim of the guidelines is to devise principles and instruments to streamline the release of Government advertisements on websites.
- The new Policy guidelines for Pvt. FM Radio Stations for DAVP were released in August 2016. The new policy, contains (i) empanelment of Pvt.FM Radio Stations on the basis of minimum broadcast period, for which copy of grant of permission agreement with Ministry of Information and Broadcasting and copy of valid wireless operating license by Ministry of Communications etc. are required; and (ii) fixation of city category specific rates on the basis of population and listenership data provided by Indian Readership Survey, 2012.

Recent developments

TRAI to simplify regulatory framework for broadcasting sector

The Telecom Regulatory Authority of India (TRAI), which also regulates the broadcasting industry, has released a pre-consultation paper on ease of doing business in the broadcasting sector. TRAI is of the view that the broadcasting sector has immense potential if more conducive business environment is created by simplifying the existing provisions of policy and regulatory framework related to the sector. The pre-consultation paper is aiming to identify various issues relating to ease of doing business in broadcasting sector.

Government to set up National Centre of Excellence in Mumbai

The National Centre of Excellence (NCOE) in animation, visual effects, gaming and comics will come up in Mumbai in 2018-19, which will be the biggest in Asia. The NCOE will come up on the 20-acre land in the Film City in the country's financial capital on the PPP (public private partnership) model. In this regard, a fund of Rs 167.50 crore has been alloted for the project and the NBCC, a PSU, will construct the project building. The Ministry of Information & Broadcasting has given its clearance. Under the plan, all the media institutions under the I&B ministry will come under the 'IIMC deemed university' including FTII (Film and Television Institute of India), Pune.

Audio Visual Co-Production between India and Bangladesh gets Govt. nod

Indian government has approved the agreement on Audio Visual Co-Production India and Bangladesh. The agreement would cover co-production of films, documentaries, and animations films. Moreover, an audio-visual co-production made in accordance with the proposed agreement shall be entitled to all the benefits which may be accorded to any national audio-visual work by both countries in accordance with their respective laws and regulations. The agreement will lead to exchange of art and culture among the two countries and create goodwill and better understanding among the peoples of both the countries. Further, it leads to generation of employment among artistic, technical as well as non-technical personnel engaged in the arena of Audio-Visual Co- production including post-production and its marketing, thus adding to the Gross Domestic Product (GDP) of both the countries.

Outlook

The Indian Media and Entertainment industry is on an impressive growth path. Government measures like digitising the cable distribution sector to attract greater institutional funding, increasing FDI limit from 74 per cent to 100 per cent in cable and DTH satellite platforms, and granting industry status to the film industry for easy access to institutional finance has aided the M&E sector. Television and print are expected to remain the largest contributors to the advertising pie in 2018 as well. Internet advertising will emerge as the third-largest segment in 2018 in the total M&E advertising pie. Internet access has surpassed the print segment as the second-largest segment contributing to the overall pie of M&E industry revenues. Government initiatives like Make in India, Skill India and Digital India too are clearly positive signals for Indian media and entertainment sector, especially the broadcasting sector.

Companies Financial Data in Industry

Company Name	CMP	MCAP	BOOK VALUE	DIV. YEILD %	TTM EPS	TTM PE
Tata Metaliks Ltd.	727.00	1838.44	81.93	0.34	45.89	15.84
Tata Sponge Iron Ltd.	837.55	1289.83	561.59	1.31	38.14	21.96
Technocraft Industries (India) Ltd.	427.25	1123.67	242.14	NA	37.00	11.55
Sarda Energy & Minerals Ltd.	249.75	899.86	331.81	0.80	36.41	6.86

Sorted with TTM EPS (High to Low)

Source – Ace Equity