

ENTERTAINMENT



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ENTERTAINMENT



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EXECUTIVE SUMMARY

Second largest TV market

- With household televisions increasing from 175 million in 2015 to 181 million in 2016, India is estimated to be the second largest television market, globally in 2016
- In 2016, television market is expected to generate a revenue of USD9.62 billion

One of the largest broadcasting market

- As of December 2015, India had one of the largest broadcasting industries in the world with approximately 847 private satellite television channels, 243 FM radio channels and 190 operational community radio networks.
- The Ministry of Information and Broadcasting (MIB) has already completed the second phase of digitisation, which involved digitising 10 million cable TV houses in 38 cities by April 1, 2013, while MIB has extended the deadline for Phase III & IV to December 2015 and December 2016, respectively
- Total of 243 FM channels (21 from the Phase - I and 222 from Phase – II) are operational. The Ministry is planning to auction 1,000 new FM channels by the end of 2016. Under the phase III, the Cabinet has already given permission to 135 FM channels in 69 cities to operate

Rising no of subscribers

- Total subscriber base for Indian television industry is expected to increase to 187 million by 2019 from 106 million in 2010
- As of March 2016, registered DTH subscriber base in India stood at around 88.64 million, of which, active DTH subscriber base in the country was around 58.53 million

Source: KPMG – FICCI Report, 2016; Dish TV Investor Presentation, Ministry of Information & Broadcasting (MIB), NASSCOM, Telecom Regulatory Authority of India (TRAI), TechSci Research

EXECUTIVE SUMMARY

Fast growing animation industry

- The Indian Animation and VFX industry is expected to grow from USD797 million in 2015 to USD909 million in 2016. Moreover, the industry is estimated to grow at a CAGR of 16.7 per cent during 2016-20 and reach to about USD1.68 billion by the end of 2020

Exceptional growth in film industry

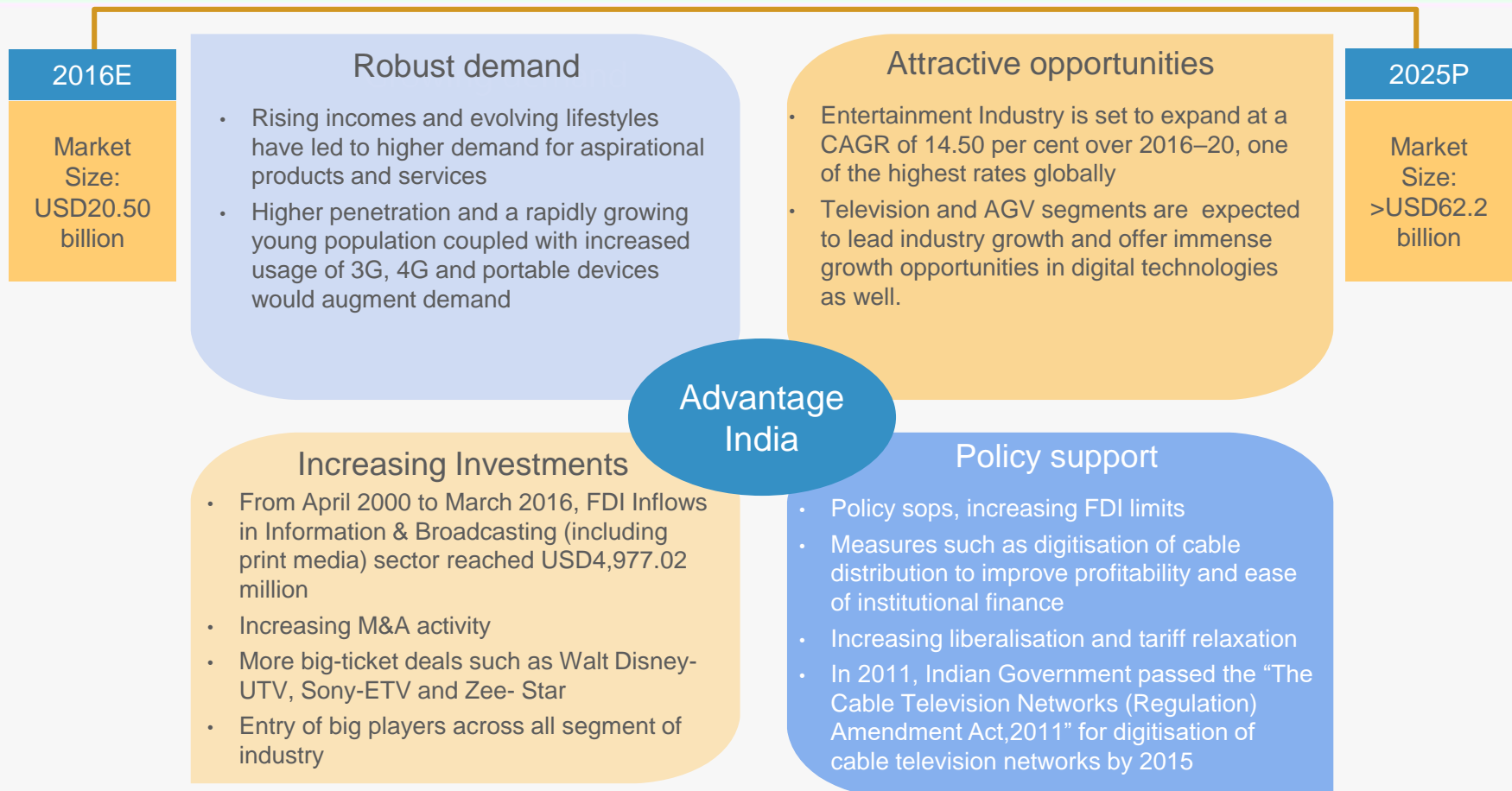
- The Indian film industry is expected to grow to USD3.54 billion by 2020
- Digitalisation has played the major role in the growth of Indian film industry
- By 2019, cinema exhibition industry in India is expected to have over 3,000 multiplex screens

Source: KPMG – FICCI Report, 2016; Dish TV Investor Presentation, Ministry of Information & Broadcasting (MIB), NASSCOM, Telecom Regulatory Authority of India (TRAI), TechSci Research

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ADVANTAGE INDIA

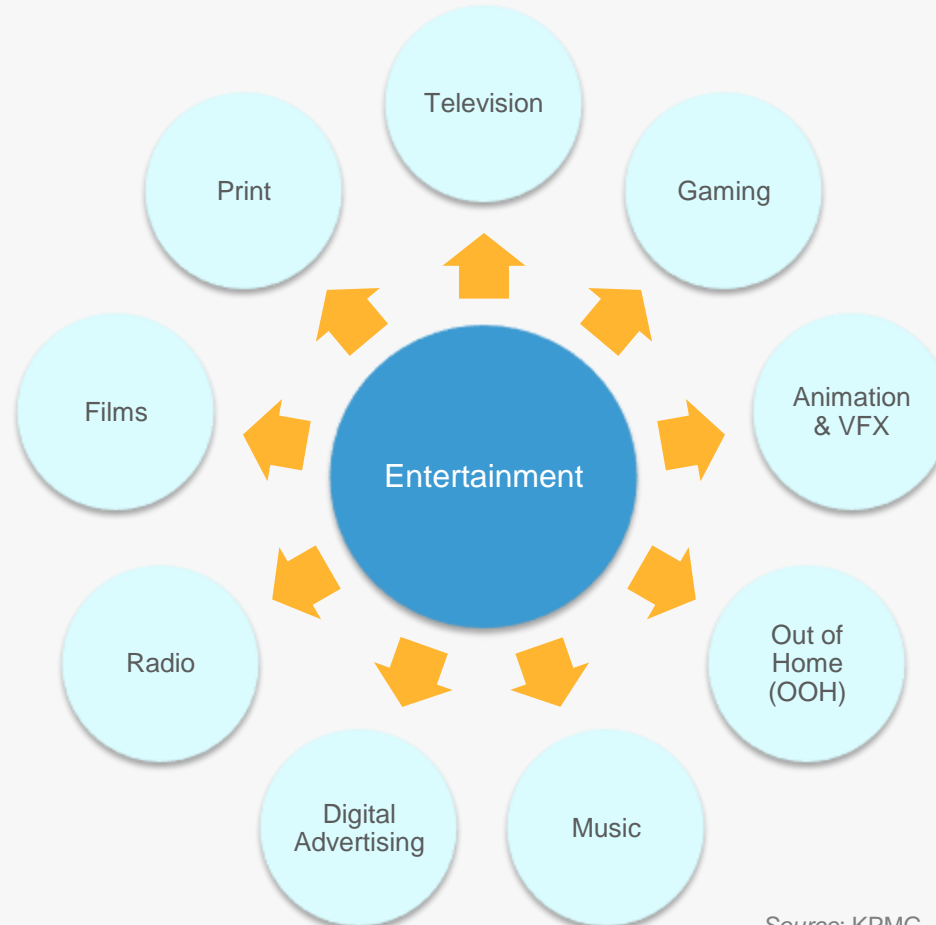


Source: KPMG Report 2015, KPMG – FICCI Report, 2016; Dish TV Investor Presentation, Ministry of Information & Broadcasting (MIB), TechSci Research
Notes: AGV - Animation, Gaming and VFX, VFX - Visual Effects, M&A - Merger and Acquisition, CAGR - Compound Annual Growth Rate, FDI - Foreign Direct Investment, Deadline for the entire country to be digitised is December 2014, E – Estimate, P – Projected



MARKET OVERVIEW AND TRENDS

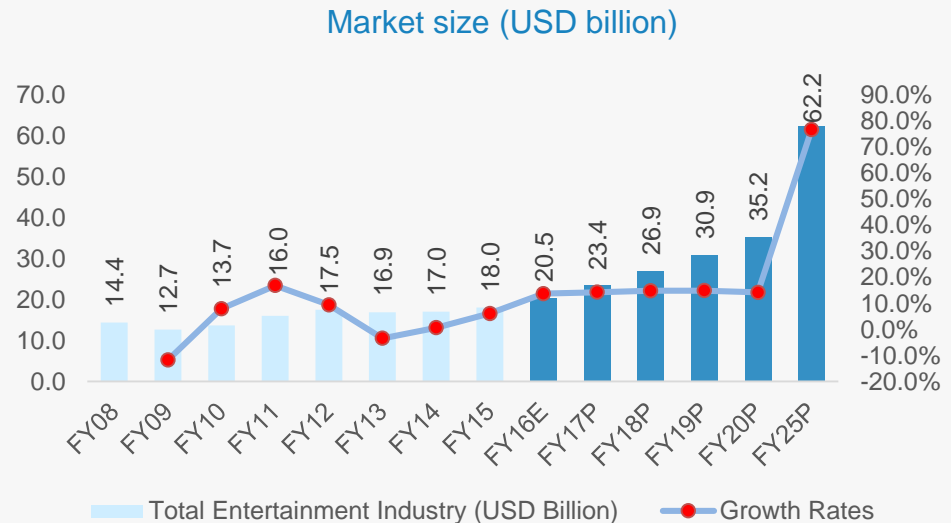
THE ENTERTAINMENT SECTOR IS SPLIT INTO NINE SEGMENTS



Source: KPMG – FICCI Report, 2016, TechSci Research
Note: VFX - Visual Effects

THE INDIAN ENTERTAINMENT INDUSTRY IS GROWING RAPIDLY

- * In FY16, the Indian Media & Entertainment (M&E) industry is estimated to register a growth of 13.7 per cent over 2015 and reach USD20.5 billion, in value terms.
- * 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 USD35.2 billion by 2020
- * The next five years will see digital technologies increase their influence across the industry leading to a sea change in consumer behaviour across all segments
- * The entertainment industry is projected to be more than USD62.2 billion by FY25

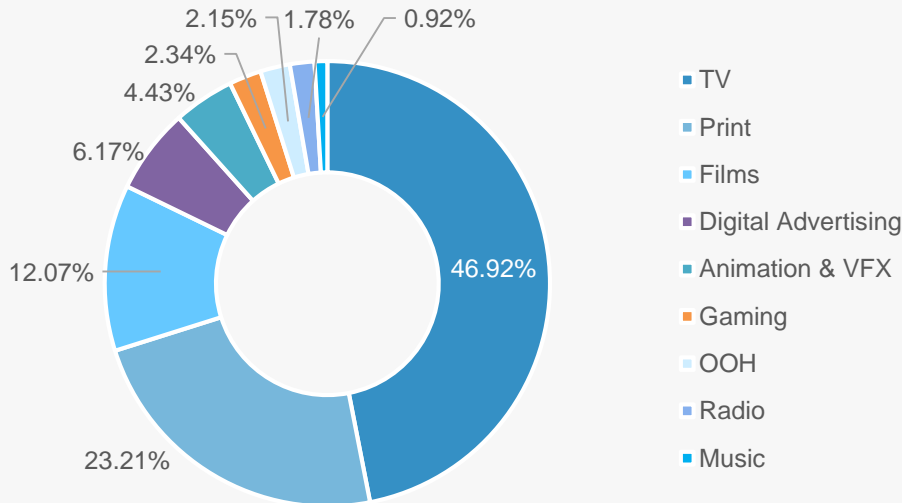


Source: KPMG – FICCI Report 2015 & 2016, TechSci Research
 Notes: Exchange rate for projections have been kept constant, for accuracy in values,
 CAGR - Compound Annual Growth Rate,
 P – Projected (USD1 = INR64.15)

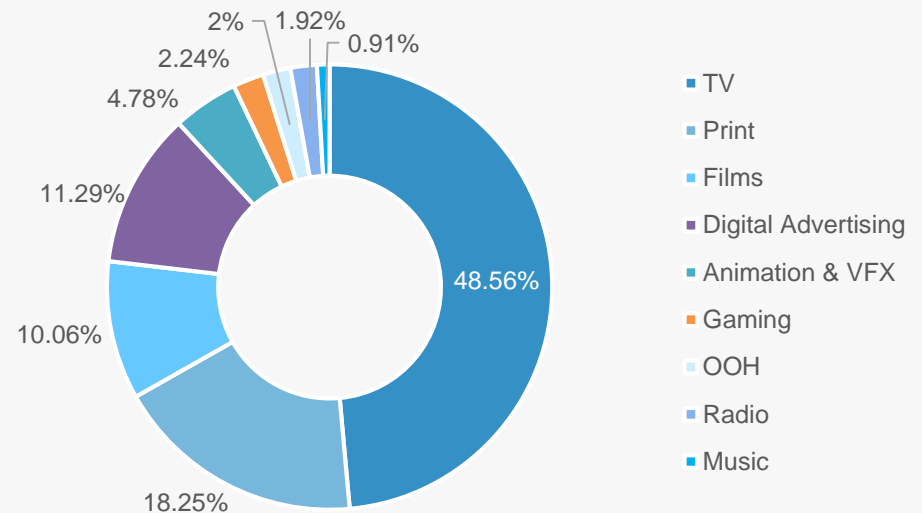
SEGMENTS OF INDIAN ENTERTAINMENT INDUSTRY

- * 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, which is expected to grow further to 48.56 per cent by 2020
- * Television, print and films together are likely to account for 82.2 per cent of market share in 2016, in value terms
- * Print media would be the 2nd 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

Size of major industry segments (2016E)



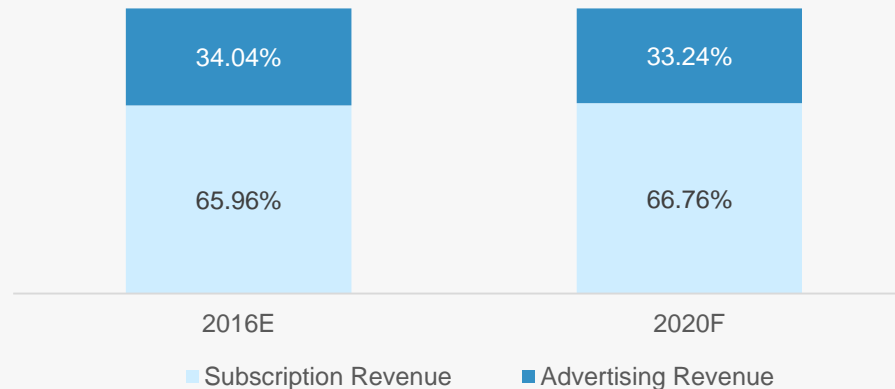
Size of major industry segments (2020P)



Source: KPMG – FICCI Report, 2016, TechSci Research
Notes: E – Estimated, P – Projected, OOH – Out of Home, TV – Television

TELEVISION, ONE OF THE LARGEST AND FASTEST GROWING SEGMENT

- * In 2015, the television industry in India derived a major share of its revenue from subscription (66.6 per cent) & the rest from advertising segment (33.4 per cent)
- * Nonetheless, the share of subscription in the overall revenue of the TV segment is expected to increase to 66.76 per cent by 2020
- * In 2016, television market is expected to generate USD9.62 billion revenue

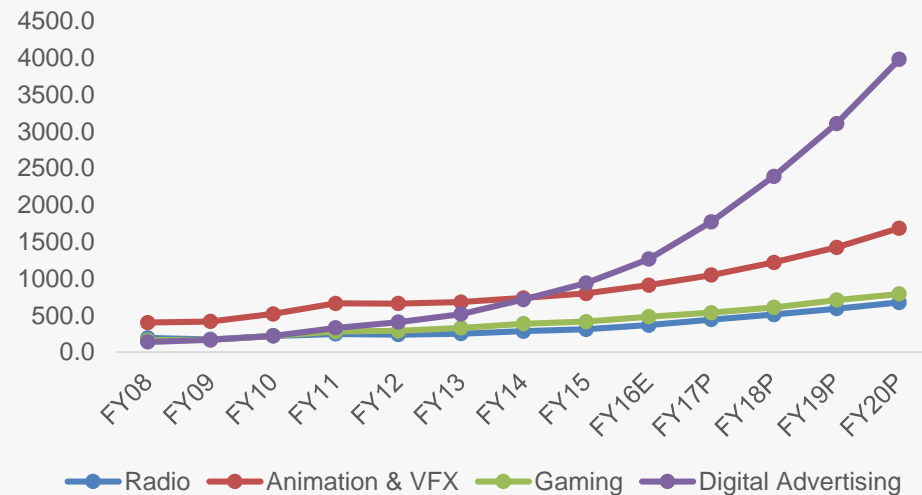


Source: KPMG – FICCI Report 2014, 2015 & 2016, TechSci Research
Note: E – Estimated, F – Forecast, TV – Television

RADIO, ANIMATION & VFX, GAMING AND DIGITAL ADVERTISING ON HIGH GROWTH PHASE

- * Radio, animation & VFX, gaming and digital advertising are also emerging as fast growing segments
- * During FY15-20, these segments are expected to increase at CAGRs of:
 - * Digital advertising (33.54 per cent)
 - * Gaming (13.86 per cent)
 - * Radio (16.94 per cent)
 - * Animation (16.15 per cent)
- * With increasing use of internet and other digital resources, Digital Advertising is expected to grow at the fastest rate among peers like print media, radio and outdoor advertising

Industry size of emerging segments (USD million)

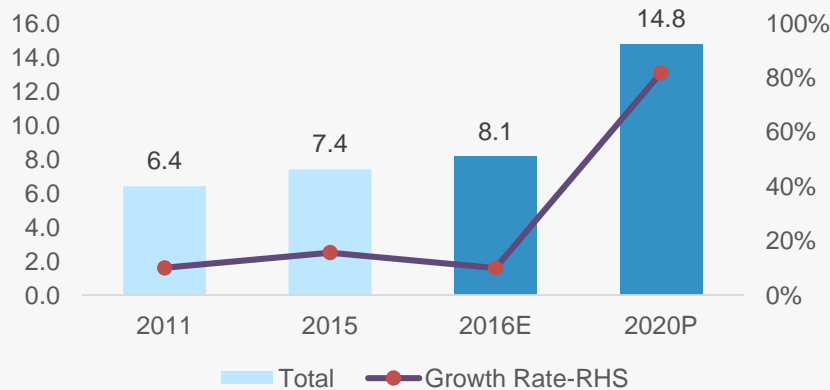


Source: KPMG – FICCI Report 2015 & 2016, TechSci Research
Notes: VFX- Visual Effects; P – Projected
E --Estimated

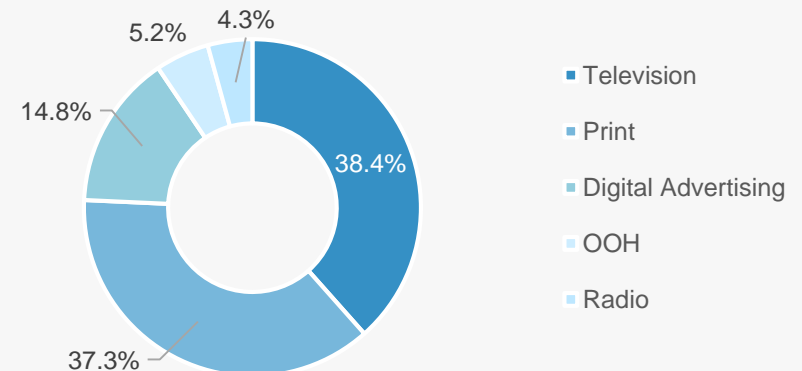
ADVERTISING REVENUES

- * In 2015, total spending on advertising across all media across the entertainment industry in India stood at USD7.4 billion, which is expected to touch USD8.1 billion in 2016
- * The Indian advertising industry is expected to grow at 13.3 per cent during 2016
- * Print was the largest contributor, accounting for 39.9 per cent of the advertising share in 2015 and is projected to be 37.3 per cent in 2016
- * Advertising revenue is expected to touch USD16.3 billion by 2020, growing at a CAGR of 9.75 per cent between 2011 to 2020
- * Print media & television together contributed for almost 78 per cent of total revenue from advertising in 2015, which is expected to reach about 75.7 per cent in 2016
- * Television advertising is expected to generate a revenue of USD3.13 billion in 2016
- * Mobile advertising has emerged as the third largest advertising medium in India after television and print advertising. Spending on mobile advertising in India is expected to grow to USD 1.53 billion by the end of 2018.

Advertising revenue forecast (USD billion)



Advertising revenue share (2016E)

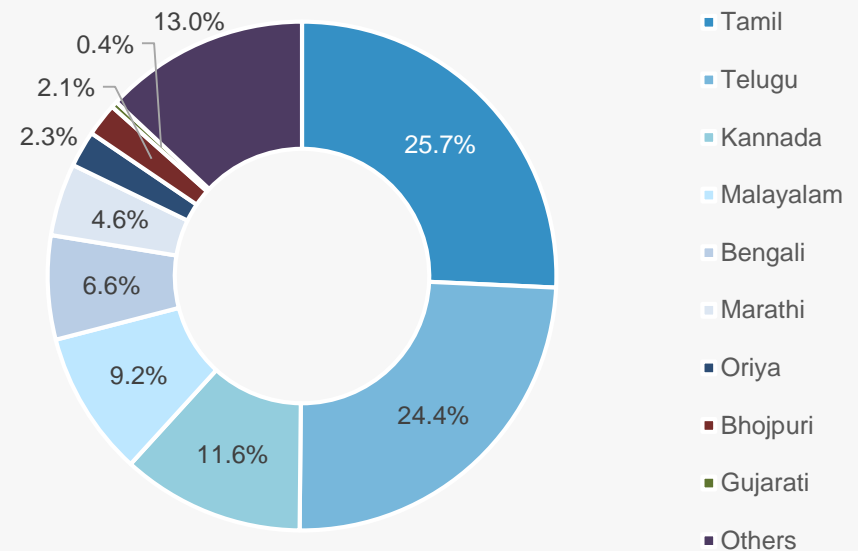


Source: KPMG – FICCI Report 2015 & 2016, TechSci Research
Notes: OOH - Out Of Home, E – Estimated, P – Projected

REGIONAL ENTERTAINMENT







- * Regional Entertainment channels comprising mostly of regional GECs (General Entertainment Channels), regional movies & regional music
- * GECs accounted for 29.6 per cent of the total television viewership share in 2015 followed by viewership of regional movies with 6.6 per cent
- * In print media, the rise in literacy rates, significant population growth, the rise in incomes in smaller towns & the entry of big players in regional markets is likely to drive future expansion of circulation and readership across India
- * Viewership in South India is dominant for regional entertainment as Tamil & Telugu channels together account for more than half of the total viewership. It is comparatively less for Oriya & Bhojpuri, which is equivalent to only 2 per cent each

Viewership in regional channels in 2015



Source: KPMG – FICCI Report 2015 & 2016, Economic Times, TechSci Research

KEY PLAYERS IN THE ENTERTAINMENT INDUSTRY

Television	Print	Films	Music
<p>Star India Pvt Ltd</p> 	<p>Bennett, Coleman and Co Ltd</p> 	<p>Yash Raj Films Studios</p>  <p><i>yash raj films</i></p>	<p>Saregama India Ltd</p> 
<p>Zee Entertainment Enterprises Ltd</p> 	<p>HT Media Ltd</p> 	<p>Eros International Media Ltd</p> 	<p>Super Cassettes Industries Ltd</p> 
<p>Multi Screen Media Pvt Ltd</p> 	<p>Living Media India Ltd</p> 	<p>Red Chillies Entertainments Pvt Ltd</p> 	<p>Tips Industries Ltd</p> 

Source: Company websites, Business Week, KPMG Report 2015, TechSci Research
Note: M&E - Media and Entertainment

NOTABLE TRENDS IN THE ENTERTAINMENT INDUSTRY ... (1/3)

Television

- In 2016, television penetration in India reached to 64 per cent
- The government announced digitisation of cable television in India in 4 phases, which was slated for completion by the end of December 2016. Phase III was almost completed in December 2015, while Phase IV is expected to be completed by 31st March 2017.
- The Direct-To-Home (DTH) subscription is growing rapidly driven by content innovation & product offerings
- Television Industry has seen a tremendous growth (CAGR: 10.5 per cent) over the past 6 years (2010-16), growing from USD6.46 billion in 2010 to USD9.62 billion in 2016

Print

- The print industry is estimated to reach USD4.76 billion in 2016 & is expected to grow at a CAGR of 7.81 per cent between 2016-2020, with the market expected to reach USD6.43 billion by 2020
- Increasing income levels & evolving lifestyles have led to robust growth in niche magazines segment
- Considering the huge potential in regional print markets, national advertisers are entering these markets to increase their advertising share

NOTABLE TRENDS IN THE ENTERTAINMENT INDUSTRY ... (1/3)

Film

- The Indian film industry is largest producer of films globally with 400 production & corporate houses involved in film production
- The revenues earned by the Indian film industry¹ in 2016 would reach USD2.47 billion and are expected to further grow at a CAGR 9.4 per cent during 2016-2020. Increasing share of Hollywood content in the Indian box office and 3D cinema is driving the growth of digital screens in the country

Animation, Gaming and VFX (AGV)

- Growing focus on the 'kids genre' and rise in dedicated TV channels for them. As the advertising industry grows, the share of animation driven advertisements are expected to also grow
- Surge in 3D/HD animated movies in theatres and use of animation and VFX in TV advertising and gaming. Growing outsourcing of VFX and gaming to India is due to cost effectiveness of Indian players
- Content localisation such as T20fever.com, IPL, Khel Kabaddi, etc.
- AGV industry in India is expected to grow at a CAGR of 12.1 per cent to touch USD1.39 billion in 2016 from USD0.7 billion in 2010

Source: KPMG – FICCI Report 2015 & 2016, Economic Times, TechSci Research
Notes: DTH - Direct to Home, 3D - Three Dimension, GoI – Government of India, C&S – Cable & Satellite
1: India makes about 1,500 to 2,000 movies per year and it is considered to be the fastest country that makes movies as compared to other countries in 2015.

NOTABLE TRENDS IN THE ENTERTAINMENT INDUSTRY ... (2/3)

Radio

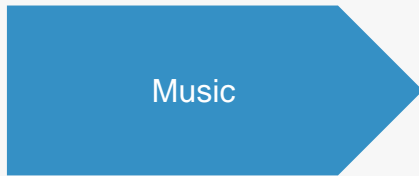
- Increasing FM enabled phones and car music systems
- As of December 2015, 243 channels are operational in 86 cities in India. Further, 21 private FM channels were set up during Phase-I & an additional 222 channels were set up during Phase-II
- The Govt is planning to auction 1,000 new FM channels by the end of 2016. Liberalisation of policy on community radio took place in 2008 which led to 29 community radio stations getting operational in the country
- In 2016, the radio industry in India accounted for a market size of USD364.77 million, registering growth of CAGR 8.9 per cent during 2010–16

Out of Home and digital

- With increasing penetration of internet and digital mediums, digital segment is expected to outperform other sectors of entertainment
- Although Out-of-Home segment has a low contribution to the total of entertainment industry, in coming years it is going to witness a significant growth
- The market size for Out of Home (OOH) entertainment is anticipated to reach USD441 million by 2016

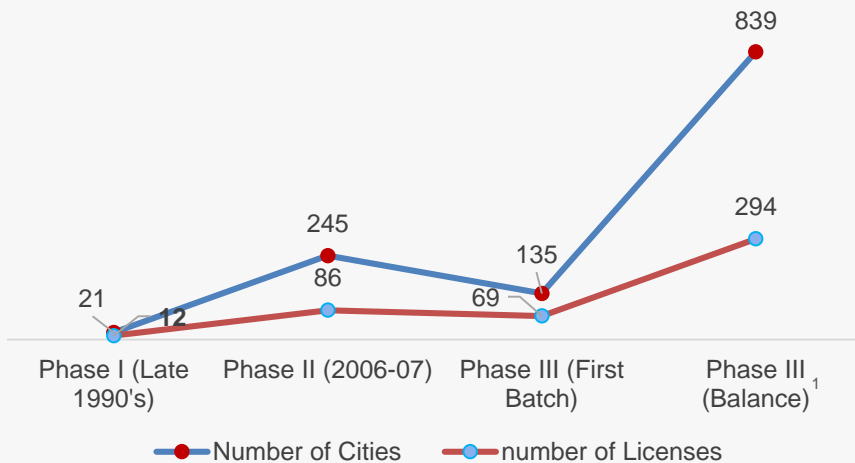
Source: KPMG – FICCI Report 2015 & 2016, Press Information Bureau, TRAI, TechSci Research
Notes: Phase I (Late 1990's), Phase II (2006-07), Phase III (2015-onwards), Govt – Government of India

NOTABLE TRENDS IN THE ENTERTAINMENT INDUSTRY ... (3/3)

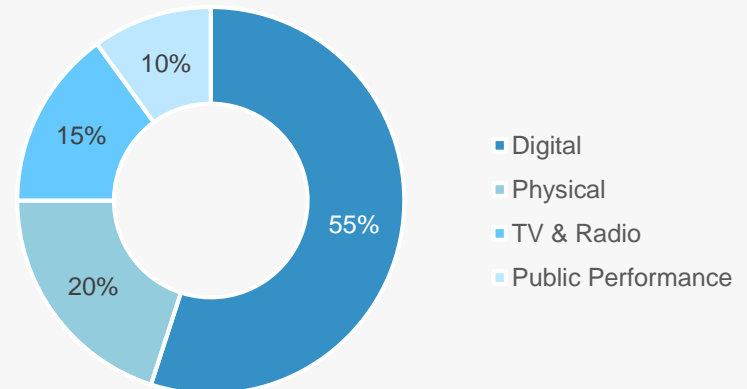


- The music industry is on fast paced growth with increasing international associations. The Indian music industry is a consortium of 142 music companies
- Players are looking at new ways & mediums to monetise music, such as utilising social media to promote music. Mobile phones, iPods & mp3 players – devices that enable music on-the-go – are becoming the primary means to access music
- Digital music on mobile continues to drive music industry revenue & digital revenues are expected to reach USD321.12 million by 2020. Digital revenues contribute 55 per cent of the music industry & is expected to contribute close to 62 per cent by 2018

Phases-wise details of FM radio Licenses and Cities



Digital revenues for the music industry (2014)

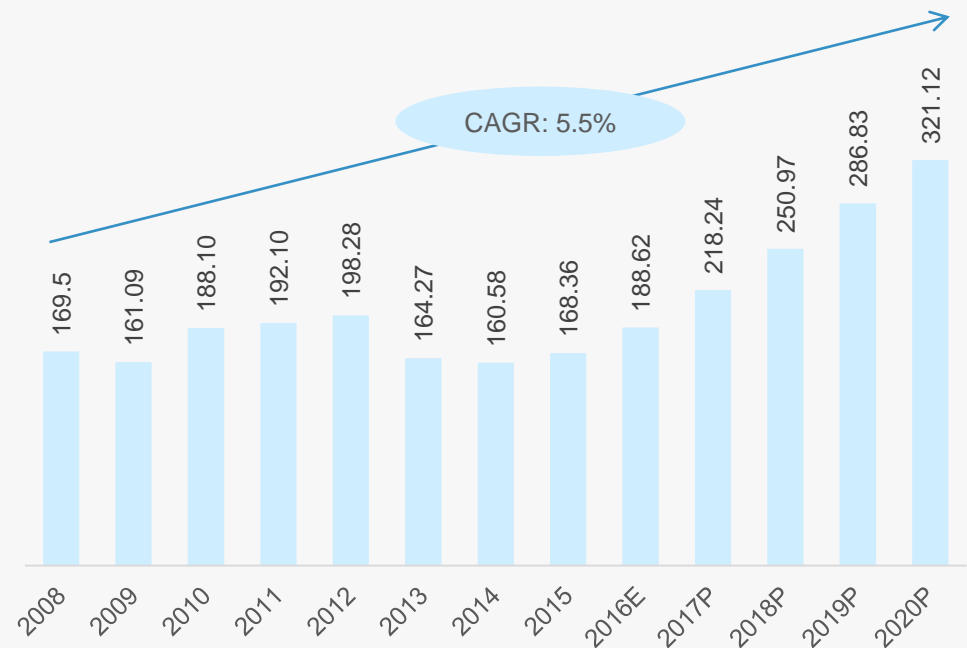


Source: KPMG Report 2015, Economic Times, TechSci Research
1: 2015-16

MUSIC INDUSTRY

- * Music entertainment revenues is expected to touch USD321.12 million by 2020 from USD169.65 million in 2008, registering a growth of 5.5 per cent
- * By 2020, the number of online music listeners in India will reach 273 million, while the digital music revenues is likely to cross USD507.7 million

Revenues for the music industry (USD Million)



Source: KPMG, Economic Times, TechSci Research

Notes: Exchange rate for projections have been kept constant, for accuracy in values,
E – Estimate, P – Projected



PORTERS FIVE FORCES ANALYSIS

PORTERS FIVE FORCES ANALYSIS

Competitive Rivalry

- Highly fragmented industry that is no single enterprise has large enough share to influence the entire sector
- High fixed costs and highly perishable products

Threat of New Entrants

- High sunk costs are involved
- High capital requirements
- Access to distribution is difficult

Substitute Products

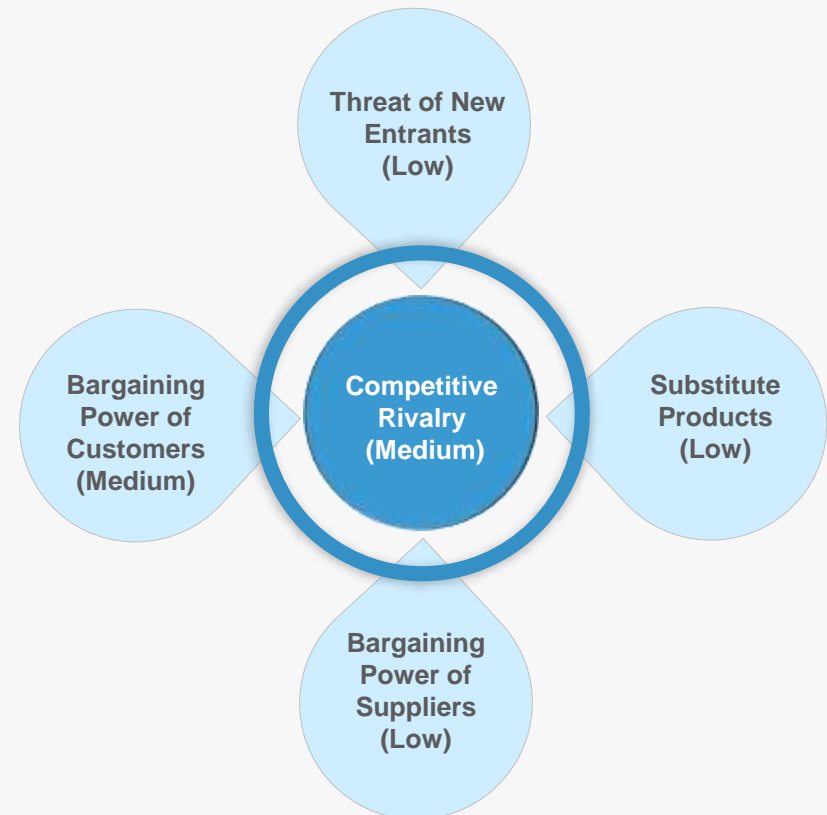
- Film industry, print media & internet
- Significant sporting events like World Cup, T20, etc & other cultural events

Bargaining Power of Suppliers

- The number of suppliers is very high which leads to the low bargaining power with them
- Increasing number of content providers

Bargaining Power of Customers

- Increased globalisation
- Consumers loyalty towards one channel is less, as variety of alternative sources of entertainment is available



Source: TechSci Research

ENTERTAINMENT



STRATEGIES ADOPTED

STRATEGIES ADOPTED

Viewership in regional entertainment

- Regional entertainment is growing & therefore, the suppliers are able to expand their forte in the products
- Zee Television, Star TV have their regional channels both for entertainment & news
- The South Indian television industry is one of the oldest operational television sectors across the nation & is further growing due to the regional content

Marketing strategies

- The manufacturing companies such as Videocon is offering combo deals such as LED/LCD sets with Videocon set-up boxes and dish services
- The Dish TV is also offering the set up boxes with many additional channels
- Increasing digitisation in the country is helping such companies to further add up to their revenues

Television: A common medium

- As television industry is a dominant segment in the entertainment industry even the film makers promote their films at this platform so as to reach to the mass audiences for example the reality shows, TV advertisements, etc
- Many film producers, actors, etc have shifted to the television industry so as to remain in the race & maintain their fan following
- TV programmes being used as a medium of promoting films or other entertainment events

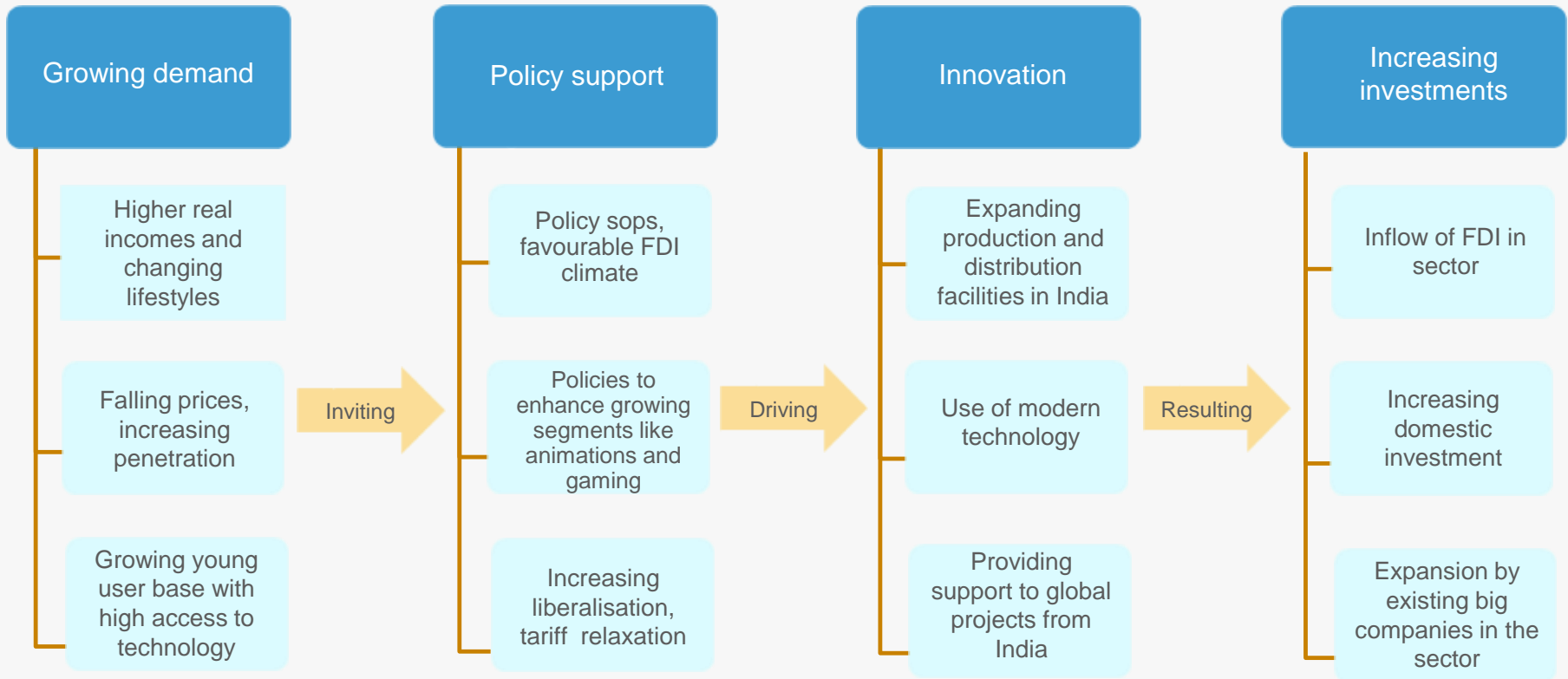
Audience: the ultimate consumer

- Audience is the ultimate consumer in this industry & therefore films, advertisements, music & all the products of entertainment sector is based on the tastes & preferences of the audiences of the nation



GROWTH DRIVERS

STRONG DEMAND AND POLICY SUPPORT DRIVING INVESTMENTS

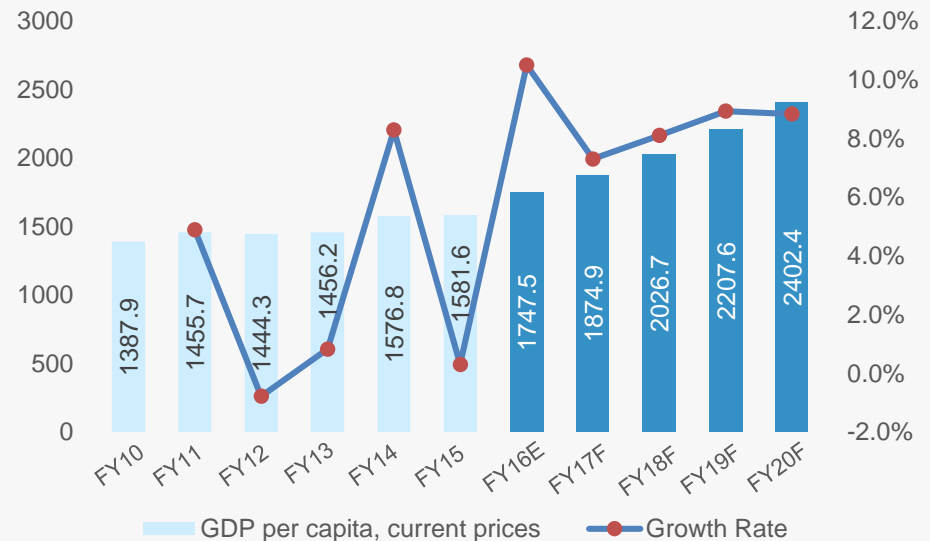


Source: TechSci Research

MULTIPLE FACTORS WILL DRIVE GROWTH IN DEMAND ... (1/2)

- * Incomes have risen at a brisk pace in India & will continue rising given the country's strong economic growth prospects. Nominal per capita income have recorded a CAGR of 8.87 per cent over 2000–15
- * Rising incomes, with its positive impact on the consumer base, will be the key growth driver for the entertainment industry (across the country)
- * As the proportion of 'working age population' in total population increases, GDP is expected to grow higher
- * Per capita income is expected to expand at a CAGR of 5.6 per cent for the period 2010-20

Rising per-capita income in India (USD)



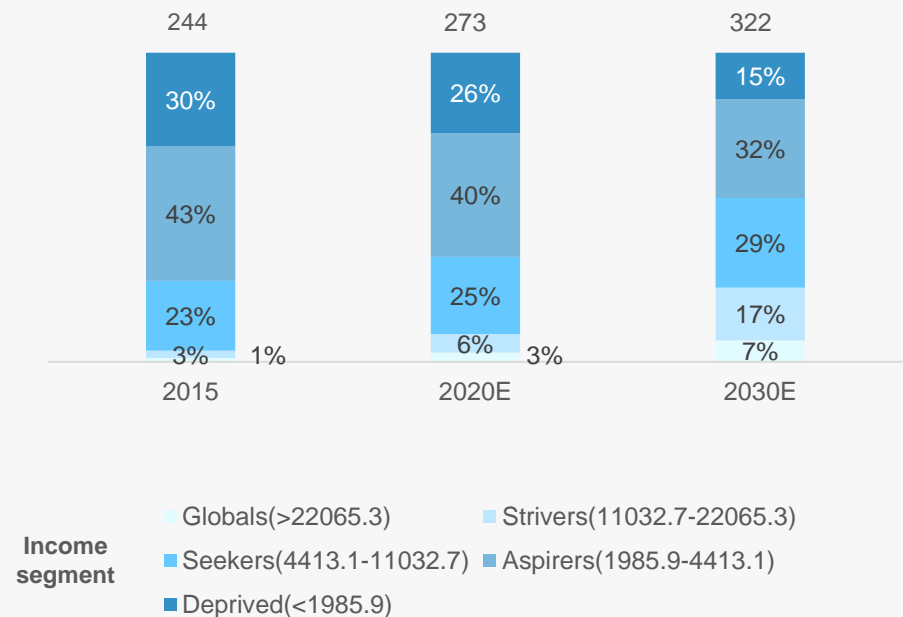
Source: IMF, World Bank, Central Statistics Office, TechSci Research
Notes: E – Estimated F – Forecast

MULTIPLE FACTORS WILL DRIVE GROWTH IN DEMAND ... (2/2)

- * Apart from the impact of rising incomes, widening of the consumer base will also be aided by expansion of the middle class, increasing urbanization & changing lifestyles
- * The entertainment industry will also benefit from continued rise in the propensity to spend among individuals; empirical evidence points to the fact that decreasing dependency ratio leads to higher discretionary spending on entertainment.
- * Traditionally only advertising has been a key source of revenue for Media & Entertainment industry, but off late revenue from subscription & value added services has also contributed significantly. With consumers willing to pay for content & extra services, the subscription segment will play an important role in the post digitisation era.

Indian residents shifting from low-income to high-income groups

Million Household, 100%



Source: McKinsey Quarterly Report, TechSci Research
Notes: E:Estimated

POLICY SUPPORT AIDING SECTOR GROWTH ... (1/2)

Television

- Digitisation of the cable distribution sector to attract greater institutional funding, improve profitability & help players improve their value chain
- FDI limit for DTH satellite and digital cable network was raised from 74 per cent to 100 per cent by the government
- No restriction on foreign investment for up-linking & downlinking of TV channels other than news & current affairs

Film

- Co-production treaties with various countries such as Italy, Brazil, UK & Germany to increase the export potential of the film industry
- Granted 'industry' status in 2001 for easy access to institutional finance
- FDI upto 100 per cent through the automatic route has been granted by government
- Entertainment tax to be subsumed in the GST; this would create a uniform tax rate regime across all states & will also reduce the tax burden

Radio

- FDI limit in radio, including private FM channels have been increased from 26 per cent in 2015 to 49 per cent
- Private operators allowed to own multiple channels in a city, subject to a limit of 40 per cent of total channels in the city
- Private players allowed to carry news bulletins of All India Radio
- Further boost may be given to the radio sector by charging license fees on the basis of 'net income' so as to provide relief to loss making radio players

Source: TechSci Research,
Notes: FDI – Foreign Direct Investment, FII – Foreign Institutional Investors

POLICY SUPPORT AIDING SECTOR GROWTH ... (2/2)

Print

- FDI/NRI investment of upto 26 per cent in an Indian firm dealing with publication of newspaper and periodicals
- FDI/NRI investment of upto 26 per cent in publications of Indian editions of foreign magazines
- FDI/NRI investment of upto 100 per cent in publications of scientific and technical magazines/ specialty journals/ periodicals

Music

- Parliamentary approval on the Copyright Act (Amendment) Bill, 2012, which strengthens the royalty claims of musicians, lyricists and others in the field
- Policies are adopted against digital piracy and file-sharing; steps have been taken to block illegal music websites
- Adoption of revenue sharing model by Copyright Board requiring FM radio companies to share 2.0 per cent of their net advertising revenues with music companies

Animation, Gaming and VFX (AGV)

- 100 per cent FDI allowed in the sector through automatic route provided it is in compliance with Reserve Bank of India guidelines
- The government has carved out a National Film Policy to tap the potential of the film sector mainly for the animation segment
- State-level initiative by governments to encourage animation industry. For example: Visual effects community in Bengaluru

Goods and Services Tax

- GST Bill would introduce a nationwide goods and services tax through which multiplexes would be able to evade 27x tax on ticket sale. It further states that, multiplexes would pay a GST tax to the federal government as well.

Source: PwC India Entertainment and Media Outlook 2011, KPMG – FICCI Report 2015 & 2016,

DIGITISATION – A GAME CHANGER ... (1/2)

- * In December 2011, the Indian Government passed 'The Cable Television Networks (Regulation) Amendment Act' for 3rd phase of digitisation of cable television networks by 2015.
- * The Information Broadcasting (I&B) Ministry completed the 2nd phase of digitisation, which involved digitising 16 million cable TV houses in 38 cities by April 1, 2013 & aims to complete the 3rd phase of digitisation which includes all other urban areas (municipal corporations/ municipalities) by December 2015. The rest of the country is likely to be covered by March 2017 under phase 4 of digitisation. The digital subscribers are expected to outdo the analog subscribers by 2013-14
- * The cable operators under the digitisation regime are legally bound to transmit only digital signals, while the customer can access the subscribed channels through a set-top box
- * The number of active DTH subscribers in India is expected to increase from 58.53 million in March 2016 to 79 million by 2020
- * USD 81.2 million has been allocated for launching a pan-India programme named 'Digital India' & a national rural internet & technology mission for services in villages & schools, training in IT skills & e-kranti for government service delivery & governance scheme
- * In its cable segment, Hathway, has launched an on-demand special feature, which helps the customers to look for additional services such on demand blockbusters movies, music videos, devotional & animated content.

Status of digitisation

Phase	Parliamentary approval for analogue shutdown	Digitisation including DTH	Gross billing
Phase 1	June -12	>90% (100% excluding Chennai)	Started in Delhi in January 2014; Mumbai & Kolkata expected to start in Feb-March 2014
Phase II	March-13	>95%	Completed in March 13
Phase III	December -15	~50%	Expected to complete by December 2015 (exception of 15 states & cities)
Phase IV	December- 16	~25%	Expected to complete by March 2017

Source: Digital Dawn, KPMG – FICCI Report 2015 & 2016, TechSci Research

DIGITISATION – A GAME CHANGER ... (2/2)

Advantages of Digitisation

- * Higher consumer preference, which lacked in the former Conditional Access System (CAS)
- * Consumers will be able to select content of their choice as well as indefinitely store and access digital content
- * The digital platform in films also includes the 'video-on-demand' feature on television
- * Higher transparency; subscriber declaration level is expected to increase to 100 per cent under post-digitisation regime as compared to 15–20 per cent as declared by Local Cable Operators (LCOs) to Multiple System Operators (MSOs).
- * The digital segment in India's media & entertainment industry is set to cross USD 3208.07 million by 2020. This offers a huge opportunity for expansion of digital sector in India's media & entertainment industry.

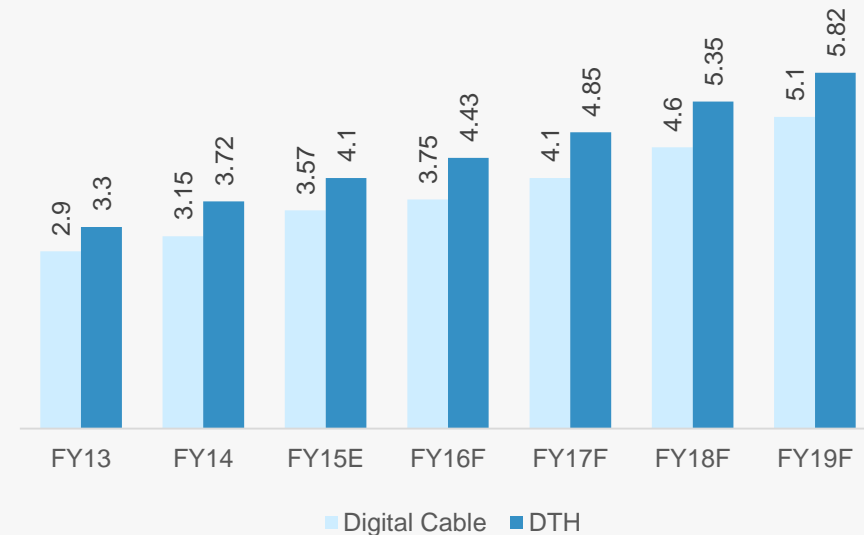
Stake-holder revenues share	Pre-digitisation	Post-digitisation
Consumer ARPU	100	100
Local Cable Operators (LCOs)	65–70	35–50
Distributor	5	0–5
Multiple System Operators (MSOs)	15–20	25–30
Broadcaster	10–15	30–35

Source: Digital Dawn, KPMG Report 2015, TechSci Research
ARPU- Average Revenue Per User

ARPU ON AN UPTREND POST - DIGITISATION

- * Presence of analog cable & higher contribution has led to lower Average Revenue Per User (ARPU) level, which is around USD3.4 for a digital pay television
- * However, with higher scope of introduction of new and niche channels with digitisation, ARPU levels are expected to increase in the coming years
- * ARPU for DTH subscribers has seen an increase of around 12-15 per cent in 2014. The more promising trend is that DTH operators are able to increase collections from customers by providing additional services such as HD channels, premium channels & other value added services.
- * HD adoptions continues to drive ARPU growth for DTH players with the average ARPU of a HD subscribers at ~1.5 to 2 times more the ARPU of non HD subscribers.
- * Digital cable on the other hand, has not seen any significant ARPU increases as compared to the DTH ARPU. For digital cable, deployment of different channel packages will be the key driver to raise ARPUs
- * Total number of DTH subscribers, as of 31th March 2016, stood at around 88.64 million, of which 58.53 million were active subscribers

Average revenue per user per month (USD)

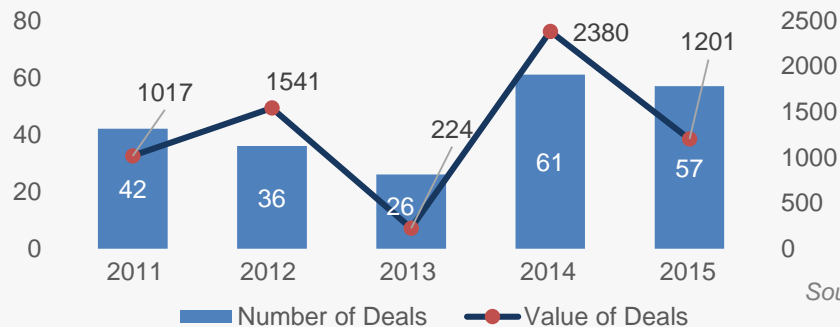


Source: KPMG – FICCI Report 2015 & 2016, TechSci Research
Notes: E – Estimate, F - Forecast

INCREASING INVESTMENTS IN THE SECTOR - KEY DEALS AND FDI INFLOWS ... (1/3)

- * Consolidation will be the major route to grow inorganically for entertainment companies in order to expand their portfolios and enter into new regions
- * Dentsu acquired 80 per cent stake in Webchutney, a digital marketing company
- * News Corp exited its non-core businesses in India by selling its investment in Star News (stake acquired by the ABP Group) and Hathway Cable & Datacom (stake acquired by Providence Equity Partners)
- * In December 2015, HT Digital Media Holdings Limited invested in Planet GoGo, a mobile focused content aggregator company
- * Cumulative FDI inflows into Information & Broadcasting (Including Print Media) reached USD4.98 billion during April 2000-March 2016
- * In 2016, government agencies under took major steps for the development of Media and Entertainment industry. The FDI limit in cable TV and DTH has increased to 49 per cent through automatic route, and beyond that through government approval.

Trends of Investment in M & A (Volume & Value)
(USD Million)



Source: KPMG – FICCI Report 2015 & 2016, TechSci Research
Notes: M&A – Mergers & Acquisitions

INCREASING INVESTMENTS IN THE SECTOR - KEY DEALS AND FDI INFLOWS ... (2/3)

Mergers and Acquisitions (M&A) deals till June 2016			
Acquirer	Target name	Date	Value
Eros International Media Ltd	Puja Entertainment	June 2016	NA
Sony Pictures Networks India Pvt. Ltd. (SPN)	9X Media Pvt. Ltd.	April 2016	USD33 million
PVR	DT Cinemas	May 2016	USD81.89 million
Zee Entertainment	Sarthak TV	July 2015	USD18.83 million
Viacom Inc.	Prism TV	July 2015	USD153 million
Carnival Films Private Limited	BIG Cinemas	December 2014	USD111 million
Prime Focus Ltd	Reliance media Work ltd.	July 2014	USD61 million
Dainik Jagran group	Radio City	June 2015	USD60 million
Zee Media Corporation (ZMCL)	Reliance Broadcast Network (RBNL)	November 2016	USD237.79 million

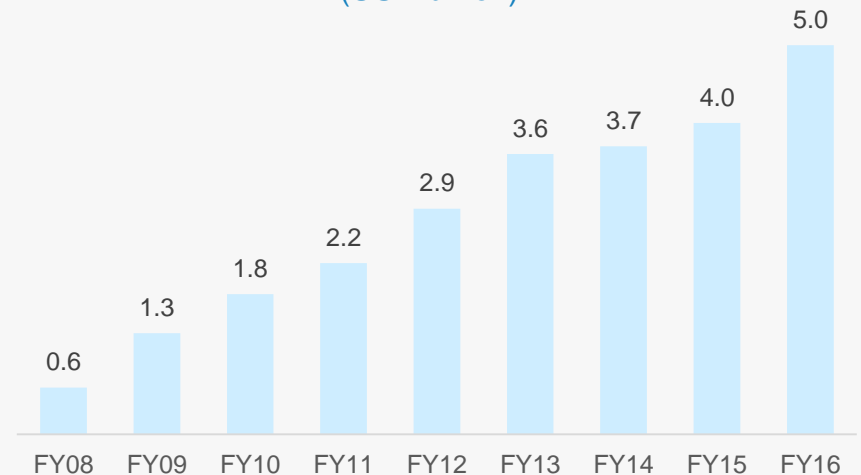
Source: KPMG – FICCI Report 2015 & 2016, News articles, TechSci Research; Notes: NA – Not Available

- * In November 2016, Zee Media Corporation (ZMCL) announced its plans to acquire 49 per cent of radio business of Reliance Broadcast Network (RBNL) for USD 237.79 million. Zee Entertainment Enterprises (ZEEL) would be buying TV Business of Reliance Capital for USD 44.57 million
- * In April 2016, Sony Pictures Networks India signed the letter of intent to acquire 9X Media. The deal is worth USD 33 million
- * In July 2015, media firm Zee Entertainment Enterprises Limited (ZEEL) acquired 100 per cent stake of Sarthak TV for an all cash deal which is valued at USD 18.83 million
- * In May 2015, PVR acquired DLF's DT Cinemas at a deal value of USD 81.89 million

INCREASING INVESTMENTS IN THE SECTOR - KEY DEALS AND FDI INFLOWS ... (3/3)

- * FDI inflows into the entertainment sector during April 2000 to March 2016 rose up to USD 5 billion
- * As of March 2016, the share of FDI in 'Information and Broadcasting' was 1.73 per cent of total FDI inflows into the country
- * Demand growth, supply advantages and policy support are the key drivers in attracting FDI
- * In 2015 admissions were at an estimated 2.04 billion, and in 2020 are predicted to be at 2.80 billion, rising at a 6.6 per cent CAGR.
- * Box office revenue in India, which stood at USD 1.64 billion in 2015, is expected to increase to USD 2.74 billion by 2020, exhibiting a CAGR of 10.9 per cent.

Cumulative FDI inflows into Information and Broadcasting from April 2008 - March 2016 (USD billion)



Source: Department of Industrial Policy and Promotion (DIPP), TechSci Research

ENTERTAINMENT



OPPORTUNITIES

GAMING IN INDIA AND OPPORTUNITIES FOR DOMESTIC FIRMS

- * Gaming can be classified under 4 segments – ‘Personal Computer Games (PC)’, ‘Mobile Games’, ‘Console Games’ & ‘Online Games’. The growth is driven by rising younger population, higher disposable incomes, introduction of new gaming genres & the increasing number of smartphone & tablet users
- * The mobile gaming industry in India was estimated at about USD 416 million in 2015 & is projected to witness a CAGR of 42.35 per cent (2015-2018)
- * The Indian digital gaming market is estimated to grow from USD 413.1 million in 2015 to USD790.34 million by 2020
- * Incentives provided by state governments, for units in SEZ, as specified in ‘Union Budget 2016’, to encourage gaming & animation industry
- * Disney India entered into an agreement with 9Apps (a part of Alibaba Group) to host & promote over 300 popular mobile games from its gaming catalogue²
- * In January 2017, mobile games distributor, Gamesbond, tied up with Vietnam-based – StomStudio, for launching a series of casual arcade games, to be published under Gamesbond brand on google play, apple store & various OEM channels.

Opportunities¹ for Indian gaming firms across the segment’s value chain

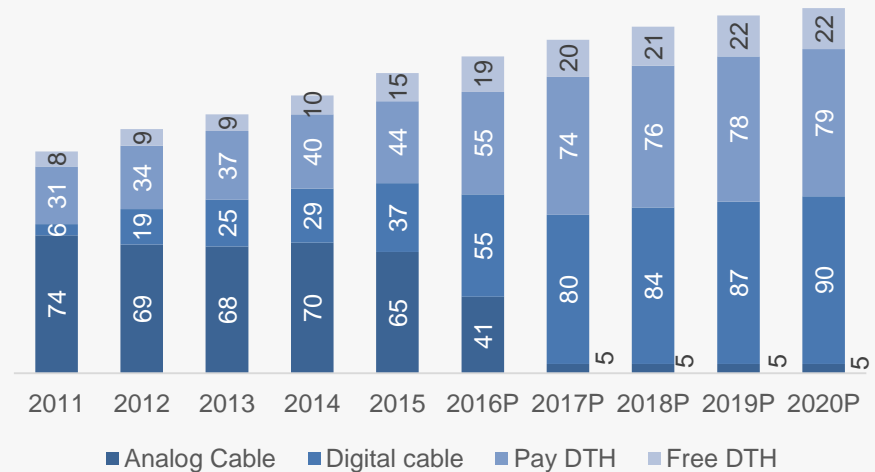
	Concept creation	Pre-production	Development	Post- production and testing	Final testing
Console	Very strong	Strong	Good	Good	Good
Mobile	Good	Good	Good	Good	Good
PC	Strong	Strong	Good	Good	Good
Online	Strong	Strong	Good	Good	Good

Source: “Media and Entertainment in India: Digital Road Ahead” by Deloitte, TechSci Research; KPMG Report 2015 & 2016
Notes: ¹ We have portrayed the intensity of opportunities in each segment based on the extent of Indian players’ current presence in that segment, ²As of September 2016.

OPPORTUNITY FOR BOTH DIGITAL CABLE AND DTH PLAYERS

- * The share of digital cable as well as Pay DTH service providers is expected to increase post-digitisation
- * Total DTH subscribers have increased by around 18 per cent from 50 million in 2014 to 39 million in 2015, driven largely by increase in HD channels, premium channels and value added services
- * Total subscription for DTH is expected to increase to 101 million subscribers by 2020 from 59 million in 2015
- * Total subscription for Digital is expected to increase to 90 million subscribers by 2020 from 37 million in 2015
- * DTH industry revenues will reach USD5.3 billion by 2020. Revenue growth will be largely driven by increasing subscriber volumes

Number of subscribers (million)



Source: KPMG – FICCI Report 2016, TechSci Research
Notes: P-Projected

OPPORTUNITIES ACROSS SEGMENTS IN THE ENTERTAINMENT INDUSTRY ... (1/2)

Television

- Television industry is expected to grow at CAGR of 28.3 per cent during 2016-2020, increasing from USD 9.62 billion in 2016¹ and reaching USD 26.1 billion by 2020
- Television is projected to garner over 46 per cent of media and entertainment by the end of 2016 (as addressable digitisation is expected to cover the entire country by then)

Animation & VFX

- The Indian animation industry was worth USD 796.6 billion in 2015 and is expected to expand at a CAGR of 16.1 per cent to USD 1.68 billion by 2020
- Growth in international animation films, especially 3D productions and the subsequent work for Indian production houses will help the growth in this segment
- Animation, Gaming & VFX industry is expected to reach USD 1.39 billion in 2016¹

Print

- The print industry was worth USD 4.42 billion in 2015 and with a CAGR of 7.8 per cent for 2015-2020, it is expected to reach USD 6.43 billion by 2020
- Accelerated growth is forecasted in regional print and local news segments
- Print industry will reach USD 4.76 billion in 2016¹

Source: KPMG – FICCI Report 2015 & 2016, TechSci Research
Notes: 2016¹ – Estimated figure from January 2016 to December 2016

OPPORTUNITIES ACROSS SEGMENTS IN THE ENTERTAINMENT INDUSTRY ... (2/2)

Film

- Size of the Indian film industry is expected to touch USD 3.54 billion by 2020, up from USD 2.23 billion in 2015 at a CAGR of 9.7 per cent
- Increasing digital screens and 3D films are expected to help industry growth
- In order to promote India as a location destination for foreign production houses, the government is setting up a single window clearance system for shooting permissions
- To promote joint productions, co-production agreements have been signed with Italy, Germany, Brazil, UK, France, New Zealand, Poland, Spain & Canada

Radio

- Size of the Indian radio industry is expected to reach USD 675 million by 2020, up from USD 364.77 million in 2016¹
- Phase III of e-auctions for FM radio licenses will provide an impetus to the segment
- Radio advertising is another area likely to experience accelerated growth

Music

- Size of the music industry is expected to grow to USD 321.12 million by 2020, up from USD 188.62 million in 2016²
- Mobile VAS and arrival of 3G are likely to lead to a surge in paid digital downloads
- Phase III radio licensing will also help in increasing music revenues from radio

Online Streaming Services

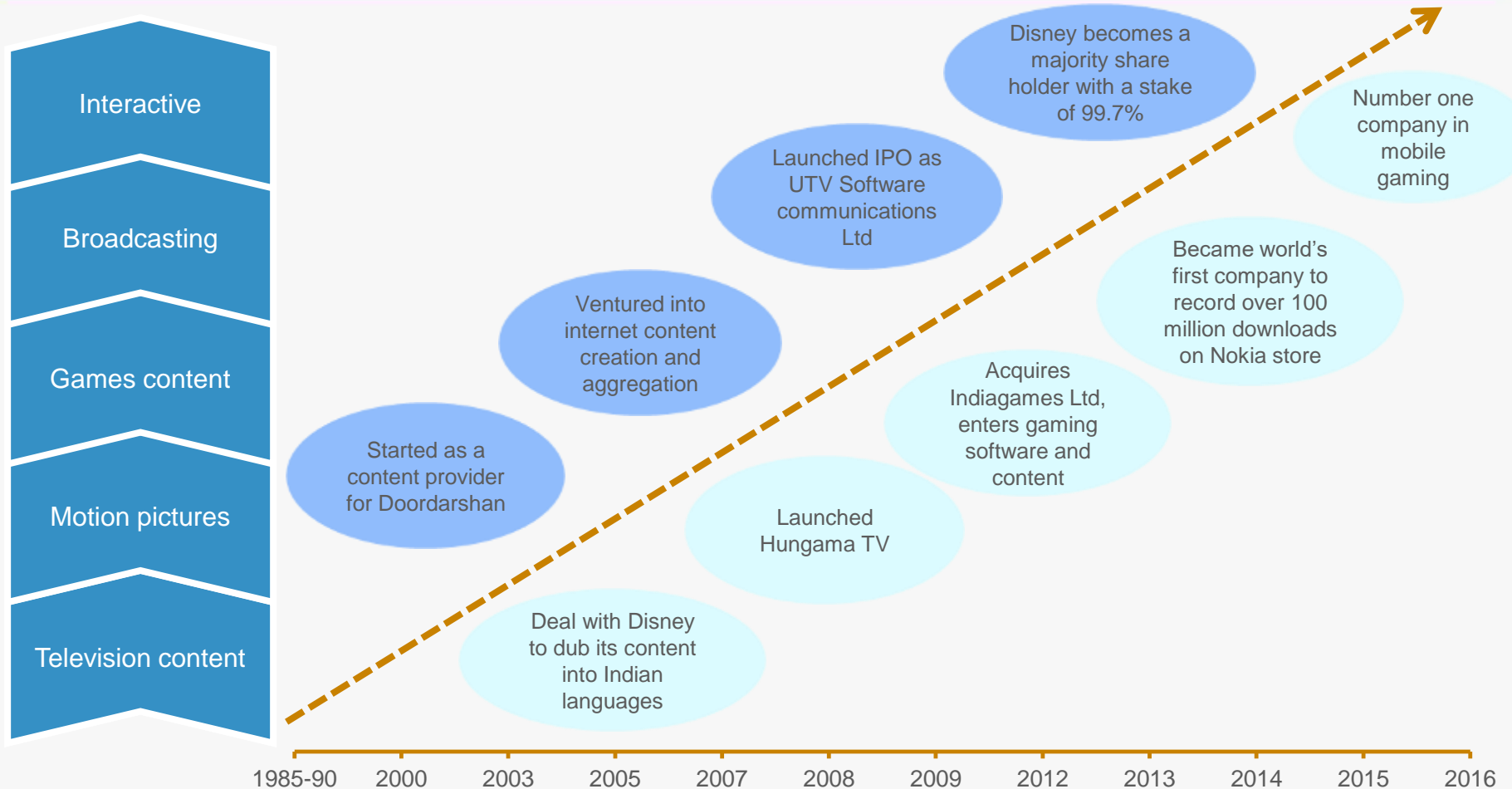
- Recent investment of USD 3 billion was made by Amazon.com Inc., focusing primarily on the establishment of their online streaming service, Amazon Prime, in the country.

Source: KPMG – FICCI Report 2015 & 2016, TechSci Research
Notes: 2016¹ – Estimated figure from January 2016 to December 2016



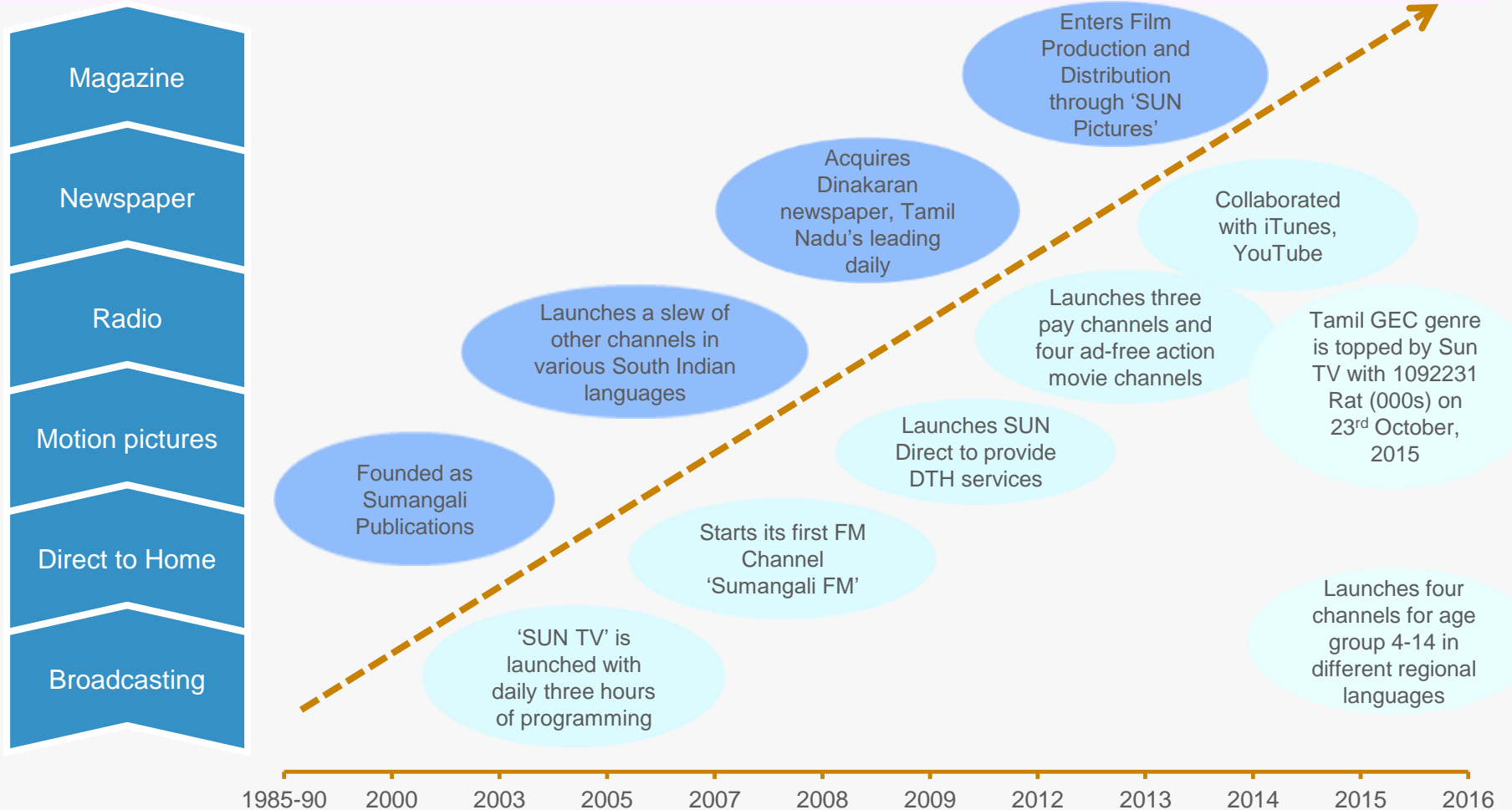
SUCCESS STORIES

UTV - ONE OF THE LARGEST MEDIA CONGLOMERATES



Source: Company Annual Reports, TechSci Research

SUN TV: THE SOUTH-INDIAN BEHEMOTH

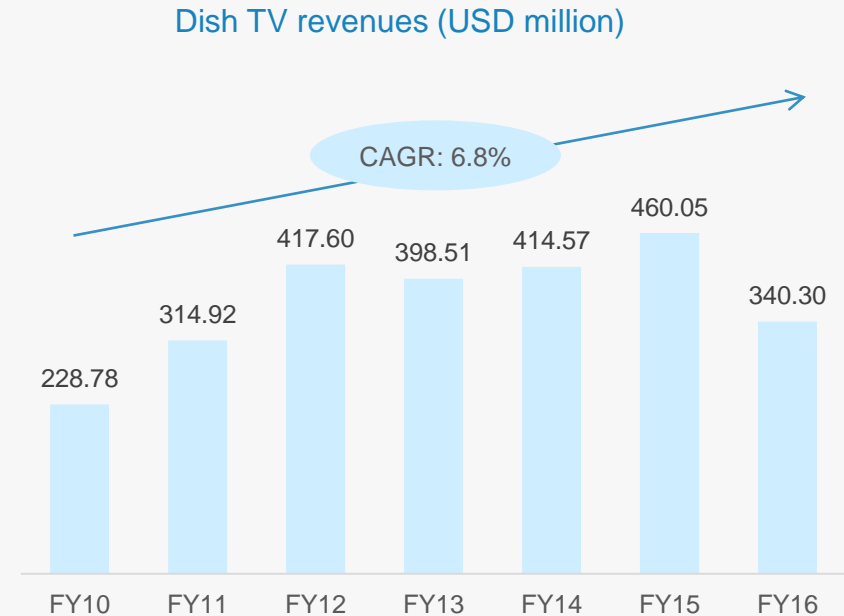


Source: Company website, TechSci Research

Note: GEC-General Entertainment Channels; Rat- ratings

DISH TV – ON A HIGH GROWTH PHASE

- * Dish TV is Asia's largest and India's first direct-to-home or commonly known as DTH company
- * Dish TV India Limited, a division of Zee Network Enterprise (Essel Group Venture) provides DTH satellite television
- * Dish TV ranks 5th on the list of media companies in the Fortune India 500
- * The company's revenue rose from USD 228.78 million in FY10 to USD 340.30 million in FY16
- * During FY10-16, the company's annual revenue rose at a CAGR of almost 6.8 per cent



Source: Company website, moneycontrol.com, TechSci Research

ENTERTAINMENT



USEFUL INFORMATION

INDUSTRY ASSOCIATIONS ... (1/2)

Indian Motion Picture Producers' Association (IMPPA)

"IMPPA HOUSE", Dr Ambedkar Road, Bandra (West), Mumbai - 400 050

Tel: 91-22-26486344/45/1760

Fax: 91-22-26480757

Website: www.indianmotionpictures.com/imppa/index.html

The Film and Television Producers Guild of India

G-1, Morya House, Veera Industrial Estate,
Off Oshiwara Link Road, Andheri (W), Mumbai - 400 053

Tel: 91-22-66910662

Fax: 91-22-66910661

E-mail: guild@filmtvguildindia.org

Website: www.filmtvguildindia.org

Newspapers Association of India (NAI)

A -115, Vakil Chamber, Top Floor, Vikas Marg, Shakarpur, Delhi - 110092

Tel: 91-9971847045, 9810226962

E-mail: contact@naiindia.com

Website: www.naiindia.com

INDUSTRY ASSOCIATIONS ... (2/2)

Association of Radio Operators for India (AROI)

304, Competent House, F-14, Connaught Place, New Delhi - 110001

Tel: 91- 124-4385887

e-mail: info@aroi.in

Website: www.aroi.in

The Indian Music Industry (IMI)

Crescent Towers, 7th Floor

B-68, Veera Estate, Off New Link Road, Andheri West, Mumbai - 400 053

Tel: 91-22- 26736301 / 02 / 03

Fax: 91-22-26736304

E-mail: sudhir@indianmi.org

Website: www.indianmi.org

- * **AGV:** Animation, Gaming and VFX
- * **ARPU-** Average Revenue Per User
- * **CAGR:** Compound Annual Growth Rate
- * **DIPP:** Department of Industrial Policy and Promotion, Ministry of Commerce and Industry
- * **DTH:** Direct to Home
- * **FDI:** Foreign Direct Investment
- * **FM:** Frequency Modulation
- * **FY:** Indian Financial Year (April to March)
 - * So FY10 implies April 2009 to March 2010
- * **GST:** Goods and Service Tax
- * **IPO:** Initial Public Offering
- * **M&A:** Merger and Acquisition

- * **M&E:** Media and Entertainment
- * **PPP:** Purchasing Power Parity
- * **USD:** US Dollar
- * **VAS:** Value Added Services
- * **VFX:** Visual Effects
- * Wherever applicable, numbers have been rounded off to the nearest whole number

EXCHANGE RATES

Exchange rates (Fiscal Year)

Year	INR equivalent of one USD
2004–05	44.81
2005–06	44.14
2006–07	45.14
2007–08	40.27
2008–09	46.14
2009–10	47.42
2010–11	45.62
2011–12	46.88
2012–13	54.31
2013–14	60.28
2014-15	61.06
2015-16	65.46
2016-17 (E)	66.95

Exchange rates (Calendar Year)

Year	INR equivalent of one USD
2005	43.98
2006	45.18
2007	41.34
2008	43.62
2009	48.42
2010	45.72
2011	46.85
2012	53.46
2013	58.44
2014	61.03
2015	64.15
2016 (Expected)	67.22

Source: Reserve bank of India,
Average for the year

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