MEDIA AND ENTERTAINMENT

Sector Impact - Positive

Background

- As per FICCI – KPMG Report, Media and Entertainment (M&E) industry grew at a CAGR of 15% over the last two years (2006-08). A snapshot of the size and the revenue contribution of the industry segments is given below:

Revenue (Rs. Bn)					**Composition of Total (%)**
Industry	**2005**	**2006**	**2007**	**2008**	**2008**
Television	163	183	211	241	41
Print	117	139	160	173	30
Film	67	82	96	109	19
Radio	5	6	7	8	1
Music	8	8	7	7	1
Animation	10	12	15	17	3
Gaming	2	3	4	7	1
Internet Advertising	2	2	4	6	1
Outdoor	10	12	14	16	3
Total	**385**	**445**	**520**	**584**	**100**

Source: FICCI - KPMG 2009

- Rising digitalisation (as content creation and as a distribution platform), increase in penetration of media segments, narrowcasting (niche segmentation of target audience), regionalization (strategy to capture untapped potential of tier 2 and tier 3 cities), expanding international markets for Indian content, organized funding and deregulation would be the key growth drivers for the industry.
- The advertising segment, which is a key contributor to the M&E industry's revenue, though slowed down in FY09 due to the economic slowdown, have shown signs of revival during the current year. Further the potential for advertising spends remains strong as Advertising to GDP ratio in India is low (0.47x) as compared to US (1.34x) and also China (0.54x). Print Media segment is the largest contributor to the total advertising segment. Going forward, the growth is likely to be driven by Internet advertising while Print and Television segment would continue to dominate the advertisement segment.
- Television Industry is expected to grow at a faster rate than the overall industry on account of a paradigm shift in distribution platforms due to digitalization (through Compulsory implementation of Conditional Access System (CAS) by TRAI) and increased focus on

content due to narrowcasting and regionalization. The key concerns of broadcasters viz inadequate audience measurement/rating system, low Average Revenue Per User (ARPU) and high carriage costs would remain until CAS gets substantially implemented across India.

- In FY09, the print industry was severely hit on account of reduced advertising revenues due to economic slowdown and rise in newsprint prices. However, the improving industry scenario during the current year has enabled them to consolidate their position. The industry is enhancing its presence in regional markets and exploiting alternative distribution platforms like online circulation to combat the rising threat of internet and to gain increased penetration on a pan-India level.
- Corporate funding boosted the film industry's growth over the last three years by encouraging multiplexes and also opening up the overseas market. Digitization in content creation and distribution would be the key driving factor for the film industry as it would shorten the marketing time and improve distribution network to rural areas.

Budget Proposals

1. Initial setting up of "Digital Head End" equipment by multi-service operators is being provided project import status. These projects will attract a custom duty of 5% compared to 10% charged earlier as well as complete waiver of special additional duty.
2. Accredited news agencies which provide news feed online that meet certain criteria are exempted from service tax.
3. To address the difficulties experienced by film industry in importing digital masters of films for duplication or distribution loaded on electronic medium vis-a-vis those imported on cinematographic film, owing to a differential customs duty structure, customs duty to be charged only on the value of the carrier medium. The same dispensation would apply to music and gaming software imported for duplication.

Duty Structure

(%)	Existing	Proposed
CUSTOMS DUTY		
• Digital Head End	10	5

Budget Impact: Industry

1. Reduction of customs duty on Digital Head End would lead to reduction in input cost for the multi service operators positively contributing to their profit margin.
2. Users of the news content from accredited news agencies would be benefited with the exemption of service tax.
3. Rationalisation of customs duty by limiting it on to value of the carrier medium used for importing the film content, gaming software and music thereby having positive impact on M&E industry.

Budget Impact: Companies

Company	Services	Applicable Proposals	Overall Impact
Tata SKY	Cable Distribution	1	▲▲
Dish TV	Cable Distribution	1	▲▲
Wire and Wireless India Ltd.	Cable Distribution	1	▲▲

Legends:

▲▲	Highly Positive	▼	Negative	◀▶	Neutral
▲	Positive	▼▼	Highly Negative	Ø	No Proposals