

INDIA'S MEDIA & ENTERTAINMENT SECTOR EY-FICCI 2020 REPORT

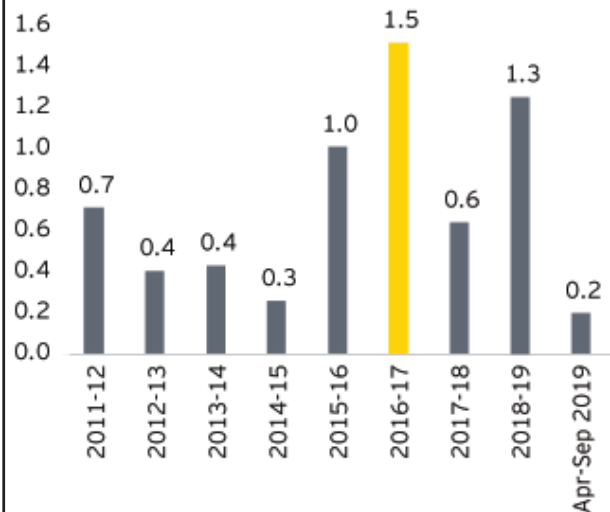
FDI POLICY INITIATIVES

The government has focused on liberalizing the FDI regime for both telecom and media and entertainment sectors, to attract investment for adequate infrastructure development. FDI limits for the telecom sector were eased in 2013 while those for the media and entertainment sector were eased in 2015 and 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.

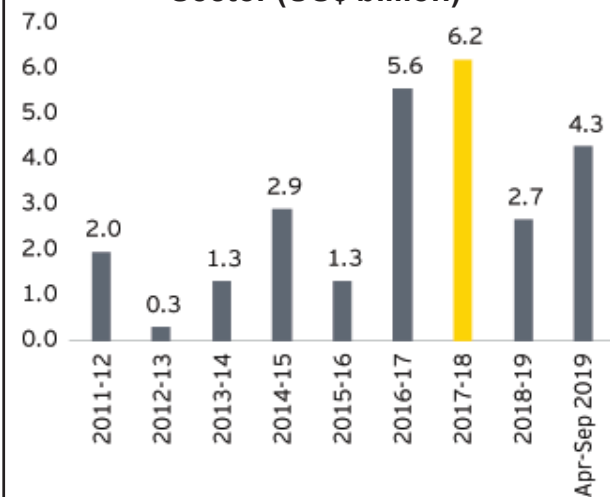
FDI limits for the Telecom sector

Services	FDI Limit	Approval Condition
Telecommunication services (basic, cellular, 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/ Audiotext/ UMS, Resale of IPLC, Mobile Number Portability services, etc.) Infrastructure providers Category-I (providing dark fiber, right of way, duct space, tower) except other service providers	100%	FDI up to 49%: automatic route FDI beyond 49% and up to 100%: Government route, i.e., prior approval from concerned ministry/ department of Government of India, i.e., Department of Telecommunications (DoT) is required
Telecom equipment	100%	Automatic route

FDI inflows in Information and Broadcasting Sector (US\$ billion)



FDI inflows in Telecommunications Sector (US\$ billion)



Source: DIPP

Source: EY-FICCI 2020 Report



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FDI Limits For The Media and Entertainment sectors

Services	FDI Limit	Approval Condition
Teleports, DTH, cable networks, mobile TV and headend-in-the-sky broadcasting service	100%	Automatic route However, infusion of fresh foreign investment, 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 govt. approval
Cable networks (other MSOs not undertaking upgradation of networks towards digitalization and addressability and Local Cable Operators (LCOs))	100%	Automatic route However, infusion of fresh foreign investment, 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 govt. approval
FM (radio) and the up-linking of news and current affairs TV channels	49%	Government route
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

Digital infrastructure vision as per National Infrastructure Pipeline

Target	Current status
1 India ranks first in terms of mobile phones with 100% tele-density, even in rural areas	India ranks second in terms of mobile phones and has 89% tele-density
2 Higher internet penetration of more than 80% providing seamless connectivity of rural and remote through schemes such as Bharat Net	Internet penetration is around 40%
3 Availability of government services in real time on mobile — access to quality education, healthcare facilities and financial inclusion	Issues such as poor connectivity and data speeds prevail due to poor operation and maintenance
4 5G technology to fuel industry growth and innovation, harnessing the power of emerging digital technologies, such as IoT, cloud, AI, big data, payment gateways, FinTech	4G technology has enabled India to move towards a digital economy by providing faster internet connectivity at affordable prices
5 India to emerge as data-center hub fuelling growth of FinTech, ecommerce, OTT sectors	Private business focusing to build massive data centers on the back of data localization, uptake of cloud computing and growing e-governance

Source: National Infrastructure Pipeline, Ministry of Finance, GoI, TRAI

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29 - 31 October 2020

BOMBAY EXHIBITION CENTRE GOREGAON (E) - MUMBAI - INDIA

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Number of Television Channels

	2018	2019
News	380	386
Non-news	505	532
Total channels	885	918

- ❖ TV advertising grew 5%
- ❖ Top 10 channel genres contributed 46% of ad volumes
- ❖ 49% of ad spends were contributed by FMCG
- ❖ 27 channel genres saw an increase in the number of advertisers

The number of distribution platforms

	Dec 2018	Jan 2020
MSO	1,471	1,632
DTH	5	4
HITS	1	1

Television Advertisement

Product category	Category contribution	Contribution to growth
FMCG	49%	40%
Telecom	12%	15%
Auto	7%	-4%
E-commerce	5%	12%
Household durables	5%	4%
Real estate and home improvement	3%	3%
Clothing, fashion jewellery	3%	-1%
Banking, financial services, insurance	2%	2%
Others	12%	31%
Total	100%	100%

The number of distribution platforms

Channel genre	Count of new advertisers
Hindi regional news	121
Malayalam GEC	91
Gujarati news	90
Sports	64
Punjabi religious	55

TAM AdEX

Pitch Madison Advertising Report 2020

Source: EY-FICCI 2020 Report

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GOVERNMENT INITIATIVES IN THE TELECOM AND MEDIA AND ENTERTAINMENT SPACE

The government has played an active role in supporting the media and entertainment sector, especially through various policies aimed at increasing digitization including development of digital communication infrastructure. With the objective of bringing in the next generation technology, the government intends to hold 5G spectrum auctions in 2020-21. According to the government, 5G based technology would help in the achievement of its Digital India vision. The economic impact of introducing 5G technology is estimated to reach US\$1trillion by 2035. Some of the other important initiatives undertaken by the government are given below.

NATIONAL DIGITAL COMMUNICATIONS POLICY-2018

Both the telecommunications and the media and entertainment sectors are part of the current government's Make in India plan and therefore have been given special attention. In September 2018, the government released the National Digital Communications Policy-2018 (NDCP 2018) catered towards the establishment of a "ubiquitous, resilient and affordable digital communications infrastructure and services".

Its key objectives include:

- (1) providing universal broadband connectivity at 50 Mbps to every citizen,
- (2) providing 1 Gbps connectivity to all gram panchayats by 2020 and 10 Gbps by 2022,
- (3) ensuring connectivity to all uncovered areas,
- (4) attract investments of US\$100 billion in the digital communications sector,
- (5) training one million manpower for building new age skills,
- (6) expanding the Internet of Things (IoT) ecosystem to five billion connected devices and
- (7) facilitating India's effective participation in the global digital economy.

दूरसंचार, मीडिया व मनोरंजन क्षेत्र में सरकार की पहल

सरकार ने मीडिया और मनोरंजन क्षेत्र का समर्थन करने में सक्रिय भूमिका निभायी है, विशेष रूप से डिजिटल संचार बुनियादी ढांचे के विकास सहित डिजिटलीकरण को बढ़ाने के उद्देश्य से विभिन्न नीतियों के माध्यम से। अगली पीढ़ी की तकनीकी लाने के उद्देश्य से, सरकार का इरादा 2020-21 में 5 जी स्पेक्ट्रम की नीलामी करने की है।

सरकार के अनुसार, 5जी आधारित तकनीकी डिजिटल इंडिया विजन की उपलब्धि में मदद करेगी। 5जी तकनीकी को पेश करने का आर्थिक प्रभाव 2035 तक 1 ट्रिलियन अमेरिकी डॉलर तक पहुंचने का अनुमान है। सरकार द्वारा किये गये कुछ अन्य महत्वपूर्ण पहल नीचे दिये गये हैं।

राष्ट्रीय डिजिटल संचार नीति-2018

दूरसंचार और मीडिया व मनोरंजन दोनों क्षेत्र वर्तमान सरकार की मेक इन इंडिया योजना का हिस्सा है और इसलिए इस पर विशेष ध्यान दिया गया है। सितंबर 2018 में सरकार ने राष्ट्रीय डिजिटल संचार नीति-2018 (एनडीसीपी 2018) को 'सर्वव्यापी, लचीला और सस्ती डिजिटल संचार अवसंरचना और सेवाओं' की स्थापना के लिए जारी किया। इसके प्रमुख उद्देश्यों में शामिल हैं:

- (1) प्रत्येक नागरिक को 50 Mbps पर सार्वभौमिक ब्रॉडबैंड कनेक्टिविटी प्रदान करना।
- (2) 2020 तक सभी ग्राम पंचायतों को 1 Gbps कनेक्टिविटी और 2022 तक 10 Gbps उपलब्ध कराना।
- (3) बिना कवर वाले सभी क्षेत्रों के लिए कनेक्टिविटी सुनिश्चित करना।
- (4) डिजिटल संचार क्षेत्र में 100 बिलियन अमेरिकी डॉलर का निवेश आकर्षित करना।
- (5) नये युग के कौशल के निर्माण के लिए एक मिलियन जनशक्ति का प्रशिक्षण।
- (6) इंटरनेट ऑफ थिंग्स (आईओटी) इकोसिस्टम का विस्तार करते हुए पांच बिलियन कनेक्टेड उपकरण और
- (7) वैश्विक डिजिटल अर्थव्यवस्था में भारत की प्रभावी भागीदारी की सुविधा।

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INVESTMENT UNDER NIP

The government has targeted an investment of close to INR3.2 trillion in digital infrastructure over the next six years from FY20 to FY25 as part of the recently proposed NIP, of which the private sector is expected to contribute 71%.

The NIP has set a goal of digital services access for all along with a two-fold strategy to achieve this goal, namely:

- 100% population coverage for telecom and high-quality broadband services for socio-economic empowerment of every citizen;
- digital payments and e-governance infrastructure for delivery of banking and public services.

IMPACT OF NTO ON ADVERTISING

There was no impact on total ad volumes (+0.2%) due to the implementation of the NTO.

Regional channels grew ad volumes by 4% while national channels witnessed a 6% fall in ad volumes, led by some popular channels being taken off from DD FreeDish.

Channel genres most positively impacted by the NTO included DTH home channels (+168%), Bhojpuri movies (+60%), Kannada movies (+58%), Punjabi music (+33%) and sports (+26%)

Channel genres most negatively impacted were religious channels (-60%), English entertainment (-50%), English movies (-37%) and lifestyle (-36%) with the assumption being that English and lifestyle audiences moved away to relatively more affordable OTT products.

एनआईपी के तहत निवेश

सरकार ने हालही में प्रस्तावित एनआईपी के हिस्से के रूप में वित्तवर्ष20 से वित्तवर्ष25 तक के अगले छह वर्षों के दौरान डिजिटल बुनियादी ढांचे में लगभग 3.2 ट्रिलियन रुपये निवेश करने का लक्ष्य रखा है जिसमें से निजी क्षेत्र से 71% सहयोग देने की उम्मीद है। एनआईपी ने इस लक्ष्य को प्राप्त करने के लिए दो तरफा रणनीति के साथ सभी के लिए डिजिटल सेवाओं का उपयोग का एक लक्ष्य निर्धारित किया है:

- प्रत्येक नागरिक के सामाजिक-आर्थिक सशक्तीकरण के लिए दूरसंचार और उच्च गुणवत्ता वाले ब्रॉडबैंड सेवाओं के लिए 100% जनसंख्या कवरेज,
- बैंकिंग व सार्वजनिक सेवाओं की डिलिवरी के लिए डिजिटल भुगतान और ई-गवर्नेंस आधारभूत संरचना।

विज्ञापन पर एनटीओ का प्रभाव

एनटीओ के लागू होने से कुल विज्ञापन मात्रा (+0.2%) पर कोई प्रभाव नहीं पड़ा है।

क्षेत्रीय चैनलों ने 4% की दर से विज्ञापन मात्रा में वृद्धि दर्ज की जबकि राष्ट्रीय चैनलों ने विज्ञापन मात्रा में 6% की गिरावट देखी, जिसके कारण कुछ लोकप्रिय चैनलों को डीडी फ्रीडिश से हटा दिया गया।

एनटीओ द्वारा सबसे सकारात्मक रूप से प्रभावित चैनल वर्गों में शामिल है डीटीएच घरेलू चैनल (+168%), भोजपुरी मूवीज़ (+60%), कन्नड मूवीज़ (+58%), पंजाबी म्यूजिक (+33%) और खेल (+26%)।

चैनल वर्गों में सबसे नकारात्मक प्रभाव धार्मिक चैनल (-60%), अंग्रेजी मनोरंजन (-50%), अंग्रेजी मूवीज़ (-37%) और लाइफस्टाइल (-36%) पर पड़ा, क्योंकि धारणा यह है कि अंग्रेजी व लाइफस्टाइल दर्शकों को अपेक्षाकृत सस्ते ओटीटी उत्पाद अपने साथ ले गये।

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Impact of NTO on Advertising

Channels type	Percentage growth/ degrowth in ad volumes
All channels	0.2%
National channels	-6%
Regional channels	4%

TAM AdEX, Aug 18 to Mar19 (pre) vs Apr19 to Nov19 (post)

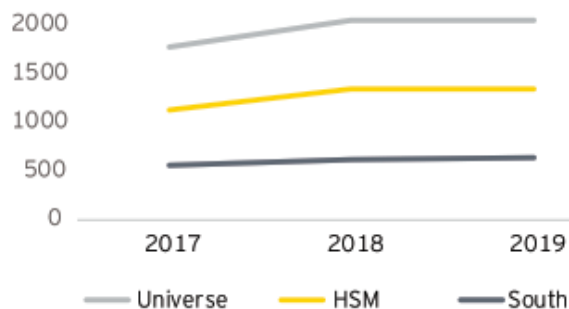
NTO reset the pay TV universe

Channels type	2018	2019
Pay TV (Cable+DTH*+HITS)	161	133
Free TV	36	38+
Total unidirectional TV	197	171+
Connected TV	<2	4-5
Total TV	199	175+

Television subscriptions in millions | Industry discussions, billing reports, EY estimates for 2019; BARC's Broadcast India Survey for 2018

Overall, time spent on TV remained the same as in 2018

Impressions (In billions)



BARC, Impressions Wk1 to Wk52

Reach was impacted by the NTO

Television recovered quickly from NTO implementation

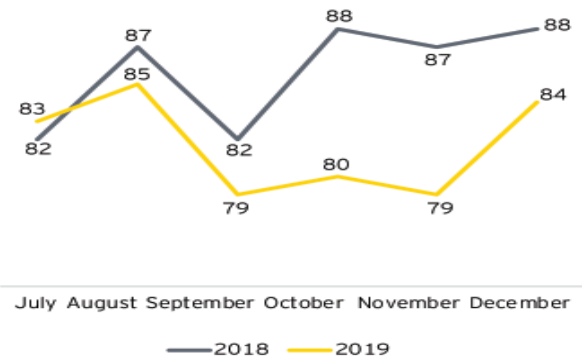
Impressions in billion



BARC impressions at program level (content + ads + promos), Universe 2+

However, TV viewing minutes reduced 5% in the second half of 2019

Gross impressions



BARC, 2+, impressions in billions

Source: EY-FICCI 2020 Report