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Media & Entertainment in East India - Bengal

A vibrant way forward



Media & Entertainment Business
Conclave – East (Kolkata)
December 2012

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Message from FICCI



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Through this year's FICCI-Deloitte MEBC-East report, FICCI is glad to continue its initiative in contributing to one of the most prolific and creative industries of the country – the West Bengal Entertainment Industry

As we bring out the 2012 report on the East India Media and Entertainment (M&E) industry, FICCI would firstly like to thank Deloitte for their continuous support and collaboration in making this report insightful and rich in content. We look forward to building on the success of last year's widely appreciated collaboration.

As new media channels like internet and mobile not only carve a niche but also look to redefine the West Bengal M&E landscape, proliferation of screens is making media consumption more personal than ever. This would gradually impact not just the way content is being distributed, but also created. The newer technologies and channels complement each other and act as levers to traditional media channels such as print, television, radio, etc. This has not only extended the reach for traditional content but has also provided more touch points to engage with audiences: across niches, geography and tastes.

The M&E industry in West Bengal is looking forward to a more buoyant future in terms of growth. Films are looking to increasingly tap the rich treasure trove of Bengali literature. More action in the television distribution space and in radio is anticipated, as both industries experience impacts from regulatory changes. It will also be interesting to see print players adapt to the growing challenges that would be posed by new media and changing news consumption habits.

Piracy, however, still continues to be the single largest threat to the industry and calls for implementation of stringent anti-piracy measures to resolve the problem.

FICCI acknowledges the valuable inputs provided by the Media and Entertainment industry players who have kindly devoted time to share their views in helping Deloitte put this report together.

Message from Deloitte Touche Tohmatsu India Pvt. Ltd. (Deloitte)



East India and West Bengal in particular, due to the distinct tastes and preferences of its people, remains one of the unique markets for Media & Entertainment in India. The continued affection of its people to the region's rich history and tradition has been one of its distinguishing characteristics. As a result, players across the entertainment value chain are in a continuous endeavor to utilize the content repertoire in the East and offer the right mix for its diverse populace. This report attempts to highlight these interesting developments by compiling industry trends, professional viewpoints and prospects in a wide-ranging canvas.

In the past decade, every genre in the West Bengal M&E industry has witnessed a change (significant change in some cases) in several aspects such as evolution in audience preference, experimentation with new content formats and push towards digital technology, etc. These new trends are largely driven by a diverse mix of audience that is craving for more in terms of both the quality of content and a superior viewing experience. Not just corporate and private production houses, but even advertisers in all the mediums are aware of the immense prospects that lie before them and are making the right moves to tap them.

The film industry is seeing successes across all genres. There is a healthy mix of new content, as well as, adoption of stories from Bengali literature. With digitization of exhibition centers being amongst the highest in the country, Indie filmmakers are exploring newer genres, facilitated by flexibility of shooting on non-film cameras. Multiscreen distribution is also picking up, helping cater to the demand from the global diaspora.

The evolving audience interest for innovative TV serials along with a craving for regional content has unleashed an array of developments in Bengali TV industry. Serials and non-fiction shows have found success in the region with a couple of Bengali TV series have been successfully adapted for national channels. With digitization, niche genres like telefilms may see revival with innovative ideation and fresh treatments of Bengali literary library in a growing competitive landscape.

Print, both in its English and vernacular forms, is widening its portfolio and markets to capitalize on the growing readership base. A strong demand from the international Bengali diaspora is only expected to grow, going forward. Given these positive trends, it would be interesting to see how new collaborative platforms evolve across the value chain driving future trends and growth matrix.

Radio is revisiting its programming to cater to the diverse tastes of its listeners. A large number of players are trying to attract advertisers to capture a greater share of their media spend by introducing a wide portfolio of offerings. In a competitive market, radio activation programs continue to see good traction among advertisers across industries.

I would like to thank all the players in the industry for providing us their valuable insights and perspectives, which have served as critical inputs for substantiating many of the identified themes in this report. I would also like to thank FICCI for offering their continual support in producing this report on the West Bengal Media & Entertainment industry.

Sachin Sondhi

Senior Director and Leader, Strategy & Operations
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Message from Deloitte Touche Tohmatsu India Pvt Ltd (Deloitte)



With significant opportunities and enablers, the Media & Entertainment (M&E) industry in West Bengal is poised for strong growth in the coming years. The new breed of viewers emerging in West Bengal have a strong preference for vernacular content and the region's unique cultural sensibilities is driving media houses to venture beyond traditional boundaries and explore youth and new segments with fresh offerings.

Among the noteworthy trends is the success of films across commercial and urban genres apart from increasing volume of content based on rich Bengali literature. In the television space, broadcasters are exploring niche channels, starting with Bengali films, beginning with movies, as subscription revenues are expected to grow post digitization. The print industry, on the other hand, is increasingly looking at leveraging new media even as it consolidates its strength in the districts beyond Kolkata. With its bouquet of offerings customized to the local audience and through various on- and off-ground activation programs, radio channels are actively expanding their listener base.

Converting the huge potential in West Bengal's M&E industry into reality depends on the industry's ability to develop quality content and deliver it through the best- in-class platforms both in India and abroad. With new technology shaping the way content is delivered to customers and evolution of new media platforms, this seems all the more possible. However, the region is not devoid of challenges as in the rest of the country. Infrastructure development, piracy and improved content monetization are the major challenges being faced by the industry at large.

We would like to thank FICCI and all participants for their valuable inputs and insights, which have helped shape and corroborate the views in this report. Our attempt to bring forth the trends and analysis for the sector has been drawn after extensive discussions with senior stakeholders of the Bengali M&E industry. Deloitte is grateful to them and all others who contributed towards building this report.

Sandip Biswas

Director

Deloitte Touche Tohmatsu India Pvt Ltd

1. Introduction

The media industry in West Bengal in line with the developments across the country, is witnessing rapid evolution across the ecosystem. The shift from analog medium to digital medium is accelerating, and the trend is visible throughout the value chain—from content production to content consumption. This expected to be further helped along by the explosion of new devices, advent of faster and better delivery channels and digitization of content, which is bound to influence the way people consume media. Players across the industry and throughout the value chain are taking cognizance of this shift and are evolving and adapting to this disruption.

The distinct preferences of the people in West Bengal lend an inimitable characteristic to the media and entertainment industry in the state. Throughout history, Bengal has significantly contributed to all periods of traditional and modern Indian society. It boasts of a rich literary heritage with stalwarts like Bankim Chandra Chattopadhyay, Rabindranath Tagore, Kazi Nazrul Islam, Sharat Chandra Chattopadhyay and Sunil Gangopadhyay. West Bengal was also the place where the very first newspaper in India was published- the Bengal Gazette in 1780. The cinema of West Bengal has also seen giants like film directors like the late Satyajit Ray, an Academy Honorary Award winner, and the recipient of India's greatest civilian honour, the Bharat Ratna, and Mrinal Sen, who is the recipient of the French distinction of Commander of the Order of Arts and Letters. Kolkata had a radio station way back in 1920s.

Over the last few years, Bengali cinema has been on the comeback path and produced commercially successful films adapted from its literary heritage. The Bengal film industry has seen an investment of almost INR 150 crores last year. To maximize its potential and return on investments, the industry will have to undertake a methodical and nose-to-the-ground research about current audience tastes, which may have changed due to exposure to other global media. The industry would closely track not only the evolution of new content delivery platforms and digital rights management, but also tackle piracy and poor condition of exhibition infrastructure, while maintaining a focus on original content. If these challenges are appropriately met, the Bengali film industry can look forward to regaining the illustrious position it once held.

While there has been some scaling back in the Bengali television industry in the last year, it still enjoys advertisement revenues of approximately INR 780 crores annually. This is expected to grow at a CAGR of ~25% going forward, with possible launch of niche channels encouraged by digitization. The General Entertainment channels dominate viewership and the industry is exploring the untapped and lucrative potential of niche channels and overseas markets.

In West Bengal, the print industry is estimated to be INR 980 crores. It is expected to grow at a CAGR of ~10% to reach over INR 1400 crores by 2016. Along with maintaining the focus on increasing digital circulation, the Bengali publishing will also be looking to increasing penetration in Tier 2 and 3 cities to attract more advertising revenues, which is a primary revenue source for the print industry. It will also have to look at monetizing strategies targeting the Bengali global diaspora through new media. It will be interesting to see how the players take initiatives to retain the Bengali print industry's stronghold position in the Indian print landscape.

2. Bengali Films

The Bengali film industry has continued on its growth path over the last few years. Quite a few mass commercial films continue to find success through content adapted from other popular vernacular languages, primarily from the South, to cater to the rural and semi-urban audience. In parallel, commercial successes, like '*Bhooter Bhabhishyat*'¹, have helped sustain an alternative genre of content more targeted towards urban and multiplex audience. However, Bengali film industry still continues to grapple with challenges at the ground level due to issues of piracy and poor distribution and exhibition infrastructure that threaten the sustenance of this growth. Despite these, the future of the Bengali film industry holds promise and witnesses opportunities ahead. It will be interesting to watch its evolution, as technology enables opportunities to monetize alternative channels (like streaming content) and narrow the window in reaching audience such as the international diaspora.



Bengali film industry should tap new media and technologies to reach a bigger audience, not just in Kolkata and in districts, but across borders as well. Riding on the similarities in our languages and cultures, it will be critical in future to embrace Bangladesh not just for its audience, but also for cross pollination of ideas and harnessing the talent in its film industry.

Prosenjit Chatterjee, Renowned Actor & Producer in the Bengali Film industry

2.1 Bengali films: The numbers

The past year saw the twin levers of the Bengali film industry witnessing positive developments. The industry has exhibited growth, both in terms of the number of films being made / certified and the investments made in producing these movies. In 2011, the number of films, certified in Bengali jumped by 12, which was one of the highest absolute positive changes amongst all languages for the year. However, while about 122 films were certified, industry sources feel that only around 100 of these actually saw commercial release. The investments in the Bengali film industry are believed to be around INR 150 crores, when viewed in terms of overall costs of production and marketing. This is a growth of approximately 20% over last year.

Bengali film industry has witnessed a healthy flow of investments in films across sizes being released in the current year. On the higher side, the production budgets of a few big budget Bengali films have now crossed INR 6 crores (including publicity expenses). Greater production budgets in large films have led to more sequences in the films and not just songs, now being shot overseas. On the other hand, there is an increase in small budget films that are being made at budgets of less than INR 60 lakhs as well. This stands as a testimony of the creative talent in the Bengali film industry, which has been able to produce quality content on limited budgets. Another notable aspect of the industry is that Bengali films continue to invest lesser absolute marketing and advertising spends as compared to other regional industries especially in South and Bollywood. The marketing budgets for most Bengali films typically vary between INR 15 lacs and 40 lacs.

Fig. 2.1 Number of films certified in Bengali

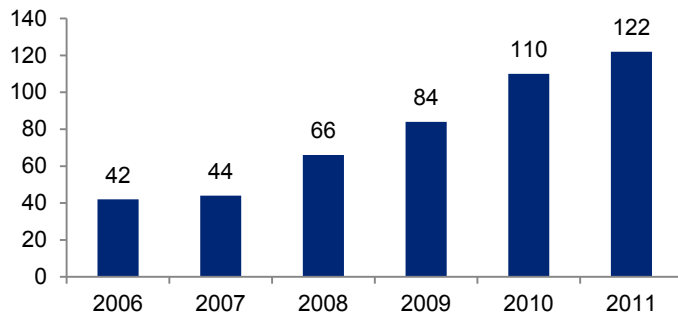
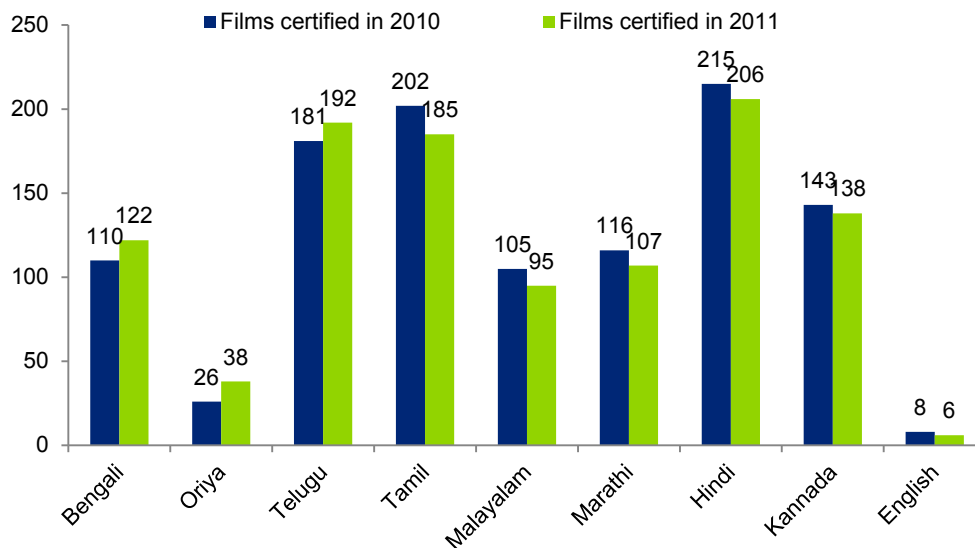


Fig. 2.2 Number of films certified in various languages



2.2 Trends in content and distribution

Bengali films of varied genres have seen successes in the current year. While commercial genre has seen success through films like *'Awara'* and *'Khokababu'*, the urban genre has witnessed success through critically acclaimed films such as *'Hemlock Society'* and *'Chitrangada'*. A movie, which spanned genres to gain accolades, as well as, commercial success was *'Bhooter Bhabhishyat'*.

Need for understanding changes in audience preferences

There is an increased variety of content on offer in Bengali films than before. However, many in the industry feel that there needs to be increased efforts to understand the changing preferences of the urban, as well as, district film audiences. Bengali films compete not just amongst themselves, but with Hindi films and with Hollywood movies to a limited extent. Thus, exposure to non-Bengali content would have influenced the tastes of district population, which also needs to be catered to by Bengali films. This may help not only in improving the return on investments of filmmakers but also in discovery of newer genres which are becoming accepted in districts, leading to increased diversity of content.



There is a urgent need for market research to discover the changing tastes of audiences in the districts. With greater exposure to other media, the district population may have developed an appetite for newer genres and slicker entertainment products, which the current Bengali commercial films and television may not be fully satiating. The Bengali industry will have to understand and cater to these newer needs to ensure future success.

Gautam Jain, Director, Real Reel Pvt. Ltd.

Exploring films based on Bengali literature

Recent times have seen many remakes of films from other Indian languages into Bengali commercial cinema and a few of them have been successful as well. However, according to industry insiders, the acquisitions of rights to such remakes are becoming more difficult due to competition from Hindi filmmakers who buy rights for all languages.

A section of the industry, however, remains critical about remakes itself, given the rich heritage of Bengali literature and cinema. Bengali films made earlier based on characters from Bengali literature like *Byomkesh Bakshi* and *Feluda*² have seen commercial success. A need is now being felt to explore and adapt more films from Bengali literature.



West Bengal is blessed with one of the finest original literary heritages, as well as a discerning audience. Given this background, it is important that the Bengali film industry harnesses this vast and rich source of local content. A vast majority of today's film going population across West Bengal has grown up reading Rabindranath Tagore, Bibhutibhushan Bandyopadhyay, Sunil Gangopadhyay, Satyajit Ray amongst others and as a result, films based on their work are likely to find an appreciative audience even beyond urban multiplexes.

Mahendra Soni, Director, Shree Venkatesh Films Pvt. Ltd. (SVF)

Use of filmless camera

The theatrical distribution and exhibition establishments of West Bengal have been forthcoming in adopting digitization. All the multiplexes in the state have digital exhibition facilities while about 80% of the theaters in rural and semi urban regions are digitized. This is allowing more filmmakers to shoot on filmless cameras, which in turn is enabling freedom to experiment with content whilst on shoe-string budgets.

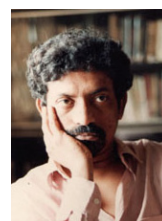
Although other aspect of moviemaking costs has increased steadily in last few years, use of digital cameras has been a bright spot in terms of controlling costs. Many *indie* filmmakers and production houses have benefited from this trend, which also helps in lowering the cost of distribution through digital medium.

Most of the content explored by *indie* filmmakers is still restricted to the multiplexes or urban markets. Given the smaller number of multiplexes in Kolkata and Rest of Bengal viz.-a-viz. other Indian metros, this constraint would be needed to be addressed in the future, in order to increase returns on investments on such films.



Technology is the most important catalyst today. Due to technological advancement, the costs of the films are now more varied / broad / wide. Hence, giving rise to more 'Indie' filmmakers, and therefore more (hopefully better creative) content and more experimental works. Digitization has brought in so many new media vehicles in the foray that it has not only helped in promotions and marketing, but also in new distribution avenues and revenue garnering roads as well.

Pinaki Shoukalin Ghosh, Partner, Flipbook



Bengali film industry needs to better reach the audience in Bangladesh as we need to harness our similar languages and cultures to expand the market. This includes their diaspora which will be critical in facilitating a bigger overseas market for Bengali films.

Goutam Ghose, Renowned Film-maker

Overseas market growing larger

Bengali films have always had a market overseas in terms of Bengali and Bangladeshi diaspora. Realisation from this market has accelerated with newer technologies and startups making it easier to distribute Bengali content across screens and geographies. According to industry sources, overseas collections of a few films such as "*Ekti Tarar Khoje*" and "*Jadi Ekbar*" have crossed their home territory collections.

As overseas distribution becomes stronger, piracy is also expected to come down from many territories, thus, increasing the returns on investments and ease of reaching fragmented overseas audiences.

<p>Increase in use of social media and other online resources</p>	<p>Social media like Facebook pages for films and stars are increasingly being used to promote films as well as keep the audience engaged. Although only a portion of the Facebook followers may actually be going out to watch the films, their importance in starting a conversation in peer groups and influencing others to consume content is equally important.</p> <p>Wallpapers, ringtones, as well as, online streaming and Youtube pages are being increasingly seen as sources of income by the producers in West Bengal. Producers like Shree Venkatesh Films and Eskay Movies are looking at their online properties to generate sizable supplemental revenue and this trend is expected to show growth going forward as well.</p>
<p>Use of special effects is limited due to budget constraints</p>	<p>While special effects are being increasingly used in regional films from South, the trend has been comparatively limited in Bengali films. This is primarily due to the budgetary constraints. The budget for films from South India is on average 3 or more times higher than that of the biggest Bengali film. This gives South Indian films greater flexibility to incorporate the latest special effects.</p> <p>However, things are changing with upcoming adventure movies like '<i>Chander Pahaar</i>' and '<i>Mishor Rahasya</i>'³ expected to see visual effects at par with the best of international movies.</p> <p>In long term, for visual effects budgets to increase broadly, the market for Bengali movies will have to grow manifold, through more number of halls, as well as, wider overseas distribution.</p>
<p>Satellite rights to continue to grow in importance</p>	<p>Bengali films play an important role for Bengali GECs and vice versa. Typically, in the initial days after launch, Bengali films help sustain GEC's programming till the channels own content gains traction. TV premieres of commercial films also act as invitation for new viewers to sample the channel and potentially convert to regulars. On the other hand, satellite rights helps in de-risking part of the costs of films, which is especially important for smaller producers.</p> <p>With the launch of Bengali movie channels, satellite rights could be expected to form an even larger part of revenues for many Bengali films. While television channels have already licensed the full content libraries of the bigger production houses (including the commercial blockbusters), there is likely to be a need for niche productions and genres, as the channels aim to target wider audiences and thus, many urban genre films will get to supplement their collections from multiplexes.</p>
<p>Expansion of Bengali film ecosystem to other regional languages</p>	<p>Various players in the Bengali movie ecosystem e.g. producers and exhibitors, are now looking beyond West Bengal to expand. A few have already worked on co-productions with Oriya film industry and released about half a dozen Bengali action films (after dubbing and addition of songs in a few cases). This trend of using the industry talent to work with neighboring states is actually expected to increase in future.</p> <p>On the other hand, leveraging their strength in West Bengal, companies such as Priya Entertainment, are now focusing on expanding in other states like Bihar, Orissa, Rajasthan and Punjab.</p>
<p>Hindi films set in West Bengal</p>	<p>2012 witnessed films like '<i>Kahaani</i>' and '<i>Baarfi</i>' being shot against backdrops of Kolkata and other parts of West Bengal. This is an encouraging trend as it helps in exposure of acting talent in West Bengal to a larger audience through niche character-driven roles and employment at better pay for the crew behind the camera on the sets. Moreover, there acts as stage for cross-pollination in terms of techniques used in the two industries.</p>

Development of film cities and other locations inside West Bengal

West Bengal can boast of whole gamut of natural beauty, from snow clad mountains in north to the beaches abutting Bay of Bengal along with the forests of Sunderbans. A section of the industry feels these places of natural beauty are not being fully harnessed today for setting of backdrops in films.

The film fraternity in West Bengal along with the state government is working to develop two film cities in West Bengal. They have received multiple interests for the projects which are envisioned to come up at Uttarpara (Hooghly) and another in North Bengal⁴. These film cities will help in providing better facilities for post-production work within the state hence reducing costs over using facilities outside the state. In addition to bringing employment, these are also likely to help in shooting part of content in the state, which previously had necessitated visits to facilities outside of West Bengal.

The industry feels, if these initial projects are successful, it may open the floodgates to similar projects across West Bengal, which can help the ecosystem across East India.



The natural beauty of West Bengal needs to be harnessed through development of eco-friendly locations for film cities. This will help smaller filmmakers, as well as, attract those from other parts of the country looking for picturesque locations. It will also help in development of the neighboring areas and generate employment for people in the film industry and ancillary employment through increased eco-tourism.

Arijit Dutta, Managing Director, Priya Entertainments Pvt. Ltd.

In-film branding and merchandising

Bengali films have acted as trendsetters in terms of fashion in the rural and semi-urban hinterlands of West Bengal. But the producers have not been able to monetize this opportunity. Many in the industry see this as an opportunity which can even reach INR 15-20 lakhs per film in case of large films, through licensing of the clothes worn, jewelry co-branding, etc. as well as product placement.

New players test waters

In the last few years, new players like local financial institutions have also started to produce films. The industry has witnessed many players now buying a bouquet of unfinished films in order to finish them and then sell them together for distribution and satellite rights. A combination of genres e.g. commercial and niche is easier to sell together and gives these players better bargaining power.

Case Study: A Case of hall closure in territories outside of Kolkata

Recent years have seen large number of single cinema halls closing outside Kolkata. The number of halls, which was over 800 a decade back, has now come down to less than 400, with more expected to close in the current year. One of the factors behind this trend is the lack of sustained investments and thus, dilapidated condition of these facilities leading to reduction of audiences to these facilities. This has also led to problems around cash flows, which has resulted in non-payment of dues and debts to distributors, finally leading to hall closures.

There is still a very latent demand for films in the regions that were being served by the now closed halls and thus, any initiative to reopen these halls will benefit the whole industry by increasing collections for commercial Bengali films. However, such an initiative will require a coordinated joint response involving distributors, local real estate owners etc. along with government assistance in the form of tax breaks and other incentives.



Right partnerships can help in growing the Bengali film industry manifolds by tapping the currently unserved and under-served population across multiple rural districts. Tapping these markets will help in increasing returns for the film makers leading to increasing production budgets and thus start a virtuous cycle. One such positive step, Eskay's success stories in turning around single screen theatres in districts outside Kolkata, shows a latent demand for Bengali commercial cinema.

Himanshu Dhanuka, Director, Eskay Movies

Case Study: Catering to a global audience

Bengali films have a huge market outside India with Bengali diaspora from both West Bengal and Bangladesh. This section of viewers increasingly wants access to films and television shows in traditional as well as across platforms. Often, it was lack of access and not reluctance to pay, that makes them watch pirated content.

Addressing the needs of the international audience through cross-platform solutions are expected to reduce piracy and increase viewership. While initial investment including technology is high, these platforms are expected to generate a continuous trickle of revenue for both the platform owners, as well as, producers in long term. The demand spans the globe, from Australia and Singapore to UK and rest of Europe and North America. Films like “*Baishe Shraban*” or “*Autograph*”, which are middle of road films, could expect to have a greater acceptance amongst such audience.

Databazaar Media is one such entity, which has been trying to tap the international demand for Bengali content. With more than 400 content assets in Bengali (films, music videos, television serials), including from Star Jalsa, Eskay Movies and ABP, accessible through monthly subscription plans and supported through multiple screens, Databazaar Media has made Bengali content more accessible globally and has been able to return about \$176,000 to around 72 producers.^a



The best antidote to film piracy is to remove the very motivation to pirate. Film producers, who realize that same day release worldwide on IPTV and other “TV Anywhere” platforms simply takes the wind out of the pirates, are therefore at the cutting edge of the anti-piracy movement”

Oney Seal, CEO, Databazaar Media

2.3 Conclusion

While the advent of digital projection brought in a growth phase in Bengali commercial cinema, the industry is awaiting the next tool or revolution that will again accelerate the growth of the industry in the coming years. The market is also becoming heterogeneous and thus, challenging producers, directors, as well as, marketing fraternity for greater acceptance by the viewers. Many in the industry feel a need for more research into the evolving taste and demand of various audiences to better cater to all sections of film viewers. A combination of growth of new media vehicles, new players and the rise of indie filmmakers, adding more variety and experimenting with content, marketing and distribution is likely to secure better returns for the industry in times to come.

^a Source: Primary interview, Mr. Oney Seal, 18 Nov, 2012

3. Television in West Bengal

Across India television continues to be the largest medium and perhaps the only screen in the house that brings family members together. The trend is no different in West Bengal. Bengali television has had progressive content right from the advent of Bengali GECs in the mid-90s with shows like “*Ek Akasher Niche*” amongst others. With the accelerating viewership, especially encompassing the rural population, the content became more commercial and generic. Now, with the advent of digitization, the Bengali TV industry is at the cusp of the opportunity to serve different segments with targeted and niche content.

The past year has seen changes in the Bengali television ecosystem with a few channels scaling back their operations. But on the brighter side, the successful programs on the Bengali GECs continue to increase their viewership. Advent of Digital Addressable System “DAS” is expected to help the broadcasters increase their subscription revenues, reduce distribution expenses and add to the health of the industry. Going forward, it would be interesting to see how the Bengali TV industry evolves both in terms of reaching and engaging diverse audience through targeted content.



3.1 Bengali television: The numbers

Bengali television industry is estimated to attract about INR 780 crores in advertisement revenues. Of the total advertising revenue pie, Bengali GECs garner approximately INR 600 crores while rest is split between news, movie and other channels. GECs continue to dominate the canvas of West Bengal television market, with high production values, a robust content bank based on movies and local programming, helping them propel ahead. The Bengali television industry could not realize its complete growth potential this year due to scaling back of operations by a few channels. However, phased digitization and continued interest of audiences in Bengali TV is expected to revive the growth in coming years through investment from newer players like Viacom (post ETV investment)⁵ and newer ventures of national producers like Sphere Origin (“*Chirosathi*”, etc) and Balaji Telefilms.

West Bengal also generates about INR 950 crores in subscription revenues. With increased transparency expected in the state with the rollout of digitization, it can be surmised that overall subscription revenue growth will be at a higher clip especially for the television channels.

The shows in Bengali television have to compete with their Hindi counterparts to attract viewership. Driven by strong investment in content, Bengali channels have managed to garner a bigger share of eyeballs in West Bengal. The production budgets of content for Bengali GECs are roughly 25% of what is spent on national GECs. However, creativity under budgetary constraints has allowed Bengali content to almost match the production values of any other national or regional content. As the national players in the Bengali TV space lay emphasis on the Bengali television, the production budgets of content are expected to increase.

Table 3.1: West Bengal Television Revenues

Advertisement revenues for Bengali channels	INR 780 crores
Subscription revenues from West Bengal	INR 950 crores

Fig. 3.1 Advertisement revenues in Bengali television industry (in INR Crores)

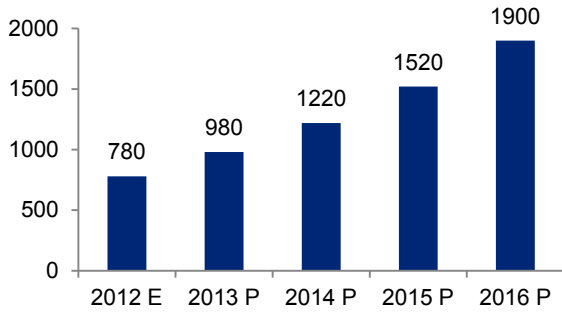
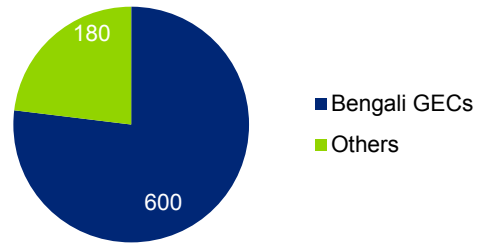


Fig. 3.2 Current Bengali television advertisement revenues (in INR Crores)



In line with changing times, a significant population in West Bengal that is educated, culturally sensitive and has a substantial spending power is increasingly engaging with Bengali television content. Attracted by this rewarding target segment, national players – both production houses and advertisers – are prioritizing the Bengali market as an important part of their growth plans. Going forward, this will help in the market scale up and will act as a push for improving content, production budgets, as well as, production values, while retaining the Bengali cultural cues for stylization of characters in addition to ensuring an overall appearance, which is aspirational, glamorous, yet culture-specific

Sujay Kutty, Executive - Vice President, Business Head, Zee Bangla

3.2 Trends in Content

The diversity of content in Bengali television is expected to increase going forward. Digitization is expected to be an important lever enabling this over the next 5 years, especially if the timeline beyond Kolkata are maintained. Increased investment from various players based on the reach and growth potential of the Bengali television market is also expected to act as an enabler.

Emergence of niche channels

With digitization expected to support more channels, players in West Bengal are getting ready to explore niche content and channels. The recent launch of Bengali movie channel by Zee⁶ and the anticipated launch of a Bengali movie channel by Star⁷ are portends of this trend.

The TV industry may also see launches of music channels with Bengali film and non-film music; lifestyle channels; youth entertainment channels and channels focusing on content around Rabindranath Tagore (Rabindra Sangeet, adoption of his plays and stories, et al) or Satyajit Ray, amongst others. The existing channels are likely to begin testing such content through dedicated time slots before launching full-fledged channels based on the content's acceptability and popularity. A similar trend was sampled in the 90s when the national GECs started testing the waters with Bengali content in the evenings before launching full scale Bengali channels.



West Bengal has a vast repertoire of non-film music. Multiple genres of Bengali non-film music are very popular in the state, especially in the cities. Post-digitization, television will play a bigger role in promotion of non-film Bengali music.

Mahua Lahiri, Asha Group

Rise of flagship, non-mass programming

Though the primary focus of GECs continue around mass market (given the large viewership), they have also started exploring newer formats. This is due to changing consumer preferences driven by younger audiences and lack of distinctive content in the soaps/serials space.

With digitization working in their stride, broadcasters are likely to have more resources to plough back into content. As a result, short series and telefilms are expected to grow. Moreover, many in the industry sense a space for flagship programs (e.g. such as 'Satyamev Jayate' on national airwaves) on Bengali GECs, which are aimed at creating buzz, starting conversations and attracting newer audiences..



Like multiplex-targeted genre of cinema, it is time we had channels to cater to a more niche audience, to break free of the clutter and give our audience a taste of something different!

Mitali Bhattacharya, Acclaimed Writer and Producer

National players in production will look to play a bigger role

While national players like Sphere Origins (e.g. *Chirosathi* on Star Jalsa) and Reliance are already looking at producing content for the Bengali GECs, this trend is likely to accelerate going forward. It will be driven by higher budgets of Bengali GECs as well as the rise of niche channels with their own need for content.

Cross-pollination of content and formats from other languages

Bengali GECs have been able to maintain a program mix based on adaptations of successful national content, along with original content inspired by rich Bengali literary heritage.

Fiction shows, which are preferred to closely resemble the local everyday life and culture by the Bengali audiences, are perceived as more challenging to adapt from successful stories in other languages than a commercial film. Bengali channels have been able to portray a very authentic but aspirational depiction of customs, rituals and traditions that are omniscient - in their homes, roads, markets, and in the hearts of Bengalis for their successes.

On the other hand, there have been adaptations of Bengali success stories for national television: e.g. "Ma" and "Sansaar Shukher Hoy Romonir Gune" were adapted for larger Hindi audience. This displays the best-in-class creative skills and high quality of technicians in Bengali television industry, which have been able to create national quality content even at the fraction of costs as compared to the national television.

Reality television will continue to see adoption of nationally hit formats apart from local innovations and stars. Another trend is interplay between the national and Bengali programs, where a selected number of participants (e.g. finalists) get direct entry onto the national stage.

Progressive depiction of characters

The primary viewership of soaps on Bengali GECs is expected to be largely women even in the near future. As the real world women progressively transform to adopt to the evolving Bengali society, industry insiders feel that in order to maintain a connect, the reel world characters would also mirror this evolution. The characters are expected to be more assertive and independent, who strike a balance between their careers and households. However, this new characterization will continue to be balanced with traditional values largely depicted through the protagonists. This fine balance of tradition and modernity is likely to be further strengthened over the coming years.

<p>Increase in product placements</p>	<p>There is a current trend of new Bengali film releases being promoted through reality shows, which aligns with their overall scheme as these shows are mostly hosted by Bengali film actors. But the industry feels that there is a scope for increased placements in other genres as well.</p> <p>These associations would need to be non-intrusive and are expected to be customized according to the type of viewers and the nature of programming (e.g. aspirational vs. next-door) for successful collaborations.</p>
<p>Increase in online engagement</p>	<p>Like in other traditional mediums, online presence will play an increasingly important role for promotion and engagement with viewers for television as well. Existing engagement like Facebook pages are largely aimed at urban audiences. Going forward, the Bengali television industry is looking at closer integration (e.g. Zee Bangla exploring online auditions for SaReGaMaPa), which will encompass the population from larger districts audiences as well.</p>
<p>Engagement beyond borders</p>	<p>Star and Zee, amongst others, currently distribute their bouquet of channels globally and Bengali television has seen acceptance from the larger Bengali diaspora. This is expected to increase as the television content becomes available and easier to monetize through multiple screens.</p> <p>In parallel, channels are also looking at newer ways to increase their adoption in Bangladesh. Zee Bangla⁸ has been engaging audiences in Bangladesh through holding auditions for its shows like <i>'Mirakkel'</i> in Dhaka. This trend will accelerate in sync with use of online medium, which can take such participation to more places around the globe.</p>

Case Study: Digitization: benefits and perspective

As in other parts of the country, broadcasters in West Bengal are expected to be the primary beneficiaries of the mandatory digitization. On one hand, it will help to address the under-reporting issue, enabling the broadcasters to get a fair share for their customer subscription revenues from the current levels of 10%-12%. On the other hand, the ARPU itself is expected to gradually increase based on greater options, packaging and more bundled services.. Again, with the increase in channel carrying capacity in a digitized environment, distribution costs are expected to reduce significantly going forward. This will also enable channels with niche content.

However, the West Bengal market could also see a few challenges from the consumers. The major challenge will be to ensure affordability of set top boxes, especially rolling out to larger areas over the next phases. Also, some industry insiders suspect that there may be initial hiccups as, now users will have to actually navigate using a separate remote control with the set top box and not everybody may be comfortable in this regard. On the flipside, most of the channels may be assigned a fixed channel number; thus, it may become slightly easier for many users to navigate to their channels. These behavioral data will be watched with interest as results from the initial roll outs trickle in.



While GECs will continue to dominate Bengali television, increasing fragmentation will be a key challenge, with competition not only from the increasing number of TV channels, but also from new media. However, with digitization of television platform expected to enable better monitoring of viewership trends, and in turn, advertising spends, advertisers may increase their above-the-line budgets and spends, which will benefit the television industry.

Ravish Kumar, Executive Vice President, Viacom 18 Media Pvt Ltd.

3.3 Conclusion

As Bengali television market consolidates its position amongst the top regional markets in India, it is expected that the players will explore newer genres and witness greater focus by national players. With production budgets expected to increase, the industry's ability to create quality programming is expected to be strengthened. Supported by discerning audiences with a healthy appetite for regional content and more opportunities with overseas audiences, the Bengali television is expected to embrace multi-screen viewership for favorable growth into the future.

4. Print in West Bengal



We should not differentiate between Print, Electronic & Digital media - end of day all these are mere delivery mechanisms of Content, some more popular than others at a given time-zone.

We are in content business and we shall continue to make our superior content available through all the appropriate delivery channels.

In the West, before most of the print media companies could realize, the non-media companies were able to invade digital space. In India, however, all print media companies (large or small) have sufficient time to adapt, evolve and dominate as 'content houses' across multiple delivery platforms - Print, TV, FM, Mobility, Internet, etc.

D.D. Purkayastha, MD & CEO, ABP Group



Traditionally, the readership of dailies in West Bengal has been dominated by the vernacular print. Over the decades, vernacular print has become an integral part of all classes of the society and has shaped the thinking of the general populace. Newspaper consumption has been a matter of pride for Bengalis and as a practice most of them have multiple dailies in their household at least over the weekends, if not every day. This has laid the foundation of a strong print market in the state.

Given the changing social matrix, the vernacular print media is adopting itself to maintain the slice of the pie by shifting their focus towards the youth. This time-stressed yet challenging generation forms a large and attractive segment. The industry is also driving over a perception that today only a small fraction of the readers between the age brackets of 15-35 years can read Bengali. These factors have led to innovations around content and packaging to reach out to these aspirational and vibrant readers Both ABP and the Times group have launched youth focused Bengali dailies, E Bala and Ei Samay⁹ respectively in the current year. .

In the past decade, increasing section of the population has been gradually exposed to English at a grassroots level. Coupled with attractive subscription rates, English dailies have been able to break down barriers and make encouraging inroads as a 2nd paper in the households, especially in Kolkata. However, English dailies in West Bengal still command circulation and advertisement rates which are lower than the leading vernacular dailies.

4.1 Print in West Bengal: The numbers

The print media in West Bengal is currently estimated to be INR 980 crores. Of this, the vernacular print media has the larger share at INR 600 crores with an annual growth rate of 10%. In comparison, the English print media stands at around INR 380 crores with an annual growth of 9%. By 2016, the total print market in West Bengal is expected to cross INR 1450 crores.

Fig. 4.1 West Bengal Print Market Revenues (2012) (in INR Crores)

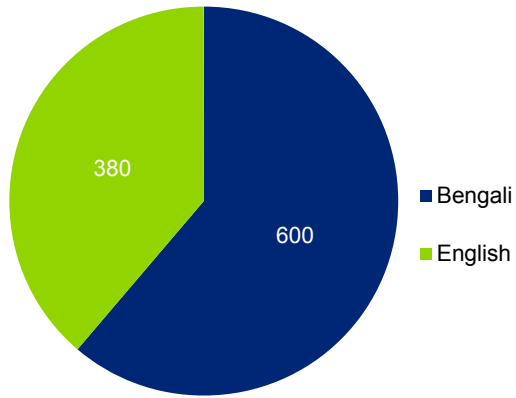


Fig. 4.2 Bengali Newspapers' Market Size (in INR Crores)

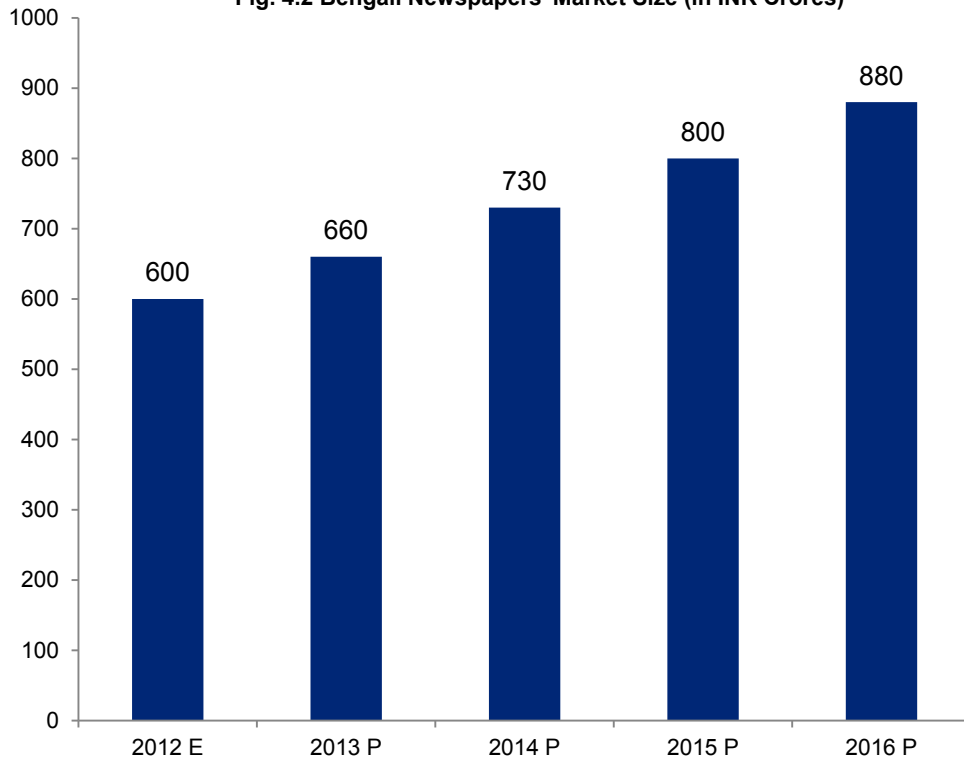


Fig. 4.3 Revenue split of Bengali Newspapers

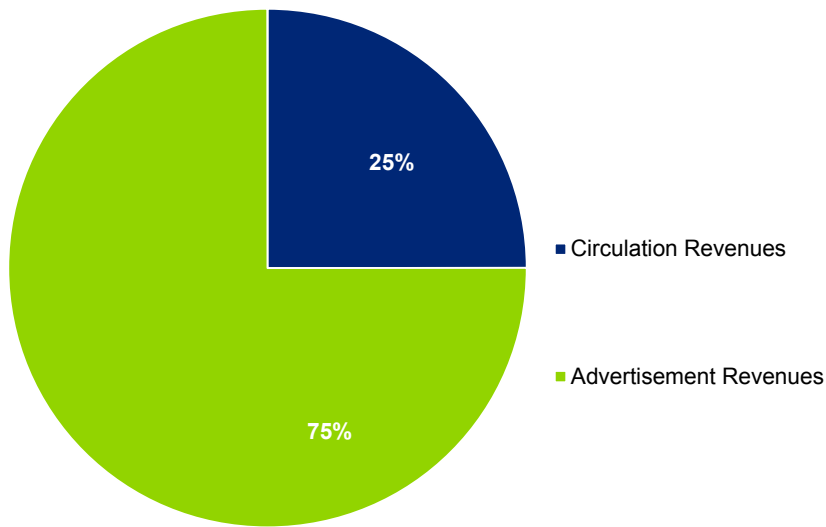


Fig. 4.4 English Newspapers' Market Size (in INR Crores)

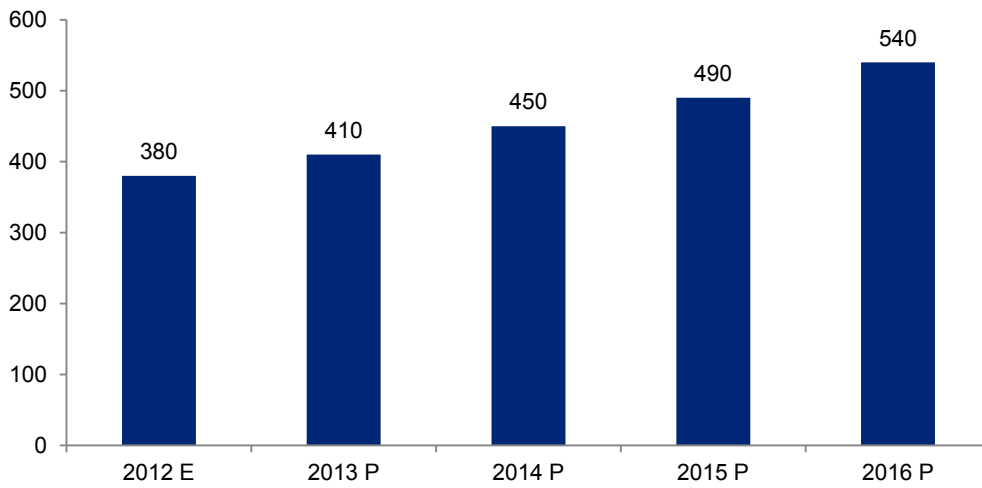
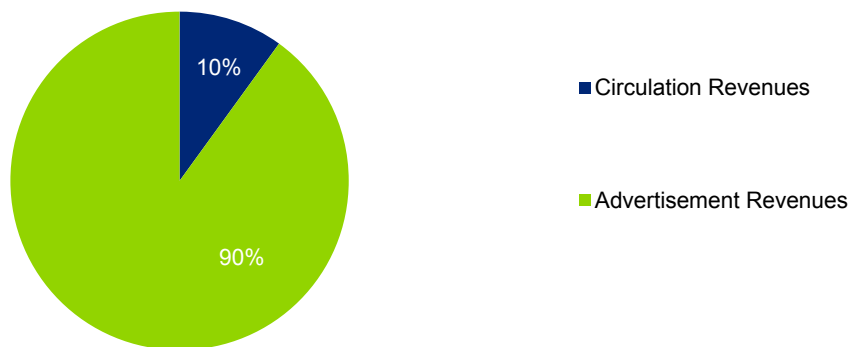


Fig. 4.5 Revenue split of Bengali Newspapers



Penetration of Bengali dailies amongst the SEC A population aged less than 30 years is higher than that of English dailies in West Bengal. This disparity is evident even in the population aged above 30 years. Given its extensive reach, vernacular print media enjoys a larger share of advertising pie in Kolkata, as well as rest of West Bengal.

As brands look to tap markets beyond Kolkata, advertising revenue for Bengali dailies at district level has witnessed growth even as high as 40%^b, although on a much smaller base. The growth rate in English dailies, however, from markets beyond Kolkata has perceived to be lower, since Bengali dailies are vastly more popular in rest of West Bengal than their English counterparts.

While the circulation of English dailies is growing at around 7% CAGR, according to industry sources, there has been a visible stagnation of readership of vernacular print media, with slight declines in some districts. But the spate of new launches is expected to change this as they expand beyond Kolkata and attract new segments of readers into their folds. It is perceived in the industry that new launches, such as *E Bela* and *Ei Samay*, are likely to alter the dynamics of the vernacular dailies scenario in West Bengal over the coming years.

4.2 Trends in Content and Readership

<p>Views, not news</p>	<p>A trend that is being seen and expected to accelerate in future is that of readers consuming the news in real time over other media (internet or television) and refer to newspapers largely for analysis and viewpoints. To stay relevant in future, more of the newspaper content is expected to provide in-depth arguments and counterarguments and put the events in historical and global perspective rather than making simple narratives.</p>
<p>Supplements growing in importance</p>	<p>In vernacular, as well as English print media, supplements are often gaining popularity and importance in terms of readership engagement. Supplements like T2 (a supplement of The Telegraph), is sought after amongst the young readership in the age group of 15-35 years. Entertainment news seems to be the flavor of readers as print has to compete for attention with many other forms of media.</p> <p><i>'Robbar'</i>¹⁰, a weekly magazine that comes with the newspaper '<i>Sangbad Pratidin</i>', published every Sunday and edited by Rituparno Ghosh and Anindya Chattopadhyay has been attributed large increase in uptake of the Sunday edition of the newspaper. Its popularity acts as an invitation to subscribe to the daily for the rest of the week.</p>
<p>Growth of Lifestyle and Personal Finance content</p>	<p>Across English as well as vernacular press, lifestyle (e.g. travel, food, and health) is becoming increasingly successful in terms of supplements, outside the daily news. Personal finance is another topic, which has gained popularity, especially amongst the age group of 35-40 years.</p> <p>Interestingly, there is a divergence in terms of focus on the nature of content regarding Education and Jobs sectors. A large portion of English daily readers, for instance, has migrated to internet for outright information on admission, vacancies, etc. This has left English dailies exploring topics like grooming or supplementary material e.g. current affairs primer to help in interviews, etc. The situation is typical of Education and Job supplements, which has led to a decrease in their readership. But for vernacular dailies, this trend is yet to be seen, ABP's '<i>Prastuti</i>' continues to be perceived as a strong platform.</p>

^b Industry estimates and Deloitte research

Rise of tactical supplements

While supplements on topics like real estate follow industry cycles, there have been a lot of tactical supplements, which have started doing the rounds. For instance, a special supplement on F1 was launched around the Formula 1 Grand Prix in the Budh International Circuit. The cost of production of these is lower due to use of syndicated content. But they find favor with specific readers, as well as, advertisers who want to target this particular niche. Advertisers often earmark budgets around such events as these tactical supplements actually help them in reaching the relevant readers.

Some of the tactical supplements or collections are now being spun off into separate properties themselves e.g., the T2 Cookbook¹¹.

Strong online presence, including smartphone apps for vernacular dailies

The vernacular dailies have a strong presence online to cater to a diaspora across the globe. This has also driven them to start investing in online apps. The interest of the Bengali diaspora might enable the Bengali dailies to monetize their online and mobile content.

In coming years, the industry may witness major innovations in content management, content delivery and path to monetization.

Tighter integration of print and online properties

Classifieds like tenders, matrimonial, jobs, etc. are today witnessing increasingly complementary relationship between the print edition and the online properties. For categories like matrimonial, the print content is seen as a teaser and an invitation to the larger content universe online.

Online classified properties are perceived to be easier to monetize through subscription revenues compared to news content. Given the limited real-estate on a print edition, this complementary existence of print and e-platforms might be able to better serve the purposes of the readers while keeping him within the ecosystem of the publisher, turning it into a win-win situation.

4.3 Trends in Advertisements

Predominance of vernacular print media

Vernacular dailies in West Bengal have traditionally catered to a larger audience than English dailies. Coupled with wider circulation they have been able to garner a bigger share of advertisement pie in West Bengal and continue to show higher growth rates in advertising revenues compared to English dailies.

Even luxury brands, which have traditionally avoided vernacular media, have realized the reach of vernacular print medium in their target segments i.e. amongst higher SECs and have started using it largely to communicate with their potential customers.



Bengali publications in Kolkata have higher market salience than English publications, indicating the relevance of Bengali newspapers as a marketing medium to reach out to consumers, majority of who are young. Bengali is showing much faster growth rate than English. Bengali ad market grew by 26% while English grew marginally by 2% in the first half of this fiscal year.

Mr. Amitava Bhattacharya, Vice President, The Times Of India Group

Space for more local advertisement and diversity of advertisers

While most vernacular dailies get majority of their advertising revenue from local brands, Bengali dailies witness larger chunks of advertising spends from national brands than the local brands. The number of local brands advertising should witness a growth in the Bengali dailies. Retailers, for instance, will see the focused geographical reach of vernacular newspapers as an advantage, with more newspapers having tactical offerings like city splits and maintaining distribution in select areas within a region. A large amount of advertisements in vernacular dailies is from financial institutions. Driving diversity in the universe of advertisers is an important goal for the vernacular print players.

4.4 Conclusion

Readers are increasingly becoming more discerning and benchmarking vernacular dailies against English dailies not just in content but also in newsprint and presentation. Going forward, it is expected that the print will continue to grow in West Bengal as newer readers emerge as well as a diaspora that can be reached better online.

5. Radio in West Bengal

Radio continues to be one of the most real-time, interactive and participative media and the West Bengal radio industry is today looking at not just at innovations and customizations to attract the listeners, but also clients, by offering them solutions that seamlessly weave in on-air and on-ground interactions. Broadcasters are stepping beyond innovations in programming to get closer their target groups as they try to weave a new and closer connection with its listeners through activations as well.

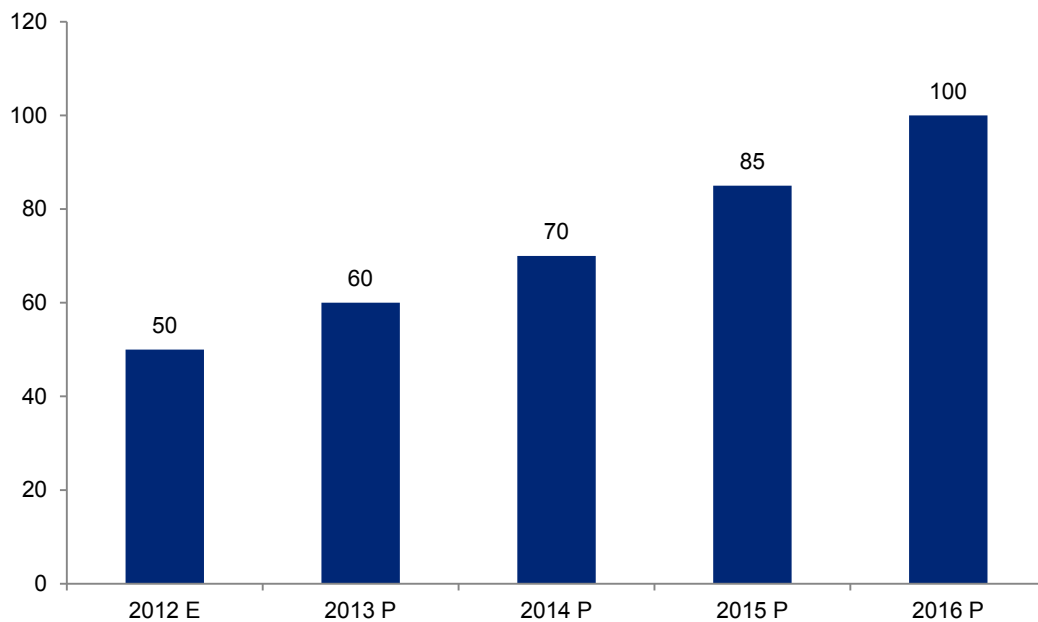
FM radio stations in the vibrant West Bengal market are available in Kolkata, Siliguri and Asansol. Kolkata is the predominant market with nine FM stations, while Siliguri has three FM stations and Asansol two. Further, radio stations in West Bengal are also bracing themselves up to best utilize the possible opportunities in terms of revenues and reach that Phase III is expected to usher in.



5.1 Radio in West Bengal: The numbers

The estimated size of the Kolkata Radio market is about Rs. 50 crores. Growing at a CAGR of approximately 20 per cent, it is expected to double its present size by 2016. Siliguri and Asansol are a fraction of Kolkata market in terms of size, at Rs.2-3 crores each with the growth in these markets currently less pronounced.

Fig. 5.1 Kolkata Market Size (in INR Crores)





Mirchi operates in two large markets in the East - Kolkata and Patna. I am happy to state that both these towns are in our top 10 list. Not only that, both these markets have reported faster growth than recorded in most other big markets. The East is seeing a new vibrancy. We plan to expand rapidly in the region in the upcoming Phase-3 round of FM expansion

Prashant Panday, Executive Director and CEO, Entertainment Network (India) Limited

5.2 Trends in Content and Listenership

With news content disallowed on FM and ownership of more than one channel per city not permitted, differentiation has been an uphill task for FM channel owners. While Bengali and international songs have been used for differentiation by some channels, it is mostly a combination of language of communication by RJs (Hindi, Bengali or Hindi/English) and mix of international music (none or limited), which have been largely used to create nebulous niches. There is a need felt by the industry to look for ways to sufficiently differentiate across the channels. In this regard, there have been some gradual changes in terms of evolution of content. Some of which are highlighted below.



Radio is all about connecting with the listeners, hence it should always be interactive, participative and sound fresh, also being real and up-close is what brings about a differentiation. Radio is not just about AIRTIME... it's all about innovation and customization and giving a solution to Clients which could encompass On-air and On-ground spaces. The aim here is to bring about a closer reality between the consumer and product.

Jimmy Tangree, Station Head, RED FM

Rise of new prime time

While 8-10 am in morning and 6-9 pm have traditionally been the prime time for radio stations, 9-12pm slot has now emerged as an important slot where listeners are engaged at a very personal level at the end of a day. They are not in hurry and looking to de-stressing themselves at the close of the day. This slot has seen a growing importance and where listenership is driven by RJs more than any other slot.

Outside broadcasting and on-the-ground activation

Kolkata's radio stations are literally taking their broadcasting studios to the streets. Previously limited to periodic traffic updates from traffic police control room, radio stations are now setting makeshift studios in malls or at popular events (e.g. Durga Puja pandals) and broadcasting live from there. The trend of 'On-the-ground' activation helps in increasing visibility and frontline participation with a larger audience. The aim is to engage with the visitors at the popular locations and to come closer to existing listeners and act as a teaser/invite to potentially new listeners. While TV and print media have been associated with Durga Puja and other cultural activities, radio stations are now throwing their hat in the game as well. Red FM's 'Shera Barir Shera Pratima', for instance, garnered more than 200 entries this year from Puja Committees across Kolkata.

Non-movie music content

While music dominates programming, talk shows or topical conversations interspersed with music have been gaining airtime. So, there are continuing shows like 'Kali Katha' on Radio Mirchi that features a selection of Shyamasangeet, with an interwoven talk about the lives and works of saints like Swami Vivekananda and Sri Ramkrishna Paramhans anchored by the RJ. Newer shows like 'Red Arrest with RJ Nilam' have one prominent personality going on-air to face questions from people of Kolkata with the catch that no

A vast majority of listeners in Kolkata still tune in from home, while listenership in cars is still perceived to be lower as compared to the other metros. Radio stations are engaging their listeners on social media as well, through fan pages for RJs as well as particular programs. The likes on these pages cross 1 lakh on cumulative basis and the activity on their walls shows that the high level of engagement.

However, online radio stations are yet to see the level of maturity of foreign radio stations i.e. availability online and in smartphone app stores is nascent to non-existent. Licensing and royalty issues would need to be resolved before this category of potential market can really take off. There is a latent demand from people who have moved from Kolkata but miss a particular program. Geographically targeted advertisements served to such online listeners will help expand the revenue size of the Kolkata radio stations.

5.3 Trends in Advertising

Initial days of FM radio had witnessed wariness about using the medium as well as commercial terms. But the industry has now matured to hold on its own as an effective advertising medium and become part of marketing strategy of any marketer looking at Kolkata. The categories of advertisers have also become more diverse, from FMCG companies to those selling automobiles. The pie is almost evenly split between local and national advertisers in Kolkata.

<p>Product Launches</p>	<p>On-ground activation in partnership with radio stations is expected to become more popular going forward. Recent launch of the new Alto by Maruti working with Red FM in Kolkata is an example of this trend. This will exploit the interactivity of radio as a medium where the radio stations are increasing the trend of outside broadcasting. Movies have also started using radio as a medium during their launch. National as well as regional stars interact with listeners to increase publicity during releases and expect to increase footfalls.</p>
<p>Weaving in Products in programs</p>	<p>Product placements in terms of interviews with company executives or users calling in to share their experiences about a particular brand or products are now being increasingly heard on Kolkata radio stations. An innovation done by Red FM in Kolkata was to get a DJ to play the entire session on a newly launched music phone and getting live bytes from the discotheque into the radio station as it was happening. This way, the phone became the focal point of the discotheque as well as the on-air programs.</p> <p>The key success factor here is to think commercially yet please the listeners by not going overboard. These initiatives lead to more recall than traditional advertising which is often perceived as intrusive.</p>

Case Study: New Maruti Alto 800 launch in Kolkata with Red FM

With Maruti's new Alto 800 launch coming around the time of Durga Puja in 2012, Red FM organized 'Pujo-r-Jatra on the Wheels' during 3 days of Durga Puja. A convoy of co-branded Maruti Alto 800, escorted by bikes visited 10 Puja Pandals each day for the 3 days of the Pujas. Soundbytes from visitors at different *Pandals* were taken and while on the drive bytes were taken from the winners who were in the Vehicles. It gave a unique on-air and on-ground feeling of involvement and excitement around the new vehicle. Such combinations of on-radio and on-the-ground activities have led to emergence of radio as an innovative advertising medium with a unique impact and engagement.



5.4 Conclusion

In the coming years, it is expected that radio will penetrate more cities and towns in West Bengal as well as become part of lives of a bigger segment of population. This will be driven by increased differentiation in terms of product format and category. Government regulations as well as clarity on royalties (including online playback) are seen as potential levers to put growth into a higher orbit. As new advertisers embrace radio, it is expected that the radio stations will in turn expand their reach through online stations and smartphone applications to expand their listenership beyond geographical boundaries. Overall, the Bengali diaspora holds out promise, especially for content around Bengali songs and other cultural programs evoking nostalgia.

6. Direct tax - Overview of the Domestic tax in the Media and Entertainment Industry (M&E)

6.1 Film Industry

a. Furnishing of Statement

A person carrying on the production of a cinematograph film is required under the Income-tax Act, 1961 (ITA)^c to furnish a statement in a prescribed form^d to the assessing officer. The statement is required to be submitted per film per year within 30 days from end of the previous year or completion of the film whichever is earlier stating the details of persons to whom the aggregate payments exceeding INR 50,000 is made during a year. The non-compliance of the above provision could attract penalty under the ITA^e.

b. Deduction of cost of production/ cost of acquisition of distribution rights of Feature Films

Specific rules have been prescribed in relation to the deduction of expenditure permissible on production of feature films/ cost of acquisition of distribution rights of feature films.

Cost of production

The rules link the deduction allowable in respect of expenditure incurred on production of feature films with the release of the feature film as under:

Particulars	Release of films 90 days before end of the Previous year	Quantum of cost of production deductible
Where the right of exhibition of film is sold in the previous year	Not Applicable	Allowable
Where the film producer exhibits the film on commercial basis and/or sell all the rights of exhibition of the film during the previous year	Completed	Allowable
	Not Completed	Deduction allowed to the extent of amount realized from the release of film and balance amount of deduction of the expenditure allowed in the subsequent year
Where the film producer does not exhibit the film on commercial basis and/or does not sell the rights of exhibition of the film during the previous year	Not Completed	No deduction would be allowed. The entire cost will be carried forward and allowed as deduction in the subsequent year on the release of the film.

The cost of production means the expenditure incurred on the production of the film except that incurred on preparation of the positive prints of the film and in connection with the advertisement of a film, after the same is certified for release by the Board of Film Censors.

^c Section 285B of the ITA

^d Form 52A of the Income-tax Rules, 1962 ('Rules')

^e Section 272A of the ITA

Sale of rights of exhibition also includes the lease of such rights or their transfer on a minimum guarantee basis.

Cost of acquisition of distribution rights of feature films

The rules links the deduction allowable in respect of expenditure incurred on acquisition of distribution rights of feature films with the release of the feature film as under:

Particulars	Release of film 90 days before end of the previous year	Deduction of cost of acquisition of distribution rights
Where all the rights of exhibition of film is sold in the previous year	Not Applicable	Allowable
Where the film distributor exhibits the film on a commercial basis and and/or sells the rights of exhibition of the film during the previous year	Completed	Allowable
	Not Completed	Deduction allowed to the extent of amount realized on the exhibition/sale of distribution rights of the film. The balance amount would be allowed as deduction in the subsequent year
Where the film distributor does not exhibit the film on a commercial basis and/or does not sell the rights of exhibition of the film during the previous year	Not Completed	No deduction would be allowed. The entire cost will be carried forward and allowed as deduction in the subsequent year on the release of the film

The cost of acquisition of distribution rights in relation to a feature film means the amount paid by the film distributor to the film producer or to another distributor for acquiring the rights of exhibition and, where the rights of exhibition have been acquired on a minimum guarantee basis, the minimum amount guaranteed, except the amount of expenditure incurred by the film distributor for the preparation of the positive prints of the film and the expenditure incurred in connection with the advertisement of the film.

c. Tax Issues:

Exhibition of film on Commercial basis

The rules refer to the exhibition of film on commercial basis. However, the mode of exhibition is not prescribed. The question arises whether the exhibition of feature films refers to exhibition of film only in cinemas or would cover exhibition of film other than in cinema.

The Mumbai Income-tax Appellate Tribunal in the case of in the case Viresh Films Pvt. Ltd v. DCIT^f has held that as the mode of exhibition of film is not stated, the exhibition of film on television would also be covered.

Deductibility of expenditure not covered in ‘Cost of Production’

The Rule defines the cost of production. The expenditure which are not covered under the rule, whether would be allowed as business deduction under section 37(1) of the ITA.

The Madras High Court in the case of Prasad Productions Pvt. Ltd. v. CIT^g held that the specified rule does not have overriding effect on the provisions of the ITA. Expenditures that cannot be deducted under the specified rule could qualify for deduction subject to the expenditure laid out or expended wholly and exclusively for the purpose of the business under section 37(1) of the ITA.

^f 26 SOT 64
^g 179 ITR 147

d. Recommendation

The limit of reporting prescribed under the ITA for the producer of cinematograph film may be increased.

Specified rule requires 90 days to be completed from the release of the film before the end of the previous year for allowing deduction of the entire cost of production and cost of distribution of films. In today's arena, where the life of the film is very short, it is recommended that the above requirement of 90 days be either reduced or removed.

e. Advance tax payment in the case of release of a film

The release of feature films and their profitability are subject to a high degree of uncertainty. The estimation of profits for production companies for the purpose of discharge of their advance tax liability is always a challenge. Failure to pay advance tax on such unforeseen profits can result in levy of interest under sections 234B and 234C of the Act.

It would help the M & E Industry if the above practical difficulty is addressed and a relief is provided in the provision relating to the levy of interest under sections 234B and 234C of the ITA.

6.2 Television Industry

a. Withholding tax issues

Payment made to production houses

The television channels makes payment to the production house for the production of television programs. The payment made to the production house whether would be categorized as payment for the work done under a contract or the payment for carrying out the professional or technical services.

The Delhi High Court in the case of *Prasar Bharati v. CIT*^h held that such payment would fall for the work done under a contract.

Discount given by television channels to Advertising agencies

The television channels during the course of business provide discount to the advertising agencies for the booking of airtime of the channels. The question arises as to whether the discount provided by the television channels could be categorized as payment in the nature of commission or brokerage and accordingly liable to withholding tax under the ITA.

The Kerala High Court in case of *Prasarbharti Doordarshan Kendra v. CIT*^j held that there exists a principal-to-agent relationship for such transactions and the agreement entered by the parties is nothing but an agency arrangement. The discount therefore is in the nature of commission liable to withholding of income tax under the ITA. .

It would help the M & E Industry if a clarificatory circular is issued in the above aspect.

b. Depreciation on the Integrated Recorder Device (IRDs)

IRDs are used by the production house. The functions of an IRD are similar to that of a computer system. The question therefore arises as to whether the depreciation rate prescribed under the ITA for the computer could be applied to IRDs.

The judicial authorities in connection with the printer and scanner have held that they are eligible for the depreciation rate prescribed for the computers. The same analogy could be useful for IRDs.

^h 292 ITR 580

ⁱ Section 194H of ITA

^j 325 ITR 205

^k 280 ITR (At) 74 (Kol Tribunal), 41 ITD 349 (JP Tribunal)

6.3 Music Industry

a. Deductibility of cost of acquisition of license/copyright in music

The deductibility of cost of acquisition of license/copyright in music has been a peculiar issue. The issue is whether such cost would be capital expenditure entitled to depreciation or is it in the nature of revenue expenditure.

The judicial authorities¹ have taken a view that payment for acquiring music right is in the nature of raw material and hence revenue in nature.

6.4 Radio Industry

a. Deductibility of license fees by Radio Broadcasters

Radio broadcasters are required to pay license fees, viz. one-time entry fee and recurring annual fees, to the government as per the terms of license.

The issue that arises is whether such fees are in the nature of revenue expenditure to be claimed as deduction in the year in which it is incurred or is in the nature of capital expenditure entitled to depreciation at specified rates.

It would help the M & E Industry if a circular is issued in the above aspect.

6.5 Transfer Pricing

Transfer pricing until now was applicable to companies having cross border transactions with their associated enterprise.

However, the Finance Act 2012, honoring the Hon'ble Supreme Court ruling in case of CIT vs. M/S Glaxo Smithkline Asia (P) Ltdm, expanded the ambit of transfer pricing to specified domestic transactions entered between domestic associated enterprises within India during the previous year 2012-2013. The above provision would be applicable when the aggregate value of the transaction entered into by the assessee with its domestic associated enterprise exceeds INR 50 million.

With this amendment, taxpayer will have to determine an arm's length price for such transactions by following prescribed methods as provided in the ITA and also maintain contemporaneous documentation.

6.6 Conclusion

The M&E Industry has been contributing substantially to the ex-chequer. In return, it is expected that the Government may come up with clarity on various debatable issues affecting the industry and provide income tax sops for better profitability of the players..

¹ 82 ITD 641,, 2010 TIOL 671 , 48 ITD 145 , ITA No. 719 & 720/Hyd/2011
^m 195 Taxman 335

7. Indirect tax – Impact of Goods and services tax (GST) on Media and Entertainment Industry

A series of legislative changes since the past two years changed the face of the indirect taxes in general and service tax in particular. The initial change was brought about by the introduction of the Point of Taxation Rules 2011 with effect from April 1, 2011 up to the recently introduced Negative List based taxation of Services. The introduction of the said Negative List of Services has been slated to be a precursor to the future Goods and Service Tax (GST) Regime, which would eventually affect each and every industrial sector. One such sector which has seen a wide range of transformations post introduction of the negative list of services is the Media and Entertainment Sector since involves transactions pertaining to both tangible goods and intangible services.

The Negative List of Services has specifically excluded 17 services from the Service Tax purview. It appears that certain transactions of the media and entertainment sector seems to have been kept outside the service tax ambit in the negative list regime. Some transactions outside the scope of service tax are the sale of space or time slots for advertisement other than advertisements broadcast by radio or television, temporary transfer or permitting the use or enjoyment of a copyright relating to original literary, dramatic, musical, artistic works or cinematograph films, admission to entertainment events or access to amusement facilities etc. In addition to the negative list of services, services rendered by way of training or coaching in recreational activities relating to arts, culture or sports and services by a performing artist in folk or classical arts form of music or dance or theatre, when provided by any entity other than a Brand Ambassador are exempted from service tax.

7.1 Impact on the Film Industry

The Indian Film industry consists of films produced across India which covers its diverse cinematographic cultures. The said industry enjoys recognition from the Indian audiences as well as viewers located across the world.

Under the present tax regime, producers of a film are subjected to service tax, state specific Value Added Tax and Customs Duty on procurement of inputs and certain services pertaining to the film production and distribution. The technological transformation of the import of content on various digital media is recognized by the Government which can be noticed from the fact that a relief to the film industry is given by making Customs duty applicable only in case of to the material value of the master tapes import of motion pictures and treating the intangible portion of granting the right to use as a service.

Film producers are also subjected to VAT on various production procurements such as renting of media equipment and immovable property for media recording, costs incurred on food, costumes office equipment etc. Besides the above, Service Tax is also applicable on various procurements such as photography / video services, sound recording services, promotion of brand of goods services etc.

The normal business practice prevailing in the industry is that the producer of the film who owns the intellectual property rights of the film, temporary transfers the rights to a person (normally a distributor or a sub distributor), who in turn enters into an agreement with the exhibitor (theatre owner) for screening of the film produced. Distribution agreements could be entered into in various forms ranging from a lease/ distribution license on an outright basis, or operation on a minimum guarantee basis to an arrangement which is partly on a minimum guarantee basis and partly on a refundable basis or wholly on a refundable basis.

Specific exemption provided to the activity of transfer or permitting the use or enjoyment of a copyright relating to cinematograph films has opened the doors for revisiting the transactions to see whether service tax exemption has been

really beneficial or the same is restricting the smooth pass through of the indirect taxes in the chain of transactions. The importance of changing the revenue model in light of the changes in service tax has become a subject matter of discussion in recent times.

Besides service tax, there is also a levy of VAT on transfer of right to use copyrights of a film considering them as intangible goods. The multiple indirect taxes on same transactions with very minimal opportunity of claiming credit of taxes, has been a cause of concern. In addition to these levies, even stamp duty on the agreements has also turned out to be an important cost to be factored.

In light of these multiple taxes, the industry seeks introduction of a common Goods and Service Tax and the current proposed structure of GST appears to be a solution to the problems arisen on multiple indirect taxes being levied on the transactions. The proposed GST regime seeks to implement a Dual GST model in India wherein a Central GST (CGST) and a State GST (SGST) regimes co-exist. Service tax is proposed to be subsumed under the CGST while State Value Added Tax is proposed to be subsumed under the SGST. One of the anticipated features of the proposed GST scheme to be applicable is that credit would be seamless which ultimately result in reduction of cost.

7.2 Impact on TV Broadcasting

The number of Television households in India is estimated to be around 147 million. The cable industry has grown from 0.4 million cable homes in January 1992 to an estimated 94 million cable television homes in 2011. Further there were around 20 pay channels in 1995, whereas today there are more than 800 channels registered with the Ministry of Information and Broadcasting out of which around 167 are pay channels.

The television media industry operates on similar lines as the film industry. Professionals render services to the Program Producer. These services comprise of acting, photography, video and sound recording etc. Also State specific VAT would be applicable on several inputs sourced like media equipment, office equipment, renting of set locations etc. While the current negative list / exemptions have kept the services with regard to copyrights pertaining to cinematographic films, the outflow of indirect taxes in the broadcasting sector have not changed as the entire revenue from broadcasting business continues to be subject to service tax.

It is therefore, the VAT that is currently being paid on various procurements that the industry is looking out for ways to set off and reduce cost and GST seems to be a solution whereby the taxes paid on procurement could be off set against the taxes to be paid on the revenues.

7.3 Entertainment Tax in India

In India, Entertainment Tax is levied on every financial transaction that is related to entertainment such as movie tickets, major commercial shows and big private festivals. As per the Indian Constitution, the revenue collected from Entertainment Tax is reserved primarily for the State Governments. Accordingly the rates for entertainment tax across the media sector vary based according to the state in which they apply. Several States provide a flat rate of entertainment tax irrespective of the cost of the ticket or the type of movie being screened as against a slab wise levy for entertainment tax prevalent in less number of states. States like Andhra Pradesh and Tamil Nadu grant benefits under entertainment tax for screening of regional films, which has been subject matter of litigation before various courts. The varied rates of entertainment tax prevalent in different States do not provide a level playing field for players in the industry existing in different parts of the country. Coupled with this, is the fact that there is no other tax with which this entertainment tax can be offset or vice versa.

These specific facts lead to a debate as to whether Entertainment Tax shall be subsumed under the SGST levy. The Draft Constitutional Amendment Bill 2011 for GST allows local bodies to levy a supplementary entertainment tax, over and above GST. The additional tax would impose a large burden on the film industry. To avoid complexities of taxation which is one of the main objectives of GST, several representations have been made to the Legislative Authorities that Entertainment tax be fully subsumed in the GST without creating a window for their levy at the local level. Industry players desire a seamless, uniform tax structure put in place to countervail the variances of entertainment tax which varies across different states. Such a move would also facilitate distributors to explore new untapped markets of Rural India and increase their view base.

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Goutam Ghose	Bengali Film Industry
Gautam Jain	Real Reel Pvt Ltd
Mahendra Soni	Shree Venkatesh Films
Arijit Dutta	Priya Entertainments Pvt Ltd
Himanshu Dhanuka	Eskay Films
Oney Seal	Databazaar Media
Pinaki Shoukalin Ghosh	Flipbook
Sujay Kutty	Zee Bangla
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