Infomerics
Analytics & Research

CIN: U74999DL2020PTC369018

Flat No.108, Golf Apartments, Sujan Singh Park New Delhi – 110 003
iar@infomerics.com, Phone: +9111 41410243, 4141 0244,

Industry Report On Media & Entertainment (M&E) Industry

Date: February 10, 2025

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1. Indian Macro Economy an overview

The Indian economy is on a strong wicket and stable footing, demonstrating resilience in the face of geopolitical challenges. The Indian economy has consolidated its post-Covid recovery with policymakers – fiscal and monetary – ensuring economic and financial stability. Nonetheless, change is the only constant for a country with high growth aspirations. For the recovery to be sustained, there has to be heavy lifting on the domestic front because the environment has become extraordinarily difficult to reach agreements on key global issues such as trade, investment and climate. High economic growth in FY24 came on the heels of growth rates of 9.7% and 7.0%, respectively, in the previous two financial years. The headline inflation rate is largely under control, although the inflation rate of some specific food items is elevated. The trade deficit was lower in FY24 than in FY23, and the current account deficit for the year is around 0.7% of GDP. In fact, the current account registered a surplus in the last quarter of the financial year. Foreign exchange reserves are ample. Public investment has sustained capital formation in the last several years even as the private sector shed its balance sheet blues and began investing in FY22. Now, it has to receive the baton from the public sector and sustain the investment momentum in the economy. The signs are encouraging. National income data show that non-financial private-sector capital formation, measured in current prices, expanded vigorously in FY22 and FY23 after a decline in FY21. However, investment in machinery and equipment declined for two consecutive years, FY20 and FY21, before rebounding strongly. Early corporate sector data for FY24 suggest that capital formation in the private sector continued to expand but at a slower rate.

Snapshots on key Economic Indicators: -

Foreign Direct Investment: -

Foreign Direct Investment, the subject of much analysis, has held up. RBI data on India's Balance of Payments shows us that the investment interest of external investors, measured in terms of dollar inflows of new capital, was USD45.8 billion in FY24 compared to USD47.6 billion in FY23. This slight decline is in line with global trends. Reinvestment of earnings remained the same. Repatriation of investment was USD29.3 billion in FY23 and USD44.5 billion in FY24. Many private equity investors took advantage of buoyant equity markets in India and exited profitably. It is a sign of a healthy market environment that offers profitable exits to investors, which will bring newer investments in the years to come. That said, the environment for foreign direct investment to grow in the coming years is not highly favourable for many reasons.

Employment generation:-

It is worth reiterating that job creation happens mainly in the private sector. Second, many (not all) of the issues that influence economic growth, job creation and productivity and the actions to be taken therein are in the domain of state governments. So, in other words, India needs a tripartite compact, more than ever before, to deliver on the higher and rising aspirations of Indians and complete the journey to Viksit Bharat by 2047.

In more than one respect, the action lies with the private sector. In terms of financial performance, the corporate sector has never had it so good. Results of a sample of over 33,000 companies show that, in the three years between FY20 and FY23, the profit before taxes of the Indian corporate sector nearly quadrupled. Further, newspaper headlines told us that the corporate profits-to-GDP ratio rose to a 15-year high in FY24. Business Line reported, "The corporate profit for the Nifty-500 universe was up 30 per cent last fiscal to ₹14.11-lakh crore against ₹10.88 lakh crore in FY23. The nominal GDP grew 9.6 per cent y-o-y to ₹295-lakh crore (₹269-lakh crore)1 ". Hiring and compensation growth hardly kept up with it. But, it is in the interest of the companies to step up hiring and worker compensation.

Between FY19 and FY23, the cumulative growth in private sector non-financial Gross Fixed Capital Formation (GFCF) is 52% in current prices. During the same period, the cumulative growth in general government (which includes states) is 64%. The gap does not appear to be too wide.

Private sector GFCF in machinery and equipment and intellectual property products has grown cumulatively by only 35% in the four years to FY23. Meanwhile, its GFCF in 'Dwellings, other buildings and structures' has increased by 105%. This is not a healthy mix. Second, the slow pace of investment in M&E and IP Products will delay India's quest to raise the manufacturing share of GDP, delay the improvement in India's manufacturing competitiveness, and create only a smaller number of higher-quality formal jobs than otherwise.

Nonetheless, there is a silver lining in the data. In the two years since FY21, GFCF by the private sector has grown faster. General government GFCF rose a cumulative 42% between FY21 and FY23. Non-Financial Private Sector's overall GFCF increased by 51%; investment in Machinery and Equipment and Intellectual Property Products increased by 38%. So, the growth in these two critical sub-components of Private Sector GFCF is similar to that of the overall GFCF by the General Government. This is a statistic that bears watching. They should continue to invest. To do so, they need demand visibility. That comes from employment and income growth.

Agriculture can be a growth engine:-

The agriculture sector is one area ripe for and in need of such a pan-India dialogue. Agriculture and farmers matter for a nation. Most countries understand that. India is no exception. India subsidises their water, electricity and fertilisers. The former two are provided virtually free. Their incomes are not taxed. The government offers them a minimum support price (MSP) for 23 selected commodities. Monthly cash support is offered to farmers through the PM-KISAN scheme. Indian governments – national and sub-national –write off their loans. So, governments in India spend enough resources to look after the farmers well. Yet, a case can be made that they can be served better with some re-orientation of existing and new policies.

Unleashing small enterprises:-

Another area where policy intentions have yet to manifest in desired outcomes is with respect to small, medium, and large enterprises. Earlier, several products were reserved for small scale industries. That was phased out as it benefitted neither the small-scale industries nor the overall economy. Recent concerted efforts at formalising them are making progress. Progress is relatively slower on access to finance. Buyers and creditors are shedding old mindsets and practices too slowly for these enterprises to feel the effect. However, these enterprises need maximum relief from the compliance burdens they face. Laws, rules and regulations stretch their finances, abilities and bandwidth, perhaps robbing them of the will to grow.

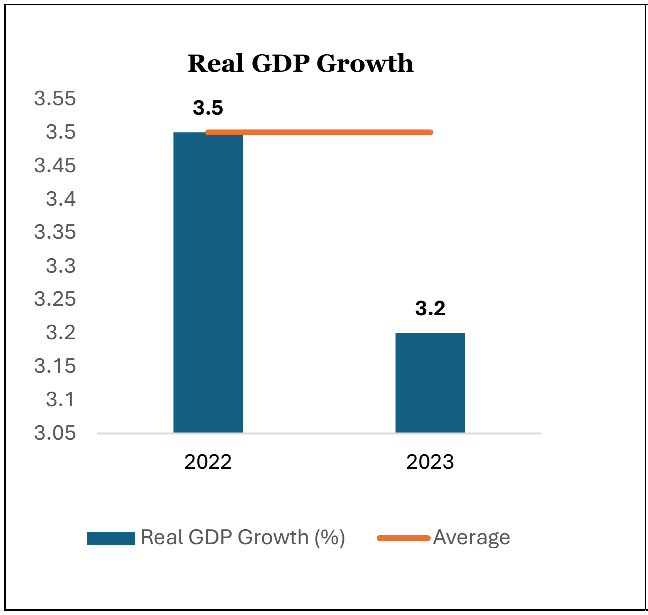
Final words:-

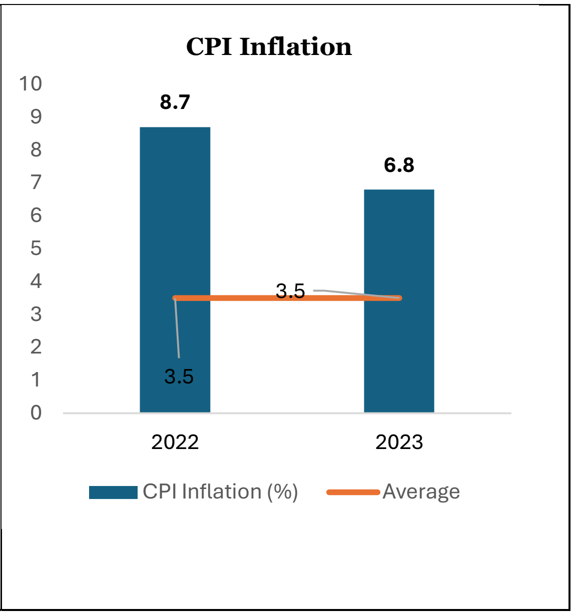
The tripartite compact that this country needs to become a developed nation amidst emerging unprecedented global challenges is for governments to trust and let go, for the private sector to reciprocate the trust with long-term thinking and fair conduct and for the public to take responsibility for their finances and their physical and mental health.

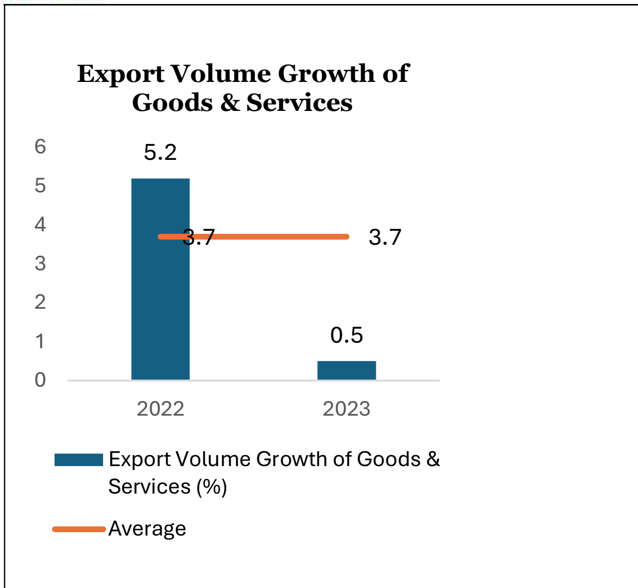
2. An overview on Macro Economy Parameters

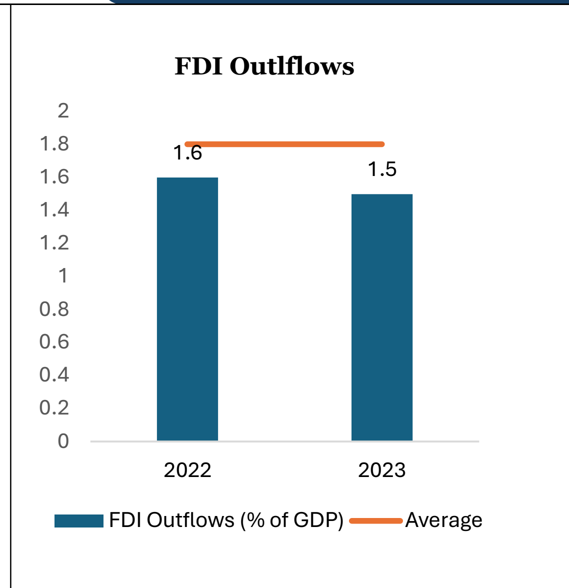
GLOBAL ECONOMIC SCENARIO:-

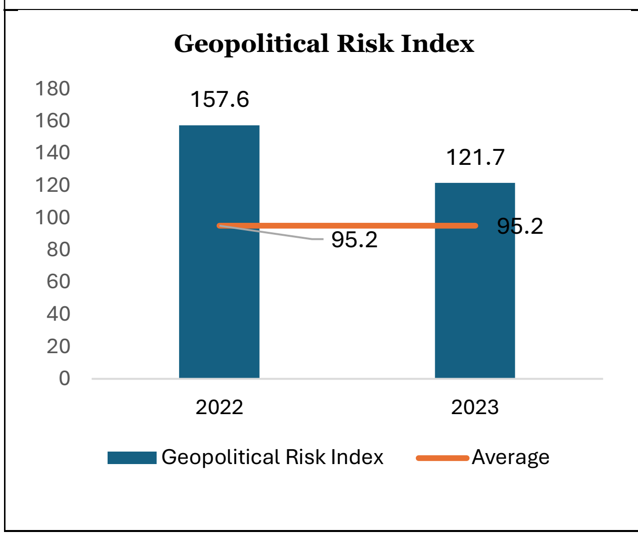
After a year marked by global uncertainties and volatilities, the global economy achieved greater stability in 2023. While uncertainty stemming from adverse geopolitical developments remained elevated, global economic growth was surprisingly robust. As per the World Economic Outlook (WEO), April 2024 of the International Monetary Fund (IMF), the global economy registered a growth of 3.2 per cent in 2023, though marginally lower than in 20222 and average for 2011-19 but higher compared to the projection of 2.8 per cent as per the April 2023 WEO5 . The context in which the growth of 3.2 per cent in 2023 has been achieved is markedly different compared to the 2011-19 period. Inflationary pressures have been significantly higher on account of the persistence of core inflation. Global trade moderated due to rising geopolitical tensions, cross-border restrictions and slower growth in advanced economies (AEs). The muted trade growth occurred despite the easing of supply chain pressures. Further, geopolitical developments and monetary policy changes across countries resulted in increased caution among investors, culminating in moderation in foreign direct investment (FDI) flows.

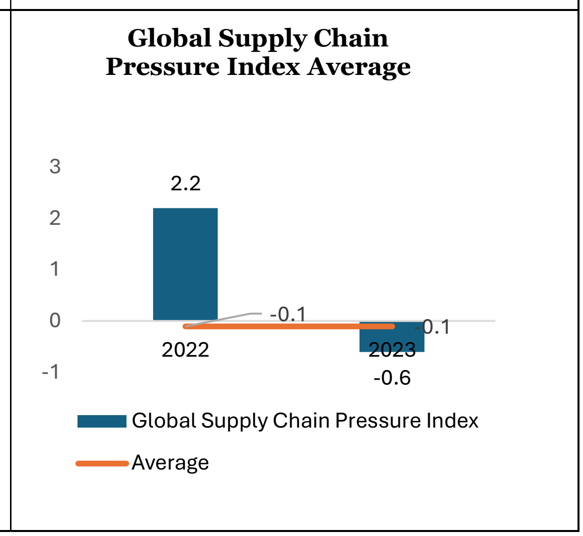




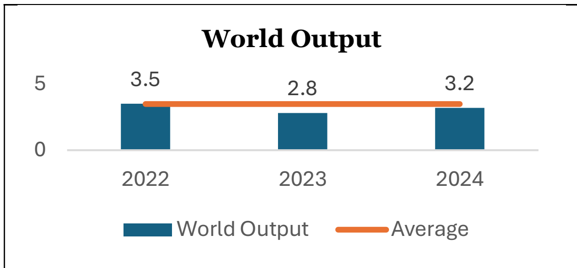

Export Volume Growth of Goods & Services
6
5
4
3
2
1
0
5.2
3.7
3.7
0.5
2022
2023
Export Volume Growth of Goods & Services (%)
Average

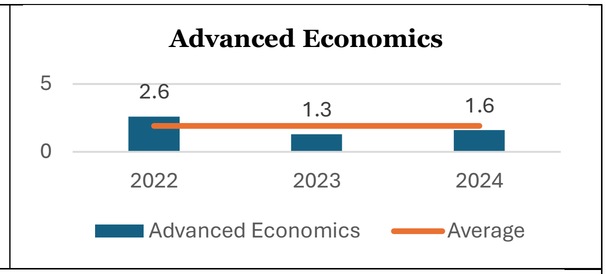

FDI Outlflows
2
1.8
1.6
1.4
1.2
1
0.8
0.6
0.4
0.2
0
1.6
1.5
2022
2023
FDI Outflows (% of GDP)
Average

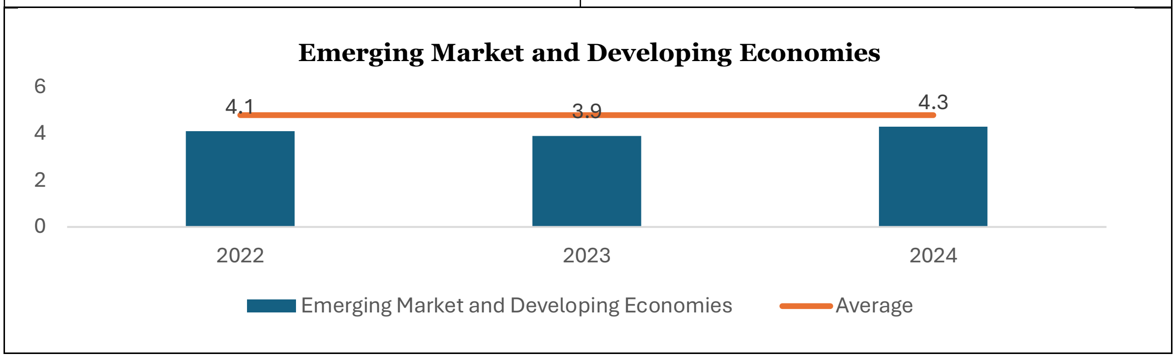

Geopolitical Risk Index
180
160
140
120
100
80
60
40
20
0
157.6
121.7
95.2
95.2
2022
2023
Geopolitical Risk Index
Average


Global Supply Chain Pressure Index Average
3
2
1
0
-1
2.2
-0.1
-0.1
-0.6
2022
2023
Global Supply Chain Pressure Index
Average

Global economy registers strong growth







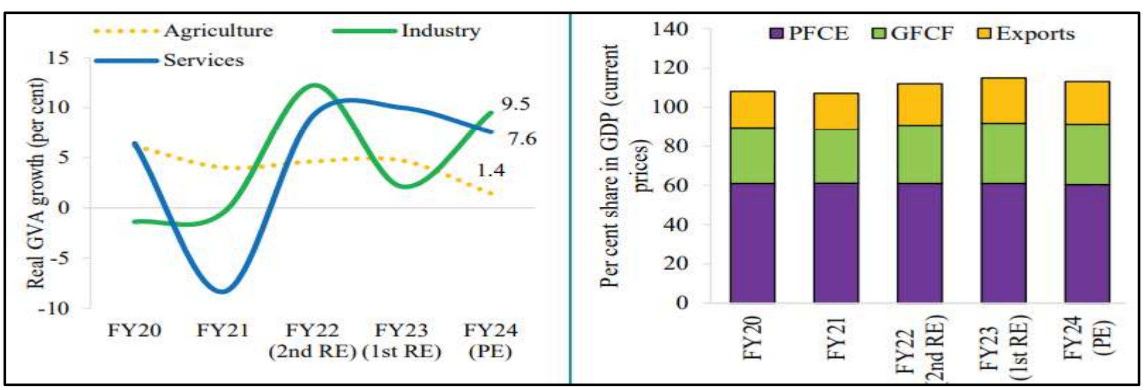
All major economies have surpassed pre-pandemic GDP levels:-

Country	Year in which crossed pre pandemic GDP (constant prices, national currency)	Ratio of GDP (constant prices, national currency) in 2023 to corresponding level in 2019
United States	2021	108
China	2020	120
France	2022	102
Germany	2022	101
United Kingdom	2022	102
Japan	2023	101
India	2021	120
Brazil	2021	107

Domestic Economy:-

India's economy carried forward the momentum it built in FY23 into FY24 despite a gamut of global and external challenges. The focus on maintaining macroeconomic stability ensured that these challenges had minimal impact on India's economy. As a result, India's real GDP grew by 8.2 per cent in FY24, posting growth of over 7 per cent for a third consecutive year, driven by stable consumption demand and steadily improving investment demand. On the supply side, gross value added (GVA) at 2011-12 prices grew by 7.2 per cent in FY24, with growth remaining broad-based. Net taxes at constant (2011-12) prices grew by 19.1 per cent in FY24, aided by reasonably strong tax growth, both at the centre and state levels and rationalisation of subsidy expenditure. This led to the difference between GDP and GVA growth in FY24.

The shares of the agriculture, industry and services sector in overall GVA at current prices were 17.7 per cent, 27.6 per cent and 54.7 per cent respectively in FY24. GVA in the agriculture sector continued to grow, albeit at a slower pace. Erratic weather patterns during the year and an uneven spatial distribution of the monsoon in 2023 impacted overall output. This is reflected in the marginal decline in total foodgrain output for FY24 of 0.3 per cent as per the third advanced estimate of foodgrain production released by the Ministry of Agriculture and Farmers' Welfare (MoAFW).



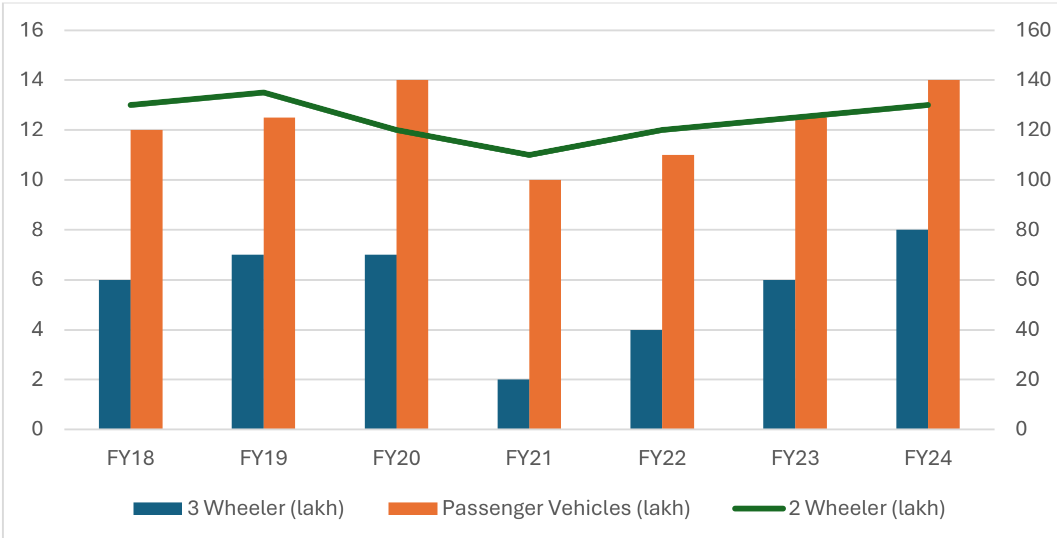
Gross fixed capital formation (GFCF)
Gross fixed capital formation (PFCE)

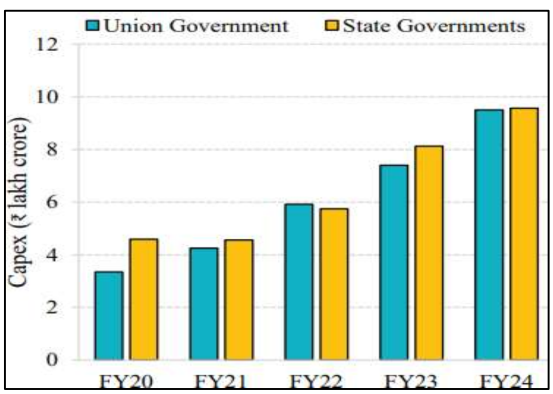
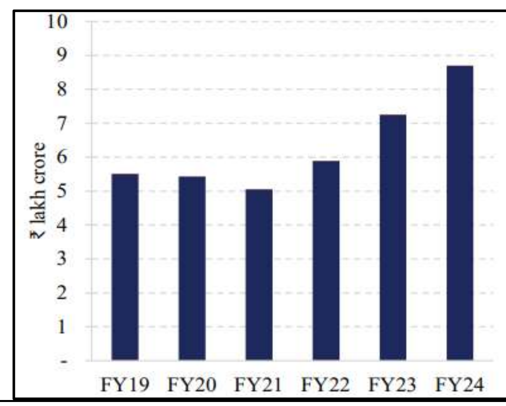
Within the industrial sector, manufacturing GVA shrugged off a disappointing FY23 and grew by 9.9 per cent in FY24. Manufacturing activities benefitted from reduced input prices while catering to stable domestic demand. The input price advantage was reflected in the subdued growth in the Wholesale Price Index (WPI) inflation, which led to a deflator of (-)1.7 per cent for the manufacturing sector during FY24. Manufacturers also passed on the reduction in input prices to consumers, reflected in the sustained decline in the core consumer price inflation. The strength of manufacturing is further corroborated by the strong performance of the HSBC India PMI for manufacturing, which consistently remained well above the threshold value of 50, indicating sustained expansion and stability in India's manufacturing sector. Construction activities displayed increased momentum and registered a growth of 9.9 per cent in FY24 due to the infrastructure buildout and buoyant commercial and residential real estate demand.

Various high-frequency indicators reflect the growth in the services sector. Both Goods and Services Tax (GST) collections and the issuance of e-way bills, reflecting wholesale and retail trade, demonstrated double-digit growth in FY24. Financial and professional services have been a major driver of growth post the pandemic. Contact-intensive services—prominently trade, transport, real estate and their ancillary services that were impacted the most during the pandemic have emerged much stronger in the post-pandemic period, embedding greater technology and digital content in them and transforming the nature of the service delivery in India. The proliferation of global capability centres (GCCs) has also imparted resilience to India's services exports, giving further thrust to the sector.

On the demand side, private consumption has been a crucial and steadfast cog in the GDP growth. Private final consumption expenditure (PFCE) grew by 4.0 per cent in real terms in FY24. Urban demand conditions remain strong, as reflected in various urban consumption indicators such as domestic passenger vehicle sales20 and air passenger traffic21. It is also reported that rural consumption growth has gradually picked up pace during the quarter ending March 2024.22 As per the Federation of Automobile Dealers Associations, two and three-wheeler and passenger vehicle sales also registered an uptick in FY24.

Vehicle sales in rural areas have recovered smartly since the pandemic:-

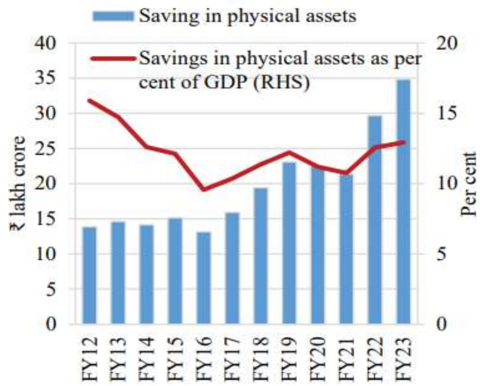


Greater general government focus on building productive capacities:-	Steadily rising private corporate capex:-
	

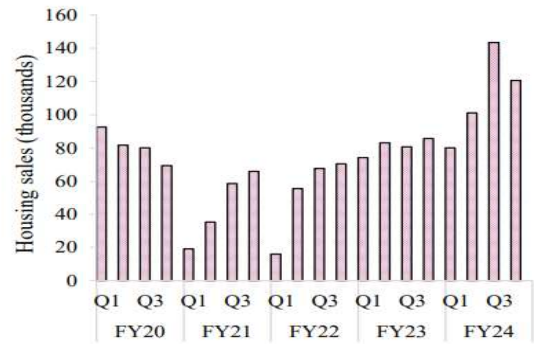
Apart from private corporations, households have also been at the forefront of the capital formation process. The growth in housing sales in cities has been particularly impressive, indicating that urban households are diversifying the deployment of their savings. In 2023, residential real estate sales in India were at their highest since 2013, witnessing a 33 per cent YoY growth, with a total sale of 4.1 lakh units in the top eight cities. As per real estate research firm Proptiger, new supply witnessed an all-time high, with 5.2 lakh units launched in 2023, as against 4.3 lakh units in 2022. The momentum continued in Q1 of 2024, witnessing record breaking sales of 1.2 lakh units, clocking a robust 41 per cent YoY growth. New supply has consistently exceeded one lakh units since Q2 of 2022, underscoring persistent demand-supply dynamics in the housing market.

With cleaner balance sheets and adequate capital buffers, the banking and financial sector is well-positioned to cater to the growing financing needs of investment demand. Credit disbursal by scheduled commercial banks (SCBs) to industrial micro, small and medium enterprises (MSMEs) and services continues to grow in double digits despite a higher base. Similarly, personal loans for housing have surged, corresponding to the increase in housing demand. However, credit offtake by large industries seems to be growing at a lower albeit stable pace. These larger industries seem to be tapping the corporate bond market. Corporate bond issuances in FY24 were up by 70.5 per cent, with private placement remaining the preferred channel for corporates. Outstanding corporate bonds were up by 9.6 per cent (YoY) as of the end of March 2024.

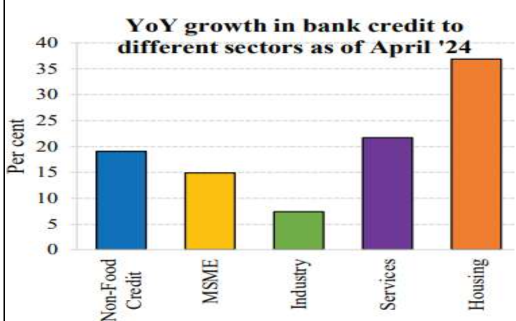
Increased household savings in the form of physical assets



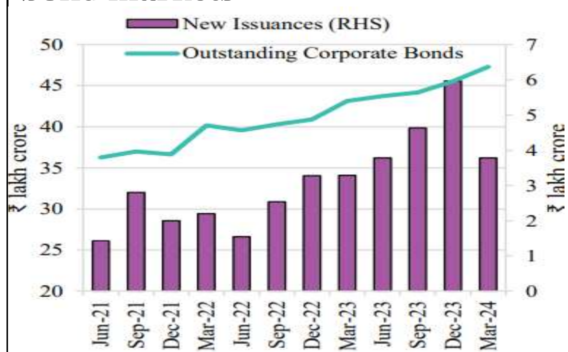
Record housing sales in top 8 cities



SCBs catering to investment demand



Large corporates tapping corporate bond markets

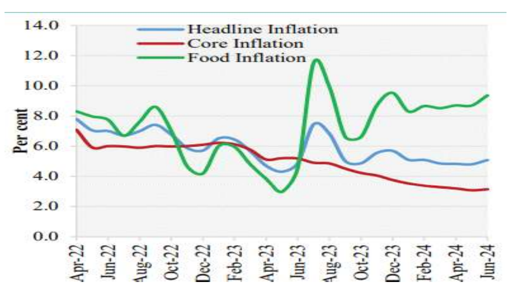


Global trade growth slowed in 2023, leading to a marginal decline in merchandise exports growth. As merchandise imports slowed more than exports and services trade recorded a larger surplus compared to the year before, the drag exerted by net exports on GDP reduced. The subdued contribution of exports was more than counterbalanced by the pick-up in fixed investment, thereby continuing the trend of domestic stimulus seamlessly replacing external stimuli**.**

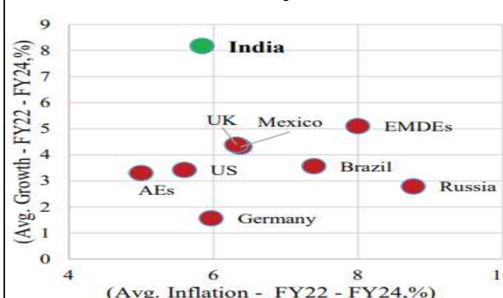
Moderation in inflation pressure:-

Despite global supply chain disruptions and adverse weather conditions, domestic inflationary pressures moderated in FY24. After averaging 6.7 per cent in FY23, retail inflation declined to 5.4 per cent in FY24. This has been due to the combination of measures undertaken by the Government and the RBI. The Union Government undertook prompt measures such as open market sales, retailing in specified outlets, timely imports, reduced the prices of Liquified Petroleum Gas (LPG) cylinders and implemented a cut in petrol and diesel prices. The RBI raised policy rates by a cumulative 250 bps between May 2022 and February 2023. It also managed liquidity levels efficiently and maintained consistent and coherent communication with market participants. Even as higher policy rates are transmitted through the system, the RBI continues to support growth with adequate liquidity, thereby ensuring that inflation is headed to the target of 4 per cent on a durable basis. The effects of these measures are reflected in the latest data on CPI inflation – headline CPI inflation of 5.1 per cent in June 2024, and core inflation declined to 3.1 per cent. Consequently, India was the only country amongst its peers to traverse a high-growth and low-inflation path in the period FY22 – FY24 (Chart I.53). This is despite the fact that there were pressures on the food inflation front, driven by adverse weather conditions.

Declining core inflation but volatile food inflation



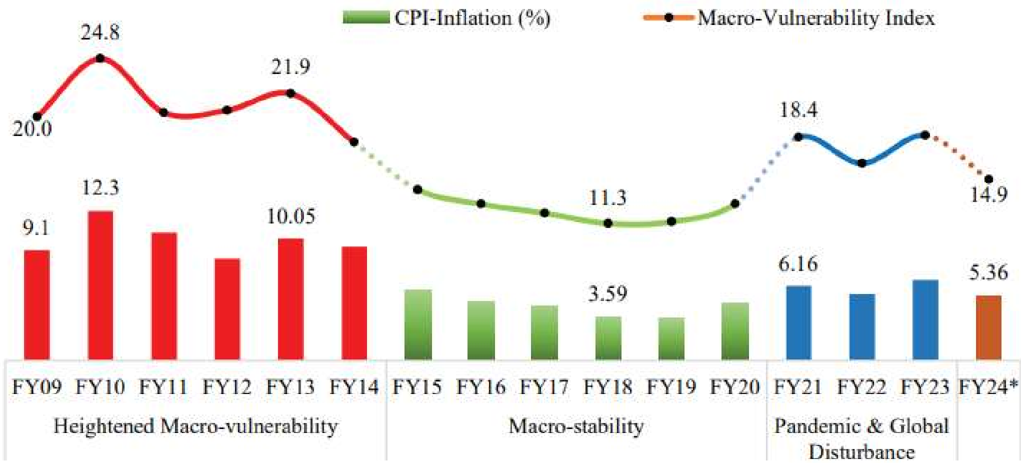
India a high-growth and low-inflation economy



Reduction in macro vulnerability

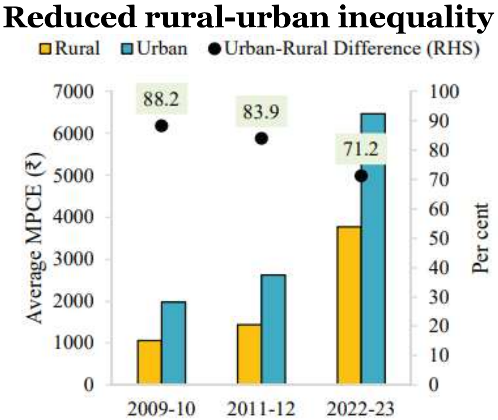
In its pursuit of fiscal consolidation through efficient and prudent fiscal management, the Government continues to stick to the fiscal glide path. The fiscal deficit of the Government is expected to drop to 4.5 per cent of GDP or lower by FY26. This commitment has helped keep the sovereign debt sustainable, thereby keeping sovereign bond yields and spreads in check. All these factors have combined to keep the macroeconomic environment stable and provide a platform for sustainable growth. This is reflected in the downward trajectory of the macroeconomic vulnerability index – an index constructed by combining India's fiscal deficit, CAD and inflation.

A reduction in macro-vulnerability despite increased external uncertainty:-

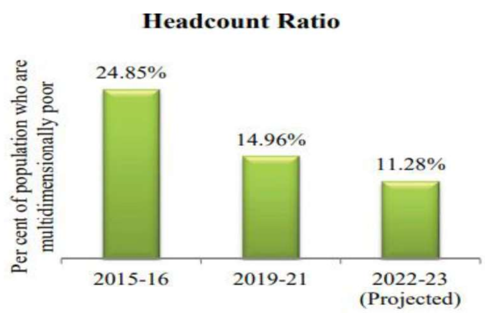


The initiatives in the social sector have also translated into rising consumption spending, as evident from the results of the latest Household Consumption Expenditure Survey (HCES) 2022-23. The HCES throws many reassuring findings on inclusive growth in the past decade. The monthly per capita consumption expenditure (MPCE) in 2022-23 increased in real terms in both rural and urban areas over 2011-12. The difference between rural and urban MPCE also declined in percentage terms.

Reduced rural-urban inequality



Population that is multidimensionally poor has declined



OUTLOOK:-

The Indian economy recovered swiftly from the pandemic, with its real GDP in FY24 being 20 per cent higher than the pre-COVID, FY20 levels. This meant a CAGR of 4.6 per cent from FY20, despite a 5.8 per cent decline in FY21 inflicted by the pandemic. Analysis in this chapter shows that the current GDP level is close to the pre-pandemic trajectory in Q4FY24. During the decade ending FY20, India grew at an average annual rate of 6.6 per cent, more or less reflecting the long-run growth prospects of the economy. This is the background against which we can see the prospects for FY25.

IMF projects the global economy to grow at 3.2 per cent in 2024, with risks being broadly balanced. The average annual global growth was 3.7 per cent during the decade ending FY20. Inflationary pressures have moderated in most economies with declining global commodity prices and easing of supply chain pressures. However, core inflation remains sticky and driven by high service inflation. Many central banks have hinted at the peaking of the interest rate hike cycle. The ECB has already cut the policy rate, while the Fed has hinted at reducing the rate in 2024. If the services inflation across economies moderates faster, that may allow central banks to bring forward the monetary policy easing cycle earlier than currently anticipated. A likely reduction in policy rates by central banks of AEs, especially the Fed, will open the space for central banks of EMEs to follow the lead, bringing down the cost of capital.

On the downside, any escalation of geopolitical conflicts in 2024 may lead to supply dislocations, higher commodity prices, reviving inflationary pressures and stalling monetary policy easing with potential repercussions for capital flows. This can also influence RBI's monetary policy stance. The global trade outlook for 2024 remains positive, with merchandise trade expected to pick up after registering a contraction in volumes in 2023. Conversely, increased fragmentation along geopolitical lines and renewed thrust on protectionism may distort merchandise trade growth, impacting India's external sector. Global financial markets have scaled new heights, with investors betting on global economic expansion. However, any corrections in the elevated financial market valuations may have ramifications for household finances and corporate valuation, negatively impacting growth prospects. Hiring in the information technology sector had slowed down considerably in FY24, and even if hiring does not decline further, it is unlikely to pick up significantly. However, leveraging the initiatives taken by the government and capturing the untapped potential in emerging markets, exports of business, consultancy and IT-enabled services can expand. Despite the core inflation rate being around 3 per cent, the RBI, with one eye on the withdrawal of accommodation and another on the US Fed, has kept interest rates unchanged for quite some time, and the anticipated easing has been delayed.

Domestic growth drivers have supported economic growth in FY24 despite uncertain global economic performance. Improved balance sheets will help the private sector cater to strong investment demand. A note of caution is warranted here. Private capital formation after good growth in the last three years may turn slightly more cautious because of fears of cheaper imports from countries that have excess capacity. While merchandise exports are likely to increase with improving growth prospects in AEs, services exports are also likely to witness a further uptick. A normal rainfall forecast by the India Meteorological Department and the satisfactory spread of the southwest monsoon thus far are likely to improve agriculture sector performance and support the revival of rural demand. However, the monsoon season still has some ways to go. Structural reforms such as the GST and the IBC have also matured and are delivering envisaged results. Considering these factors, the Survey conservatively projects a real GDP growth of 6.5–7 per cent, with risks evenly balanced, cognizant of the fact that the market expectations are on the higher side.

3. A board overview of Media & Entertainment Industry

Introduction:-

The Indian Media & Entertainment (M&E) sector is set for substantial growth, with a projected 10.2% increase, reaching Rs. 2.55 trillion (US$ 30.8 billion) by 2024 and a 10% CAGR, hitting Rs. 3.08 trillion (US$ 37.2 billion) by 2026. Advertising revenue in India is projected to reach Rs. 330 billion (US$ 3.98 billion) by 2024. The share of traditional media (television, print, filmed entertainment, OOH, music, radio) stood at 57% of the media and entertainment sector revenues in 2023.

India's Animation and VFX sector is projected to grow from US$ 1.3 billion in 2023 to US$ 2.2 billion by 2026, increasing its share of the Media and Entertainment (M&E) industry from 5% to 6%, according to a CII GT report.

Media companies are projected to achieve an 8% revenue growth, reaching US$ 7.14 billion (Rs. 60,000 crore) by FY27, driven by increasing contributions from the digital segment, according to a Crisil analysis of 20 companies that account for 55% of the media industry's revenue.

According to a report by ICRA, the revenue for the print media industry is expected to grow by 8-10% in FY24. The country's entertainment and media industry is expected to see a growth of 9.7% annually in revenues to reach US$ 73.6 billion by 2027.

In the year 2023, the revenue from subscriptions for over-the-top video platforms across India amounted to approximately US$ 0.88 billion. This was expected to peak at over US$ 1.2 billion by 2026.

4. Indian Television Industry

History of televisions in India:-

The number of people who had experienced television in India before 1959 could be counted on the fingers of one hand.

In the early 1950s, the government conducted several programmes and events to showcase the potential of television to Indian citizens. Almost by the end of the decade in 1959, the government began its first television telecasting experiment. However, it was not until 1965 that daily telecasts through Akashvani (All India Radio) began.

Slowly, television services extended to Mumbai and Amritsar, and by 1972, seven cities in the country were equipped with TV services. Doordarshan, the government-owned TV channel, was the only operational one, telecasting music, dance, drama and other forms of art.

Gradually, more and more cities got access to television in India. Colour televisions were introduced in 1982. Mahabharat and Ramayan, the Indian epics, were among the first few serials to be produced and telecasted in Doordarshan.

The government started another channel called DD Metro since Doordarshan's programming had reached saturation. Prasar Bharati, an autonomous body, was established but failed to succeed in the market.

The growth of the television industry in India

The phenomenal growth of the television industry began with the LPG (Liberalisation, Privatisation, Globalisation) policy in 1991. Post the economic reforms, foreign players like CNN, BBC, etc., entered the broadcasting market, along with new domestic players like Sun TV and Asianet.

By 1995, 70 million homes in India had televisions. The number of audience had reached 400 million, viewing 100 different channels. By 2015, 167 million houses had televisions, of which 84 million were DTH subscribers. The number of houses using digital TV from analog had also grown by 32%. In 2018, India had 850 TV channels and 180 million households with televisions.

India's growth in the television industry can be seen in different phases based on the change in its broadcasting mode. The first shift was to use digital TVs from analog. The government actively participated in mandating digital services, which gave birth to set-top boxes.

Then came satellite televisions, another broadcasting mode. Here, the channels were broadcasted through DTH (Direct-to-Home) Dish. Airtel, Sun Direct, Tata, Videocon, etc., were some of the first few players to provide the dish service to customers.

The next in line was the IPTV (Internet Protocol Television). This is where channels were broadcasted through the internet. IPTV is now ruling the market with its OTT (Over-the-top) service.

Indian television industry today

The media and entertainment industry, of which television is a significant part, is expected to reach $100 billion by 2030.

A recent market study on the media and entertainment industry has some interesting revelations about the television industry:

- India's media and entertainment industry has crossed ₹2.3 trillion, of which television contributed the highest at ₹696 billion (30%).
- While television has remained the highest contributor over the years, digital media is expected to take over next year. 2013, too, saw a decline in television's contribution, while all other segments grew from the previous year.
- The primary reason for the decline in TV's market share in India is the dip in advertising revenue. While subscription revenue has increased by 2% in 2023, advertising revenue has fallen by 6.5%. Advertising volume, too, has decreased by 2.6% due to the gaining popularity of other advertising mediums.
- The overall time spent on TV has increased by 2%, however, there is a decrease of 1% in affluent audiences spending time watching TV. The lower-class audiences have compensated for this, with an increase of 4% in their TV time.
- By 2026, the revenue from the television industry is expected to reach ₹765 billion with a CAGR of 3.2%. The total number of TV screens is expected to go up from 182 million in 2023 to 202 million in 2026.

Though there is a slight dip in the TV segment, recent trends, such as the growing popularity of OTT, 4K resolution and LED screens, the use of AI in content creation, connecting other devices through smart technology, etc., are expected to contribute to the growth of this medium.

Top television brands in India

- The top brands selling televisions in India include Samsung, LG, Panasonic, Sony, Xiamoi, Hisense, TCL, Vu, etc.
- The most used OTT applications in India include Netflix, Hotstar, Jio Cinema, MX Player, Sony Liv, Zee 5, Amazon Prime Video, Disney Hotstar, etc.

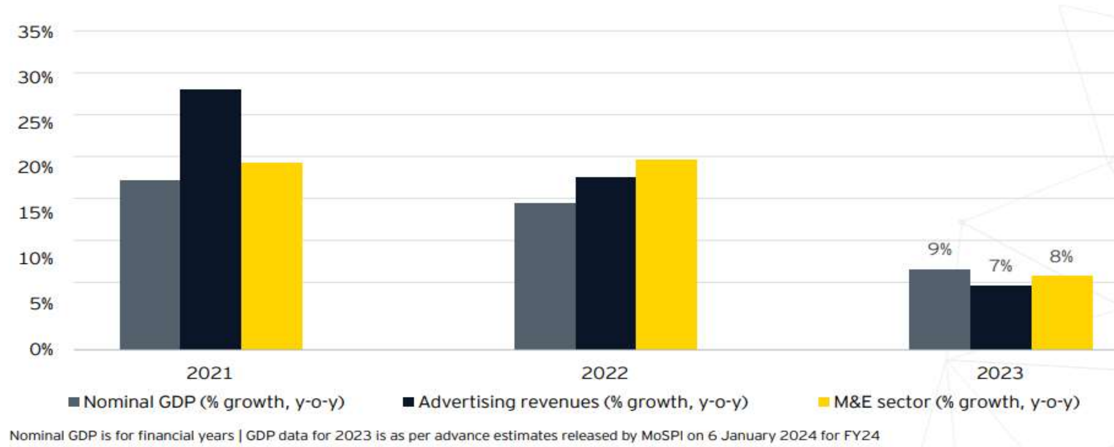
Following are the top 5 shares of the broadcasting industry listed on NSE and BSE, ranked

Key trends in M& E Industry:-

Advertising:-

Advertising growth lagged Indian GDP growth:-

M&E sector vs. nominal GDP growth



- The slowing down of India's nominal GDP growth to 9% in 2023 after two years of double-digit increases impacted advertising, which grew just 7%.

- Globally, too, ad growth was 6% compared to global nominal GDP growth of 9.9%.

- In addition, advertising was impacted by a ban on certain large and high-yield categories like gaming and betting, and a slowdown in investments in D2C brands.

- Nominal GDP growth is expected to be 10.5% for FY2025 (2024)1 and advertising is expected to outpace that based on past trends.

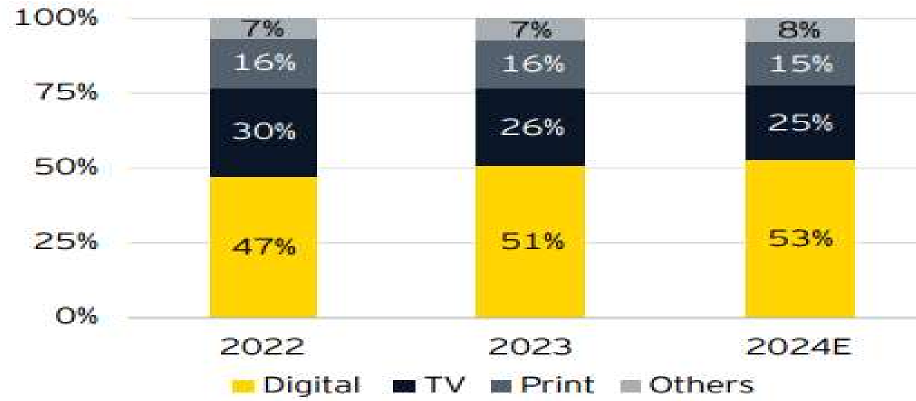
Advertising grew by 7% in 2023

Segment	2021	2022	2023
Television	313	318	297
Print	151	170	178
OOH	20	37	42
Radio	16	21	23
Cinema	**1**	**5**	**8**
Total traditional	500	550	547
Digital	383	499	576
Online gaming	8	11	13
Total new media	391	510	588
Total	**892**	**1060**	**1135**

INR in billion (gross of taxes) | EY estimates Note: The above numbers exclude events segment revenues

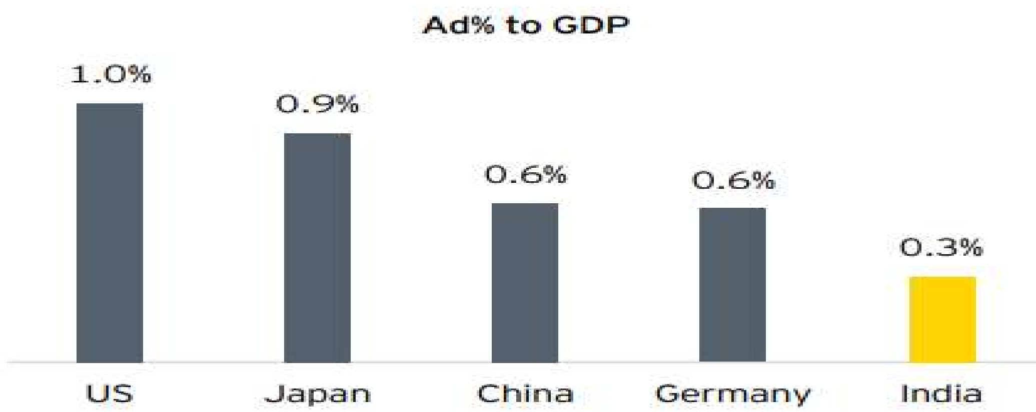
TV + digital + print = 93% of ad spends

Ad revenues by segment



- Traditional media advertising was flat, while new media drove the growth in advertising in 2023.
- New media advertising contributed 52% of the total advertising, and 105% of the absolute advertising growth in 2023.
- Advertising is now 0.33% of India's GDP2, much lower than developed large markets, which are all between 0.6% to 1%.
- Digital media comprised 51% of total ad spends, up from 31% pre-pandemic, and contributed the highest share of advertising in India.

- TV comprised 26% of ad revenues, down from 36% in 2019.Together, national media [television + new media] contributed 78% of all advertising spends, while local media [print + OOH + radio + cinema] comprised the balance 22%.



Subscription:-

Subscription grew 9% in 2023

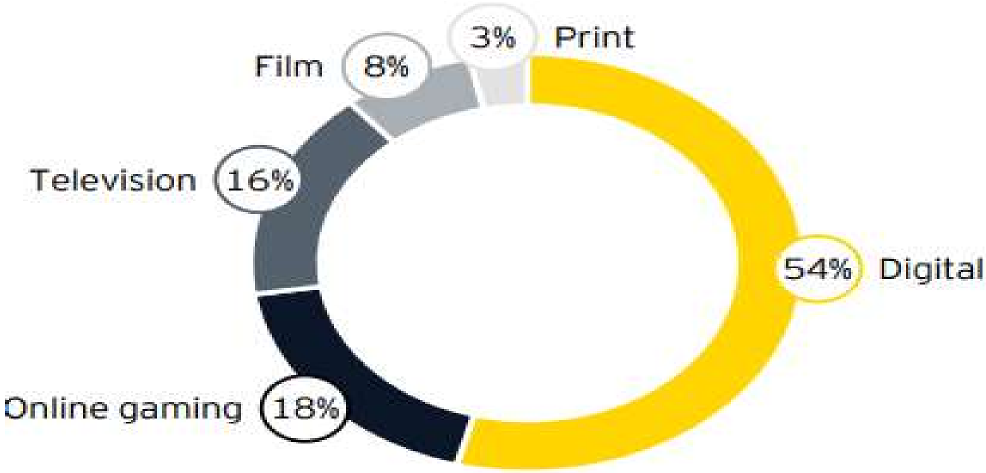
Segment	2021	2022	2023
Television	407	392	399
Online gaming	116	170	208
Film	92	167	189
Print	76	80	82
Digital	56	72	78
Total	**748**	**881**	**956**

Overall, subscription grew INR75 billion, of which new media (online gaming and digital) provided 58% of the growth.

Across segments, subscription was focused on the top-end of the consumer pyramid, which resulted in a heavily concentrated subscription base. We estimate that the top 40 to 50 million households are powering most digital and film subscriptions, while online gaming and print have a wider audience of between 70 and 85 million homes, and TV has the largest reach at 118 million homes.

Share of subscription reduced from 43% of total M&E sector revenues in 2019 to 41% in 2023.

If data charges are included:-
Subscription revenues including data charges:-



EY estimates | Only proportionate retail mobile data charges considered. Includes data used for AVOD consumption.

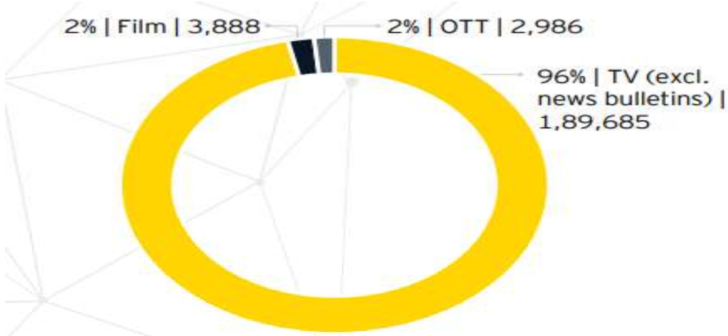
It is estimated that the amount paid by retail consumers for data charges, if apportioned to M&E use cases (AVOD and SVOD entertainment, social media, online gaming, short video, music, news, etc.) would aggregate INR1.5 trillion of the approximately INR3.2 trillion telecom sector.

If these data charges were to be included in our analysis of subscription revenues:

- the size of the M&E sector would be INR3.8 trillion (US$46 billion).
- subscription would be INR2.44 trillion, and comprise 64% of the M&E sector.
- Digital segment revenues would be INR2.1 trillion, or around three times the television segment.
- the subscription revenue mix would look significantly different, with digital comprising the largest portion at 54%, as compared to less than 10% without data charges.

India created almost 200,000 hours of content:-

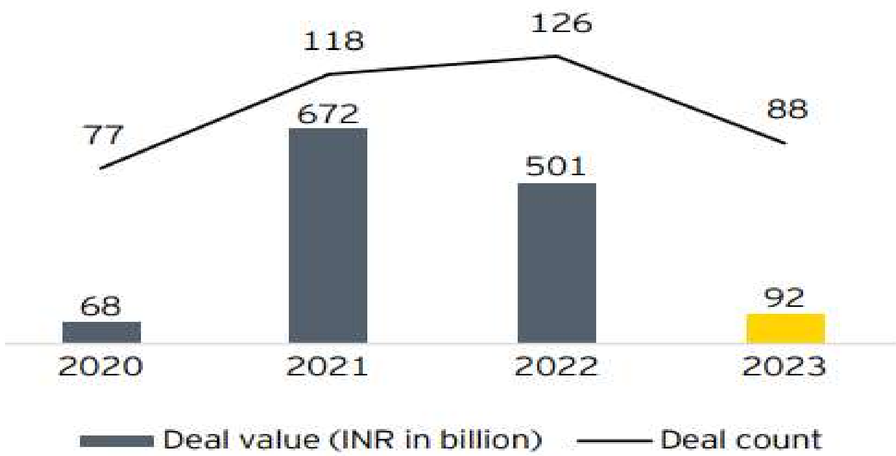
Hours of content released in 2023:-



- GEC contributed 68% of total hours on TV (excluding news bulletins) in 2023.
- 117 more films were released in 2023 as compared to 2022, of which 416 films released on OTT platforms. However, direct to digital releases halved.
- Regional OTT content volumes exceeded Hindi language content in 2023 for the first time.
- OTT content volume growth slowed in 2023 due to profitability pressures, and could fall in 2024.

M&A activity slowed significantly in 2023

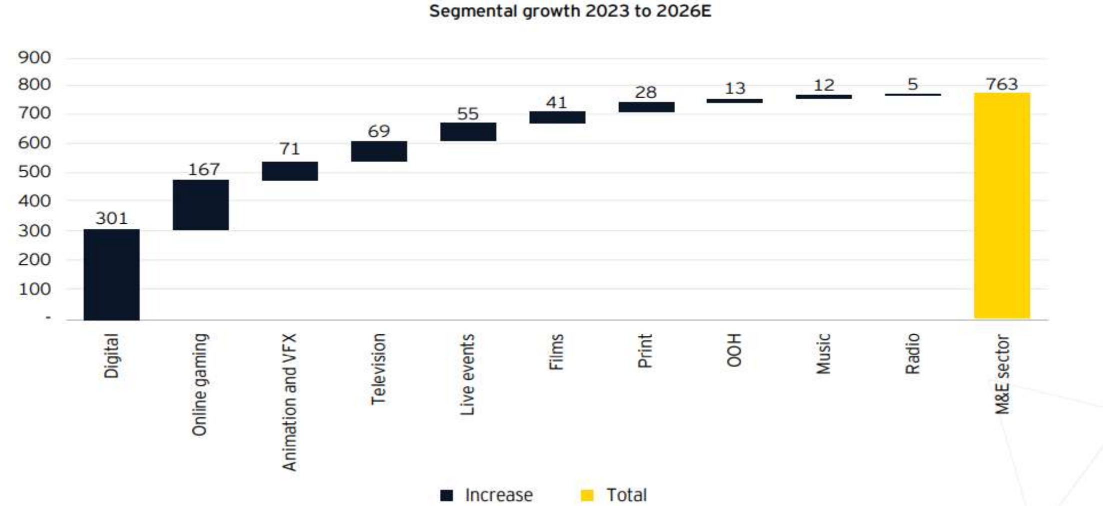
M&E deal value and number of deals:-



- New media aggregated 86% of deal volumes, but just 35% of deal value.
- Traditional media deals in television and film comprised 65% of deal value.
- PE/ VC led the percentage of M&E deals in 2023, contributing to 41% of the total funding.

Future outlook:-

The M&E sector will grow by INR763 billion to reach INR3.1 trillion in 2026.



- The Indian M&E sector will grow at a CAGR of 10% and add INR763 billion in three years.
- New media will provide 61% of this growth, followed by animation and VFX (9%) and television (9%).
- It is expected all segments to grow, barring unforeseen situations, and so long as India's GDP grows 5% or more.

The M&E sector has gone medium agnostic:-

	2022	2023	2026E
Video	66.00%	67.00%	66.00%
Experiential	21.00%	22.00%	23.00%
Textual	10.00%	8.00%	8.00%
Audio	3.00%	3.00%	3.00%
Total	**100.00%**	**100.00%**	**100.00%**

Given that video, audio, text and experiences are available across almost all segments, the M&E sector is redefining itself across these four verticals:

- Video – TV, video OTT, short video, social.
- Experiential – Online gaming, cinemas, events, OOH.
- Textual – print, online news
- Audio – radio, music, audio OTT

- Video remained the largest earning segment in 2023, as it is the simplest and most easy-to-understand medium of consumption.

- The pandemic impacted 2020 and 2021 as regards experiential revenues, but those have now recovered, and we expect their share to keep growing as India's per capita income grows.

- Text has probably seen a permanent loss due to the fall of print circulation, but will remain relatively stable as regards ad and sub growth, albeit at a slower rate than other media.

- Audio revenue models remain largely digital advertising supported, and while efforts are on to grow paid subscriptions, their revenue share will remain stable.

Video trends:-

A billion screens by 2030:-

Particulars	2023	2026	2030
Large	182	202	240
Small	574	640	734
Total	**756**	**842**	**974**

- It is expected that by 2030, India will have almost a billion active screens.

- Of this, around 240 million will be large (TV, laptop, PC) and the balance will be small (mobile phones, phablets).

- Given the 1:3 ratio between large and small screens, it will be imperative for media companies to have a multiscreen and multi-format strategy

Future of the Television and there different segments:-

	2023	2026E	2030E
Pay TV	118	113	83
Free TV	45	50	57
Smart TV	19	40	100
Total	**182**	**202**	**240**

- By 2030, the large screen opportunity will evolve into three significant segments across pay, free and smart TV, none of which can be ignored by broadcasters and studios.

- Pay TV will continue to gain audiences, but will also start switching to smart TVs as wired (or similar) broadband grows from 38 million homes today to 70 million homes by 2026 and over a 100 million by 2030.

- The potential introduction of direct-to-mobile (D2M) television services will increase the relevance of free television outside the home and during transit.

- Both the telcos and the LCOs will play an important role as they aim to increase ARPUs, through bundling broadband with linear TV services, as well as by bundling content to drive adoption of CTV.

- Free TV will remain a "temporary" medium viz., it will gain audiences as more families come out of poverty and into the lower middle class, and it will lose audiences as the middle-class families move up.

- The key challenge posed by connected smart TVs is that broadcasters will now compete against social media and digital native platforms as well for share of time on the large screen.

Bundling will become critical for smart TV growth:-

- Just as DPOs aggregated content from broadcasters for linear television, telcos and ISPs will need to offer bundles at various price points to attract and retain consumers.

- It is estimated that if pricing is made comparable to television pricing (or at a slight premium when bundled with data) for popular streaming services, the reach of smart TVs could cross 100 million households sooner.

- The unified interface will become a critical aspect of future growth of connected TVs, both from a simple customer experience point of view, as well as a place for discovery of content. It will become the new landing page and earn placement and marketing revenues.

New content windows will emerge:-

- Monetization will be at the mercy of consumers' willingness to pay, and unlike international markets, Indian markets are more heterogeneous and need to be finely segmented.

- Accordingly, premium SVOD, theatrical, SVOD, bundled SVOD, satellite, TVOD and finally free television windows could come into existence for different types of content.

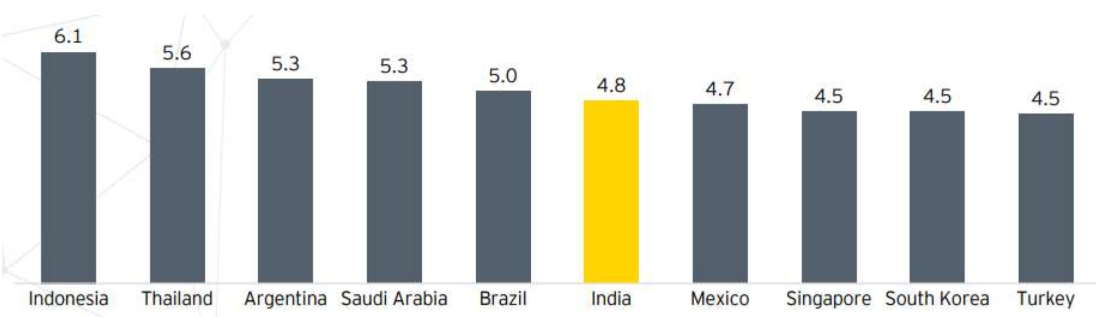
Do not write-off linear pay TV:-

- Linear TV will grow when TV dark homes come onboard and when free TV audiences upgrade to pay.
- Given India has around 323 million households today, growing to 345 million by 2030, of which say 25% will be under the poverty line, there is still an opportunity of around 70 million homes.
- In order to address the opportunity and reduce television dark households, a number of initiatives will need to be evaluated, such as:
- Creation of lower priced FTA packs.
- Differential pricing and bundling for rural markets, in agreement with the regulator.
- Reactivation of the millions of inactive set-top boxes through incentive schemes.
- Creating relevant content baskets for underpenetrated markets.

Content consumption:-

Overall consumption trends:-

Indians spent 4.8 hours a day on their phones:-



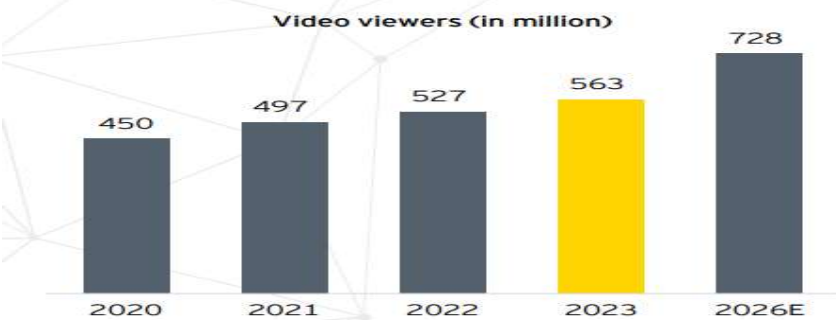
At 4.8 hours per day, Indians came sixth in the world, for the most amount of time spent on phone apps in 2023, a 9% growth since 2020.

Indians spent an aggregate of 1.19 trillion hours on their mobile phones in 2023, up 10% from 1.08 trillion hours in 202210, which was the highest in the world.

Indians downloaded 26.4 billion apps in 2023, but India lagged on monetization:-

Online video:-

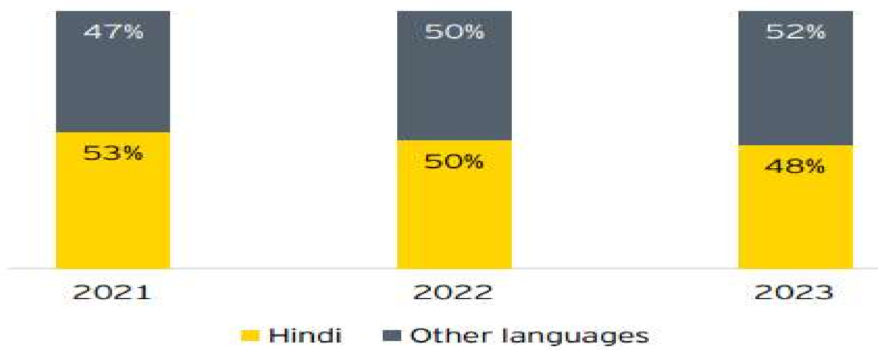
Online video viewers continued to grow in India:-



- Video viewers increased 7% (36 million) in 2023 to reach 563 million, which is around 98% of smartphone owners and wired broadband subscribers.
- It is estimated video viewers will cross 700 million by 2026.
- The above data includes consumers from YouTube, which has 467 million users, i.e., 18.7% of its global users from India.

Platforms increasingly invested in localizing content:-

OTT titles produced by language:-

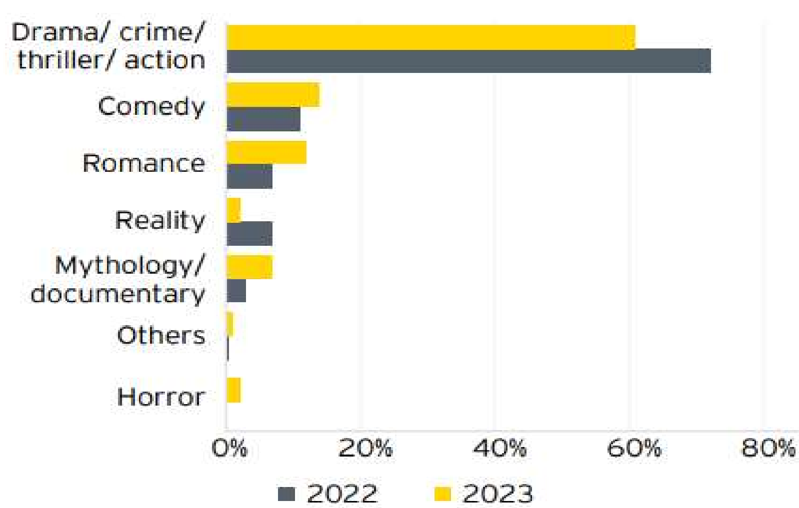


- The share of regional language OTT titles increased from 47% in 2021 to 52% in 2023.

- Content has started to travel across language barriers; industry discussions indicate that between 20% and 50% of consumers now consume content in more than one language using sub-titles and dubbed versions.

- OTT platforms desirous of a national reach will require focusing on at least eight to nine languages, and each language will require at least eight to ten pieces of content across film and episodic.

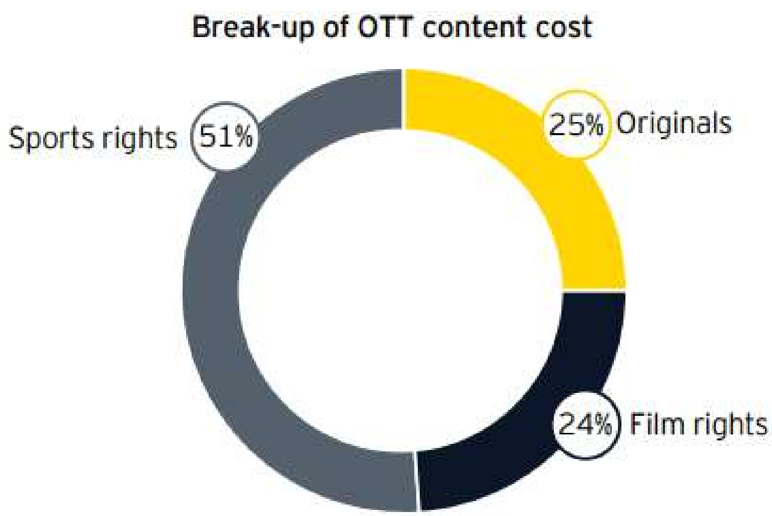
Drama, crime, action and thrillers were the predominant genres in OTT:-



- Of the titles we analysed, over 60% belonged to the drama, crime or action genres.
- The number of reality shows was lower, but they pulled in very large audiences, and we expect these to increase in 2024.
- A surge in demand for mythologies and documentaries was also noted in 2023.

Approximately half of all OTT content spend was on sports rights:-

Break-up of OTT content cost:-



In 2023, almost 3,000 hours of original content was produced for streaming platforms, which has remained flat compared to 2022 levels.

Total online video content investment in India stood at INR125 billion in 2023, representing a 52% increase over 2022 due to more than a twofold growth in sports rights values.

Film rights values dipped marginally as buyers linked prices to performance.

Fewer films released directly on digital platforms in 2023:-
416 films released on OTT platforms in 2023, but direct to digital releases halved to just.

Online sports grew FAST:-

Premium cricket became free on JioCinema (IPL) and subsequently on Disney+Hotstar (World Cup), resulting in massive growth in online sports audiences.

Sports18 claimed 449 million people watched the IPL on JioCinema in 2023, of which 126 million used connected TVs.

In the first five weeks of 2023, JioCinema reported over 13 billion video views and an average time of 60 minutes per match.

Disney+ Hotstar claimed 59 million concurrent viewers for the India vs. Australia world cup final match.

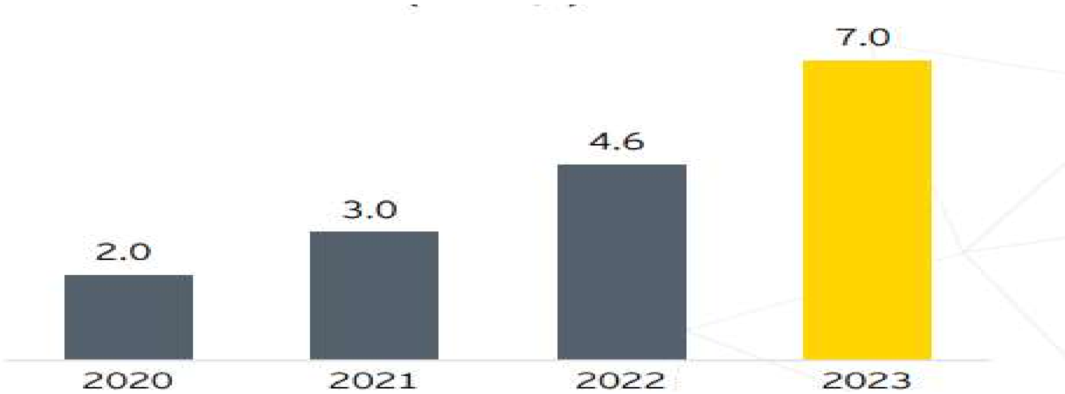
Offering cricket as a free ad supported streaming television (FAST) product on mobile phones created a massive supply of inventory as viewership spiked, and enabled segmentation of mobile and connected TV audiences for sharper ad targeting.

Online audio:-

- Audio streaming users remained in the 185 to 200 million range.
- Around 185 to 200 million people streamed music online in 2023 compared to 208 million in 2022.
- Approximately 15% of all streams consumed in 2023 were international songs, while 85% were domestic, and around 65% were film related.
- Artist-led music increased over previous years and now accounts for 27% of total music consumed on online platforms.

Paying consumers increased:-

Paying music OTT subscriptions (in million)



- Paid subscriptions increased from 4.6 million in 2022 to around 7.5 million in 2023, as certain platforms stopped ad supported music consumption, while others like Spotify worked to incentivize free consumers to subscribe for a better experience.

- Family and student plans were introduced at discounted rates to incentivise conversion.

- Ad supported business models are not profitable as on date, which has led to the push to convert free into paid subscribers.

- However, given all music is available on YouTube, as well as being bundled for free with telco and e-commerce subscriptions, the task of growing paid subscribers will remain a challenge in the near term.

Monetization:-

Digital advertising:-

Digital ad spends grew 15% in 2023:-

	2022	2023	2024E	2026E
Large advertisers	319	368	423	538
SME and long tail	180	208	239	304
Total	**499**	**576**	**662**	**842**

Digital advertising grew 15% to reach INR576 billion in 2023, as several categories increased the share of their ad spends on digital media.

Included in the above, between 800,000 and one million SME and long tail advertisers spent INR208 billion on digital media, primarily on performance advertising on Google, Meta, and e-commerce platforms.

Of the total, share of ad revenues generated by e-commerce platforms increased to over INR86 billion, crossing 15% of total digital advertising (14% in 2022).

Search and social dominated 2023:-

- Search and social media across different platforms continued to provide 72% of digital ad revenues.

- E-commerce advertising crossed INR85 billion to garner 15% of total digital advertising as more brands used online channels like Amazon, Flipkart, Jio, Nykaa and Myntra etc., to drive sales, these platforms being seen as being closest to the point of purchase. D2C brands, which reduced spends on TV, continued to use e-commerce channels to promote their sales.

- OTT platforms of broadcasters and news companies garnered 9% of digital ad revenues, led by JioCinema and Disney+Hotstar.

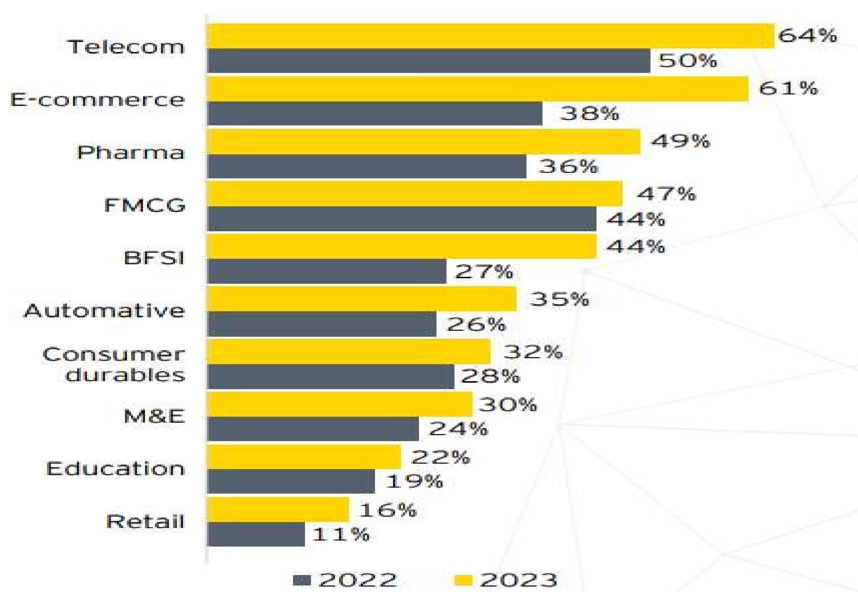
Small and medium enterprise (SME) advertiser base grew:-

It is estimate that SME advertisers spent INR208 billion on digital media, predominantly on search, social and classifieds – on platforms like Google, Facebook, Flipkart, Amazon, Just Dial, etc.

Large ad platforms claim that there are now between 800,000 and one million small and medium enterprises who advertise on them, to generate business in India and abroad, with spends as low as INR20,000 per year.

SME spends are focused on performance advertising.

Eight categories spent over 30% of their total ad spends on digital:-
Percentage of ad spends on digital by category:-



Two categories spent over 50% of their total ad spends on digital, while another six categories spent over 30%.

Digital subscription:-

In 2023, digital subscription grew 9%.

	2022	2023	2024E	2026E
Video	68	73	82	103
Audio	2	3	4	6
News	1	2	3	4
Total	**72**	**78**	**89**	**114**

- Video subscription revenues grew just 6% in 2023 to reach INR72.6 billion as premium cricket properties were moved in front of paywalls, reducing the number of paid subscriptions of Disney+Hotstar by approximately 19 million.

- Consequently, despite growth in paid subscribers across other OTT platforms, paid video subscriptions reduced by two million in 2023 to 97 million, across 43 million households in India.

- Audio subscription grew 55% in 2023 as paying consumers reached around 7.5 million on the back of significant industry efforts in that direction.

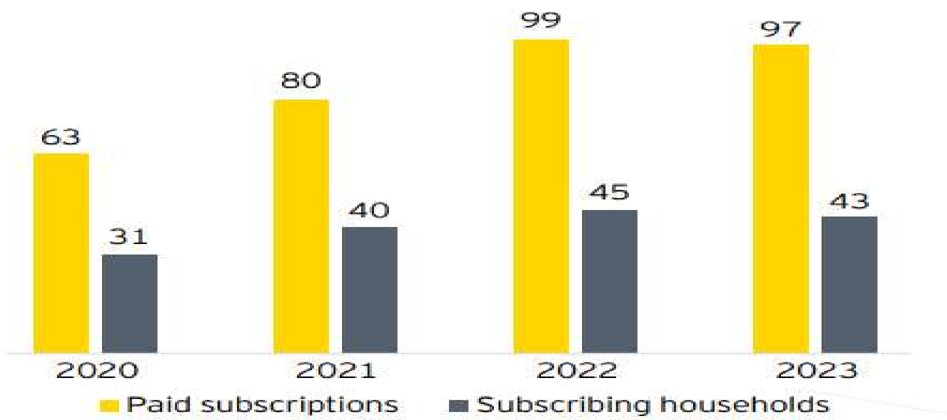
- News subscription reached INR2 billion primarily driven by premium and exclusive content.

- The percentage of paying subscribers to total OTT consumers remained less than 15% and 5% for video and audio, respectively.

- It is expected digital subscriptions to grow at a CAGR of 13% till 2026

Online video grew marginally:-

43 million households paid for 97 million video OTT subscriptions



- Once premium cricket properties were moved in front of paywalls, the number of paid subscriptions for Disney+Hotstar fell by approximately 19 million.

- Paid OTT audience could be estimated at between 86 and 108 million individuals42, lower than our 2022 estimates due to the fall in paid subscribers and a crackdown on password sharing by certain platforms.

OTT aggregation services expanded:-

- Rising subscription fatigue to multiple platforms has created a space for OTT aggregators, allowing users to discover and view streaming content from multiple OTT apps in one place.

- Players in this space include Amazon Prime Video Channels, Tata Play Binge, OTTplay, Times Group, and Airtel Xstream.

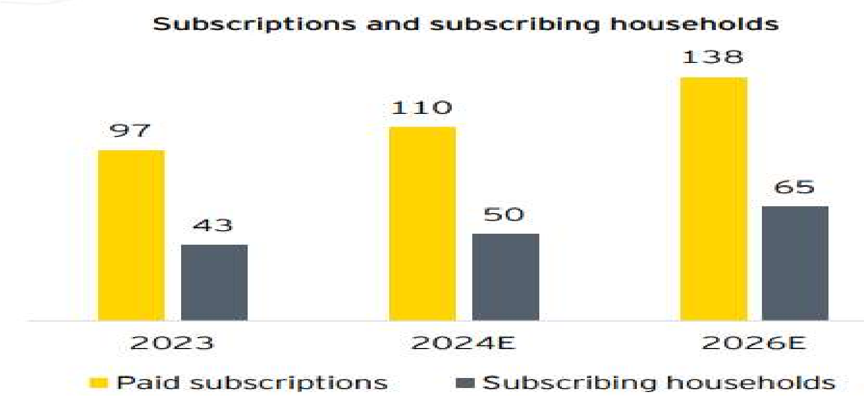
- These platforms offer distribution scale to smaller OTT apps focusing on regional or international content, and who are looking to create visibility and build reach in the country.

Digital subscription:-

Subscription growth will be impacted by FAST models:-

	2023	2024E	2026E
Video	73	82	103
Audio	3	4	6
News	2	3	4
Total	**78**	**89**	**114**

Video OTT will reach 65 million households by 2026:-



Video OTT is expected to grow from 43 million households in 2023 to 65 million in 2026, with 138 million subscriptions, averaging approximately 2 subscriptions per household.

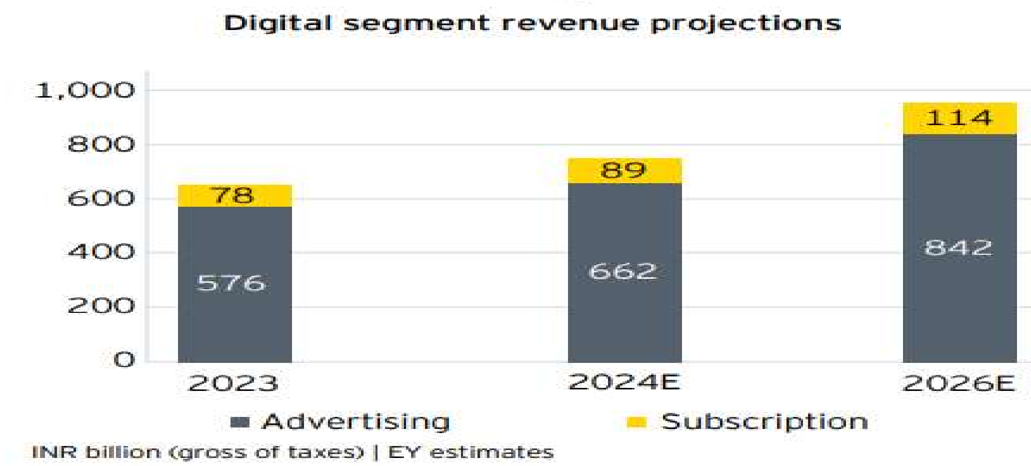
Ad-supported OTT models cannot be sustained due to the high cost of premium content. Further, the massive unsold inventories that get created around premium content prohibit growth in effective ad rates. This will drive more platforms to roll-out subscription products, or subsidize costs through bundling with data, e-commerce, etc

In the event large platforms launch more affordable packages (at around INR1 per day, for example) or aggregators bring the bundled price down to INR2,500 or so per year, which is comparable to TV, we estimate that the number of households paying for one or more SVOD service can reach 100 million by 2026.

Bundling of various OTT platforms by ISPs and telcos will gain scale. They will in effect play the role that DPOs played in the television sector, but the customer will need to be provided with the choice of choosing different OTT platforms to bundle.

Future Outlook:-

Digital segment is expected to grow to INR955 billion by 2026:-



It is estimated that the digital segment will grow to INR955 billion by 2026, at a 13.5% CAGR, reflecting the changing consumption patterns being witnessed due to growth in connected televisions, mobile phones and broadband connectivity.

As the second largest segment in 2023, it continues to reduce the gap with television, and we expect it to become the largest segment in 2024..

Government Supportive Policies:-

The Media & Entertainment sector plays a crucial role in India's economy, contributing significantly to its growth and cultural landscape. Government policies aimed at supporting this sector have fostered innovation, investment, and job creation. Some key policies for the year under review are as follows:

Cinematograph Amendment Act, 2023:
The Cinematograph Amendment Act, 2023, is set to bolster growth in the M&E sector. This Act would help combat piracy, enable additional revenue streams through re-certification for TV exhibitions, clarify online piracy obligations for intermediaries, introduce age based content suitability indicators, and streamline certification processes with indefinite validity. These measures collectively foster growth, innovation, and a safer digital environment within the industry.

Indian Telecommunications Act, 2023:
The Indian Telecommunications Act of 2023 has introduced a centralized framework for telecommunication services. This Act will likely enhance infrastructure and cybersecurity standards for the days ahead. In the Media & Entertainment sector, this Act can streamline content distribution, improve connectivity for streaming services, and facilitate efficient production and distribution networks.

Broadcasting Bill, 2023: The Broadcasting Bill, 2023, aimed at consolidating broadcasting laws, has extended its scope to include OTT services. The bill is likely to enhance regulatory clarity in the M&E sector. It will regulate several aspects of online news programs, ensuring their quality standards, fostering consumer trust and stimulating content production. Moreover, providing proportional penalties and accessibility guidelines could contribute to a more inclusive and compliant broadcasting environment. These features are likely to help bolster growth in the sector.

Macro Economic Growth drivers in Media & Entertainment Industry:-

Growth of the Indian Economy: As per the RBI's projections, India is likely to maintain an average growth rate of 7% over the next three years. This growth, in turn, will position the country as the thirdlargest economy globally and serve as a primary driving force for the Media & Entertainment sector. A rapidly growing economy can result in higher disposable income for consumers. This can help facilitate the increase in demand for entertainment across various mediums such as movies, music, and television, among others.

Cultural Diversity and Preferences: India is a culturally diverse country with multiple languages, religions, and regional preferences. As such, media companies have a large headroom to cater to diverse audiences across the country by crafting content that resonates with different cultural groups.

Demographic Dividend: As per a survey in 2023, 35% of India's Gen Z users preferred to watch movies on their release day. Among them, 74% favored the theatrical experience owing to its high-quality audio and larger screen. India has the world's

highest population, with approximately 65% under the age of 35 years, constituting a substantial consumer base for the M&E sector. This vast, youthful audience eager to engage with diverse content, signals a promising future for India's M&E industry.

Increasing Urbanization: India's urban population is growing rapidly, currently accounting for around 35- 40% of the total population. This trend in urbanization is expected to continue, driving the demand for entertainment services, particularly in urban areas with higher disposable incomes.

Low Cost of Data: The most significant catalyst propelling the increase in India's M&E user base is its affordable data pricing. The country offers one of the lowest data costs in the world, averaging only USD 0.2 per 1 GB of mobile data in 2023, compared to USD 6-7 in developed economies. This affordability has spurred significant growth across various online entertainment streaming platforms.

Robust Advertisement Spending: In 2023, the spending on digital advertising soared by 15% to reach USD 576 Billion. This substantial increase constituted 51% of the total advertising revenues, emerging as a pivotal growth driver for the M&E industry. The Small and Medium Enterprises (SMEs) and long-tail advertisers majorly contributed to this surge, with contributions exceeding USD 200 Billion. Additionally, advertising earnings from e-commerce platforms amounted to USD 86 Billion, further fueling the sector's growth.

Boost in Digital Infrastructure: India's thriving Telecom infrastructure is characterized by 1.19 Billion subscriptions and significant 5G adoption alongside dominant 4G usage. As such, it serves as a key growth catalyst for the M&E sector. There has been a 50% surge in connected TV adoption, an expanding internet penetration, and a burgeoning broadband market boasting 904 Million subscriptions. These developments, coupled with the rise in smartphone users and increased usage time, have set the stage for accelerated growth in the M&E segment.

Increasing Digital Consumption: The burgeoning trend in the usage of smartphones in India, evident in the global time spent on phones and the secondhighest app downloads, are potent drivers for the Media and Entertainment (M&E) segment.

With Indians averaging 4.8 hours daily on phones in 2023, a 9% increase from 2020, and monthly mobile data usage per smartphone soaring by 24% to 31 GB, the M&E sector is primed for growth. Projections suggest a continued compound annual growth rate (CAGR) of 16%, reaching 75 GB by 2029, signaling robust opportunities for digital content consumption and M&E sector expansion.

Globalization and International Trade: India's M&E industry is increasingly engaging in international collaborations, co-productions, and content licensing agreements. For instance, the Indian film industry exports films to over 90 countries and territories, generating significant revenue from international markets.

Opportunities And Threats Within The Indian M&E Sector:-

Opportunities:-

Digital Transformation: The swift adoption of digital platforms presents opportunities for content creators to reach a wider audience and explore innovative monetization models.

Regional Expansion: The growing demand for regional content presents a scope for producers to tap into diverse language markets and cater to specific audience preferences.

Strategic Partnerships: Collaboration with international studios and streaming platforms can facilitate the cross-border distribution of Indian content and open new revenue streams.

Technological Innovations: Emerging technologies, such as augmented reality (AR), virtual reality (VR), and artificial intelligence (AI) can help in immersive storytelling and enhanced audience engagement.

Content Localization: The adaptation of content to suit local tastes and cultural nuances can help Indian M&E companies make a mark in international markets and attract a global audience.

Threats:-

Economic Instability: Economic downturns and varying consumer spending patterns can adversely affect advertising budgets and discretionary entertainment spending.

Regulatory Uncertainty: Evolving regulations and Government interventions pose uncertainties for the M&E sector, impacting investment decisions and operational strategies.

Competition from Global Players: International video streaming apps and increase in user-generated content platforms pose significant competition to domestic players, challenging market share and revenue streams.

Peers in Television Industry:-

Particulars	Balaji Telefilms	Shemaroo entertainment ltd	Saregama India Ltd	Entertainment Network (India) Ltd
Sales (Rs. in Crs)	578.83	676.97	758.77	519.77
PAT (Rs. in Crs)	39.20	-42.63	202.99	28.14
NPM %	6.77	-6.30	26.75	5.41
EPS (Rs.)	3.87	-15.66	10.56	5.89
Current Maret Price of Share (Rs)	69.00	144.00	490.80	153.80

Future Outlook of Television:-

By 2026, television revenues are forecasted to reach USD 765 Billion, exhibiting a compound annual growth rate (CAGR) of 3.2%. Concurrently, the market surge in connected TVs is likely to increase the total number of TV screens from 182 Million in 2023 to 202 Million by 2027. Looking beyond 2026, the proliferation of wired broadband and 5G connections is expected to rapidly expand the number of connected TVs, reaching 100 Million by 2030. This growth trajectory anticipates a decline in linear TV homes to 140 Million. Notably, the figure includes 57 Million free TV homes, marking a significant shift in viewing habits towards digital platforms.

5. A broad overview of OTT Platform & Its Business Model

Introduction:-

An OTT (Over-The-Top) platform is a digital streaming service that offers video content through the Internet, bypassing traditional cable or satellite TV providers. The content is delivered directly to the consumer's device – whether it's a smart TV, laptop, smartphone or tablet.

Key aspects:-

- **Content delivery** – OTT platforms deliver video content over the internet. The internet is a big factor in the difference between OTT and traditional TV.
- **Content distribution** – These platforms distribute their licensed and some proprietary content directly to the consumer's device without involving any third-party providers. This is what differentiates UGC-oriented social media platforms like YouTube from OTT platforms.
- **Content production** – OTT platforms are also, most of the time, the producers of the content they distribute or stream. For example, Netflix's popular show, Stranger Things, is a Netflix original and can only be found on its platform. This gives exclusivity and makes the platform more desirable for consumers.

Business Model of OTT Platform:-

The OTT business model has matured a lot since 2007, when Netflix launched its streaming service to the US market, and there was no competition. Today, platforms like.

How it works:

Subscription-based Revenue Model (SVOD)

The most common way OTT platforms make money is through a subscription-based revenue model. This means that users pay a monthly or annual fee to access content on the platform. The amount can vary depending on the platform and their pricing strategy.

Advertising-based Revenue Model (AVOD)

While subscription-based models are the most popular among OTT platforms, some also use an advertising-based revenue model. This means that in addition to subscription fees, these platforms also show advertisements during their content.

For example, Hulu offers a lower-priced ad-supported subscription plan in addition to its ad-free plan. The platform earns money by showing advertisements during its shows and movies.

The OTT advertising model works best for platforms with a lot of free or low-cost licensed content. It allows them to reach a wider audience and generate revenue from both subscriptions and ads.

Similarly, several Indian OTT platforms, like Hotstar, Zee5, MX Player, etc., also offer an ad-supported free subscription plan in addition to paid subscriptions.

Transactional-based Revenue Model (TVOD)

The transactional-based revenue model is less common among OTT platforms. It involves users paying per content or per view rather than a recurring subscription fee.
This model is mostly used by platforms that don't have a vast library of content and instead focus on providing exclusive or current content. For example, Amazon Prime Video allows users to rent or buy movies and TV shows that are not included in their subscription package.
Similarly, YouTube offers movie rentals and purchases for certain titles. This model can be beneficial for platforms with limited content and helps them generate revenue without the commitment of a subscription.

Syndication and Licensing

Syndication and licensing is another way for OTT platforms to earn money. This involves selling the rights of their content to other TV networks or streaming platforms.
For example, Netflix licensed "Orange Is the New Black" to Comedy Central for linear TV broadcast rights in 2017. Similarly, Hulu licensed "The Handmaid's Tale" to Channel 4 in the UK for traditional TV broadcast.

Sponsorships and Partnerships

Many OTT platforms also generate revenue through sponsorships and partnerships. This involves partnering with brands for

1. **Content Sponsorships**: Brands pay to be associated with specific shows, movies, or other content on the platform. For example, For the show "Stranger Things", Netflix partnered with Coca-Cola to bring back New Coke as a limited edition product, tying it into the show's 1980s setting.
2. **Platform Sponsorships**: A brand becomes the official sponsor of the entire OTT platform or a section of it. For example, Roku partnered with Walmart to create shoppable ads, allowing viewers to purchase products directly through their Roku devices.
3. **Event Sponsorships**: For platforms that stream live events or sports, brands can sponsor specific events or tournaments. For example, Indian OTT JioCinema brought in 18 sponsors and 250 advertisers for the IPL 2024 season.

Hybrid Model

Some OTT platforms use a hybrid model combining different revenue streams to generate income. For example, Hulu offers both subscription-based plans and ad-supported free content. Similarly, Amazon Prime Video offers subscriptions as well as transactional purchases or rentals.

Another example is Disney+, which offers a subscription-based model but also earns revenue through merchandise and theme park tie-ins.

How OTT Platform different from Connected TV(CTV):-

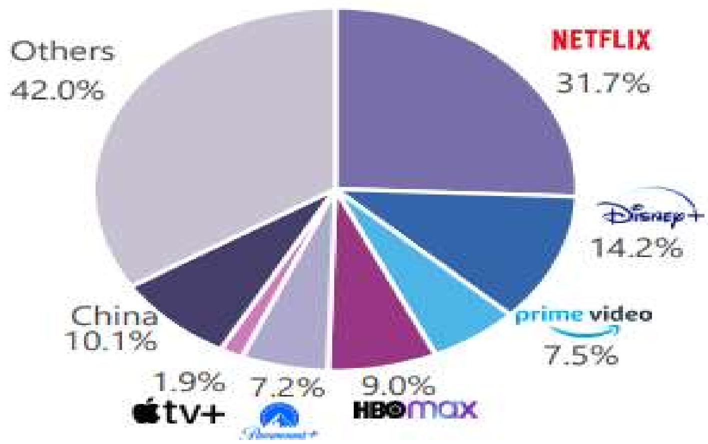
OTT are not to be confused with CTV (Connected TV). While both deliver video content over the internet, there is a difference in how they are accessed and consumed. OTT platforms are often accessed through dedicated apps or websites on devices like smart TVs, streaming boxes or gaming consoles. On the other hand, CTV refers to any television set that can connect to the internet and access online content. This includes smart TVs, gaming consoles, and streaming devices. The key difference between the two is that OTT platforms are subscription-based, while CTV can access both free and paid content.

Aspect	OTT (Over-The-Top)	CTV (Connected TV)
Definition	Streaming video over the internet without needing cable or satellite.	A device that connects your TV to the internet for streaming (e.g., Roku, Smart TV).
Device Dependency	It works on any device with the internet—smartphones, tablets, and laptops.	Requires a TV and a connected device like a Smart TV or streaming box.
Content Access	Stream-on-demand content from apps like Netflix, Hulu, Disney+.	Lets you watch streaming services on your TV through apps or devices.
User Experience	Watch anytime, anywhere on your personal devices.	More of a big-screen TV experience, similar to traditional viewing.
Ad Targeting	Ads are personalised using your data.	Ads are shown on your TV but are less targeted than OTT.
Interactivity	More interactive—pause, rewind, get personalised suggestions.	Limited interactivity but a more immersive, big-screen experience.
Examples	Netflix, Hulu, YouTube (works on any device).	Roku, Amazon Fire TV, Apple TV (requires connection to a TV).

6. Present market scenario of OTT platform in M&E Sector

With a market value of $476 billion in 2023, the global OTT content industry is expected to reach $3,400 billion by 2032, expanding at a CAGR of 24.1% between 2024 and 2032.

Global SVOD Market Share in 2028 ($bn):-



Key market players in the Global scenario:

United states:-

The US OTT market is one of the most mature and largest globally. According to Statista (2023), the market was valued at USD 33.5 billion in 2022 and is expected to reach USD 49.2 billion by 2025 (Statista, 2023).

Key players:-

The US market is characterized by a few dominant players:

Netflix: The pioneer in the OTT space, with a vast library of original and licensed content.

Amazon Prime Video: Offers a mix of movies, TV shows, and exclusive series, similar to its offering in India.

Disney+: Gained rapid traction due to its extensive content library from Disney, Pixar, Marvel, Star Wars, and National Geographic.

Hulu: A unique offering with a combination of live TV and on-demand content.

China:-

Market size and growth:-
The Chinese OTT market is one of the fastest-growing globally. According to iResearch (2023), the market was valued at USD 16 billion in 2022 and is projected to reach USD 25 billion by 2025 (iResearch, 2023).

Key players:-
The Chinese market is dominated by local players:

iQIYI: One of the leading platforms, offering a mix of movies, TV shows, and original content.
Tencent Video: Strong presence with a wide range of content, including exclusive series and movies. Youku: Another major player, offering a variety of content across genres.

Consumer behavior and preferences
Chinese consumers have a strong preference for local content. A survey by iResearch (2022) indicates that 70% of OTT viewers in China prefer content produced in China (iResearch, 2022).

United Kingdom:-
Market size and growth
The UK OTT market has been growing steadily. According to Ofcom (2023), the market was valued at USD 4.5 billion in 2022 and is expected to reach USD 6 billion by 2025 (Ofcom, 2023).

Key players
The UK market has a mix of global and local players: Netflix: The most popular platform, similar to its status in other markets.

Indian OTT market Scenario:-

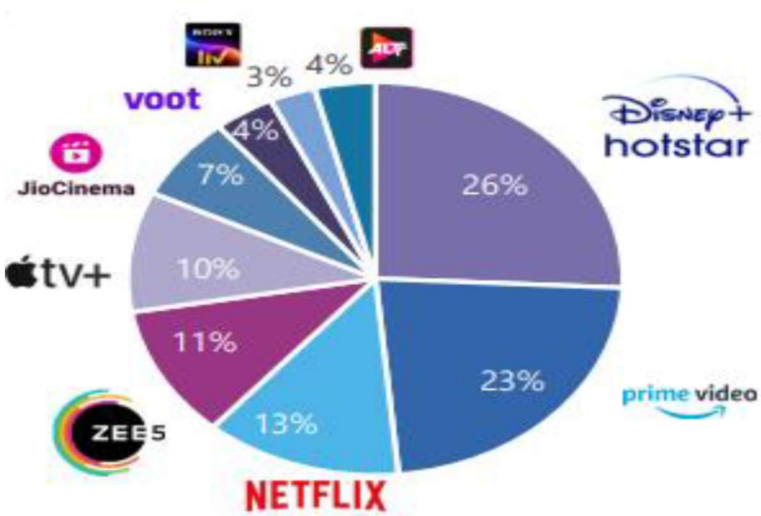
The OTT market in India has experienced exponential growth in recent years. According to a report by PwC (2023), the Indian OTT market was valued at USD 1.5 billion in 2021 and is projected to reach USD 5 billion by 2024 (PwC, 2023). The growth is driven by increasing internet penetration, affordable data plans, and the proliferation of smartphones.

Indian online video segment excluding sports, is projected to hold a 24% market share, a significant increase from 8% in 2017. This share is expected to rise to 30% by 2028.

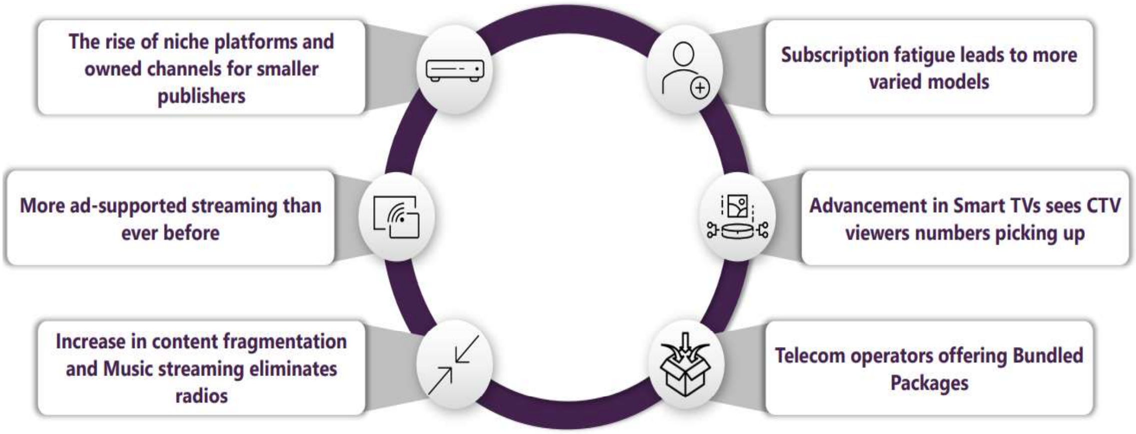
Investment in local entertainment content, including scripted, unscripted, and sports programming, reached $5.8 billion in India in 2023, a notable increase from $3.3 billion in 2018.

Streaming boom has led to the release of more than 1,500 original titles between 2016 and 2023, generating approximately 174,000 job.

OTT Indian Market Share:-



Upcoming OTT Trends:-



Key Conclusions:-

OTT market is growing on the back of expanding 5G network service, opening doors to high-quality 4K content – primarily in emerging countries like India

Integration of AI and Machine Learning into search and auto recommendation is another driver for the rapid growth of OTT market as it enhances the viewer experience

OTT aggregators are the newest addition in the Indian OTT industry, with apps including OTTplay, YuppTVScore and Tata Play Binge that are offering bundles at reduced prices leading to growth of the segment

Some of the big deals in the OTT market include, AT&T's acquisition of Crunchyroll for ~$1.1bn and Amazon's acquisition of MGM for ~$8.5bn

OTT has a 7-9% market share in India's $27B M&E industry. However, by 2030, its market share is expected to increase to 22%-25%, while television's market share will decline from around 35% to 24% .

Indian OTT platforms faced slower content volume growth in 2023 due to profitability pressures, and could fall in 2024

The percentage of paying subscribers to total OTT consumers remained less than 15% and 5% for video and audio, respectively

New entrants including JioCinema are disrupting the market with licensed sports content, premium Hollywood content and through merger with Voot, giving it access to its content and subscribers

The OTT market witnessed a rise in revenue and share prices during the pandemic, however the market has witnessed a drop since 2022 in share prices owing to the decrease in number of subscribers

Digital consumption in India is outstripping other segments with Time spent watching OTT per TV per month reported at 34.4 hrs in 2023

In recent years, OTT market due to the presence of a large number of paid players has started moving towards SVOD and AVOD model, also there is a growing appetite in audience to receive free content in exchange for watching ads.

Best Regards,

Uday TG

Digitally signed by Uday TG
Date: 2025.02.10 18:12:23 +05'30'

Uday T.G
Associate Director,
Infomerics Analytics & Research Pvt Ltd