

# India Serves



A Monthly Newsletter by

# SEPC

SERVICES EXPORT PROMOTION COUNCIL

Setup by Ministry of Commerce & Industry, Govt. of India

VOL III, ISSUE VII - November, 2022

**MEDIA & ENTERTAINMENT, ANIMATION, VISUAL  
EFFECTS, GAMING AND COMIC (AVCG) SECTOR:**

# LEADING THE SERVICES GROWTH STORY

SERVICES EXPORT PROMOTION COUNCIL  
Setup by Ministry of Commerce & Industry, Govt. of India



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CENTRAL GOVERNING COUNCIL MEMBER PROFILES

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# India Serves

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## MESSAGE From the CHAIRMAN



CA. SUNIL H. TALATI

It is indeed a great pleasure to present the November issue of India Serves as SEPC celebrates its establishment day during the weeks ahead. SEPC was registered as entity to serve the industry on 27th November 2006. We will be organising interactions with the industry to understand the expectations in our mutual endeavour to create global business opportunities.

As one of the significant step forward to serve Healthcare sector, SEPC is entering into MoU with National Accreditation Board for Hospitals & Healthcare Providers (NABH), which is a constituent board of Quality Council of India, set up to establish and operate accreditation programme for healthcare organisations. SEPC and NABH will be jointly conducting a training programme for MVT Facilitators. The launch programme is tentatively slated on 15th December 2022 at New Delhi. We will be training over 2000 MVT facilitators over a period 3-4 months.

In line with the objective of achieving One Trillion USD services exports by 2030, SEPC is in the process of getting inputs for formulating a scheme alternative to SEIS for consideration in the Foreign Trade Policy expected in March 2023. We urge services sector fraternity to proactively participate in the deliberations and come up with new ideas. Ministry of Commerce and Industry is looking for suggestions to develop export competencies, support needed for making FTA effective, ways to explore and get access to markets (new, emerging and non-traditional) and not to look for scrip-based incentives.

Pre-Budget negotiations are going on and we request once again to the industry to provide suggestions and inputs. One can submit the inputs on our portal [www.servicsepc.org](http://www.servicsepc.org) as well.

SEPC is co-ordinating with Ministries related to each of the services sector to ensure better synergies in all activities intended for export promotion and competence development. As an outcome of this outreach, SEPC in association with Ministry of Information and Broadcasting and Ministry of Commerce organised launching of logo positioning India as Content Hub of the world in MIPCOM, a premier exhibition for the AVCG sector. The details have been presented in this issue of India Serves.

While concluding this passage, I am making a kind request to all members to update their profiles in MY SEPC tab by using your login details. Please ensure that the following details are definitely updated:

- Name and contact details including of CEO/MD/Director/Owner
- Name and contact details including particulars of Senior Officers
- Brief profile of company
- Services being offered in different markets

Please help us to build the profile as they are being shared and viewed by prospective importers. Further we intend that our communication reach to the right person in your organisation informing them about business delegations, exhibitions and numerous other activities which SEPC is carrying out.

Requesting for a greater association and synergy in our common goal.

## OVERVIEW OF SERVICES OFFERED BY SEPC

### TRADE INTELLIGENCE

### EXPORT DEVELOPMENT

### EXPORT PROMOTION

### ENABLING BUSINESS ENVIRONMENT

Services Export Promotion Council set up in 2006 by Ministry of Commerce & Industry, Government of India is an apex trade body to promote exports of services from India.

- Key role in Foreign Trade Policy, Export Strategy formulation by Department of Commerce and related Govt Departments.
- Interface between Services Sector and Government
- Provides inputs on Trade Negotiations
- Represents Services Sector in various Joint Trade Committees, Joint Business Councils and Joint Working Groups of Government of India to facilitate export.
- Creates Business opportunities in global market place for services exporters
- Providing commercially useful information and assistance to members in increasing exports.
- Organising visits of delegation of its members abroad to explore overseas market opportunities.
- Organising participation of Services exporters in specialised International Trade Fairs.
- Dissemination of government notification, orders, information on trade and other relevant information to members.
- Facilitates execution of Government Schemes like SEIS.

In order to enhance the competitiveness of services exports and enable services industry to generate employment, the Union Cabinet chaired by Honourable Prime Minister Shri Narendra Modi in 2018 identified 12 Champion Services Sector.

The following table provides the mapping of identified Champion Services vis-a vis the services covered under SEPC and BPM6 classification. Sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) is developed by IMF in collaboration with compilers and other interested parties worldwide and used by most of the countries to record and report services trade data.

S.N.	Services covered under SEPC	Champion Services	BPM6 Classification
1	Accounting/Auditing and Bookkeeping Services	Accounting and Finance Services	Other business services
2	Consultancy Services	-	
3	Legal Services	Legal services	
4	Architectural Services and related services	Construction and related Engineering services	
5	Environmental services	Environmental services	
6	Marketing Research and Public Opinion Polling Services/ Management services	-	
7	Advertising Services	-	
8	Printing and Publishing services	-	
9	Other services (IT & ITES, Communication Services)	IT & ITES, Communication services	Telecommunications, computer, and information services
10	Hotel and Tourism Related Services	Tourism and Hospitality Services	Travel
11	Education Services	Education services	
12	Healthcare services including services by nurses, physiotherapist and paramedical personnel	Medical Value Travel Services	
13	Maritime Transport Services	Transport and Logistics services	Transport
14	Distribution Services		
15	Other services (Financial Services)	Financial Services	Financial services
			Insurance and pension services
16	Entertainment services including Audio-visual services	Audio-visual services	Personal, cultural, and recreational services
17	Other Services	-	Charges for the use of intellectual property n.i.e.
		-	Government goods and services n.i.e.
		-	Manufacturing services on physical inputs owned by others
		-	Maintenance and repair services n.i.e.
		Construction and related Engineering services	Construction
			Services not allocated



**MEDIA & ENTERTAINMENT, ANIMATION, VISUAL  
EFFECTS, GAMING AND COMIC (AVCG) SECTOR:**

# LEADING THE SERVICES GROWTH STORY

## INTRODUCTION

### AUDIO-VISUAL SECTOR

Audio-Visual services including media and entertainment have an important role in Indian economy. India is the 7th largest exporter of Audio-Visual Services in the world with export value of 800 million US Dollar in 2020-21 (April to December 2021) & has positive trade balance due to its technology and cost competitiveness as compared to other economies. China, USA, Japan, Germany & the UK are top gaming markets. India exported 835 million US Dollar worth of audio-visual services in the FY 2019-20 which has grown with compound annual growth rate of 15% since 2014-15. The top export destinations for India's Audio-visual services are USA, UK, Germany and Finland. India's share in global AV services exports was a 2 percent in 2019. However, with national initiatives like Make in India and Digital India, there is an increasing demand for high quality cutting-edge Pro-AV and Integrated Experience Solutions. India has already opened up the audio-vi-

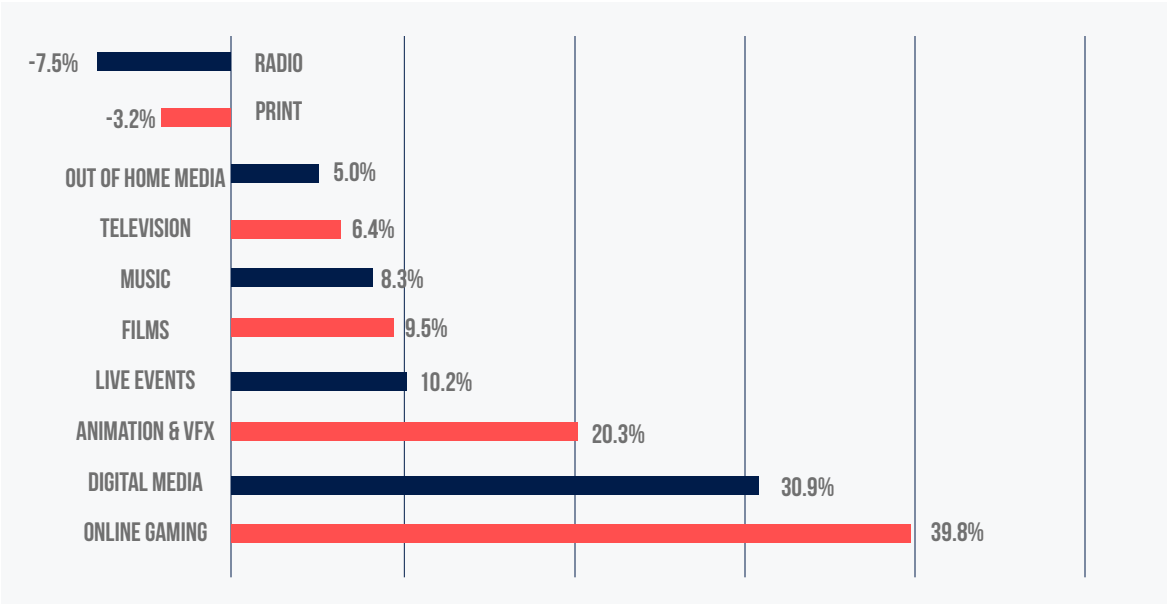
sual sector for privatisation and foreign investment, the Indian industry is already largely concentrated in private hands, and foreign players are allowed to operate in many segments of the audio-visual industry. This makes us one of the least restrictive countries in the AVCG sector. India's Media & Entertainment industry has revived to pre-COVID levels and is expected to grow to \$85-100Bn by 2030 at 10-14% CAGR which is currently valued at 28-30 Bn, driven mainly by strong growth in OTT, Gaming, Animation and VFX. Country is home to ~100 visual effects studios, and ~400 game development firms. The coming years look highly promising for this sector.

One of the consequences of the pandemic is that, the move to digital media consumption has intensified. An emerging big theme is the increasing digitization of Media & Entertainment services. More & more people are spending time

on Digital media use has increased considerably. The need to adapt business models to shifting consumer behaviour is driving innovation and competition in the sector.

With the disruptions of Covid pandemic behind our backs we need to focus on what lies ahead. The main areas of opportunity turned out to be 2D and 3D animation production for TV programs, theatrical feature films, game cinematics and advertising films. The majority of the revenues came from outsourcing contracts making this sector the next hot area after IT services and BPO. Digital visual effects (VFX) for feature films, TV programs and advertising films, a segment that, in addition to outsourcing work the sector also saw the emergence of a viable domestic market, a trend that is set to continue in line with the increasing globalisation of the creative and media industries.

Figure 1: Growth rate of the media and entertainment sector across India in 2020, by industry



Source: Statista

The online gaming industry in India had the highest annual growth rate (Fig. 1) of around 40 percent during 2018-19. Digital media grew by around 31 percent. Since media sector is rapidly getting digitalised around the globe, Print and Radio sectors recorded a negative growth.

## GAMING

**Global Scenario:** This is among the few industries gaining traction even during the pandemic (refer fig 1) globally, gaming has fared better than the combined performance of the music and film industries, making it the frontrunner in the M & E sector. Gaming is a remarkable example of an industry that is rapidly growing due to innovative business models, it's a 1.8 Bn USD sunrise sector of country which is around 1% of the global markets but growing at a rapid rate of 38% CAGR.

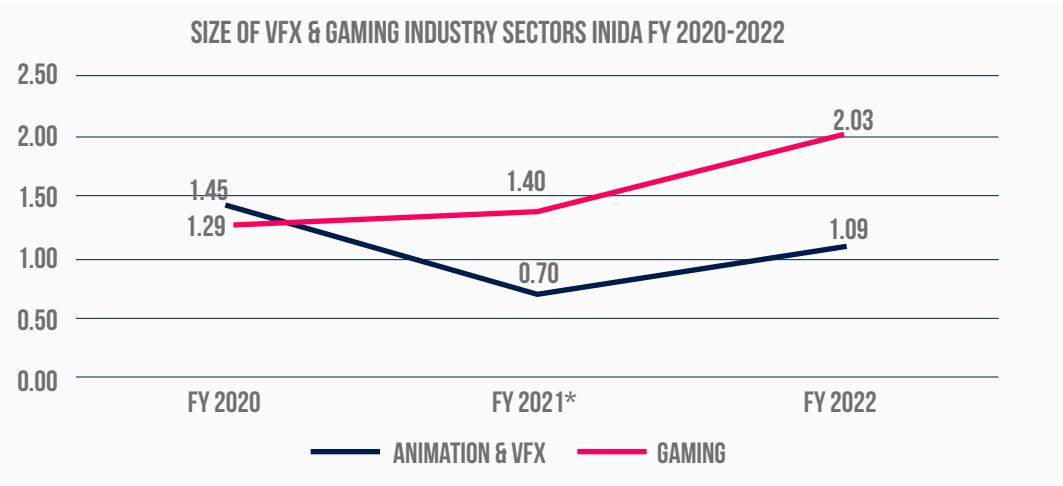
**India Scenario:** India has proudly produced 3 gaming unicorns: Game 24X7, Dream11 and Mobile Premier League. There are more than 400 gaming startups in the country. Various international studios such as Electronic Arts (EA), Ubisoft and Zynga had set up gaming development centres in India in early 2010 and have groomed several gaming developers.

**The Industry:** The number of gaming companies increased nearly 10x since 2010. Some of these are key players such as MPL, which was valued at US\$ 950 million within three years of being launched. MPL reported more than 70 million active users in 2020, with games like WINZO and Paytm First having more than 20 million and 70 million active users, respectively. Nazara Technologies, Zensar Technologies, Onmobile Global, Delta Corp, Tech Mahindra & Infosys are a few publicly listed companies.





Figure 2 Size of VFX & Gaming industry sectors India FY 2020-2022



Source: Statista

**Space for Regulatory framework:** Online gaming is a pretty well-regulated industry on a global scale. Regulations are in place in several nations, including the US, the UK, and the EU, to guarantee the business continuity & that the consumers can enjoy this sort of entertainment responsibly. However, gaming is a booming sector of the Indian economy, but it urgently needs regulatory oversight. The legal system's ambiguity poses problems for investors and places a heavy cost & uncertainty on gaming operators.

**Need for lucid definition setting, Tax regime & Policy ambiguities:** As the need for regulations has become clearer, all stakeholders must work together consistently and come up with new and innovative solutions to complex problems in India too. At present, GST @ 18 percent is levied on casinos, horse racing and online games where no betting or gambling is involved. The rate for online games involving betting or gambling is at 28 per cent. A clarity of the terms “game of chance” and “game of skill” is highly sought to demystify the

ambiguity facing the industry, as many courts have overlapping definitions and it will be better if there is a uniform federal framework & clear definition setting out neat boundaries. It shall provide serve the basis for the judiciary to scrutinize & establish the nature & legitimacy of such games.

**Coordinated action on gaming & Uniform central policy framework:** The industry as a whole is anticipated to grow by 24 to 35% in the near future. The online gaming industry need the right policy framework, legal framework, and data privacy processes in order to realise the said growth. The online gaming industry has the potential to support the government's objectives under the Make in India and Digital India campaigns, as well as help India achieve its goal of being digitally independent, beyond only economic gains and develop an inclusive, creatively diverse ecosystem of companies of all sizes.





S	W	O	T
Cost Competitiveness of the Indian Industry (almost 1/5th of the European counterparts) makes it attractive source destination for international clients.	There is a strongly visible lack of, a good level of cooperation between the video game operators and the regulators to promote the growth of online gaming.	For the government to regulate the sector & harness strengths of the games sector and towards contribution to society, to innovation and to a modern economy, through tangible actions & business support.	High ambiguity, uncertainty & discord in tax regime at a federal level.
The sector remains strategically important because of the potential economic and employment The sector has potential to provide Employment to a considerable talent pool, at present generates 70,000 to 1.2 lakh job opportunities.	Lack of export orientation with focus on domestic markets only.	Skill Development: there's a void for good programmers, graphic designers or esports managers because there are no formal gaming courses to fuel a vibrant tech and gaming ecosystem.	On May 25, 2019, the World Health Organization (WHO) officially included gaming disorder (GD) in the latest (eleventh) revision of the International Classification of Diseases (ICD-11). It is critical how decision makers & society view at sector vis a vis perception of problematic gaming/gambling.
The spread of broadband has been a major driving force behind India's online gaming business	Greater need to promote inclusion of diversity in the industry for fruitful outward/export orientation and relevant content creation (culturally & socially) for foreign markets with a healthy mix of local veteran talent, and international professionals. It's a big challenge to attract these types of candidates from the big development bases such as London, Berlin, San Francisco.	To develop and undertake responsible gaming initiatives aimed at player protection and harm minimization, protect their clientele and minimize potential harms stemming from excessive gaming.	Increased competition across multiple tech-related industries makes it challenging to find experienced talent.

Studies have shown that players spend more than 10 hours a week watching and playing esports globally. Gen Z is highly inspired with real money gaming, esports and adoption of crypto these days. Crypto has just facilitated the transactions to these gaming platforms and the trend shows that this graph will rise further in the future.



India's share in the global VFX market is slightly less than 10%, poised to grow to 20% by 2030



## VFX & MULTIMEDIA

Globally the industry is consolidating has gone through multiple phases and witnessing acquisitions & mergers where cash rich big studios & internet companies have bought the smaller players like Netflix's acquisition of Scanline (German VFX firm) last year. Companies like Netflix have endless in-house projects to do. The overall industry outlook seems robust with explosion of new platforms such as Amazon, Disney+ Hotstar & Netflix and the incessant need of content. Demand for regional content in various markets around the globe is also pushing the demand.

**India's share** in the global VFX market is slightly less than 10%, poised to grow to 20% by 2030. More than 70 per cent of the AVGC revenues comes from AVGC services to the global markets. The Indian Industry is capable of providing quality work required for international TV programs at substantially lower costs. Hence the majority of the revenues in the sector came from outsourcing contracts making this sector the next hot area after Information Technology services and ITes. A typical half hour 3D Computer

Graphics Image (CGI) animation episode costs between \$70,000 to \$100,000 to produce; where as it costs between \$150,000 to \$250,000 for production in the European & US markets.

VFX industry in India has already made their mark in the global cinema with studios like Tata Elxsi VCL, Phantom FX, Prana Studios, MPC, Prime Focus, Spellbound VFX & Basilic Fly Studio having delivered VFX & animation for various mutibagger world famous Hollywood creations like Avatar, X men, Godzilla, The Jungle Book & Interstellar etc.

Since VFX is a pure technology game, it is bound to be excessively dynamic & keep evolving at a disruptive rate. Simply maintaining a competitive advantage in a situation where a VFX or animation professional is available at one-fifth the cost of her western counterparts would not be sufficient. VFX firms always need to stay on the top of markets (emerging technologies). In terms of both timing and expense, we still have a long way to go.



**Shortage of manpower:** There is a shortage of aptly skilled and employable manpower. Without talented artists, technologists, it is difficult for well-known studios (who generally need to maintain a large team) to create the finest imperceptible work for their clients and meet deadlines. Therefore, it's critical that you can consistently pull in high quality workforce.

**Rising costs & intense environment:** The type of work done in the VFX sector necessitates a substantial expenditure on acquiring highly talented workforce besides infrastructure. Animation Studios in India adopt the latest technologies and tools like Nuke, Maya, and Substance Painter, which costs really high in production. The new-age technology like Motion Capture has high-end setup costs. Also, the cost of 3D rendering services in rendering farms is also too high.

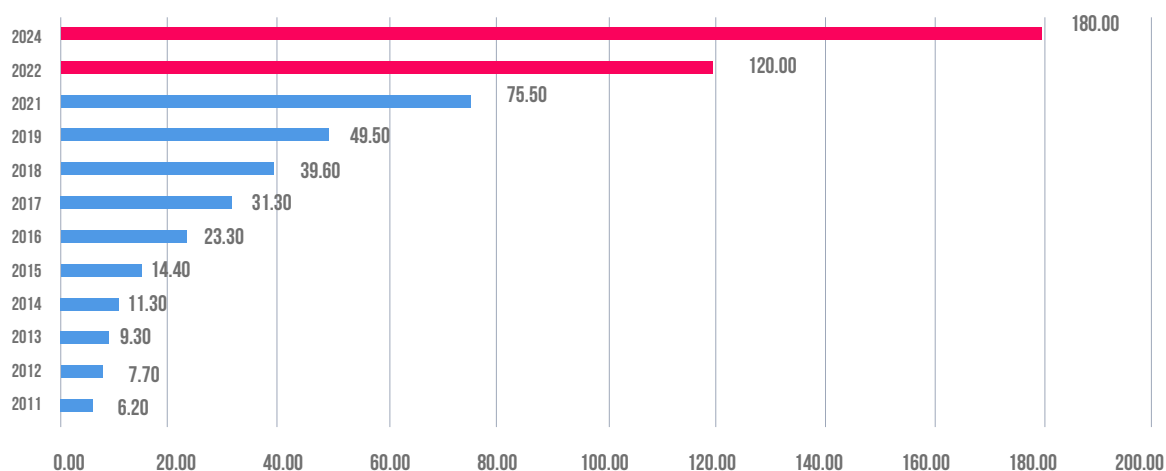
The nature of projects is mostly short term with tight delivery timeline & very high delivery expectations which are often disproportionate with the budgets & with requests to accommodate last

minute changes in the industry, makes the environment quite intense. Moreover, most of the studios are located in big cities with higher cost of living and outrageous rent.

**Continuous technological upgradation & upskilling:** New technologies like real-time compositing and virtual production have disrupted the sector, for instance by offering ready-made backgrounds for cinematic sequences, have outdated the green screen methodology. As more Indian studios utilise these technologies over time, they will eventually manage to grab more challenging jobs for international clientele.

**Formal training:** Therefore, in addition to an effective AVCG policy, the establishment of specialised learning centres, undergraduate and postgraduate programmes, and studios in collaboration with overseas studios and institutions are also necessary in addition to building physical infrastructure such studios and technical equipment.

**Figure 3: Visual effects revenue in India 2011-2021 (in INR Billion)**



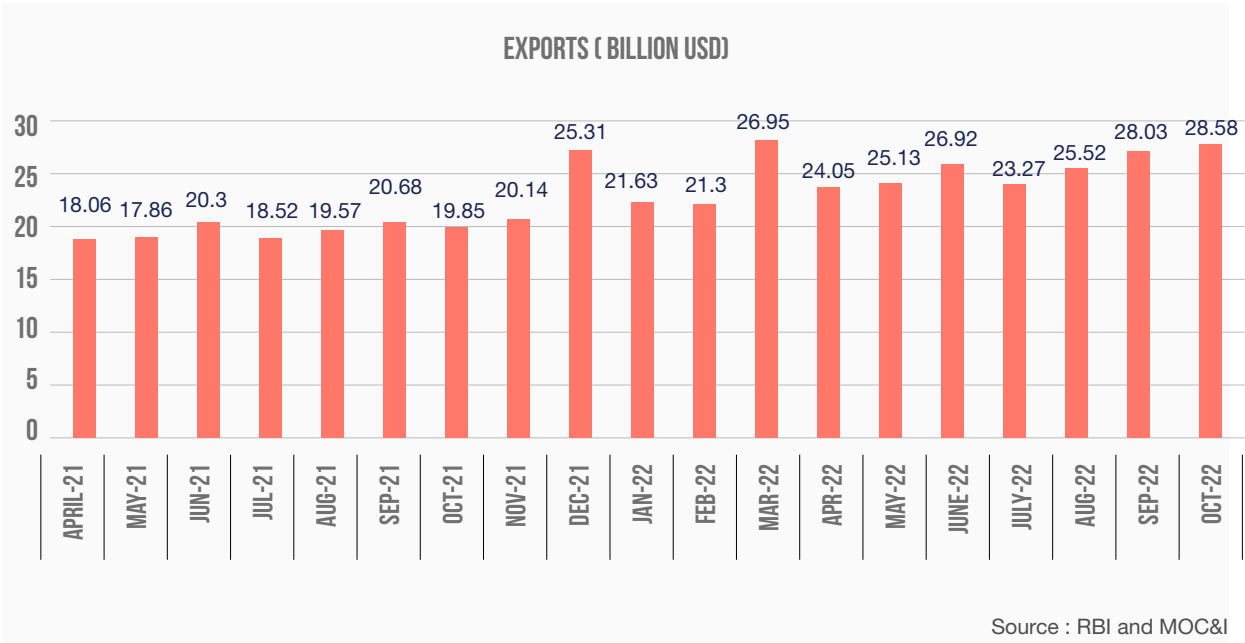
Source: Statista

Suggested intervention: With such skyrocketing costs involved in 3D animation production, it is becoming really hard for the 3D animation companies in India to remain profitable after the employee salaries, maintenance costs, and other expenses are cut off. It would not be unwise to consult the industry about a common facilitation center with the latest infra and technology that can be set up on a PPP mode, which can serve the industry on job work basis.





Monthly Services Exports from India in the FY 2021-22



The trade in services have registered a YoY growth of 43.9 percent for the month of October 22 and the net services has also gone in the positive direction registering a Yoy growth of a whopping 50 percent (Fig below). During the Period Apr-Oct 2021 Vs Apr-Oct 2022 the YoY (ref. fig 3) growth rate is ~31 percent. If such a momentum is maintained in the future months also then the projected annual growth of ~38%, to land near the target of \$359 USD Billion is not merely wishful thinking and seems that India is well prepared to rise to the occasion.

Fig: Services Trade  
OCT 2021  
Vs  
OCT 2022

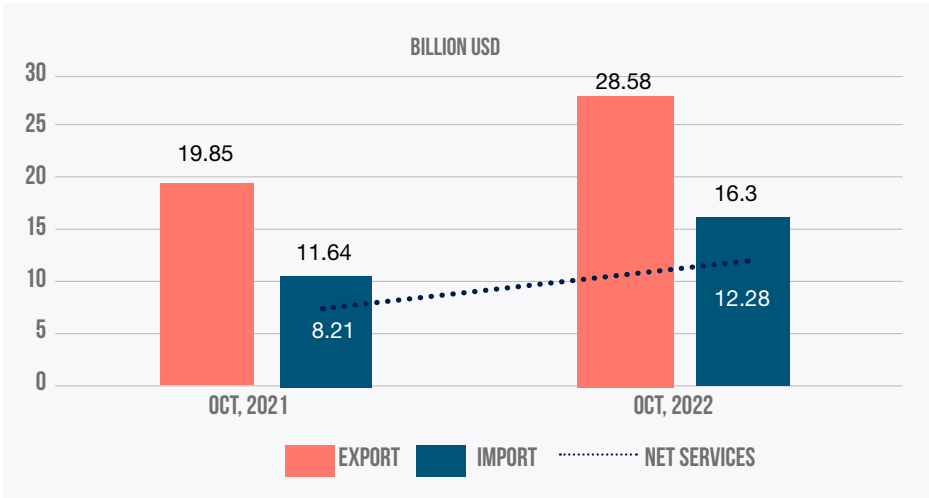
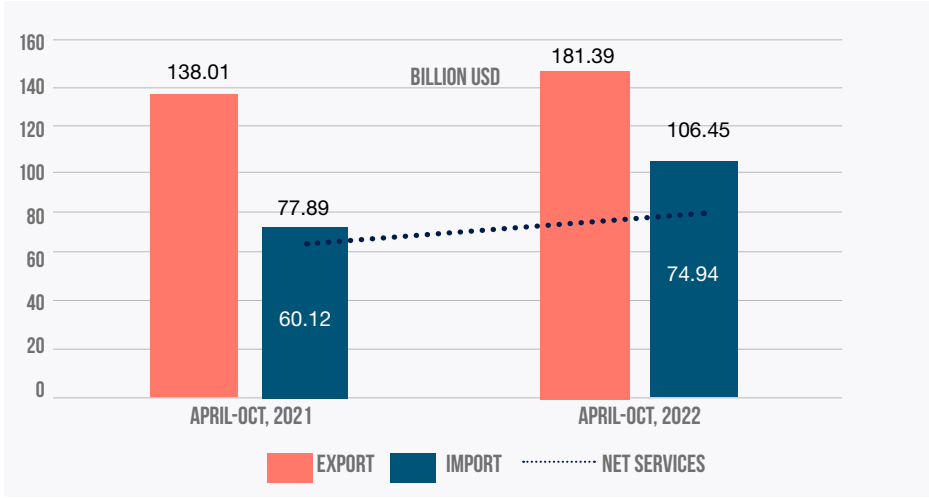
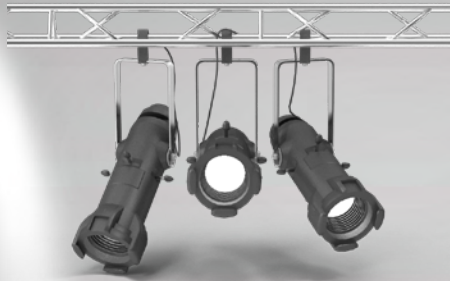


Fig: Services Trade  
April - OCT 2021  
Vs  
April - OCT 2022





# INDIA SPOTLIGHT @ MIPCOM 2022



**M**IPCOM is one of the finest global media markets when it comes to empowering Media & Entertainment fraternity to network with the best business minds, capture emerging trends, listen to masterminds and explore markets & opportunities for their products and services.

For the Fourth consecutive year, SEPC's India Pavilion at MIPCOM, Cannes, France, the world's largest content market, has enthused and attracted industry during 17th to 20th October 2022. India's participation at MIPCOM high-

lighted the huge potential for M&E exports.

A packed MIPCOM 2022 saw 10,896 delegates, including over 3100 buyers from over 108 countries in Cannes. It underscores the growing vigour & vitality within the content creation industry. The SEPC delegation at Cannes was led by SEPC's Chairman Shri. Sunil Talati and DG, Dr. Abhay Sinha. The Indian delegation made a strong presentation at MIPCOM with a line-up of over 1,000 hours of factual, drama, infotainment animation and kids' content.

## India Pavilion Highlights

- 82 delegates from 46 Indian companies were part of the SEPC India Pavilion at MIPCOM.
- SEPC Launches Co- Production Agreements guide between India & other Countries for media and entertainment sector.
- SEPC launches India Content Guide 2022 for media and entertainment sector.
- International producers and media executives apprised about the paradigm shift happening in Indian M&E and digital space.
- Over 500 B2B meetings at India Pavilion.
- Co-production, post-production, VFX, audiovisual services get major boost ~\$30M Business generated by Indian companies at MIPCOM.





INDIA'S IP STRENGTH IN M&E SPACE

The Government of India is committed to safeguard against infringement of originality and creativity of the makers to give a boost to services exports. IP is the most important asset for its creators in the media and entertainment sector. India firmly believes in the significance of IPR as the centerpiece of the industry's future growth said Mr. Santal Rajan from the Ministry of Information and Broadcasting, Government of India. DG, SEPC, Dr. Abhay Sinha said " One of the key objectives at SEPC is to facilitate service exporters of India and handhold medium and small enterprises to expand their global footprint and to present IPs from India to the buyers and distributors from across the globe. The IP Guide is to illustrate strengths of the Indian content creators. Intellectual Property (IP), especially in the innovation economy of today, is vital to a large number of SEPC's stakeholders. Creation, protection and expansion of IP products alone will bring huge benefits to the M&E sector".



DELEGATION MEETINGS @ MIPCOM



SEPC DG participated in over 35 meetings and interactions with global institutions and country representatives at MIPCOM. The Indian delegation at MIPCOM had several fruitful interactions with studio heads, co-production partners, production companies and global institutions positioning India as a digital media hub. They expressed their desire to collaborate internationally and invited global M&E executives to engage with Indian M&E companies.





LAUNCH OF IP3 AT INDIA PAVILLION



India highlighted liberal policy environment in the country for investments in M&E sector; the huge talent pool present in the country; and the ease of doing business which makes India a very attractive destination for global production companies.

The ease of doing business and facilitation by SEPC was emphasised in meetings and interactions. Del-

egates were receptive of the changes on ground and were positive in doing business with India.

India has truly emerged as a window of opportunity to position itself as a hub for audiovisual services for the rest of the world. This was clearly visible at MIP-COM 2019 with Indian M&E companies expanding their global footprint to serve the world.



BUILDING NEW AVENUES

India Pavilion was the one-stop place to meet content creators, audio visual service providers in animation, VFX, AR/VR, gaming, new media services, film production services and much more. The Indian companies were at MIPCOM to buy, sell, serve and partner with companies present from over 111 countries across the world. Over 500 B2B meetings were held at India Pavilion

INDIA EVENING AT MIPCOM

SEPC hosted a splendid India Evening on October 18 at MIPCOM bringing the brightest creative and business minds at the India Pavilion. The objective of the India evening was to engage honchos of the Indian companies at MIPCOM to network with producers, distributors, sales agents and business houses of global entertainment industry.

ACCOMPLISHMENTS AND NEXT STEPS

Services Export Promotion Council led a delegation of 45 media and entertainment companies comprising a total of 82 members to MIPCOM. SEPC facilitated and organised the India Pavilion at MIPCOM. India's stand was at a prominent location at Palais. It provided a platform for Indian content creators and service providers to collaborate with international delegates, studio heads, buyers, expand global footprint and engage in co-production.

45 MEDIA AND ENTERTAINMENT COMPANIES

SEPC brought out a comprehensive 'INDIAN Content Guide 2022' directory and 'Co-Production Agreements between India & Other Countries Guide'. The guide featured a catalogue of over 15 Co-Production Agreements between India & Other Countries. It comprehensively breaks the narrative of only low-end work being done in India

'INDIAN CONTENT GUIDE 2022' DIRECTORY AND 'CO- PRODUCTION AGREEMENTS BETWEEN INDIA & OTHER COUNTRIES GUIDE

SEPC offered Indian delegates at MIPCOM registration badges at 45% discount price compared to the official registration cost. The participants were also offered spaces to hold meetings, display brochures, and space for independent booths promoting ease of doing business.

MIPCOM REGISTRATION BADGES AT 45% DISCOUNT PRICE

There is a huge opportunity for strengthening services offerings in gaming, Virtual Reality, Augmented Reality, and Software Programming in AI (machine learning).

HUGE OPPORTUNITY FOR STRENGTHENING SERVICES

SEPC looks forward to scale India's presence at MIPCOM in 2023.

TOWARDS MIPCOM 2023







**SEPC India** @Sepc\_India · 14 Oct  
Don't miss our session that focuses on a rising global creative powerhouse: [#India](#)

India as a creative hub: [#Animation](#), [#VFX](#) & [#gaming](#) organized by: [@Sepc\\_India](#) [@MIB\\_India](#) [@DoC\\_Gol](#)

Details: [ow.ly/6CGI50L91Yn](https://ow.ly/6CGI50L91Yn)

Join us at [#mipcom](#): 17-20 Oct.  
[#mipjunior](#): 15-16 Oct, [#Cannes](#)



Sunil Talati and 7 others



**SEPC India** @Sepc\_India · 17 Oct  
[#IndiaPavilion](#) at [#MIPCOM2022](#) [#cannes](#) organised by [@Sepc\\_India](#) with the support of [@MIB\\_India](#) and Ministry of Commerce & Industry, Govt. of India would be facilitating business meetings of a very large Indian contingent representation India's [#Entertainment](#) sector including [#AVGC](#)



Dept of Commerce, Gol and 9 others

**SEPC**

SERVICES EXPORT PROMOTION COUNCIL  
(Setup by Ministry of Commerce & Industry, Govt. of India)

## Tweets Corner for MIPCOM 2022



**SEPC India** @Sepc\_India · 17 Oct  
[@MIB\\_India](#) set to unveil the logo for positioning "India as Content Hub of the World" at [#IndiaPavillion](#) organised by [@Sepc\\_India](#) at [#MIPCOM2022](#) [#Cannes](#) today.

Stay tuned!

[@PiyushGoyal](#) [@ianuragthakur](#)  
[@DoC\\_Gol](#) [@apurvaIAS](#) [@csrajan](#)  
[@SunilTalatiCA](#) [@KARANRATHORE45](#)  
[@IndiaembFrance](#)



**SEPC India** @Sepc\_India · 17 Oct  
[#India](#) announces its global positioning as Content Hub of the World at [#MIPCOM2022](#)

[#mipcom](#) [#cannes](#) [#SEPC](#)  
[#azadikaamritmoahotsav](#)





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# IN the NEWS

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## FMCG COMPANIES, RETAILERS TO SPEND BIG ON ADS DESPITE SUBDUED DEMAND

Some of the country's largest consumer goods makers and retailers will spend more on advertising despite poor demand for certain categories such as daily essentials and in rural markets. Chief executives of Hindustan Unilever (HUL), Aditya Birla Fashion & Retail, Tata Consumer Products, Titan Company and Dabur in their earnings call for the quarter ended September said they will significantly increase advertising and marketing spends this quarter and the next to

improve growth. HUL said it plans to step up advertising and promotion investments to boost sales and maintain the "share of voice ahead of market share". Tata Consumer Products grew advertising and promotion as a percentage of sales from 6.1% to 6.4% between April-September and the company is "committed to continuing to increase spending on building strong brands", its managing director Sunil D'Souza said. Godrej Consumer Products managing director Sudhir

Sitapati said in the company's earnings release on Tuesday that with inflationary pressures abating, the company expects recovery in consumption and gross margins alongside continued higher marketing investments with a significant focus on reducing controllable costs. Companies indicated they will increase their advertising budgets to double-digit proportion of their sales, up from high single digit at present, as inflationary pressure reduces.

### Loosening Purse Strings

<b>HUL</b> Bullish on advertising/promotion investments to boost sales	<b>MARICO</b> Increased advertising/promotion spending by 10% YoY in last quarter	<b>BRITANNIA</b> Undertaken media investment to support strong brands, newly launched products
<b>TATA CONSUMER PRODUCTS</b> Grown advertising and promotion as a percentage of sales from 6.1% to 6.4% between April-September		

## INDIA'S SERVICES SECTOR SEES UPTURN IN OCTOBER ON IMPROVED DEMAND

India's services sector activities witnessed an upturn in October on the back of stronger gains in new business and increased hiring amid strengthening demand. (The Hindu, 3rd November). The seasonally adjusted S&P Global India Services PMI Business Activity Index rose from September's six-month low of 54.3 to 55.1 in October, pointing to a quicker and marked rate of growth. The headline figure was above the neutral 50 threshold for the fifteenth straight month. In Purchasing Managers' Index (PMI) parlance, a print above 50 means expansion while a score below 50 denotes contraction. "The October results show us that service providers had no trouble securing new work in October, despite lifting their charges again. Hence, the sector remained firmly inside expansion territory as business activity and payroll numbers were raised to support strengthening demand," Pollyanna De Lima, Economics

Associate Director at S&P Global Market Intelligence, said. Meanwhile, the S&P Global India Composite PMI Output Index -- which measures combined services and manufacturing output -- rose to 55.5 in October from 55.1 in September, pointing to a marked rate of expansion that outpaced its long-run average. There was a mild acceleration in growth of private sector activity in India, as a stronger increase in the service economy more than offset a slowdown among goods producers S&P Global India added. The S&P Global India Services PMI is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 service sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in December 2005.

## ACTIVE WORK ON "HEAL IN INDIA" BY GOVERNMENT, FOCUS ON HIGH-END SURGICAL PROCEDURES AND INVESTMENTS TO BOOST MEDICAL VALUE TRAVEL.

The government is only seeking an easier visa regime for businessmen and professionals through the free trade agreement with the United Kingdom, officials said in response to the UK's Home Secretary Suella Braverman's comments of Indians overstaying their visas. Talks between India and the UK hit a snag over easier access to thousands of skilled workers delaying the deal beyond the October deadline. Indian officials said that the British government should share data on the number of Indian business visitors who have overstayed in the UK.

India is unlikely to offer major duty concessions without getting visa benefits. Officials suggested that a part of the delay is also due to the challenges being faced by the Liz Truss government.

They argued that it was skilled workers who made use of business visas and several professionals, such as those in the healthcare or the technology spheres went to the UK and other countries, which had a shortage of skilled personnel and needed qualified people. They pointed to the competition from companies operating in India to retain talent, given that their businesses were expanding both within the country as well as overseas.

## MICE PICKS UP PACE WITH TRAVEL BACK ON TRACK

Global CEO visits, large-scale conferences, corporate events and industry seminars are making a comeback, boosting occupancies at top city hotels, as normal flights to global money hubs resume after two consecutive seasons of restricted mobility. Top hospitality executives said they are seeing a definite uptick in such events after two years, although more could be done to tap the country's MICE (meetings, incentives, conferences and exhibitions) potential. "Some of these events were probably planned before the second Covid-19 wave and we see a large pent-up demand. They are happening in medium to large formats, going up to 1,500 delegates. One of the conferences hosted at our hotel last month had attendees from over 60 nations," he said. "Global business leaders are coming into the country for relationship-building meetings and to assess post-pandemic structures created here. It is still domestic business driving demand, but the mix is changing now". Meera Charnalia, senior vice president and head of MICE at Thomas Cook India, said the company is "very bullish" on the MICE segment. "We have recently managed a group of 400 delegates for a company in the National Capital Region and would be handling a significant group of 6,000 delegates from across 130 countries, including the UK, the US, Africa, Australia and Singapore, in Mumbai," she added. Sanjay Sethi, MD and CEO, Chalet Hotels, said the MICE business has been strong for the past two-and-a-half quarters for the chain. "We have hosted events of up to 1,000 people and it is looking very strong on a pan-India basis," Sethi said. "We expect international travel to pick up pace November onwards, with new flights connecting India directly to the US." Paritosh Ladhani, joint managing director of Sincere Developers, which owns Taj Hotel & Convention Centre in Agra, said the hotel hosted the Globoil conference for edible oil majors in September and also held an orthopedics conference recently. "Just like leisure travel, the booking window has shortened for the MICE segment too. Many global companies are hosting offsites and also conferences," Ladhani said. "We see at least 30% of our revenues in the next quarter coming from the MICE"

## MOST COMPANIES STICK WITH AUDITOR AFTER 5-YEAR TERM

A majority of the top-listed companies that were at the five-year decision point to either continue or change auditors have chosen to stick with the auditors they selected in 2017 in order to avoid transition challenges and the additional costs associated with it. The Companies Act 2013 says that a firm of auditors cannot be appointed as auditors for more than two terms of five years, according to rules that went into force in 2017. When an auditor's five-year terms are up, the firm can't be re-hired for another five years. An ET analysis of the top 500 companies by market capitalisation shows that 204 were at the decision point and only 52 (around 10%) have announced a change of auditor, while 152 have stuck with their existing auditor. Among India-headquartered companies, 39 changed auditors. The shareholder meetings, which approve appointment of auditors for the year ended March 2023 and onwards, have to be completed by September 30 as per regulations. Sudhir Soni, head of audit, BSR & Co LLP, said that companies prefer continuity of the audit firm as it gives benefits of knowledge gained by the firm and avoids disruption and diversion of efforts to manage this transition. Five years back, most companies made changes to their auditors after a detailed evaluation," he said. "Audit involves a familiarisation for both the auditor and the company, which takes some time and effort. As a result, the majority of businesses have chosen to stick with their current auditors for the second term."

