

# A CASE FOR FREE MARKET ECONOMICS IN THE INDIAN RECORDED MUSIC INDUSTRY

APRIL 2021



**973**  
**MILLION**  
SMARTPHONE USERS  
(EXPECTED BY 2025)

AN AVERAGE OF  
**2.3**  
**BILLION**  
DIGITAL TRANSACTIONS  
PER MONTH

**22**  
LANGUAGES

**19,569**  
LOCAL DIALECTS

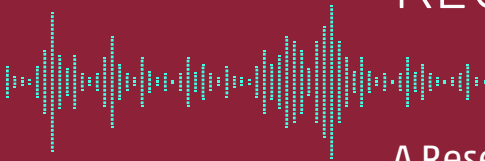
**386**  
**MILLION**  
MIDDLE INCOME POPULATION  
(EXPECTED BY 2030)



**\$0.09**  
PER GB OF DATA  
(2020)

0100  
1011  
0100

# A CASE FOR FREE MARKET ECONOMICS IN THE INDIAN RECORDED MUSIC INDUSTRY



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## Introduction

As clichéd as it may sound, Cinema & Recorded Music in India are twins separated at birth at the village fair that always end up meeting on the silver screen. That is the symbiotic relationship between Indian Cinema & Recorded Music. 70% of recorded music in India is film-based<sup>1</sup>; the other 30% is largely classical, devotional, folk and independent. If one goes to India's southern and eastern states, about 90% of the local music is film based. The phenomenon of cinema and recorded music is so deeply entrenched that a new trend of content for OTT Video platforms is emerging where recorded soundtracks embedded in OTT content are becoming popular and making it to the national charts. For instance, the theme song in Scam 1992 by Achint made it to rank 1 and rank 6 in the charts of Top 100 iTunes songs and Top 200 Shazam songs, respectively<sup>2</sup>.

Since 70% of recorded music in India is film-based, the growth of the film industry should have led to the growth of the recorded music industry. However, despite this symbiotic relationship, today the film industry is valued at ₹19,100 cr.,<sup>3</sup> while the music industry is valued at a mere ₹1,500 cr.<sup>4</sup> Archaic laws compounded by unwarranted and unnecessary regulatory interventions, especially in the rapidly developing digital marketplace as well as exemptions from Public Performance Rights, due to policy lacunas point to the wide revenue gap between the recorded music and film industry. We estimate around ₹2,016 cr. to ₹2,791 cr.<sup>5</sup> annually is lost by the recorded music industry due to obsolete laws eroding the fair value of the copyright, safe harbor provisions under Section 79 of the Information Technology (IT) Act, 2000, leading to a value gap between the copyright holders and platform and exemptions from Public Performance Rights that continue to debilitate the growth of the recorded music industry in India. .

## Objective



The objective of this study is to examine why there is a wide variation in the growth rates of the recorded music industry and the film industry that have up to 70% in common. The paper also aims to determine the reasons for the phenomenal growth of the film industry and contrast it with the stunted growth of the recorded music industry. Further, this paper hopes to establish the need for bringing in free market economics to the recorded music industry to enable the recorded music industry to reach its full potential

### The paper analyses-

- 1 The growth rates of film industry and music industry.
- 2 Factors in the recorded music industry that inhibit the growth trajectory.
- 3 The plausible value that the recorded music industry would have reached with a free market regime.
- 4 The flywheel effect of free market economics on the film industry's value chain.
- 5 The value of the video industry in Indonesia as well as music industry in Latin America and Europe. The Emerging Markets story.

<sup>1</sup><https://www.newindianexpress.com/opinions/2021/jan/31/to-bloom-music-industry-needs-a-free-market-2257333.html>

<sup>2</sup> On Top100 itunes charts in India for 7 weeks (beginning October 19th) till the end of the year in 2020 <https://www.top-charts.com/songs/all-genres/india/itunes/2020-W50>, on 3rd of November, 2020, Shazam charts are updated on a daily basis, <https://www.shazam.com/charts/top-200/india>

<sup>3</sup> The era of consumer A.R.T, India's Media & Entertainment Sector, FICCI, March 2020. <http://ficci.in/spdocument/23200/FICCI-EY-Report-media-and-entertainment-2020.pdf>

<sup>4</sup> The era of consumer A.R.T, India's Media & Entertainment Sector, FICCI, March 2020. <http://ficci.in/spdocument/23200/FICCI-EY-Report-media-and-entertainment-2020.pdf>

<sup>5</sup> Annexure A

# Section 01:

## ***A comparative analysis of the growth rates of film industry and music industry.***

As per FICCI's report, in the year 2019, the valuation of film industry stood at ₹19,100 cr. whereas the valuation of Music Industry was only ₹1,500 cr. While the cumulative growth of the film industry from 2005 to 2019 surmounted to 186%, the growth of music industry was only 81%.

The Indian film industry with its age-old reputation is the world's largest producer of films with 2446 films produced in 2019 compared to 786<sup>6</sup> films combined in the United States and Canada, and 850<sup>7</sup> films produced in China. If on average, an Indian film features 4 sound tracks, the 2446 films produced within the country would mean 9,785 film soundtracks would have been released in the same year. Further, theatrical reach in India was 10.5% of the population in 2019<sup>8</sup>.

On the other hand, recorded music is largely consumed online as 79%<sup>9</sup> of the recorded music accounts for digital consumption. However, despite remarkable digital developments like increased internet penetration accounting to 50% as compared to 27% five years ago,<sup>10</sup> cheapest average cost of 1GB data in the world (\$0.09),<sup>11</sup> low average cost of a smartphone at ₹11,500,<sup>12</sup> etc., the recorded music industry has experienced slow growth compared to the film industry.

### **Exhibit: 01<sup>13</sup>**

Industry Growth (in ₹bn)		
YEAR	MUSIC	FILM
2005	8.3	66.9
2006	7.8	81.7
2007	7.4	96.4
2008	7.3	109.3
2009	8.3	104.4
2010	8.6	83.3
2011	9	92.9
2012	10.6	112.4
2013	9.6	125.3
2014	10	126
2015	11	138
2016	12	122
2017	13	156
2018	14	175
2019	15	191

Per the table depicted above, in the year 2019, the valuation of India's film industry stood at ₹19,100 cr. whereas the valuation of the music industry was only ₹1,500 cr. While the cumulative growth of the film industry from 2005 to 2019 surmounted 186%, the growth of music industry was only 81%.

<sup>6</sup> <https://www.statista.com/statistics/187122/movie-releases-in-north-america-since-2001/#:~:text=In%202019%2C%20a%20total%20of,released%20in%20the%20previous%20year.>

<sup>7</sup> <https://www.statista.com/statistics/260392/number-of-feature-films-produced-in-china/#:~:text=In%202019%2C%20a%20total%20of,compared%20to%20the%20previous%20year.>

<sup>8</sup> [https://www.freepressjournal.in/india/146-crore-indians-watched-at-least-one-film-in-a-theatre-in-2019-report#:~:text=India's%20theatrical%20reach%20is%2C%20hence,per%20capita%20\(across%20languages\).&text=58%25%20of%20the%20theatrical%20reach%20comes%20from%20Urban%20India.](https://www.freepressjournal.in/india/146-crore-indians-watched-at-least-one-film-in-a-theatre-in-2019-report#:~:text=India's%20theatrical%20reach%20is%2C%20hence,per%20capita%20(across%20languages).&text=58%25%20of%20the%20theatrical%20reach%20comes%20from%20Urban%20India.)

<sup>9</sup> IFPI GMR

<sup>10</sup> <https://www.statista.com/topics/2157/internet-usage-in-india/>

<sup>11</sup> <http://cableco.uk/>

<sup>12</sup> <https://www.indiatvnews.com/technology/news-average-selling-price-of-a-smartphone-in-india-now-rs-11-500-663154>

<sup>13</sup> FICCI Frames M&E Reports



# Section 02:

## ***Factors in the recorded music industry that inhibit the growth trajectory and the potential value that the recorded music industry would have reached with free market economics***

### **1. Non-voluntary Licensing**

The foremost reason for the recorded music industry not achieving the potential the film industry has reached is the existence of non-voluntary licensing of recorded music which was initiated in 2001 to support the then nascent radio industry.

In 2001, the royalty rate, as set by PPL (a collective rights management establishment which also provides sound recording licenses to radio broadcasters), was ₹2,400 per needle hour (PNH) or 20% of Net Advertising Revenue (NAR), whichever was higher. This rate was challenged by several FM radio stations that approached the then Copyright Board seeking a compulsory license under Section 31A of the Copyright Act, 1957. In 2002, the Copyright Board fixed an interim rate of ₹1,200 PNH for peak hours and allowed a deduction for other time slots based on the category of city<sup>14</sup> the music was broadcast in. The ₹1,200 PNH rate was further challenged until the Copyright Board passed an order setting a 2% NAR compulsory license rate in 2010 the validity of which was pending till September 2020.<sup>15</sup>

The 2012 amendments to the Copyright Act, 1957 brought in Section 31D, which allowed for statutory licensing for radio and television broadcasters.

The Copyright Board order of 2010 came to an end in September 2020 and radio broadcasters filed fresh appeals before the IPAB to fix a fresh rate under Section 31 D (statutory licensing) of the Copyright Act, 1957. The order in these appeals was passed on 31 December, 2020. The new order set a maximum rate of ₹750 PNH for A+ category cities for broadcasting of sound recordings, substantially lower than the 2002 order of ₹1200 PNH.<sup>16</sup> Ideally, this rate should have been around ₹3895 PNH considering an inflation rate of 224.61% between 2002 and 2020 in India.

Annually, it is estimated that as a result of non-voluntary licensing regimes, the recorded music industry has lost potential revenues between ₹163 cr. to ₹225 cr. annually.<sup>17</sup>

Further, DPIIT had issued an Office Memorandum ("OM") dated September 5, 2016,<sup>18</sup> inaccurately including internet-based platforms within the scope of broadcasting organisations.

After taking into consideration the Rajya Sabha Standing Committee, the Statement of Objects and Reasons of the 2012 Copyright Amendment Act, and a bare reading of the relevant provisions of the Copyright Act and the related Copyright Rules, 2013, it is clear that the internet, as a medium, is not included within the scope of statutory licensing in India. This was also upheld in the case of TIPS v. Wynk by the Hon'ble Bombay HC.

In addition, Section 31D is not an archaic legislation, the legislature was well aware of and cognisant of digital technologies and of music downloading/streaming when the amendment bill was passed in 2012 and would have included the same if it so intended.

The recorded music industry is heavily dependent on revenues generated from internet-based services. Therefore, an extension of statutory licensing to the internet would result in severe losses and negatively impact nearly 53% of the revenues of the recorded music industry.

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<sup>14</sup> Classification set by the Central Govt. to classify the cities for radio licensing fees

<sup>15</sup> [https://static1.squarespace.com/static/5bcef7b429f2cc38df3862f5/t/5f439b2cb398394e2d9acc29/1598266157125/Megha\\_Patnaik-Licensing\\_For\\_Radio\\_Play\\_PAPER.pdf](https://static1.squarespace.com/static/5bcef7b429f2cc38df3862f5/t/5f439b2cb398394e2d9acc29/1598266157125/Megha_Patnaik-Licensing_For_Radio_Play_PAPER.pdf)

<sup>16</sup> [https://ipab.gov.in/ipab\\_orders/delhi/OP-\(SEC-31D\)-1-to-9-2020-CR-NZ-and-OP-\(SEC-31D\)-1-2020-CR-WZ.pdf](https://ipab.gov.in/ipab_orders/delhi/OP-(SEC-31D)-1-to-9-2020-CR-NZ-and-OP-(SEC-31D)-1-2020-CR-WZ.pdf)

<sup>17</sup> Annexure A

<sup>18</sup> (F. NO. 14-35/2015-CRB/LU (IPR VII))



## 2. Exemptions from PP Rights

Another key factor depriving the recorded music industry of fair compensation is the waiving of the Public Performance fee for the non-traditional parts of Indian weddings. Today, a wedding is an expensive affair with a multitude of non-traditional events attached to it for the purpose of entertainment. Music is an integral part of these non-traditional events like the cocktail and sangeet. Copyright Law under Section 52 (1) za exempts from the purview of infringement, the use of copyrighted work only in religious/traditional ceremonies associated with a marriage. However, a public notice<sup>19</sup> issued by the Indian Copyright Office in August 2019 wrongly extends the exemption even to non-traditional events associated with marriage. The non-issuance of PP license due to the confusion caused by this notice results in an annual estimated loss of ₹723 cr. to ₹1,000 cr.<sup>20</sup>

The central government of India and the respective state governments in the Indian Union do not waive taxes like GST and local taxes for the ceremonies constituting the traditional parts of the Indian wedding, so it seems patently unfair to call for the waiving of Public Performance (PP) fees for even the non-traditional parts of the Indian wedding, where pop music and film music are used extensively.

Moreover, Phonographic Performance Limited (PPL), earlier known as Indian Phonographic Industry is a performance rights organisation that licenses the sound recording of its members as provided in section 14 (e) (iii) of the Copyright Act, 1956. From 1996 onwards, PPL has been administering its members' rights under the Copyright Act.

The Copyright (Amendment) Act, 2012 obligated re-registration of all copyright societies that were already registered under the previous regime. PPL made an application under the statute of 2012 to be registered as a copyright society, however, it did not receive any response from the Central Government and withdrew its application for re-registration in 2014. In 2017, PPL, on the approval of the members of the company, reapplied for re-registration as a copyright society but the same is still pending before the concerned authorities.

PPL India represents 360 music labels including some of the world's best record labels. The lack of society status allows establishments and users the opportunity to refuse to obtain a PP license from PPL. The estimated annual loss due to not granting society status to PPL is between ₹264 cr. to ₹366 cr.<sup>21</sup>

<sup>19</sup> No. 10-26/2019-CO

<sup>20</sup> Annexure A

<sup>21</sup> Annexure A





### 3. Intermediary Liability and Digital Music Piracy

With the increasing penetration of the internet and non-stop consumption of digital content globally, online intermediaries have observed a favourable growth. Further, the double-edged sword of digital developments has led to a high music piracy rate in India. Usage of pirated music content was 67% of the surveyed music listeners in 2019, compared to a global music piracy rate of 27%<sup>22</sup>. Music pirate activities are against free market values as it inhibits fair competition in the recorded music market by allowing rogues platforms to reap benefits of the hard work of others labour. As a result, the motivating factor of fair remuneration is absent and does not encourage innovation to gain a competitive edge. It is estimated that visits to illegitimate websites and apps lead to revenue losses of ₹217 cr. to ₹300 cr. annually to the recorded music industry<sup>23</sup>.

Intermediaries, especially, short-video user generated content (UGC) platforms like Likee, which predominantly rely on music to create content and keep users engaged, have proliferated in the digital market. Further, various social media platforms such as Facebook and Instagram, have introduced similar features which allow their users to generate short-form video content to post on their platforms. Technology companies that own such intermediaries or platforms which run on the back of the recorded music industry's output, enjoy high valuations and investment flows into their platforms. On the other hand, the Indian recorded music industry has been affected adversely. These online intermediaries engaged in hosting user generated content have been reported to monetise the services through utilising user data and generating advertising revenues at the cost of unauthorised use of copyrighted works. Moreover, under the existing legal framework, short form video platforms shield themselves using Section 79 of the IT Act, 2000, and are therefore not held liable for unauthorised content uploaded on their platform, therefore, resulting in a revenue loss between ₹145 cr. to ₹200 cr.<sup>24</sup> annually to the recorded music industry.

Further, with the current legal framework many contributory platforms go scot free, creating a large value gap in revenue realised between various online intermediaries which enjoy high valuations and the recorded music industry. This discourages the stakeholders, essentially creators and investors in the recorded music industry. Such lax laws do not encourage creativity and innovation. The wide value gap as a result of the inadequate policy which allows for the unrestricted usage of unauthorised copyrighted music has prevented the recorded music market from operating in a free market and led to an estimated annual revenue/investment leakage of an additional ₹506 cr. to ₹700 cr.

Over time, these factors have had a negative impact on the overall growth of the music industry. The breakup of the potential loss to the recorded music industry is summarised from the factors discussed above<sup>25</sup>:

- Protective music licensing regime of the radio industry has resulted in a loss between ₹163cr. to ₹225 cr. to the recorded music industry.
- The amount of loss due to exemptions in Public Performance Rights is ₹723 cr. to ₹1,000 cr. and an additional loss of ₹264 cr. to ₹366 cr. from pending status grant as a copyright society to PPL.
- Potential revenue loss between ₹506 cr. and ₹700 cr. due to value gap as a result of intermediary liability provisions and a further, revenue loss of ₹361 cr. to ₹500 cr. attributable to digital music piracy as well as unauthorised content on short form UGC apps.

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<sup>22</sup> Digital Music Study, 2019

<sup>23</sup> Annexure A

<sup>24</sup> Annexure A

<sup>25</sup> Annexure A



# Section 03:

## The flywheel effect of free market economics on the value chain of the film industry

The ₹19,100 cr. value of the film industry is attributable to free market structure which encourages entrepreneurship and fosters innovation. Thus, it is essential to understand the concept of free market economics.

According to the Oxford Dictionary,<sup>26</sup> free market economy means “an economy in which a substantial majority of economic activity is organised through free markets, in which the parties choose the quantities and prices traded without central direction”.

Adam Smith,<sup>27</sup> the Father of Economics, presented a theory on free market economics known as 'the invisible hand' which explains the tendency of free markets in regulating themselves by means of competition supply and demand, and self-interest.

Applying the 'invisible hand' theory of Adam Smith, the examples of free market policies in the film industry are -

- 1 Voluntary licensing between all stakeholders ensuring the copyright owners fair price for their product.
- 2 Fair collection of public performance license fees.
- 3 Deregulation of ticket prices and withdrawal of draconian taxes levied on the film production and distribution process by the introduction of Income Tax Act, 1961 and Income Tax Rules.

These policies led to the exponential growth in the revenue collection at box office, and the following flywheel effects:

### A. The growth of the multiplexes

#### Genesis: start of the multiplex era

In 1997, the first multiplex PVR Anupam at Saket, Delhi, was set up. Naysayers wrote obituaries but history was made. Below is the flywheel effect of the first multiplex:

·Free ticket pricing expanded box office collections attracting more investments from investors like INOX

·As a consequence of large investments, the number of multiplex screens increased - playing a key role in India's infrastructure development. The number of multiplex screens has increased close to fourfold from 925 in 2009 to 3200 in 2019. Further, an estimated annual capital expenditure of ₹20.8 bn in 2019 was spent on multiplexes alone.

Role of multiplexes in infrastructure development is exhibited below

#### Exhibit: 02<sup>28</sup>

YEAR	NO. OF MULTIPLEX SCREENS	ESTIMATED ANNUAL CAPITAL EXPENDITURE (IN ₹ BN)
2009	925	14
2011	1225	28
2013	1500	34
2015	2100	74
2016	2450	110
2017	2750	155
2018	2950	166
2019	3200	208

<sup>26</sup> <https://www.oxfordreference.com/view/10.1093/oi/authority.20110803095834373>

<sup>27</sup> <https://www.investopedia.com/updates/adam-smith-economics/>

<sup>28</sup> MAI and Others

- From standalone multiplexes, multiplexes made an entry into malls. Their importance to footfalls in the malls has had such an impact that they are now usually the anchor tenant in all malls.
- An expanded box office has ensured that the improved benefits are not restricted to big stars but extends to all talent both on and off cinema sets. For instance, the spot boys on sets who were paid ₹750 in 2010 today make ₹1500 per day.
- Further, an expanding box office not only ensured investments from Hollywood but also resulted in the making of better quality of films that travel far and wide.
- Today both multiplexes and standalone cinemas co-exist in harmony. It is undeniable that a number of single screens have perished but that is often due to their own lack of flexibility. There are single screens delivering to the consumers a value proposition and they have excelled. For instance, Victory Theatre opposite Kayani Bakery in Pune thrives as a single screen.
- As per industry discussions with Multiplex Association of India (MAI), for single screen conversions (in terms of upgrade of cinema seating / interiors / look and feel and technology upgrades) the cost for a thousand-seater will be ₹2.5 cr. while the conversion from a single screen to twin screens will cost ₹3 cr. per screen.

Multiplex development across India has contributed to the ₹17,000 cr. shopping mall industry.<sup>29</sup> The upgradation of an estimated 400 single screens has contributed considerably to national GDP via an average of ₹2.75 cr. per screen.

## B. Economic benefits to the smallest stakeholders

Free market economics in the film industry has not only led to fair remuneration to rights holders but also delivered benefits to the smallest stakeholders involved in film production stages, from the spot boy to the camera men to the drivers of film stars. Exhibit 3A depicts that, the cost per shift for a spot boy and a star driver was ₹750 and ₹5000 respectively in 2010, while in 2020, the respective cost per shift increased to ₹1500 and ₹15000, respectively.

Exhibit 3B, on the other hand, delves into the decadal shift in costs per shift for Hair and Make-up artists. In the 70's Hair and Make-up artists were paid ₹150 per shift. During the first decade of the 21st century Make-up artists were paid ₹10,000 per day. While Exhibit 3C, depicts the monthly salary of a photographer which has seen a steady increase each year from ₹35,000 in 2008 to ₹71,600 in 2017.

### Exhibit 03: Economic benefits to smallest stakeholders

#### Exhibit: 3A<sup>30</sup>

	2010 (COST PER SHIFT IN ₹)	2020 (COST PER SHIFT IN ₹)
Spot Boy	750	1500
Light Men	750	1500
Dress Men	1200	2000
Camera (Big Camera)	3500	7000
Art Department Wages (Setting Worker)	550	1050
Star Drivers	5000	15000

<sup>29</sup> [https://www.researchgate.net/publication/290428946\\_A\\_Study\\_of\\_Buying\\_Behavior\\_and\\_Brand\\_Perception\\_of\\_Consumer\\_in\\_Shopping\\_Malls\\_VSRD\\_International\\_Journal\\_of\\_Business\\_Management\\_Research\\_VSRD\\_-\\_IJBMR\\_Vol\\_1\\_6\\_2011\\_1-5](https://www.researchgate.net/publication/290428946_A_Study_of_Buying_Behavior_and_Brand_Perception_of_Consumer_in_Shopping_Malls_VSRD_International_Journal_of_Business_Management_Research_VSRD_-_IJBMR_Vol_1_6_2011_1-5)

<sup>30</sup> CINTAA and Industry Discussions

### Exhibit: 3B<sup>31</sup>

YEAR/ CATEGORY	HAIR AND MAKEUP (COST PER SHIFT IN ₹, UNLESS SPECIFIED)	ASSISTANT CHIEF OF DIRECTORS
70's	150	-
80's	250/300	-
90's	1000/3500/5000 (Depends on Actor, per day)	750 RD/ Chief 5000 (Per Month)
2000's	5000/7000/8000 (Depends on Actor, per day)	5000 RD / Chief 10000 (Per Month)
2010's	10000 (Per day)	-

### Exhibit: 3C

YEAR	MONTHLY SALARY FIXED BY F.W.I.C.E. <sup>32</sup> FOR PHOTOGRAPHERS (IN ₹)
2008	35,000
2009	36,750
2010	40,425
2011	42,446
2012	45,629
2013	47,911
2014	51,504
2015	58,199
2016	64,600
2017	71,706

It is evident from the above exhibits that free market economics in the film industry has benefited the entire value chain of stakeholders.

## C. The Multiplier Effect – Film Production rises

Naturally, free market conditions in the film industry introduced a positive multiplier effect in the number of films produced in a year. As per reports by Central Board of Film Certification (CBFC) of India, the governmental body regulating the filmmaking industry, there has been a rise in the number of Indian feature films released from 943 in 2002 to 2446 during the financial year (FY) 2018-19.

<sup>31</sup> CINTAA and Industry Discussions

<sup>32</sup> Federation of Western India Cine Employees (FWICE)

## Exhibit 04: The Multiplier Effect – Film Production Rises<sup>33</sup>

YEAR	FILMS CERTIFIED (INDIAN FEATURE FILMS)
2001	1013
2002	943
2003	877
2004	934
2005	1041
2006	1091
2007	1146
2008	1325
2009	1288
2010	2126
2011	2162
2012-2013*	2621
2013-2014	2751
2014-2015	1912
2015-2016	2336
2016-2017	2480
2017-2018	N/A
2018-2019	2446

Calendar year (CY) figures from 2001-2011,  
FY figures for following years.

\*Figure includes number of films certified from  
Jan-March 2012

The above establishes that a vibrant and robust box office with year on year (Y-O-Y) growth not only attracted domestic investments in the production sector but also attracting FDI from major Hollywood studios. The multiplier effect further resulted in additional employment generation - with the number employed in the industry rising from approximately 1,60,800 in 2013 to 24,86,000 in 2017.

## Exhibit 05: Employment in the Film-Industry since 2013<sup>34</sup>

YEAR	NUMBER OF EMPLOYEES (IN 000'S)
2013	160.8
2014	179.3
2015	199.9
2016	222
2017	248.6

<sup>33</sup> CBFC Annual Reports

<sup>34</sup> Number of employees in the Indian film industry from 2013 to 2017, Statista



## Review:

From the above points, we can gauge the benefits of free-market economics in an industry. Given that the film industry and recorded music industry are symbiotic, there is no reason why they should have different licensing regimes. Had the recorded music industry been allowed to operate with free market values, the ₹1,277 cr. recorded music industry would have been anywhere between 1/5th to 1/4th the size of the ₹19,100 cr. film industry, approximately ₹3,332 cr. to ₹4,107 cr. in 2019. A revenue of ₹4,107 cr. would place the Indian recorded music industry in the top 10 music markets in the world, at around the 6th rank. The factors that lead to potential losses of around ₹2,016 cr. to ₹2,791 cr. annually to the recorded music industry are reiterated below<sup>35</sup>:

- A deficit of ₹163 cr. to ₹225 cr. royalties denied to music industry by Broadcast Radio thanks to archaic laws such as Compulsory and Statutory Licensing which were introduced when Broadcast Radio was at a nascent stage. Today per the FICCI FRAMES M&E Report Private Broadcast Radio is at ₹3100 cr. when compared to recorded music at ₹1500 cr.
- The Office Memorandum (OM) issued by DPIIT which inaccurately includes internet-based services under the scope of broadcasting organisations, result in huge potential losses, considering 73% of the recorded music industry revenues are attributed to streaming. The withdrawal of the OM would allow for investments in I-pop plus other regional genres as well as impact 53% of the recorded music industry revenues
- A ₹723 cr. to ₹1,000 cr. deficit is from public performance revenues at wedding ceremonies, vide a notice the westernised celebrations at wedding ceremonies are exempt from procuring public performance licenses for use of recorded music while the GOI imposes a 3% GST on Mangalsutra the most sacred element of an Indian wedding<sup>36</sup>. Further, an additional loss of ₹264 cr. to ₹366 cr. due to the pending status of PPL's reregistered application to be recognised as a copyright society.
- A revision to intermediary liability provisions under Section 79 of the IT Act would help the recorded music industry realize the ₹145 cr. to ₹200 cr. revenue leakage coming from short form video content apps that are now proliferating the market in India and content uploaded by users on BIG TECH platforms, these platforms monetize the user generated content via ad sales. The BIG TECH platforms enjoy higher valuations in large users and ad base, this value gap between the recorded music industry leads to further annual losses of ₹506 to ₹700 cr.
- Music piracy on digital platforms which costs the recorded music industry ₹217 cr. to ₹300 cr. in revenues.



<sup>35</sup> Annexure A

<sup>36</sup> IMI Position Paper on Public Performance Royalties from Non-Traditional Events in Wedding ceremonies in India



# Section 04:

## ***A case study on the Video Industry in Indonesia as well as an analysis of the value of the music industry in Latin America & Europe***

### **Case Study 1- Indonesia**

In a free market, the role of the government is limited. Nevertheless, the involvement of the government is important to keep the system free and competitive. Indonesia's Video Industry is a key example of a market that has reaped the benefits from the actions, in particular, anti-piracy actions employed by the government as well as from the collaboration of the industry. Between August, 2019 to Jan 2021, Indonesia reported a major decrease of 72%<sup>37</sup> in context to consumers accessing illegal streaming sites or pirated sites.

In January 2019, per month 53m viewers visited sites controlled by the top three piracy platforms in Indonesia namely: *IndoXXI*, *LK21* and *bioskopkeren*<sup>38</sup>. This was almost double the number of viewers i.e., 23m per month, that the four biggest legal streaming platforms in Indonesia attracted<sup>39</sup>. As a result, the government sought to ensure that action is taken against nefarious platforms that deprive copyright owners of their rightful revenues.

The following tactics have been deployed by Indonesia to thwart piracy namely-

#### **a) Collaboration b/w the govt and the creative sector**

For an effective fight-back against piracy, collaboration between various stakeholders is essential. In Indonesia, local coalitions and partners such as Globe Telecom, Telco, Optical Media Board (OMB), and Asia Video Industry Association's (AVIA) Coalition Against Piracy (CAP), Video Coalition of Indonesia (VCI) as well as Asosiasi Perusahaan Film Indonesia (APFI) collaborated with the government and law enforcement agencies to spread awareness on video piracy and its negative effects.

#### **b) Rolling site blocking**

Effective blocking of infringing websites and platforms is one of the major ways through which Indonesia managed to drastically slash its piracy levels. Since July 2019, CAP on behalf of VCI referred more than 2,500 piracy streaming sites and ISDs (Illicit Streaming Devices) to KOMINFO (the Ministry of Communication and Information Technology, Indonesia). This effort led to the blocking of an average of 60 sites every 10 days<sup>40</sup>.

As a result of free market economics and limited government involvement, legal services grew by 30%<sup>41</sup> around 2019 and 2020. This together, led to a massive reduction in consumers who accessed pirated websites between by 55% between September 2019 and June 2020, while 28% of online consumers admitted to accessing pirate websites compared to 63% in September 2019. ISD (Illicit Streaming Device) usage in Indonesia also fell from 29% to its current levels of 6% - the lowest in Southeast Asia<sup>42</sup>. Moreover, 34% stated that they now "only rarely" accessed piracy websites and 16% consumers also reported to have subscribed to a paid streaming service due to blocking of pirated movie sites<sup>43</sup>.

The case study on the Indonesian Video Industry proves that the benefits of free market economic policies are multifarious.

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<sup>37</sup> <https://www.ft.com/content/67c185fa-0644-4761-b582-20a234712082>

<sup>38</sup> <https://www.ft.com/content/67c185fa-0644-4761-b582-20a234712082>

<sup>39</sup> <https://www.ft.com/content/67c185fa-0644-4761-b582-20a234712082>

<sup>40</sup> AVIA, 2021. The Asia Video Industry Report.

<sup>41</sup> <https://www.manilatimes.net/2020/10/25/business/sunday-business-i-t/reducing-risks-of-digital-piracy/785240/>

<sup>42</sup> AVIA, 2021. The Asia Video Industry Report.

<sup>43</sup> [https://www.kominfo.go.id/content/detail/27915/dalam-10-bulan-penonton-streaming-bajakan-menurun-55-persen/0/sorotan\\_media](https://www.kominfo.go.id/content/detail/27915/dalam-10-bulan-penonton-streaming-bajakan-menurun-55-persen/0/sorotan_media)



## Case Study 2- Latin America

Latin music is revolutionised and as a result of the Despacito effect, Latin American music is quickly gaining traction globally. The release of the Spanish song in 2019, Despacito by Luis Fonsi received positive responses from music lovers all around the world and earned the title of the most-streamed music video of all time on YouTube with over 6.5 billion views<sup>44</sup>. In fact, 30% of all tracks on YouTube's Global Top Songs chart, at any given week in 2020 featured Latin artists<sup>45</sup>. This is testament to the fact that, today, music consumers worldwide have diversified their tastes in music and are open to listening to music in different genres and languages.

As per the Recording Industry Association of America<sup>46</sup>, music revenues from Latin American music in the US increased by 28% to reach \$554mn for the year 2019. However, in 2019, the total revenue for Latin America Recorded Music Industry as per IFPI GMR is \$704 mn. and as per the November 2019 MRC Data<sup>47</sup>, with 39.75 billion on-demand audio streams, Latin music's gain against previous years is 26.4%, while the total gains registered for the entire U.S is only 21.8%. And, as per the Recording Industry Association of America<sup>48</sup>, 2020 marks the fourth consecutive year with double digit percentage growth of revenues from Latin music in the U.S with total streaming revenues being \$285.2 million for only the first half of 2020.

## Case Study 3- Europe

Exhibits 6-11 below illustrate the size of the recorded music industry, live music, music publishing as well as music exports across the European Region from Iceland in the west to Russia in the East.

### Exhibit 6: Recorded Music, Live Music and Publishing Revenue across Europe in 2019<sup>49</sup>

COUNTRY	RECORDED MUSIC REVENUE IN \$ MN <sup>50</sup>	LIVE MUSIC REVENUE IN \$ MN <sup>51</sup>	COLLECTIONS 2019 IN \$ MN <sup>52</sup>
UK	1,437 (₹10120.79 Cr)	1501 (₹10571.5 Cr INR)	909.2 (₹6403.8 Cr)
GERMANY	1,260 (₹8874.1 Cr)	1873 (₹13191.5 Cr INR)	961.2 (₹6770.4 Cr)
FRANCE	992 (₹6986.65 Cr)	924 (₹6507.73 Cr INR)	1449.5 (₹10561.2 Cr)
NETHERLANDS	311 (₹2190.37 Cr)	626 (₹4408.91 Cr INR)	258 (₹1817.4 Cr)
ITALY	277 (₹1950.91 Cr)	635 (₹4472.3 Cr INR)	670 (₹4719 Cr)
SPAIN	255 (₹1795.96 Cr)	249 (₹1753.7 Cr INR)	
SWEDEN	194 (₹1366.34 Cr)	393 (₹2767.89 Cr INR)	
RUSSIA	172 (₹1211.39 Cr)	418 (₹2943.97 Cr INR)	

<sup>44</sup> <https://www.grammy.com/grammys/news/what-was-youtubes-most-streamed-music-video-decade>

<sup>45</sup> <https://www.billboard.com/articles/columns/latin/9501501/latin-music-global-growth-2020-bad-bunny-j-balvin/>

<sup>46</sup> <https://www.riaa.com/reports/2018-riaa-latin-shipment-revenue-statistics-riaa/>

<sup>47</sup> Id

<sup>48</sup> Mid-Year 2020 Latin RIAA Revenue Statistics, <https://www.riaa.com/wp-content/uploads/2020/10/Mid-Year-2020-Latin-RIAA-Revenue-Statistics.pdf>

<sup>49</sup> \$1~₹70.43

<sup>50</sup> IFPI GMR, 2020

<sup>51</sup> Source for Live Music Revenue: Statista 2021, Ranking of European Live Music Markets based on estimated market value from 2018 to 2023. <https://www.statista.com/statistics/687692/top-live-music-markets-in-europe/>

<sup>52</sup> CISAC Global Collections Report 2020





COUNTRY	RECORDED MUSIC REVENUE IN \$ MN <sup>50</sup>	LIVE MUSIC REVENUE IN \$ MN <sup>51</sup>	COLLECTIONS 2019 IN \$ MN <sup>52</sup>
SWITZERLAND	146 (₹1028.27 Cr)	370 (₹2605.91 Cr INR)	246.9 (₹1739.4 Cr)
NORWAY	139 (₹978.97 Cr)	304 (₹2141.07 Cr INR)	
DENMARK	138 (₹971.93 Cr)	312 (₹2197.41 Cr)	
BELGIUM	133 (₹936.71 Cr)	270 (₹1901.61 Cr)	
AUSTRIA	117 (₹824.03 Cr)	267 (₹1880.48 Cr)	
POLAND	115 (₹809.94 Cr)	149 (₹1049.4 Cr)	
FINLAND	88 (₹619.78 Cr)	82 (₹577.52 Cr)	
IRELAND	71 (₹500.05 Cr)	157 (₹1105.75 Cr)	
TURKEY	48 (₹338.06 Cr)	55 (₹387.36 Cr)	
CZECH REPUBLIC	46 (₹323.97 Cr)	35 (₹246.5 Cr)	
PORTUGAL	39 (₹274.67 Cr)	94 (₹662.04 Cr)	
HUNGARY	32 (₹225.37 Cr)	51 (₹359.19 Cr)	
GREECE	28 (₹197.2 Cr)	117 (₹824.03 Cr)	
BALTICS (ESTONIA, LATVIA & LITHUANIA)	23 (₹161.98 Cr)		
CROATIA	16 (₹112.68 Cr)		
SLOVAKIA	14 (₹98.6 Cr)		
ICELAND	8 (₹56.34 Cr)		
BULGARIA	7 (₹49.3 Cr)		
<b>TOTAL</b>	<b>6,105 (₹42997.5 Cr)</b>	<b>8,882 (₹62555.9 Cr)</b>	

The overall collections of Europe accounted for 54.4% of the global collections i.e., \$6085 mn (~₹42861 Cr.)<sup>53</sup>.

## Exhibit 7: Waterfall Effect – Music Ecosystem Rises<sup>54</sup>

The table below is the breakdown of the publishing revenue formats for Europe in 2019.

CISAC CREATORS INCOME STREAMS (IN EUROPE, 2019)	VALUE IN \$ MN (IN ₹) <sup>55</sup>
Digital	2298 (₹16185 Cr)
Live and Background	3099.8 (₹21832.2 Cr)
TV & Radio	4167.4 (₹29351.4 Cr)
Private Copying <sup>56</sup>	407.5 (₹2870.4 Cr)
Other	492.8 (₹3471 Cr)

<sup>53</sup> CISAC Global Collections Report 2020

<sup>54</sup> CISAC Global Collections Report 2020

<sup>55</sup> \$1 ~ ₹70.43

<sup>56</sup> Private copy levy compensates writers and artists for the losses suffered as a result of others making copies of their music and films for their private use. The compensation takes the form of a tax on blank CDs and DVDs and other electronic products with storage capacity. Source for definition: Government of Netherlands Website

## Exhibit 8: Europe Live Music Events at Arenas in 2019<sup>57</sup>

Music Events at Arenas in Europe accounted for 48% of the overall events with an average footfall of 8,080 per event and an average ticket price of \$69.18 (₹4873). Therefore, an estimated \$793.2mn (₹5587.1 Cr) is the average revenue for the year 2019, assuming the events are all ticketed events.

TOTAL EVENT PERFORMANCES	MUSIC EVENT PERFORMANCES	AVERAGE ATTENDANCE AT MUSIC EVENTS	AVERAGE TICKET PRICES IN \$ (IN ₹)	ESTIMATED AVERAGE REVENUES IN \$ MN (IN ₹)
2915	1419	8080	69.18 (₹4873)	793.2 (₹5587.1 Cr)

## Exhibit 9: Infrastructure Spends on Multipurpose Venues<sup>58</sup>

Infrastructure Spends in Europe: \$40mn – \$350mn or more per venue (₹281.72 Cr – ₹2465 Cr)

## Exhibit 10: European Music Exports 2018<sup>59</sup>

Music Export revenues for the record companies and music publishers in the European Music Market accounted for \$3.8 bn (₹26,520 Cr) in 2018.

RECORD COMPANY REVENUE FROM EUROPEAN MUSIC EXPORTS IN \$ <sup>60</sup> BN (IN ₹)	MUSIC PUBLISHERS REVENUE FROM EUROPEAN MUSIC EXPORTS IN \$ BN (IN ₹)	NUMBER OF RECORD COMPANIES IN EU27+UK
2.6 (₹17940 Cr)	1.25 (₹8580 Cr)	7400

## Exhibit 11: Live Music UK Data in 2019<sup>61</sup>

The Live Music Sector in UK employs 210,000 on FTE and contribute \$5.8bn (₹40711.5 Cr) to the economy of UK.

LIVE MUSIC CONTRIBUTION TO UK ECONOMY (IN \$ BN)	LIVE MUSIC SUPPORTED JOBS
5.8 (₹40711.5 Cr <sup>62</sup> )	210,000 FTE

<sup>57</sup> Music & Events Research 2019: A Report Prepared for the European Arenas Association by SEC Ltd. 2020

<sup>58</sup> Industry Sources

<sup>59</sup> Oxford Economics, 2020: The Economic Impact of Music in Europe

<sup>60</sup> \$1 ~ ₹68.49

<sup>61</sup> UK Live Music: At A Cliff Edge, LIVE (Live Music Industry Venues and Entertainment), 2020

<sup>62</sup> \$1 ~ ₹70.43



## Conclusion

Through this paper it is concluded that with the film industry the flywheel effect eventually led production houses to invest in and reap rich dividends from new genres of films such as 3 Idiots, English Vinglish and Bahubali. However, in the case of the recorded music industry, due to the lack of free market economics, there has been no incentive to invest in new genres. Those who invested in new genres despite all hurdles have not been able to effectively monetise their investments.

The contributing variables to successful growth in both the industries depends primarily on financial fuel i.e., investment. When free-market conditions prevail, investors tend to take on high risks as can be clearly seen in the case of the film industry. However, if the free-market economy is disturbed, it would affect fair market values negatively, leading to a decline in investments as is evident in the case of the recorded music industry.

The export potential is huge for the recorded music industry, a song can travel far and wide in the digital era. A liberal economic policy for the recorded music industry and its ensuing flywheel effect would result in:

- 1 Greater employment generation:** This goes beyond singers there are also authors, composers, publishers, sessions musicians, record labels, platforms like Spotify and GAANA.
- 2 Increased earning on the periphery of the organised music industry:** Once songs are created there are members of the local music cottage industry like the Nukkad DJ 'S and the Brass Bandwallas who also benefit.
- 3 Higher Infrastructure development:** expect AIG, and Ticketmaster to create venues like the O2, Staples, Madison Square Garden.
- 4 Increased export earnings and growth:** Brazil's music revenues are around US\$ 313 million of which it is estimated approximately 50% comes from exports<sup>63</sup>.

The Government of India needs to let free market conditions play in the recorded music industry for it to experience the film industry's revenue growth. The recorded music industry in turn is ready and willing to support the Government of India on All India Radio (AIR) and Prasar Bharathi (PB) in the interest of promoting social good.

Further, given that the film industry and recorded music industry are symbiotic, there is no reason why they should have different licensing regimes. Had it been allowed to operate with free market values, the ₹1,277 cr. Indian recorded music industry, which was ranked 15th globally in 2019, would have been worth approximately ₹3,332 cr. to ₹4,107 cr.<sup>64</sup> in 2019, placing it in the top 10 music markets in the world.

Instead, the Indian recorded music industry is hampered by potential revenue losses of around ₹2,016 cr. to ₹2,791 cr.<sup>65</sup> annually and a consequent decline in investments.

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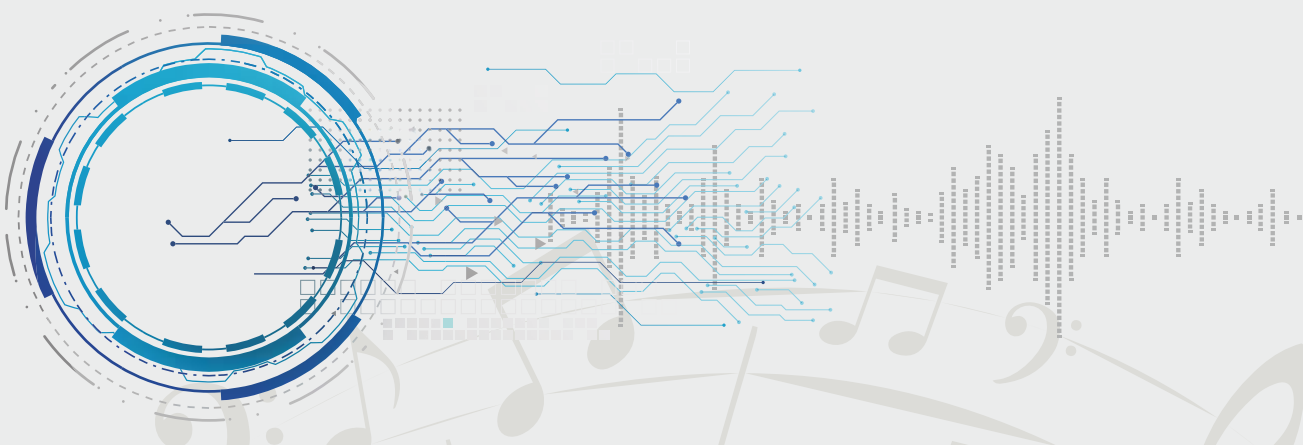
<sup>63</sup> IFPI GMR 2020

<sup>64</sup> Annexure A

<sup>65</sup> Annexure A

Since India's linguistic heterogeneity - 22<sup>66</sup> languages recognised by the constitution of India and 19,569<sup>67</sup> local dialects - mirror the cultural diversity of Continental Europe, it is plausible to believe that India can aim to be on par with the size of the European music market in a decade. This will happen mainly on the back of the currently 448mn<sup>68</sup> smartphone users growing up to 973 million by 2025<sup>69</sup> compounded with the lowest data pricing in the world currently at \$0.09 per GB of data<sup>70</sup>. In addition, the 700 million unique bank accounts<sup>71</sup>, swift moves towards digital transactions - around 2.3 billion UPI transactions happen in a month<sup>72</sup> - and the Government of India's Bharat Broadband programme BharatNet<sup>73</sup> will bolster progress. The World Economic Forum predicts the Indian Middle-Income population to be 386 million by 2030 compared to 293 million in 2018<sup>74</sup>, the same report indicates that in 2030, 77% of India's population will comprise of Millennials and Gen Z. The digital advertising market has been growing at a CAGR of 24.12%<sup>75</sup> from 2016-20 and in 2020 was ₹21,726 Cr.<sup>76</sup> Assuming the CAGR follows a similar growth pattern over the current decade, the digital advertising market is estimated to be ~₹1.66 lakh cr. by 2030. A digital regulatory system being built around **JAM**<sup>77</sup> (**J**anDhan - universal basic income, **A**adhar - unique identification program and **M**obile) controlled by the state which is promoting an interoperable ecosystem, to prevent a winner takes all situation, thereby enabling a number of digital services to co-exists and the market to bloom.

As per the IFPI GMR 2020 Report, the recorded music revenues for Europe accounted for \$6,105 mn or ₹42,997.5 Cr. In addition, the Live Music Revenues were more than \$8,882mn (₹62,555.9 Cr.)<sup>78</sup> and Publishing Revenues were \$6085 mn (~₹42,861 Cr.)<sup>79</sup> in Europe for 2019. If these archaic laws are removed, India surely has the potential to be among the top 5 markets by 2031.



<sup>66</sup> <https://censusindia.gov.in/2011Census/Language-2011/General%20Note.pdf>

<sup>67</sup> <https://censusindia.gov.in/2011Census/Language-2011/General%20Note.pdf>

<sup>68</sup> EY-FICCI M&E Report 2021: Playing by New Rules, India's Media & Entertainment Sector Reboots in 2020, March 2021.

<sup>69</sup> Number of smartphone users in India in 2015 to 2020 with a forecast until 2025 <https://www.statista.com/statistics/467163/forecast-of-smartphone-users-in-india/>

<sup>70</sup> <http://cableco.uk>

<sup>71</sup> <https://www.financialexpress.com/industry/the-west-created-monopolies-we-democratised-data-nandan-nilekani-co-founder-infosys/2225178/>

<sup>72</sup> <https://www.financialexpress.com/industry/the-west-created-monopolies-we-democratised-data-nandan-nilekani-co-founder-infosys/2225178/>

<sup>73</sup> <http://bharatnet.bbnindia.in>

<sup>74</sup> World Economic Forum-Bain & Company, Future of Consumption in Fast-Growth Consumer Markets: INDIA

<sup>75</sup> Calculated using data from <https://www.statista.com/statistics/233493/digital-advertising-revenue-in-india-from-2011/> and EY-FICCI M&E Report 2021: Playing by New Rules, India's Media & Entertainment Sector Reboots in 2020, March 2021.

<sup>76</sup> GroupM This Year, Next Year 2021 Report

<sup>77</sup> <https://pmjdy.gov.in>

<sup>78</sup> Statista 2021, Ranking of European Live Music Markets based on estimated market value from 2018 to 2023.

<sup>79</sup> CISAC Global Collections Report 2020.

# ANNEXURE- A

## Post Policy Reforms: Short Term Revenue Projections (18 months)



REVENUE SOURCE			RECOMMENDATION			CURRENT REVENUES (IN ₹ CR.)		
PUBLIC PERFORMANCE			Allow for free market practises to determine the license fee for use of sound recording by Private FM Radio broadcasters. Withdrawal of Statutory Licensing is the way forward. Historically, private Broadcasters were at an infancy stage of the operations. Today the private Broadcasters have revenues of ₹3,100 cr. vis-à-vis the recorded music industry at ₹1,277 cr.			75		
FM Radio Broadcasting								
ESTIMATED REVENUES								
HIGH			MEDIUM			LOW		
Total Potential Revenue Size (in ₹ cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)	Total Potential Revenue Size (in ₹ cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)	Total Potential Revenue Size (in ₹ cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)
300	NA	225	266	NA	191	238	NA	163

REVENUE SOURCE			RECOMMENDATION			CURRENT REVENUES (IN ₹ CR.)		
PUBLIC PERFORMANCE			RoC should grant PPL status as a copyright society; this will strengthen the hand of PPL when dealing with establishments using copyrighted content. Establishments, even reputed brands, refuse to entertain PPL as they are not recognised as a society. If these establishments do entertain PPL then PP revenues could potentially be ₹421 Cr. An emerging market like Brazil earns ~₹496 Cr. (US\$ 70.5 mn) from PP including radio royalties compared to India ~₹130 Cr. (US\$ 18.5 mn) including radio royalties. India is part of the BRICS grouping, hence the benchmark with Brazil <sup>80</sup> .			55		
Establishments								
ESTIMATED REVENUES								
HIGH			MEDIUM			LOW		
Total Potential Revenue Size (in ₹cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)	Total Potential Revenue Size (in ₹cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)	Total Potential Revenue Size (in ₹cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)
421	NA	366	366.1	NA	311.1	319	NA	264

<sup>80</sup> IFPI GMR 2020



REVENUE SOURCE			RECOMMENDATION			CURRENT REVENUES (IN ₹ CR.)		
PUBLIC PERFORMANCE  Wedding Events (Non-Traditional)			RoC should withdraw the Public Notice issued in August, 2019, which exempts PP license fees for usage of sound recordings at weddings.			0		
ESTIMATED REVENUES								
HIGH			MEDIUM			LOW		
Total Potential Revenue Size (in ₹ cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)	Total Potential Revenue Size (in ₹ cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)	Total Potential Revenue Size (in ₹ cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)
1000 (1)	NA	1000	850	NA	850	723	NA	723

REVENUE SOURCE			RECOMMENDATION			CURRENT REVENUES (IN ₹ CR.)		
General Piracy, Stream Ripping, Cyberlockers			More administrative blocking and setting up of digital cybercrime units such as MCDCU and TIPCU across India			0		
ESTIMATED REVENUES								
HIGH			MEDIUM			LOW		
Total Potential Revenue Size (in ₹ cr.)	Value Gap (in ₹ Cr.)	Fair Value (in ₹ Cr.)	Total Potential Revenue Size (in ₹ cr.)	Value Gap (in ₹ Cr.)	Fair Value (in ₹ Cr.)	Total Potential Revenue Size (in ₹ cr.)	Value Gap (in ₹ Cr.)	Fair Value (in ₹ Cr.)
300	NA	300	255	NA	255	217	NA	217

REVENUE SOURCE			RECOMMENDATION			CURRENT REVENUES (IN ₹ CR.)		
Value Gap between Tech Cos that own UGC apps like YouTube and the Recorded Music Industry			Revision to Intermediary Liability provisions, Section 79 of the IT Act			300 (2)		
ESTIMATED REVENUES								
HIGH			MEDIUM			LOW		
Total Potential Revenue Size (in ₹ cr.)	Value Gap (in ₹ Cr.)	Fair Value (in ₹ Cr.)	Total Potential Revenue Size (in ₹ cr.)	Value Gap (in ₹ Cr.)	Fair Value (in ₹ Cr.)	Total Potential Revenue Size (in ₹ cr.)	Value Gap (in ₹ Cr.)	Fair Value (in ₹ Cr.)
1000	700	NA	895	595	NA	806	506	NA



REVENUE SOURCE			RECOMMENDATION			CURRENT REVENUES (IN ₹ CR.)		
Short form content copyright infringement on UGC apps			Revision to Intermediary Liability provisions, Section 79 of the IT Act			0		
ESTIMATED REVENUES								
HIGH			MEDIUM			LOW		
Total Potential Revenue Size (in ₹ cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)	Total Potential Revenue Size (in ₹ cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)	Total Potential Revenue Size (in ₹ cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)
200	NA	200	170	NA	170	145	NA	145

REVENUE SOURCE			RECOMMENDATION			CURRENT REVENUES (IN ₹ CR.)		
Streaming (Audio)			Ambiguity caused by the DPIIT memo of 2016 is hampering additional domestic and international investments into music content. Global DSP's are also holding back the globally accepted subscription model full throttle roll out in India, with a Smart Phone base of 448 million and a middle class of 386 million with data the cheapest average price in the world @ US.09 per GB, 100 million paid for subs in India is the base case, withdrawal of the Office Memorandum dated 5th September, 2016 is recommended which would impact approximately 53% of the recorded music industry revenues			674		
ESTIMATED REVENUES								
HIGH			MEDIUM			LOW		
Total Potential Revenue Size (in ₹cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)	Total Potential Revenue Size (in ₹cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)	Total Potential Revenue Size (in ₹cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)
Cannot be determined	NA	Cannot be determined	Cannot be determined	NA	Cannot be determined	Cannot be determined	NA	Cannot be determined

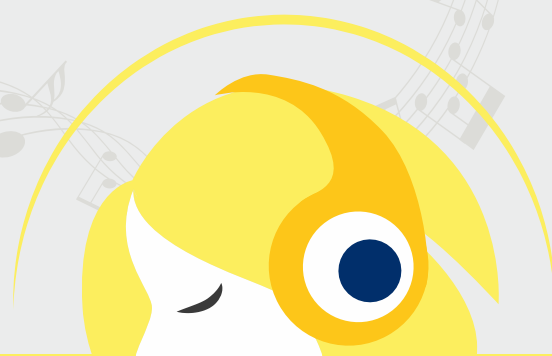
REVENUE SOURCE						CURRENT REVENUES (IN ₹ CR.)		
Balance Current Industry Revenues [3]						212		
ESTIMATED REVENUES								
	HIGH			MEDIUM			LOW	
Total Potential Revenue Size (in ₹cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)	Total Potential Revenue Size (in ₹cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)	Total Potential Revenue Size (in ₹cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)
212	NA	NA	212	NA	NA	212	NA	NA





REVENUE SOURCE						CURRENT REVENUES (IN ₹ CR.)		
Total Current Size						1316		
ESTIMATED REVENUES								
	HIGH			MEDIUM			LOW	
Total Potential Revenue Size (in ₹cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)	Total Potential Revenue Size (in ₹cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)	Total Potential Revenue Size (in ₹cr.)	Value Gap (in ₹Cr.)	Fair Value (in ₹Cr.)
3433	700	2091	3014	595	1777	2658	506	1511

	ESTIMATED REVENUES		
	HIGH	MEDIUM	LOW
Total Fair Value + Value Gap Revenue	2791	2372	2016
Total Potential Size = Total Fair Value + Value Gap Revenue + Total Current Size	2791+1316	2372+1316	2016+1316
Total Potential Size	4107	3688	3332



- 1 Per the Position Paper on Public Performance Royalties from Non-Traditional Events in Wedding ceremonies in India, 1 cr. weddings take place annually and a minimum license fee of ₹1,000 could garner ₹1,000 cr. to the recorded music industry for the use of sound recordings at non-traditional wedding events. (The paper is available at <https://indianmi.org/public-performance-royalties-from-non-traditional-events-in-wedding-ceremonies-in-india/> )
- 2 Video Streaming and Facebook Revenues (a round up figure of ~₹ 39 Cr., therefore, Total Current size is ₹1277 Cr. + ₹39 Cr.)
- 3 Includes Digital Downloads, Mobile personalisation, Sync and Physical



## About the Author

### Blaise Fernandes

Blaise Fernandes is the President and CEO of IMI (Indian Music Industry), the apex body that represents the recorded music industry in India. He has headed Warner Bros., as CEO - for 20 years, and has over 33 years of experience in the entertainment industry. Formerly CEO, he currently serves as a Director on the board of Gateway House, a foreign policy think-tank. Blaise also sits on various committees at trade bodies like CII and FICCI.



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