

SHOW IT AND WINNER TAKES IT ALL – ALMOST (A Road Map for Growth in The AV & Post-Production Sector in INDIA)

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INDEX

- 1. Introduction**
 - a. Objective of White Paper**
 - b. Background**

- 2. Film Incentives**
 - a. Film Incentives Adopted by Other Countries**
 - b. Film Tourism – A Bi-Product of Film Incentive Schemes**
 - c. Case Study – ‘Squid Game’ Netflix Series**

- 3. The Indian Landscape**

- 4. Low Hanging Fruit**

- 5. Animation Opportunities**

- 6. Recommendations**

- 7. Conclusion**

1. Introduction

What do film series' like The Lord Of The Rings, Harry Potter & The Hobbit have in common besides the fact that these were films based on literary works, produced and distributed by one studio, and did very well at the global box office with revenues of [\\$2.91 billion](#), [\\$7.7 billion](#) & [\\$2.93 billion](#) respectively, and between them they collected 18¹ Academy Awards. The Harry Potter Series, The Lord Of The Rings & The Hobbit Series filmed in the UK and New Zealand respectively, also reignited the Post Production & VFX Sectors in UK & New Zealand. These films were produced in an era where you required a global distribution platform to showcase the films in various parts of the world.

Today, in the digital era OTT services are taking locally made content to various parts of the world. Fauda (Netflix Original Show from Israel), Money Heist (Netflix Original from Spain), Squid Game (Netflix Original Show from South Korea) are household names in India and part of social media & online conversations cutting across generations. Hence the theme of the white paper is 'Show It & The Winner Takes It All – Almost'.

a. Objective Of the White Paper:

- i. What Will It Take for India to Get Around the 10% to 15% Global Market Share For VFX?
- ii. What will it take to attract global players in the business of post-production to set up shop in India Like Capgemini, Accenture, SAP did in the IT space? Likewise, can some of the large Global VFX studios like Animal Hub, Industrial Light & Magic, Framestore set up expanded facilities in India or expand their existing facilities in India? Netflix has already done so.
- iii. Can existing players like Prime Focus, Tata Elxsi, Future Works be the next Infosys, TCS, Wipro?

¹ Lord of The Rings: Fellowship of the Ring (https://m.imdb.com/title/tt0120737/awards/?ref=tt_awd)

Lord of The Rings: The Two Towers (<https://www.imdb.com/title/tt0167261/awards/>)

Lord of The Rings: The Return of the King (<https://nzhistory.govt.nz/page/lord-rings-wins-11-oscar>)

The Hobbit: An Unexpected Journey (<https://www.bbc.com/news/entertainment-arts-21409266>)

- iv. What will it take or need for Indian Creators to tell our rich and diverse folklore and stories to global audiences, which if these stories are told well and showcased:
 - a) Can attract global investments in the production sector like New Zealand and UK did.
 - b) Can attract global post-production.
 - c) Can promote film tourism.

- v. On average, the music component (background score) in any audio-visual production has a budget of \$1 million to \$10 million.² This is the low hanging fruit for India, given various reasons:
 - a) A large local talent pool of musicians.
 - b) A local talent pool well versed with western music and music instruments
 - c) A large local talent pool that plays indigenous instruments.

- vi. Can India promote an Indian bred Post-Production or VFX property on a global scale that could eventually become an industry standard?
- vii. Can a film/show produced by Indian creators create the same impact globally as franchises like 'The Lord of the Rings', 'Harry Potter' etc.?

b. Background

\$220 billion (INR 16,36,086 Cr) is the current committed total global spend on content creation in 2020, the production of the content is either underway or at the pre or post-production stage. As per industry practices, the thumb rule is 10% on the lower side or 15% on the higher side of the committed spends are allocated to post-production which works out to \$22 billion (INR 1,63,608 Cr) to \$33 billion (INR 2,45,850 Cr). In 2018, the global spend on content was \$165 billion, of which \$16.398 billion was spent on post-production globally (around 10% of total content spends). In 2019, global content spend stood at \$189.1 billion while post-production spends stood at \$18.237 billion. The UK, USA and Asia-Pacific post-production markets together accounted for around 83% of global post-production spend in 2018.³ India's post-production industry was valued at around \$275 million in the same year (2018). India's post-production and VFX industry in 2020 has had a top line of \$383 million (INR 2,850 Cr), the export component of the declared number was 65-70% i.e. approximately \$268.1 million (INR 1997 Cr).⁴

² Industry Sources

³ UK Post Production Market = \$2.53 Billion (<https://www.ukscreenalliance.co.uk/subpages/the-economic-value-of-post-production/>), USA Post Production Market = \$7 Billion (<https://www.statista.com/statistics/326024/video-postproduction-services-usa/>), Asia-Pacific Post Production Market = \$4.099 Billion (<https://www.marketwatch.com/press-release/covid-19-impact-on-post-production-market-is-expected-to-reach-a-value-beyond-us254636-million-over-2020-2026-2021-08-19?siteid=bigcharts&dist=bigcharts&tesla=y>). Total = \$13.629 Billion

⁴ CII SummitFX 2020 – Global AVGC Summit Report

Covid-19 disrupted the supply chain for post-production but did not disrupt the consumption for content if anything increased content consumption by 56% across video OTT platforms in India and by 30% globally. Post-Production economic activity is largely centered around the west coast and parts of Europe. The video post-production industry in the USA in 2021 is valued at \$6.7 billion (INR 49,915 Cr), in the UK the VFX industry was valued at \$496.26 million (INR 3,697.13 Cr)⁵ in 2020, in Europe, the VFX market is roughly 20-25% of the production cost which reached roughly \$1.06 billion for feature films in 2019.⁶ In 2020 alone, the value of the VFX and Animation industry in Asia was around \$49.95 billion (INR 3,72,127 Cr).

India should first aim to capture at least 10%-15% of the estimated \$22 billion (INR 1,63,608Cr) post-production global value. Most studios are located on the west coast of the USA and Europe mainly because of the convenience of time zones between Europe and the US. Eastern Europe scored over other parts of Europe given the labour arbitrage enjoyed by Eastern Europe. The time zone factor between the west coast of the US and India was one of the big challenges amongst others, which is why we, the Indian VFX sector, lost out in terms of picking up outsourced post-production work. However, another way to look at this is the fact that US and European studios would prefer to outsource work to India as they work on filming the content in the day as the workday in India is night time in the west and foreign studios would have their work ready as soon as they start operations the next morning. The other major impediment which went against India is the time taken to issue visas. The nature of the post-production industry is the need for any studio executive to fly at short notice and visit a post-production vendor given the tight deadlines of the entertainment industry. But the biggest impediment for India to take a bite of the global VFX & Post Production market is the lack of audio-visual content to showcase. New Zealand showcased the 'Lord of The Rings' and became a global player in post-production and VFX, the U.K showcased their VFX & post-production prowess via Harry Potter Films - both New Zealand & UK were backed by comprehensive government policies and federal & state subsidies. We in India have a rich and diverse storytelling culture that is centuries old, and like New Zealand and the U.K, we must tell these stories to global audiences given the reach of the internet namely OTT platforms like Netflix, Amazon Prime, Disney+ Hotstar, all operational now in India. The fact that Netflix has set up shop in India for their post-production facilities, is a step in the right direction.

2. Film Incentives

a. Film Incentives Adopted by Other Countries:

As per an Olsberg-SPI White Paper, global film incentives comprise of the following types⁷:

⁵ <https://www.verifiedmarketresearch.com/product/uk-visual-effects-vfx-market/>

⁶ Number of films produced in Europe = 2421 (<https://www.statista.com/statistics/429038/feature-film-production-europe/>), European Films Cost for Production per Movie = \$2.2 Million (<https://variety.com/2020/film/news/average-budget-european-films-1203494821/>)

⁷ <https://www.o-spi.co.uk/wp-content/uploads/2019/06/Olsberg-SPI-Global-Incentives-White-Paper-Final-2019-06-04.pdf>

1. 59% are based on Rebates.
2. 34% are based on Tax Credit
3. 5% are Mixed (combining more than one incentive type)
4. 2% are based on Tax Shelter.

Across the world, these are some of the highest average possible rates of incentives⁸:

Region	Mean Global Film Production Incentive Values, May 2019
Latin America/Caribbean	32.4%
Asia/Oceania	30.8%
US States	30.3%
Africa	30%
Europe	29%
Middle East	25%

Countries from around the world have established their country's film prowess in several ways. The UK established the 'Harry Potter' franchise and New Zealand showcased the 'Lord of the Rings' and 'The Hobbit' franchises for example. The table provided gives examples of three different countries with various incentive schemes that have prompted foreign filmmakers to shoot in the country:

Country	Incentives	Films ⁹
New Zealand	<ul style="list-style-type: none"> • The New Zealand Film Commission supports 'Talent Development Funding'. There are funds provided to develop filmmaking careers and support for industry guilds to deliver services for their members.¹⁰ • The New Zealand Film Commission also provides an 'International Relations Fund' which assists filmmakers to work with overseas partners to travel internationally to advance 	<ul style="list-style-type: none"> • The Lord of the Rings Trilogy • The Hobbit Trilogy • Chronicles of Narnia: Prince Caspian • The Last Samurai • Vertical Limit • The Piano • The World's Fastest Indian

⁸ <https://www.o-spi.co.uk/wp-content/uploads/2019/06/Olsberg-SPI-Global-Incentives-White-Paper-Final-2019-06-04.pdf>

⁹ These are films that have been filmed in part or in whole in the respective country. This is an indicative list and the films mentioned may represent just a small part of the number of films shot in the country.

¹⁰ <https://www.nzfilm.co.nz/funding-and-support/funding-overview/what-we-fund>

	<p>their projects. They also facilitate introductions to co-production partners that filmmakers can work with.¹¹</p> <ul style="list-style-type: none"> • New Zealand also provides for a specific ‘Postproduction Funding’ which can reach up to \$60,000 or even more in the case of independent filmmakers.¹² A 20% cash grant is also provided on qualified spend for post, digital and visual effects.¹³ • The New Zealand Screen Production Grant that offers a 20% rebate. An additional 5% ‘uplift’ is provided to productions with significant economic benefit to New Zealand.¹⁴ 	<ul style="list-style-type: none"> • King Kong : Skull Island¹⁵
Thailand	<ul style="list-style-type: none"> • Thailand has introduced measures for foreign film productions to film in Thailand with a goal to increase the number of high investment productions. The recent measures were approved by the council of ministers on May 10th, 2016. • The Thai Government offers a package of incentives to promote it’s film production and post-production services. The Foreign Film and Television Production and Post- 	<ul style="list-style-type: none"> • The Beach • James Bond: The Man With The Golden Gun • Rambo: First Blood Part 2 • James Bond : Tomorrow Never Dies • The Impossible • The Medallion • The Hangover Part 2 • Alexander

¹¹ <https://www.nzfilm.co.nz/funding-and-support/funding-overview/what-we-fund>

¹² <https://www.nzfilm.co.nz/funding-and-support/funding-programmes/post-production-funding>

¹³ <https://variety.com/2018/artisans/production/new-zealand-production-incentives-3-1202651239/>

¹⁴ <https://www.o-spi.co.uk/wp-content/uploads/2019/06/Olsberg-SPI-Global-Incentives-White-Paper-Final-2019-06-04.pdf>

¹⁵ <https://www.newzealand.com/nz/feature/top-10-film-locations-in-new-zealand/>

	<p>Production incentive aims to attract foreign-based film productions to shoot on location in Thailand.¹⁶</p> <ul style="list-style-type: none"> • The foreign filmmaker is required to hire a local coordinator that is officially registered with Thailand Film Office. All local spending must be in Thailand.¹⁷ • All successful applicants who have applied to obtain filming permission from The Thailand Film Office may receive a 15% to 20% rebate.¹⁸ The 15% rebate is applicable only if you spend more than 50 Million baht (\$1.4 Million).¹⁹ • There is an extra 3% rebate if the foreign film production hires a Thai crew and an additional 2% rebate if the film promotes Thailand and Thai culture.²⁰ • Between January and July of 2019, 462 foreign productions were shot in Thailand. This surge injected close to \$117 Million into the Thai economy.²¹ 36 of these projects shot were feature films. Former director of Thailand Film Office, 	<ul style="list-style-type: none"> • American Gangster²³
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¹⁶ https://www.thailandfilmoffice.go.th/article_attach/Thailand%20Film%20Incentive%20Guideline.pdf

¹⁷ https://www.thailandfilmoffice.go.th/article_attach/Thailand%20Film%20Incentive%20Guideline.pdf

¹⁸ https://www.thailandfilmoffice.go.th/article_attach/Thailand%20Film%20Incentive%20Guideline.pdf

¹⁹ <https://www.hollywoodreporter.com/business/business-news/thailand-cashes-international-film-tv-productions-as-incentive-scheme-takes-root-1233202/>

²⁰ <https://www.hollywoodreporter.com/business/business-news/thailand-cashes-international-film-tv-productions-as-incentive-scheme-takes-root-1233202/>

²¹ <https://www.hollywoodreporter.com/business/business-news/thailand-cashes-international-film-tv-productions-as-incentive-scheme-takes-root-1233202/>

²³ <https://www.imdb.com/list/ls026250859/>

	<p>Ubolwan Sucharitakul, has owed the success of foreign film productions filming in Thailand to the incentive schemes initiated.²²</p>	
<p>UK</p>	<ul style="list-style-type: none"> • The British Film Commission provides a Film Tax Relief for all British qualifying films of any budget level in the form of a payable cash rebate of upto 25% on UK qualifying expenditure.²⁴ • In the UK, there is no obligation to carry out all production activity in the UK. Elements such as VFX/Post-Photography can be carried out outside as long as the minimum expenditure requirement is met (10%) and other qualifying criteria are satisfied.²⁵ • In 2005, the chancellor of the UK film council offered producers of film that exceeds GBP 20 million as cost, a tax credit that will hand them a rebate worth 16% of the budget. Productions with a spend of less than GBP 20 million will get a 20% tax credit.²⁶ • In 2013/2014, UK Screen successfully managed to reduce the threshold for the minimum UK spend to allow more VFX-only 	<ul style="list-style-type: none"> • Harry Potter Series • Love Actually • Notting Hill • Fast & Furious 6 • Rogue One : A Star Wars Story²⁸

²² <https://www.hollywoodreporter.com/business/business-news/thailand-cashes-international-film-tv-productions-as-incentive-scheme-takes-root-1233202/>

²⁴ <https://britishfilmcommission.org.uk/plan-your-production/tax-reliefs/>

²⁵ <https://britishfilmcommission.org.uk/plan-your-production/tax-reliefs/>

²⁶ <https://www.theguardian.com/politics/2005/dec/06/uk.film>

²⁸ <https://citylife-uk.com/famous-movies-shot-in-london/>

	<p>projects to qualify for tax relief which was previously set at 25% but is now 10%.²⁷ This resulted in more projects coming to the UK.</p>	
Estonia	<ul style="list-style-type: none"> • Financial incentive: Up to 30% cash rebate for film productions.²⁹ • Requirements: The amount of aid is calculated as a percentage of the costs done in Estonia (up to 30%) and paid out retroactively after all the expenses are audited. The maximum grant can be applied if the film production uses Estonian-based filmmakers, actors, and other production crew (30% if at least 2 creative employees are tax residents of Estonia; – 25% if at least 1 creative employee is a tax resident of Estonia.)³⁰ It can also be applied if the story is set in Estonia 	<ul style="list-style-type: none"> • Tenet³¹ • Stalker
Ireland	<ul style="list-style-type: none"> • Financial incentive: 32% tax credit on local Irish expenditures • Requirements: The production company must reside in Ireland, or trade through a branch or agency; not connected to a broadcaster. 	<ul style="list-style-type: none"> • Game of Thrones • Harry Potter and the Half Blood Prince • Vikings³²

²⁷ <https://www.ukscreenalliance.co.uk/campaigns/maintaining-competitive-screen-sector-tax-incentives/>

²⁹ <https://nofilmschool.com/2016/07/film-production-incentives-tax-incentives-movie-rebates>

³⁰ <https://filmestonia.eu/index.php/film-estonia-cash-rebate/>

³¹ <https://www.imdb.com/search/title/?locations=Tallinn%2C+Estonia>

³² <https://vagabondtoursofireland.com/movies-tv-shows-filmed-ireland>

Iceland	<ul style="list-style-type: none"> • Financial incentive: 25% cash rebate on all eligible expenses. • If the production spends 80% or more of its budget in Iceland, then the rebate extends to all costs incurred in the European Economic Area³³ • Requirements: Must submit a relatively simple production plan³⁴ 	<ul style="list-style-type: none"> • Thor • Fast & Furious 8 • Interstellar³⁵
Singapore	<ul style="list-style-type: none"> • Financial incentive: In 2004, the Singapore Tourism Board introduced the "Film in Singapore Scheme," which promotes production in the country by subsidizing up to 50% of qualifying expenses incurred in Singapore, including local talent, production staff, and production services. Additionally, there are various grants available, including a "Production Assistance" grant that supports up to 40% of qualifying expenses. • Requirements: Films and television shows must portray Singapore in a favourable light.³⁶ 	<ul style="list-style-type: none"> • Crazy Rich Asians • Hitman Agent 47 • Equals³⁷
Fiji	<ul style="list-style-type: none"> • A Production entity is eligible for a 75% tax rebate, calculated on Total Fiji Expenditure, when it lodges its application at 	<ul style="list-style-type: none"> • Cast Away • The Blue Lagoon • Fantasy Island⁴⁰

³³ <https://www.kftv.com/country/iceland/guide/incentives>

³⁴ <https://nofilmschool.com/2016/07/film-production-incentives-tax-incentives-movie-rebates>

³⁵ <https://adventures.com/blog/movies-filmed-in-iceland/>

³⁶ <https://nofilmschool.com/2016/07/film-production-incentives-tax-incentives-movie-rebates>

³⁷ <https://www.timeout.com/singapore/film/hollywood-movies-filmed-in-singapore>

⁴⁰ <https://www.imdb.com/search/title/?locations=Fiji>

	<p>the end of the production. The applicant for rebate must meet all the requirements for Film Tax Rebate set out under Regulation 6 of the Fiji Income Tax (Film-making and Audio-Visual Incentives) Regulations 2016³⁸</p> <ul style="list-style-type: none"> • Fiji is stepping up attempts to bring in Indian filmmakers with a 75% rebate. Other incentives include exemption on duty for equipment brought into the country for shooting, subject to them being taken out of the country on film completion.³⁹ 	
Canada	<ul style="list-style-type: none"> • The Canadian Film or Video Production Tax Credit (CPTC) provides eligible productions with a fully refundable tax credit, available at a rate of 25 per cent of the qualified labour expenditure.⁴¹ 	<ul style="list-style-type: none"> • Twilight • Mean Girls • Titanic⁴²
Colombia	<ul style="list-style-type: none"> • Financial incentive: Two-tier cash rebate system provides 40% for film services (including services related to post-production, artistic, and technical services), and a 20% for film logistical services (including services provided for transport, 	<ul style="list-style-type: none"> • Narcos • Running with the Devil • The Belko Experiment⁴⁴

³⁸ <https://film-fiji.com/incentives-and-legislation/75-film-tax-rebate/>

³⁹ <https://timesofindia.indiatimes.com/city/mumbai/film-fiji-welcomes-indian-filmmakers-with-75-film-rebate/articleshow/74649416.cms>

⁴¹ <https://www.canada.ca/en/canadian-heritage/services/funding/cavco-tax-credits/canadian-film-video-production.html>

⁴² <https://www.readersdigest.ca/travel/canada/10-famous-movies-filmed-in-canada/>

⁴⁴ <https://www.imdb.com/search/title/?locations=Bogota,%20Colombia>

	<p>accommodation, and food)⁴³</p> <ul style="list-style-type: none"> • Requirements: Production must be partially or totally filmed in Colombia, with a minimum \$600,000 local spend • Medellin is the only city in Colombia that offers rebates in addition to the above incentives; one can receive up to 15% of production spend in the city 	
UAE	<ul style="list-style-type: none"> • The Abu Dhabi Film Commission offers the Middle East's first production incentive, providing access to a generous 30% cashback rebate on productions, including feature films, television dramas (including series), commercials, other television formats, such as documentaries and telemovies shot in Abu Dhabi; and post-production, digital content services, visual effects (PDV) services for projects shot inside or outside Abu Dhabi.⁴⁵ 	<ul style="list-style-type: none"> • The misfits • Mission: Impossible – Fallout • Star Wars: Episode VII - The Force Awakens⁴⁶
South Africa	<ul style="list-style-type: none"> • The rebate is calculated as 35% of Qualifying South African Production Expenditure (QSAPE). An additional 5% of QSAPE is provided for productions hiring at least 30% of South African citizens as 	<ul style="list-style-type: none"> • Escape Room: Tournament of Champions • Raised by Wolves

⁴³ <https://variety.com/2020/tv/global/new-improved-location-filming-incentives-colombia-1234628944/>

⁴⁵ <https://www.film.gov.ae/en/30-rebate/#:~:text=The%20Abu%20Dhabi%20Film%20Commission,in%20Abu%20Dhabi%3B%20and%20post%2D>

⁴⁶ <https://www.imdb.com/search/title/?locations=Abu+Dhabi%2C+United+Arab+Emirates>

	<p>head of departments (HODs) and procuring at least 30% of QSAPE from 51% South African-owned entities which have been operating for at least a period of one year; with a cap of R50 million per project.⁴⁷</p>	<ul style="list-style-type: none"> • Mad Max: Fury Road⁴⁸
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b. Film Tourism: A Bi-product of Incentive Schemes

New Zealand is one such country that has benefitted immensely from the ‘Lord of the Rings’ movie trilogy. According to Rebecca Ingram (General Manager and Government Relations at Tourism New Zealand), “Nearly one in 5 visitors still cite The Lord of the Rings trilogy as a reason they choose to visit New Zealand, almost two decades after the first film was released”.⁴⁹ Tourist numbers rose by 40% in just five years after the release of the first Lord of the Rings film. This has made tourism the nation’s biggest export industry bringing in NZ\$39.1 billion (INR 1,81,424 Cr) annually.⁵⁰

The Lord of the Rings tourism pump has also accelerated the movies that are being shot in the country. ‘The Hobbit’ trilogy, ‘The Chronicles of Narnia’, ‘The Last Samurai’ and ‘A Wrinkle in Time’ are some movies that were shot in New Zealand. Even music videos such as Taylor Swift’s ‘Out of the Woods’ was filmed in Auckland and Queenstown in 2015. The people of New Zealand have in a way subsidised the ‘Lord of the Rings’ trilogy and Peter Jackson’s Weta Workshop. This subsidy is in the range of NZ\$ 150 million (INR 696 Cr).⁵¹

The success of Lord of the Rings for the local film industry in New Zealand even prompted the New Zealand government in 2010 to amend the labour laws so that New Zealand could be host to ‘The Hobbit’ franchise. Included in the deal was an offer of \$25 million (INR 114 Cr), \$15 million (INR 68.55 Cr) of that in tax breaks.⁵² The government additionally announced that on top of the overall package, New Zealand would offer extra tax rebates for each Hobbit movie on top of the usual 15% which would partly offset the costs of a joint marketing deal with Warner Brothers to promote the country as a film production and

⁴⁷ <http://www.thedtic.gov.za/financial-and-non-financial-support/incentives/film-incentive/south-african-film-and-television-production-incentive-3/>

⁴⁸ <https://www.imdb.com/search/title/?locations=Cape+Town%2C+South+Africa>

⁴⁹ <https://discovery.cathaypacific.com/middle-earth-film-tourism-changed-new-zealand/>

⁵⁰ <https://discovery.cathaypacific.com/middle-earth-film-tourism-changed-new-zealand/>

⁵¹ <https://discovery.cathaypacific.com/middle-earth-film-tourism-changed-new-zealand/>

⁵² <https://www.theguardian.com/film/2010/oct/29/new-zealand-law-the-hobbit>

tourism destination.⁵³ This franchise also provided employment opportunities to local labour.

'The Beach', a Hollywood movie starring one of the most sought-after actors in Hollywood, Leonardo DiCaprio, was shot in Thailand and in particular, Maya Beach. The potential for the scenic beauty of Maya Beach was recognised by the state and permission to shoot the film was granted. Granting permission for Maya Beach to form the setting for the movie is said to have injected \$13 million (INR 96.85 Cr) into the Thai economy.⁵⁴

Like New Zealand and Thailand, which became tourist destinations due to the landscape of the countries depicted in 'Lord of the Rings' and 'The Beach' respectively, India is not short of such natural beauty. From mountains and valleys to lakes, rivers, deserts and beaches, India is host to some of the most beautiful places in the world. To put India on the map, we need to find ways to incentivise foreign studios to invest in India and use India as a filmmaking hub whether for production or post-production services which would in turn also benefit the economy. Film tourism could act as a turbocharger for this part of the Indian economy.

The 'Harry Potter' series provided a boost to the tourism industry in the UK. The books and film were awarded a 'tourism Oscar' for their Outstanding Contribution to English Tourism. The number of tourists visiting the attractions displayed in the movie has grown between 50% to 100% because of the Harry Potter films.⁵⁵ A professor at the London School of Economics in 2016 stated that Harry Potter was worth GBP 4 billion to the UK economy.

South Korea, is another example of a country that has benefitted immensely from film tourism. Winter Sonata, a South Korean Television drama that released in 2002 sold merchandise that surpassed \$3.5 million in Japan alone and this also created a boost for tourism with foreign tourists travelling to Korea increasing by nearly 75% from 2003 to 2004.⁵⁶ BTS, an extremely popular Korean band, generate around \$3.5 billion per year in economic activity according to the Hyundai Research Institute.⁵⁷ In 2017, approximately 800,000 tourists visited South Korea because of their interest in the band.⁵⁸

An Indian film has also contributed to film tourism for Spain. After the release of the Hindi film 'Zindagi Na Milegi Dobara' (the highest-grossing Bollywood film in 2011) which was a film that was shot in Spain, and explored the various parts of the country, the number of Indian visitors to the country increased manifold. 60,444 Indian's are said to have visited

⁵³ <https://www.theguardian.com/film/2010/oct/29/new-zealand-law-the-hobbit>

⁵⁴ [L. Law, T. Bunnell, C. Ong, The Beach, the gaze and film Tourism.](#)

⁵⁵ <https://issuu.com/adorjanmary/docs/harrypottertourism>

⁵⁶ https://www.foreignaffairs.com/articles/south-korea/2021-10-14/korean-invasion?utm_medium=promo_email&utm_source=lo_flows&utm_campaign=registered_user_welcome&utm_term=email_1&utm_content=20211031

⁵⁷ https://www.foreignaffairs.com/articles/south-korea/2021-10-14/korean-invasion?utm_medium=promo_email&utm_source=lo_flows&utm_campaign=registered_user_welcome&utm_term=email_1&utm_content=20211031

⁵⁸ https://www.foreignaffairs.com/articles/south-korea/2021-10-14/korean-invasion?utm_medium=promo_email&utm_source=lo_flows&utm_campaign=registered_user_welcome&utm_term=email_1&utm_content=20211031

Spain in 2012 (the year after the film's release), which was nearly double the number of visitors in 2011 from India according to the Industry and Tourism Ministry.⁵⁹ In 2015, this number had reached 85,000. The International Indian Film Academy Awards were also hosted in Madrid in 2016 owing to the growing popularity of Spain amongst Indian tourists.⁶⁰

The fact that a Bollywood movie has attracted so many tourists from India to visit a completely different country, shows the influence that an Indian movie can have among the Indian audience. The same could also apply to movies depicting the natural beauty of India and this aspect of film production needs to be looked at extensively.

c. Case Study – 'Squid Game' Netflix Series

Squid Game is a Netflix Series that originates from South Korea, and has quickly become one of the most popular Netflix shows amongst a foreign audience. More than 130 million people have watched the show within the first 23 days of release and Netflix estimates that the show will generate almost \$900 million in value for the company while the production cost stood at merely \$21.4 million.⁶¹ This Netflix series has reached the number one spot in more than 90 countries globally on Netflix and this is testament to the investment Netflix made in Korean films and television of around \$700 million from 2015 to 2020.⁶² As the premise of the show lies around Korean playground games, the show has gained popularity on social media through TikTok videos of people replicating the games and online retailers are hurriedly selling Halloween costumes based on the characters of the show.⁶³

The South Korean government has always had a focus of boosting Korean popular culture. The Ministry of Culture and Tourism have developed business plans with the help of public relations firms, technology companies and other parts of the private sector, to grow the overseas market for Korean TV dramas, movies and popular songs.⁶⁴ They also offer loans to entrepreneurs and training for aspiring artists.⁶⁵

⁵⁹ <https://www.theguardian.com/world/2016/jun/19/spain-courts-bollywood-productions-to-attract-more-indian-tourists>

⁶⁰ <https://www.theguardian.com/world/2016/jun/19/spain-courts-bollywood-productions-to-attract-more-indian-tourists>

⁶¹ <https://www.bloomberg.com/news/articles/2021-10-17/squid-game-season-2-series-worth-900-million-to-netflix-so-far>

⁶² <https://www.wsj.com/articles/netflixs-squid-game-is-the-dystopian-hit-no-one-wanted-until-everyone-did-11633183200>

⁶³ https://www.wsj.com/articles/squid-game-netflix-hit-halloween-costumes-11633464429?mod=article_inline

⁶⁴ https://www.foreignaffairs.com/articles/south-korea/2021-10-14/korean-invasion?utm_medium=promo_email&utm_source=lo_flows&utm_campaign=registered_user_welcome&utm_term=email_1&utm_content=20211031

⁶⁵ https://www.foreignaffairs.com/articles/south-korea/2021-10-14/korean-invasion?utm_medium=promo_email&utm_source=lo_flows&utm_campaign=registered_user_welcome&utm_term=email_1&utm_content=20211031

3. Indian Landscape

India is known to pride itself on its movies and its storytelling culture. This is reflected in the success of “Bollywood” over the years. Now, due to the emergence of Video OTT (Over-The-Top), platforms such as Netflix, Amazon Prime Video, Disney+ Hotstar to name a few, have changed the movie watching and movie making landscape and it is time India should cash in on this change to create a more robust impact globally.

Sacred Games, originally a book by the Indian author, Vikram Chandra, was given the green light to be adapted as a Netflix original show. After the success of the first season which featured Indian actors and actresses, the show was renewed for a second season and gathered an INR 100 Cr investment from Netflix. Usually, Indian shows on OTT platforms gather an investment of around INR 3-4 Cr per episode for a range of 12 episodes.⁶⁶ The success of a property like Sacred Games induced Netflix to increase its budget and introduce the concept of a showrunner and establish a writer’s room. Netflix also claims that it had taken a lot more post-production facilities onboard compared to any other Hindi film so that the final product has the global appeal that Netflix is known for.⁶⁷ After Sacred Games, other large scale Indian bred shows that Netflix has in production include – Salman Rushdie’s Midnight’s Children with Vishal Bhardwaj (prominent Hindi Film Industry Director) and a spin-off on the Baahubali franchise (titled Baahubali: Before the Beginning).⁶⁸ Sacred Games is just one of the few examples of how India can establish its filmmaking prowess on a global scale in terms of production as well as post-production for a property that is born and bred in India. Extraction, a Netflix original film, which was primarily shot in India was the most-watched film in the first four weeks of release on a global scale on Netflix and was viewed by 99 million accounts.⁶⁹ This movie is one that relied heavily on VFX and the VFX for the same was done by a studio that also operates out of Pune, India – Method Studios.⁷⁰ Many studios such as these have not yet been brought into the limelight and this could very well be India’s next navratanas in this space of VFX. A few of the achievements by larger Post-Production and Visual Effects studios from India are listed below:

- Digital Domain⁷¹– Visual Effects for Deadpool, X-Men Apocalypse and Spider-Man: Homecoming.
- Phantom FX⁷² – VFX for Transformers franchise (with a worldwide box office collection of \$4693.87 million⁷³), The Avengers, The Curious Case of Benjamin Button and Ghostbusters.
- Prana Studios⁷⁴– Visual Effects for Game of Thrones
- Moving Picture Company (MPC)⁷⁵ – Visual Effects for X-Men: Days of Future Past, Godzilla, Guardians of the Galaxy, Cinderella, The Martian.

⁶⁶ <https://www.businesstoday.in/technology/news/story/sacred-games-2-netflix-pumps-highest-ever-investment-of-rs-100-crore-in-saif-ali-khan-show-222737-2019-08-13>

⁶⁷ <https://www.livemint.com/industry/media/netflix-makes-biggest-india-investment-yet-with-sacred-games-2-1565673333129.html>

⁶⁸ <https://www.livemint.com/industry/media/netflix-makes-biggest-india-investment-yet-with-sacred-games-2-1565673333129.html>

⁶⁹ <https://www.bloomberg.com/news/articles/2020-07-15/netflix-most-popular-original-movies>

⁷⁰ <https://www.methodstudios.com/en/features/extraction/>

⁷¹ <https://www.arena-multimedia.com/in/en/blog/vfx-studios-in-india-that-made-their-name-in-the-global-cinema>

⁷² <https://www.arena-multimedia.com/in/en/blog/vfx-studios-in-india-that-made-their-name-in-the-global-cinema>

⁷³ <https://www.statista.com/statistics/608456/box-office-revenue-transformers/>

⁷⁴ <https://www.arena-multimedia.com/in/en/blog/vfx-studios-in-india-that-made-their-name-in-the-global-cinema>

⁷⁵ <https://www.arena-multimedia.com/in/en/blog/vfx-studios-in-india-that-made-their-name-in-the-global-cinema>

- Prime Focus⁷⁶ – 200+ VFX shots for Avatar, Visual Effects for Gravity (which won them an Oscar in 2010 for Best Visual Effects), Interstellar (which won them an Oscar for Best Visual Effects in 2015). Nominated for five other Oscars for Tree of Life, X-Men: First Class, Harry Potter and the Deathly Hallows Part 2, Transformers: Dark of the Moon, and Hugo. Prime Focus that merged its VFX business with global visual effects provider DNEG (Double Negative) [won the Academy Award for Best Visual Effects](#) for Christopher Nolan's Tenet in 2021 marking DNEG's 5th Oscar in the last seven years and its 6th win in total.

4. Low Hanging Fruit

Although progress has been made by the VFX industry in India, the export statistics when pitted against the rest of the world show that there is much ground to be gained. The global spend on film and TV production and licensing of new content by streamers, studios and independents in 2020 reached [\\$220.2 billion](#) (INR 16,36,086 Cr). 10% of this acquisition budget as per the thumb rule is allocated to post-production (\$22 billion i.e. INR 1,63,608 Cr). India's VFX and post-production industry in the year 2020 was a mere [INR 2,850 Cr](#) (\$383.58 million) and had contracted by [62% and 58%](#) respectively compared to the year 2019. The total global value of the AVGC business is [\\$260 billion](#) (INR 19,31,800 Cr), however, India's share is a mere [1%](#) of this figure (INR 19,318 Cr). This is an area of opportunity for India and is the low hanging fruit.

Music is also an essential part of the post-production process for a film. Dubbing stages are an integral part of the finished product of filmmaking. A lot of these processes can be completed in India for foreign film crews filming in India, however, it is crucial that these film crews are made to feel comfortable by allowing them to bring their entire team and equipment to the country rather than having to deal with an unknown crew and different equipment. We highly recommend that the government introduce some reforms to allow for a smooth sail for foreign film crews to come to the country in the form of tax breaks and/or subsidising import duties.

5. Animation Opportunities

In the year 2020, when the entire world was facing a pandemic, the animation sector in India saw growth. This can also be attributed to the fact that a lot of film and TV work started to turn to animation since outdoor film shoots were called off. In India, the animation segment grew by around [10% in 2020 from INR 2,230 Cr in 2019 to INR 2,450 Cr in 2020](#). The growth of OTT Channels has increased attention on animated intellectual property content and larger investments in VFX by studios has created opportunities in both the [domestic and international markets](#). The AVGC Industry employs around 1.5 million people across both formal and informal sectors which is contributing immensely to make India a global M&E services hub.⁷⁷ According to a report by BCG-CII, it is estimated that if

⁷⁶ <https://www.arena-multimedia.com/in/en/blog/vfx-studios-in-india-that-made-their-name-in-the-global-cinema>

⁷⁷ CII SummitFX 2020 – Global AVGC Summit Report.

India can capture a 20-25% share of the global VFX and Animation by 2025, it will be able to generate [75000-120000](#) jobs by 2025. However, this is with the hope that the vision that we have for our country and the AVGC industry will continue to be built on. Animation growth was not solely stimulated by entertainment but EduTech start-ups such as [Byjus and StepApp](#) made use of animated content to make their platform more engaging. Animation studios such as Toonz Media Group which is based in Kerala, India, launched their own [EduTech venture titled Ri8Brain](#).

As per industry sources, on average, the rough budget for animation is around \$50 million per film. The global animation market is said to be [\\$354.7 billion](#) (INR 26,42,515 Cr) in 2020. In India, the animation sector stood at INR 2450 Cr (\$330 million) in 2020.⁷⁸ In India: 70-75% of revenues for Animation came from international clients. The reason there was less domestic work was due to the low-ticket size of domestic work. Smaller studios in India struggled and eventually even shut down. Comparing animation to the Post-Production or the VFX sector, the animation sector is the only sector to have shown growth (10%).⁷⁹ In 2020, nearly 8 out of 10 animated kids shows on TV were homegrown Indian shows.⁸⁰ Now due to the advent of OTT, it is time India takes advantage of its growing animation sector and creates content that is born and bred in India to showcase to the rest of the world. Video OTT puts all firms and studios from all parts of the world on a level playing field and with the talent that is prevalent in the country, this avenue needs to be exploited to its maximum.

6. Recommendations:

It is our plea that the recommendations put forth for further betterment of the post-production and VFX Industry are taken into account. Only with continued support from the government, will India be able to establish itself as the primary hub at a global level for Post-Production and VFX services.

- The Exim Bank of India should produce a white paper on export in the VFX sector.
- The new National Education Policy 2020 is designed to encourage out-of-the-box thinking among the youth and is a key driver to the success of AVGC and the Media and Entertainment sector.⁸¹ India needs at least 30 more National Institutes of Design (NID) to boost its M&E exports. As a start, the Ministry of Information and Broadcasting has [collaborated with IIT-B](#) (IIT Bombay) to form a centre of excellence in gaming for offering courses related to VFX, Gaming and Animation. India has successfully delivered major VFX projects from top global studios, including Oscar-winning VFX films recently.⁸²

⁷⁸ https://www.ey.com/en_in/media-entertainment/playing-by-new-rules-media-and-entertainment-industry-trends-2020

⁷⁹ https://www.ey.com/en_in/media-entertainment/playing-by-new-rules-media-and-entertainment-industry-trends-2020

⁸⁰ https://www.ey.com/en_in/media-entertainment/playing-by-new-rules-media-and-entertainment-industry-trends-2020

⁸¹ CII SummitFX 2020 – Global AVGC Summit Report

⁸² CII SummitFX 2020 – Global AVGC Summit Report

- The Audiovisual Champion Sector Scheme incentives are available to people from all over the world to shoot and do post-production work in India. This needs to be promoted further on a global scale.⁸³
- The government needs to relook at the GST policy for VFX exports also imported equipment needed for high-end VFX works should get breaks in import duties. The current custom duty for film equipment in India is around 7.5-10%. This would also allow foreign studios a comfortable environment when working in India as they will be familiar with the equipment they use.
- Create a post-production and VFX hub within one city in India rather than keeping it scattered all over the country.
- Formation of forums at both state and city levels. These forums should be in conjunction with the film commission of the state or city. This will allow for rich discussion and policy debates at a more grassroots level.
- At the National Film Awards: Institute an award for ‘Best VFX EXPORTS from India’.
- Strengthen enforcement under copyright laws in India to assure that appropriate protection is provided to the services outsourcing post-production
- DPIIT sponsored pavilions at NAB Vegas, IBC Amsterdam, CAPSAT Dubai.

7. Conclusion: Play to Our Natural Strengths

On June 26th 2020, TCA Kalyani, Joint Secretary (Films), Information & Broadcasting Ministry, and Managing Director, National Film Development Corporation of India (NFDC) said, “We will be announcing the incentives for filming in India soon and these incentives will not only be for films but for web series and TV productions as well.”⁸⁴ India will be able to establish itself as a global filmmaking hub as well as a global filmmaking superpower with continued government support like this.

The temptation will be to try and take a bite of the global \$22 billion post production market, that’s the ultimate trophy. But given our natural strengths in VFX, 50% of the VFX market by 2024 will take VFX exports from India to \$10 billion to \$12 billion.

Another aspect that needs focus is India’s own filmmaking culture. Indian storytelling ability is second to none, and this ability needs to be exploited. There have been several Indian movies that have been nominated for the Academy Awards (Oscars) and some of these films have recognised Indian culture as well. As is seen through the examples listed above, foreign film studios are not completely oblivious to the services India can offer at a post-production level but promoting India as a hub for filmmaking, will take the country’s exports and overall film prowess to the next level. It is about time India becomes a global filmmaking superpower which represents the talent prevalent in the country.

⁸³ CII SummitFX 2020 – Global AVGC Summit Report

⁸⁴ <https://timesofindia.indiatimes.com/life-style/spotlight/ib-ministry-to-offer-incentives-to-foreign-production-houses-to-shoot-films-web-and-tv-shows-in-india/articleshow/76644739.cms>