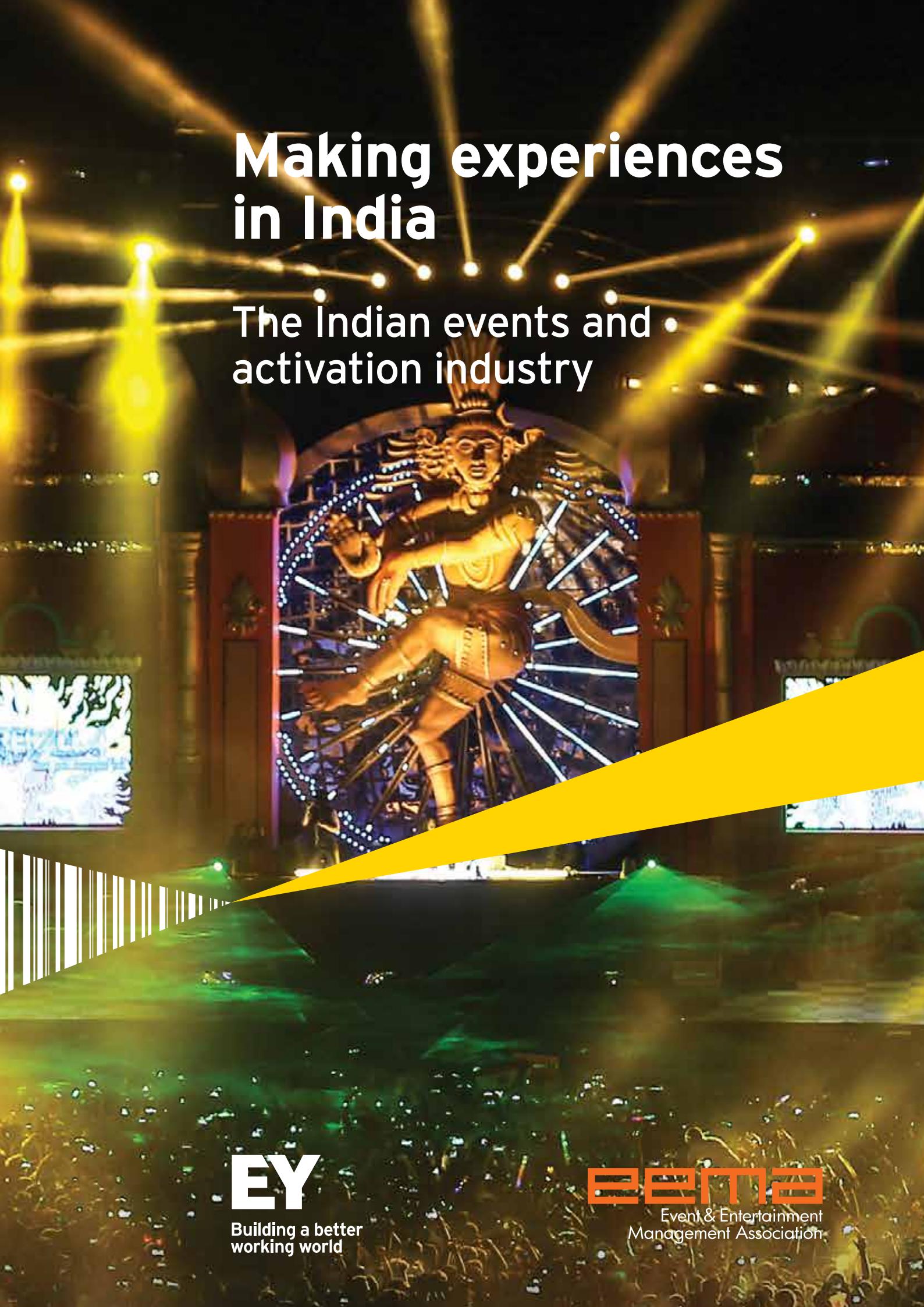


Making experiences in India

The Indian events and
activation industry



Building a better
working world



Event & Entertainment
Management Association

Foreword



Sabbas Joseph
President
Event and Entertainment
Management Association



Farokh Balsara
*Media & Entertainment
Industry Leader*
Ernst & Young LLP

2014-15... What an eventful period it has been! From an inspired PM taking over the mantle to the Mangalyaan spacecraft instilling a new belief in India's scientific community and to one more Grammy Award for an Indian. It is an opportune time to be in India.

After India's information technology success, our "soft power" is gaining global acceptance. US President Obama quotes from our films and recognizes the power of Indian cinema.

New age technologies are transforming music, movies and events in an amazing way. From EDM concerts to cutting edge animation for Hollywood, India is reimagining experiences, redefining perceptions.

As is always known, when a country does well economically, across the world, there is interest in its culture and people. As India grows, this opportunity will grow for every facet of the Indian entertainment and culture-showcase industry. The events and activations industry is best poised to capitalize on this emerging opportunity.

But India is no longer enough as the market place. There's a need for a new world order. One in which event companies work along with government to create an events calendar that drives tourism and related industries such as airlines, ground transport, hotels, tourist retail outlets, etc.

It is time to create experiences that inspire global opportunities, international collaborations and new ways of doing global business.

Today, the World is our Stage! And one day we hope we can say, The World is Not Enough! I invite you to create experiences that inspire you, inspire India and inspire the world.

It gives us great pleasure to present the second report on the events and activation industry in India.

The industry has evolved over the years and has grown considerably both in size and stature. Through this paper we attempt to capture the industry's status as of today and the key trends that it could experience in future. The dynamism of the industry has been captured through extensive discussions with the heads of events and activation companies across the country, along with inputs from advertisers and sponsors. The report provides insights around key strengths of the industry and the challenges it faces. We also look into the opportunities for M&A transactions and implications around taxation and corporate governance have also been covered in the report.

We hope that you find this report helpful in understanding the key drivers and challenges facing the events and activation industry. We are grateful to all stakeholders and industry players who have provided their valuable time and input in compiling our report.

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Executive summary



Current state of the industry

The organized events industry has grown at 15% annually from INR2,800 crore in 2011-12 to INR4,258 crore in 2014-15.

Managed events remain the largest service offering, but, IPs (Intellectual Property) and digital events are growing at a faster rate than managed events. IPs continue to provide a disproportionately high share of revenues to their owners and activations are increasing in importance; however, managed events are beginning to get commoditized.

Survey respondents have increased their staff strength from an average of 55 employees in 2011-12 to 84 employees in 2014-15, which has resulted in payroll costs increasing from 13% to 18% of total costs. EBIDTA margins are in the 10%-15% range.

The key strengths of the industry remain the ability to get things done, ideation and efficiency, while there is a need for the industry to work on acquiring the right talent, managing costs, demonstrating ROI to marketers and increasing transparency in operations.

Future trends

The industry is expected to grow at 16%-17% to reach INR5,779 crore in 2016-17, on the back of marketers increasing their below the line (including digital) spends to 21% of their total marketing spends. The growth will be led by personal events, MICE (meetings, incentives, conferences and exhibitions), activations and sports. Most survey respondents are expected to develop one to three IPs over the next few years.

Non-metro markets are expected to increase in importance as marketers look to tier II and tier III cities for incremental growth. Digital events and activation is also expected to grow significantly on the back of smart phone penetration, internet availability and the cost efficiency of such campaigns for marketers.

Margins are expected to decline from an average of 16% to 13% over the next two years, mainly due to a growth in overall costs by 12%, and more particularly in payroll costs by 15%, as companies expect to increase their average headcount from 84 to 104 employees.

Mergers and acquisitions

While the industry has reported very few M&A transactions over the last few years, there exists scope for consolidation. More than 50% of deal activity over the last few years has been inbound (foreign companies buying into India). However, deal values are usually sub-US\$10 million. Valuations are driven by IPs owned, advertising agencies' interest in activations and digital events and sports leagues.



Tax implications

Taxes continue to be a large cost for event companies in India. There are several challenges such as double taxation, taxation across multiple states and varying and inconsistent application of different taxes. The introduction of Goods and Services tax could have a significant impact on the industry in terms of rates and implementation across multi-state activities.

Governance, risk and control

The introduction of the new Companies Act, 2013 will result in a more comprehensive approach to governance, risk and control for events and activation companies. Key changes will be in internal financial controls, compliance with more than 60 acts and regulations, and implementing a vigil mechanism to identify undesirable activities.

EEMA wish list

There is a need to grant industry status to the events and activation industry, enable single window clearances, manage withholding and other tax issues and enable skill development for the industry.

Vision 20:20

In order to succeed in the future, the industry needs to work towards the following initiatives:

- ▶ **Internal aspects:** Improve the quality of talent through skill definition for various jobs, skill development, job security, compensation benchmarking and implementation of health and safety standards. The industry must build robust policies, processes and information systems to manage business efficiently and safely, and implement technology and automation.
- ▶ **External aspects:** The industry needs to work on its positioning to marketers, build an account focus and demonstrate returns more effectively. There is a need to improve the supply chain by developing quality vendors, implementing a system of vendor accreditation and improving overall risk management. The regulatory ecosystem needs to be made more conducive by simplifying taxation, permissions and copyright issues.
- ▶ **Strategic aspects:** The industry must build more IPs focused on defined communities of interest to marketers, and embrace the opportunity provided by marketers' increasing spends on digital media.



Current state of the industry

In this section, we cover the present state of the Indian events and activation industry and the key trends. This section is based on the findings of a survey of the CEOs and business heads of 35 Indian event management companies, secondary research and EY's analysis of the same.



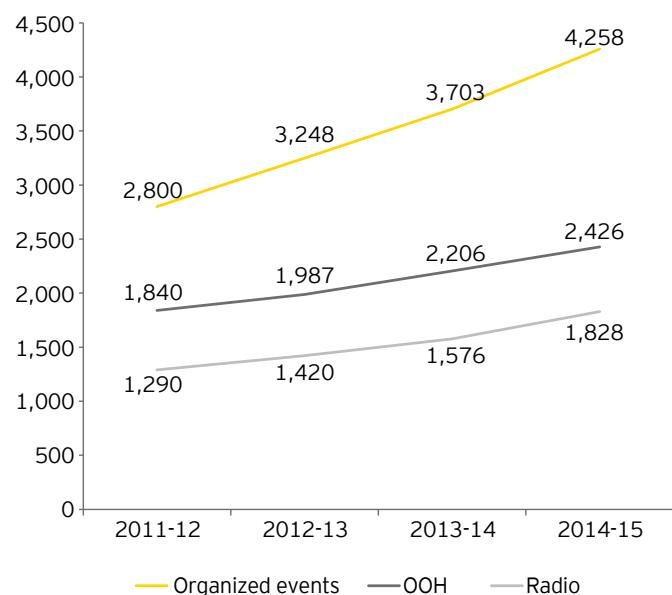
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Current state of the industry

1.1 The industry continues its robust growth trajectory

- The size of the organized events industry is estimated at around INR 4,258 crore¹. This value represents the revenue of “organized” events and activation agencies and does not include the multitude of “unorganized” events companies spread across the country. The size estimate also does not include the value of telecasts rights of events (unless owned by an events and activation management company), the value of meetings, incentives, conferencing and exhibitions (MICE) conducted by pure travel companies, value of IP not owned by event companies and properties managed by in-house activation teams of advertisers, and the unorganized events segment.

Organized events industry (INR Crore)



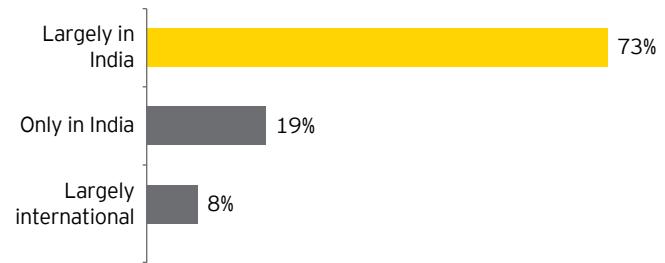
Source: EY analysis; secondary research

- The events segment has grown faster at around 15% per annum over the last three years – than the other local media such as radio and out of home (OOH) segments. This can be attributed firstly to the more innovative nature of the events and activation industry, which enables concept selling as compared to space selling. Secondly, the last few years have witnessed an explosion in ticket sales revenues – opening up a stream of subscription income for the events industry – and digital activation.
- The unorganized segment of the industry is also estimated to be large. The main reason behind this is that there is practically no entry barrier to commencing operations as an event management service provider. These service providers are individuals with no defined business processes or policies and have turnover of less than INR2 crore. The respondents estimate that the organized industry forms around 53% of the total industry.

1.2 Majority of Indian event companies have built an international presence

- An increased number of organized event companies have started conducting events in countries outside India. A large majority (73%) of the respondents indicated that while they provide services largely in India, they also conduct operations outside India. Only 19% of the respondents have an India-only presence.

Geographic presence (percentage of respondents)



Source: EY survey

¹ EY analysis; secondary research

- Most respondents (56%) had two to five offices in India on average, while just 31% had one office in India. Companies are also increasingly expanding in non-metro markets in India as they try to serve the growing rural/semi urban audience in tier-II and tier-III cities. Just eight event companies covered in our survey had an international presence, and it was generally limited to one to five offices abroad.

“The Global Markets offer huge opportunities for us Indians who have the necessary experience and the required guts. What we can do in a blink, the world takes months to decide upon.”

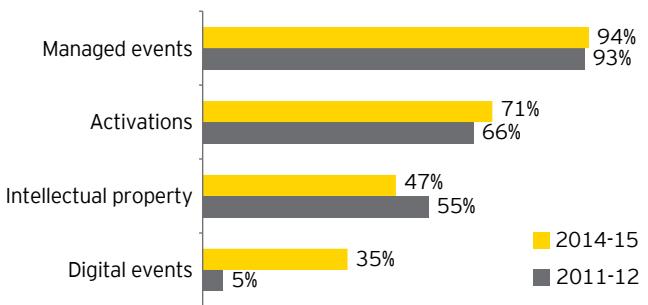
Samit Garg
E Factor Entertainment

1.3 Managed events continue to be the largest service offering

Broadly, the services provided by the industry can be classified into Intellectual Property (IP), managed events, activations, and digital events.

- **Intellectual Property (IP):** IP refers to any event or activation whose intellectual property (i.e., the concept, logo, name, format, etc.) is wholly or partly owned by the event management company. Some examples of IPs are India International Film Awards, India Bike Week, EVC, Sunburn, etc.
- **Managed events:** Managed events refer to corporate or personal events managed by an event management company on behalf of a third party, who owns the IP of the event (if any). These comprise brand launches, dealer meets, weddings, birthday parties, concerts, auditions management for TV shows such as India's Got Talent, Indian Idol, etc.
- **Activations:** Activations refer to event activities, usually smaller in size than managed events. These are carried out at multiple locations for the promotion/sales of a product or service.
- **Digital events:** A digital event brings an audience together where some or all of the attendees are not physically present in the same location but are connected in a common digital environment. Advertisers are increasingly looking at such events, since one can easily target communities at a fraction of the cost as opposed to traditional events.
- 79% of the survey respondents provided multiple service offerings.

Services offered (percentage of respondents)



Source: EY survey

- Managed events stand out as the most common service offering in the event management industry – 94% of respondents provide it. This is in line with the survey conducted in 2011-12 where managed events were also the most common service provided.
- The number of agencies offering activations has grown from 66% of respondents last year to 71% this year. More advertisers are focussing on growth from non-metro markets, and are using lower cost activations to build their brands in tier-II and tier-III markets. Perhaps, this could be an adaptation of the FMCG “sachet model” for the events industry.

- ▶ 47% of agencies surveyed, owned wholly or in part, the Intellectual property (IP) in the events they conducted. This is a decline from 55% in the 2011-12 survey, clearly showing that investing in IP is difficult, and needs sustained belief and deep pockets. In addition, digital events are a cost effective method to build IP, and have gained popularity with advertisers. TV, print and radio companies too, are creating their own event IPs and then sub-contracting the same to event companies.
- ▶ The growth in digital events to 35% from less than 5% is in tune with the ever increasing penetration of internet users in India. Internet penetration has increased from 12.6% in 2011-12 to 19.2% in 2013-14. Mobile smartphone penetration, which was at less than 10% is expected to be around 20% by March 2015², i.e., around 180 million handsets capable of digital interactions. Discussions with large advertisers indicate that their spend on digital advertising has grown from 3% in 2011-12 to 15% in 2014-15, and is expected to reach 20% in a year.³

The Kaan Khajura Tesan Initiative

Hindustan Unilever Limited's (HUL's) mobile-based digital marketing initiative Kaan Khajura Tesan (KKT) has been gaining increasing popularity in rural areas of India. It is an on-demand entertainment channel on the mobile platform, interspersed with advertisements for HUL's brands. KKT's objective was to reach and provide entertainment to people living in relatively media dark states such as Bihar, Uttar Pradesh, Jharkhand, etc. TV penetration in Bihar stood at just 14.2%⁴.

KKT has been successful in penetrating these rural markets – the number of subscribers has touched 30 million. Any mobile customer can give a missed call to a specified KKT number. The subscriber is then given free access to music, film dialogues, comedy, etc. This digital activation initiative provides end consumer engagement at a fraction of the cost of traditional media or live events.

2 <http://dazeinfo.com/2014/07/11/mobile-internet-india-2014-349-million-unique-mobile-phone-users-70-traffic-mobile-india-shining-infographic/>

3 EY report: Future of TV in India

4 Census 2011

Table 1: Types of event categories with illustrative examples

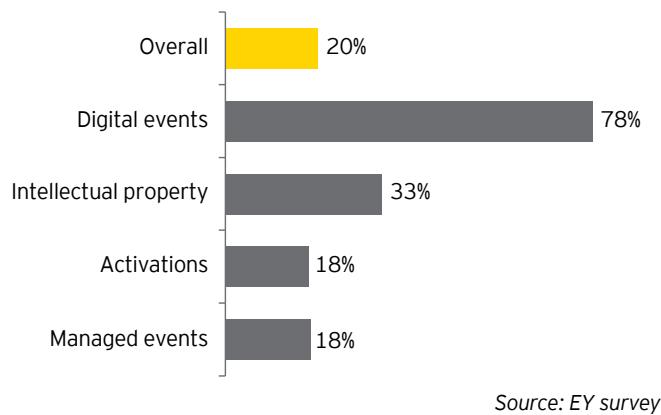
Genre of events	Type of service offering			
	IP	Managed events	Activations	Digital
Entertainment	<ul style="list-style-type: none"> ▶ IIFA ▶ Bandra Festival 	<ul style="list-style-type: none"> ▶ Filmfare ▶ TOIFA 	<ul style="list-style-type: none"> ▶ Indian Idol auditions 	<ul style="list-style-type: none"> ▶ Axe Boat Party ▶ Ghante Ki Tuning Jamegi
Sports and wellness	<ul style="list-style-type: none"> ▶ India Bike Week ▶ Zumbala 	<ul style="list-style-type: none"> ▶ IPL ▶ Standard Chartered Marathon 	<ul style="list-style-type: none"> ▶ Dhai kilo ka haath 	<ul style="list-style-type: none"> ▶ Star Sports #wontgiveitback
Educational	<ul style="list-style-type: none"> ▶ Jaipur Literary Festival 	<ul style="list-style-type: none"> ▶ Education Awards ▶ Conferences & seminars 	<ul style="list-style-type: none"> ▶ Genius scholarship ▶ Spelling Bee 	<ul style="list-style-type: none"> ▶ ESPN learning ground
Achievement	<ul style="list-style-type: none"> ▶ Youth Icon 	<ul style="list-style-type: none"> ▶ Entrepreneur of the Year ▶ ET Corporate Excellence Awards 		<ul style="list-style-type: none"> ▶ India Business Leader Awards
Social good	<ul style="list-style-type: none"> ▶ Ecovotive Awards 	<ul style="list-style-type: none"> ▶ NASSCOM Social Innovation Honours ▶ EdelGive Honours 		<ul style="list-style-type: none"> ▶ White Santa Loves Red
Pageants/Talent shows		<ul style="list-style-type: none"> ▶ Miss India ▶ India Fashion Week 		<ul style="list-style-type: none"> ▶ India's Digital Superstars
Brand promotion	<ul style="list-style-type: none"> ▶ n/a 	<ul style="list-style-type: none"> ▶ Miscellaneous brand launches 	<ul style="list-style-type: none"> ▶ Mall activations ▶ The Blue Train 	<ul style="list-style-type: none"> ▶ KBC play along ▶ Kaan Khajura
B2B - Industry events	<ul style="list-style-type: none"> ▶ EEMAgine ▶ India Bridal Week 	<ul style="list-style-type: none"> ▶ Abby Awards ▶ Digital India Summit 		<ul style="list-style-type: none"> ▶ Budget Connect+ webinars
B2B - Channel management	<ul style="list-style-type: none"> ▶ Microsoft Corporate Challenge 	<ul style="list-style-type: none"> ▶ Dealer meets ▶ Vendor meets 	<ul style="list-style-type: none"> ▶ Dealer meets ▶ Vendor meets 	<ul style="list-style-type: none"> ▶ Filmtec Raja
Personal events	<ul style="list-style-type: none"> ▶ n/a 	<ul style="list-style-type: none"> ▶ Weddings ▶ Parties 	<ul style="list-style-type: none"> ▶ n/a 	<ul style="list-style-type: none"> ▶ n/a

Note: The above is a random list of events based on our industry interactions, and does not aim to provide a comprehensive list, nor does it indicate quality, success, etc. It is for illustrative purposes only.

1.4 Number of events conducted continues to grow

- According to respondents, the total number of events organized by them grew from 3,631 in 2013-14 to 4,233 in 2014-15, and was expected to reach 5,329 in 2015-16, at an overall growth rate of 20%.

Growth rate - number of events 2013-14 to 2015-16 (estimated)

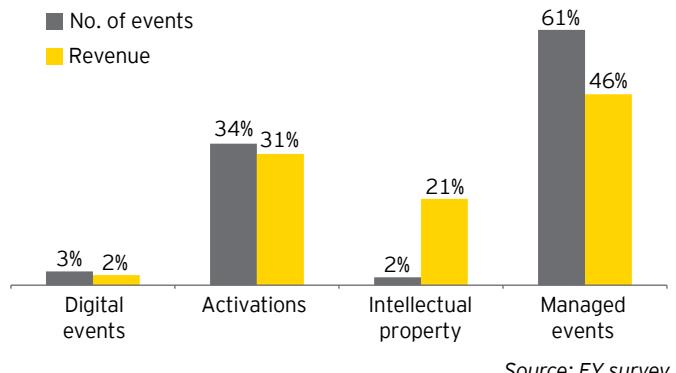


- Managed events are expected to continue to be the mainstay of Indian events and activation industry. Managed events formed around 61% of the total events in 2014.
- Intellectual Property (IP), which currently has a minuscule contribution to the total event space is expected to improve over time as companies envisage the importance of building and owning IPs. Respondents in the survey are expecting an increase in share of IP-related events from 1.7% of total events in 2013-14 to 2.2% in 2015-16.
- The activations segment is expected to grow at 18%. While brands continue to target local audiences through activations, they are now beginning to experiment increasingly with digital marketing and events, which shows a growth rate of 78%. The recent success of Kaan Khajura Tesan, an initiative undertaken by Hindustan Unilever, is a case in point.

1.5 IPs provide a disproportionate revenue share

- While IPs comprise just 2% of total events conducted, they provide 21% of the total revenues.
- Activations, too, given their growing value to advertisers, are now showing an increase in revenues to 31% in 2014-15 from 14% in 2011-12. As managed events get increasingly commoditized, their ability to generate revenues appears to be under pressure.

Number of events vs. revenue (2014-15)



- Digital events, at 3% of the total number of events, generate 2% of total revenues, mainly, since these are often low-cost additions to managed events or IPs. The key to increase the revenue potential of digital events is to use the information gained on the target audience to build and monetize databases and continue engagement with the target audience post the event – and through the year if possible.

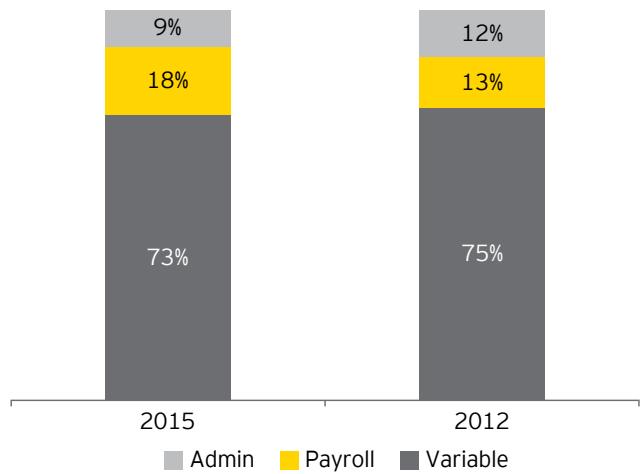
1.6 Companies have recruited more employees

- ▶ The average employee strength of survey respondents was 84, while most had between 21-50 employees, excluding contractual/event-specific hires. Interestingly, the average growth in number of employees is higher than the average growth in revenues, showing there is a case to re-look at per-employee efficiency.
- ▶ Most event companies have a young employee base. While youth lends an increased degree of passion and enthusiasm, it also often results in a lower adherence to organizational policies and processes. The predominant young employee base also often results in attrition as talent looks out for better avenues outside the industry.
- ▶ 63% of respondents have indicated attrition rates to be 10% or lower. The average attrition rate has remained relatively the same since the survey in 2011-12. Most of the respondents believe the attrition rate is likely to remain at this level for the next two to three years.

1.7 Operating performance of most respondents is healthy

- ▶ The financial results of companies covered in the survey presented a healthy performance in 2013-14. While almost all companies surveyed were profitable, 46% of the respondents posted a profit after tax (PAT) in excess of INR1 crore.
- ▶ Survey respondents had an EBIT of 10%-15% and a PAT margin of 5%-10% on average. A majority of respondents covered in our survey have indicated profitability to continue for the next two to three years with PAT expectation to be in the range of 5%-10% or higher.

Cost break-up 2014-15



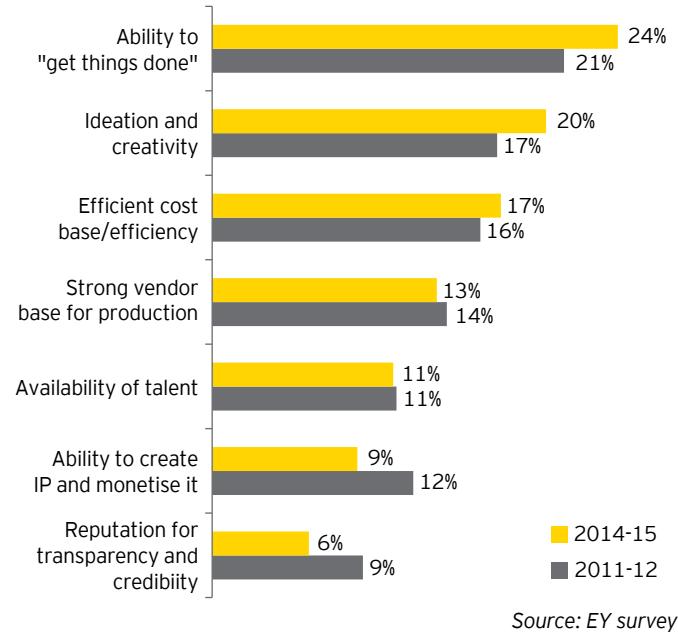
Source: Company filings and EY survey

- ▶ The cost break-up, as indicated in the chart above is computed from filings of sample event companies and data provided by survey respondents. However, this break-up varies depending upon the size and portfolio of service offering. On an average the variable cost constitutes the largest portion of the cost in the event industry and is comparable to figures of 2011-12.
- ▶ Payroll costs have increased from 13% to 18% of total costs as companies have hired more personnel (average employee strength of survey respondents has increased from 55 people in 2012 to 84 in 2015).
- ▶ Admin costs have proportionately reduced, aided by cost control initiatives and reduced leakages in procurement due to centralization.
- ▶ On average, payroll costs were twice the total admin costs of respondents.

1.8 Key strength remains the ability to "get things done"

- Ability to "get things done": Majority of respondents believe that the ability to get things done remains the key strength, which Indian event companies possess. Event companies have managed to execute projects despite key challenges including regulatory bottlenecks, limited infrastructure, dearth of quality talent, inadequate supply chain, unorganized vendor base, etc.

Key strengths (weighted responses)

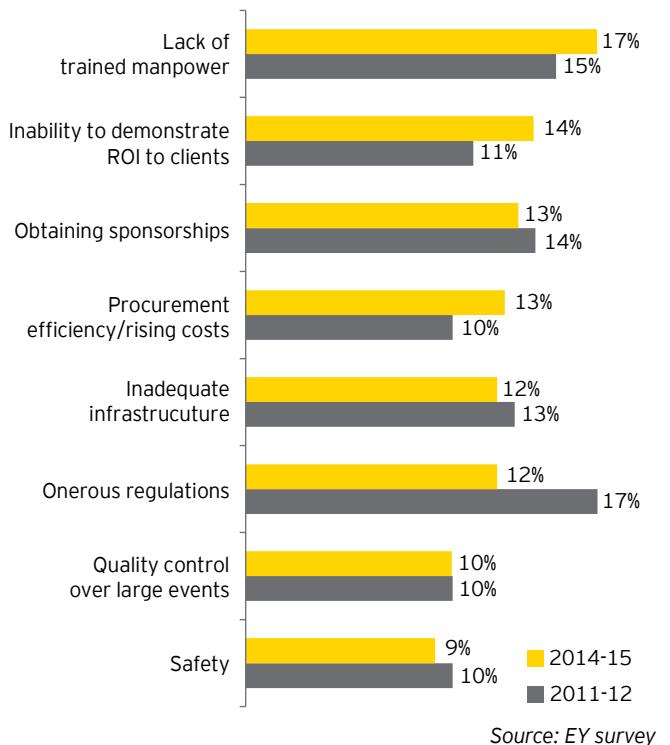


"It is the niche creativity that empowers brands."

Rajeev Jain
Rashi Entertainment

1.9 Lack of trained manpower remains a key challenge

Key challenges (weighted responses)



- Ideation and creativity:** Event companies have been able to attract sponsorships, draw increased audiences, and build Intellectual Properties (IPs) based on their creativity and ideation capabilities. Clients, advertisers and sponsors will continue to value ideation and creativity when it comes to making a choice between different event companies. Creativity is imperative for both growth and retention of business in the industry.
- Efficient cost base:** A core strength of the events industry, and one which sponsors and advertisers value the most, is its ability to manage costs despite the not so conducive environment in which events and activations are required to be conducted.
- Ability to create IPs:** This year's survey clearly shows the increasing difficulty faced by event companies in developing IPs – many tried, but few succeeded.
- Reputation for transparency:** The event segment's reputation for transparency still remains an issue. There is a clear need to share budgets and invoices with advertisers and integrate digital into events, which enables demonstration of ROI to marketers.

- Lack of trained manpower:** This issue ranked second in our 2011-12 survey, and it grows to become the most serious issue in the 2014-15 survey. 74% of survey respondents were not satisfied with the quality of talent coming into the industry. Dearth in desired skill sets and right qualifications is a factor that often limits the growth of the industry. Event companies have often faced difficulty in targeting the right people. Moreover, event companies face considerable competition from other segments in the entertainment industry such as television, print, film and radio when it comes to attracting talent.
- Inability to demonstrate ROI:** This challenge, ranked 5th in the previous survey, has risen to be the second-most critical challenge this year. The industry has not been able to define a standard measurement metric to demonstrate ROI to its clients. EEMA is working on the same, but challenges remain due to inherently non-standard nature of events. One quick fix could be the integration of some digital engagement, which is easily measurable and can demonstrate some level of ROI.

- ▶ **Procurement efficiency:** The need for efficient procurement has shown an increased importance in the minds of respondents (moving up two places in importance from the sixth to the fourth-most critical challenge), particularly on the back of continued difficulty in raising sponsorships. Given inflationary pressures, increase in average event size and quality expectations, and increase in the number of events managed by each respondent, the need to manage procurement and execution costs has never been more important. Many companies have centralized procurement and have also begun to use specialist buyers for performers, venues, travel, stay and other high value cost items.
- ▶ **Regulatory approvals:** Event management companies had indicated regulatory approvals as the leading challenge plaguing the industry during the previous survey in 2011-12. This seems to have improved to some extent, with the reduction in entertainment taxes and implementation of single window clearances in certain states. Or else, event companies are getting used to managing the onerous approvals required for each event. The recent budget, which was announced after our survey was conducted, increased the ambit of taxes on events. Taxation has been covered in a separate section of this report.

“Most people are trained on the job and the only way to find talent is to create it. But the larger challenge that we face and will continue to face is retaining the talent in whom we invest our time and efforts training. This is going to be an occupational hazard and the only way to address this in the long run would be to share equity with people who make a difference.”

Jai Mundra
Beep Experience Management

Client speak

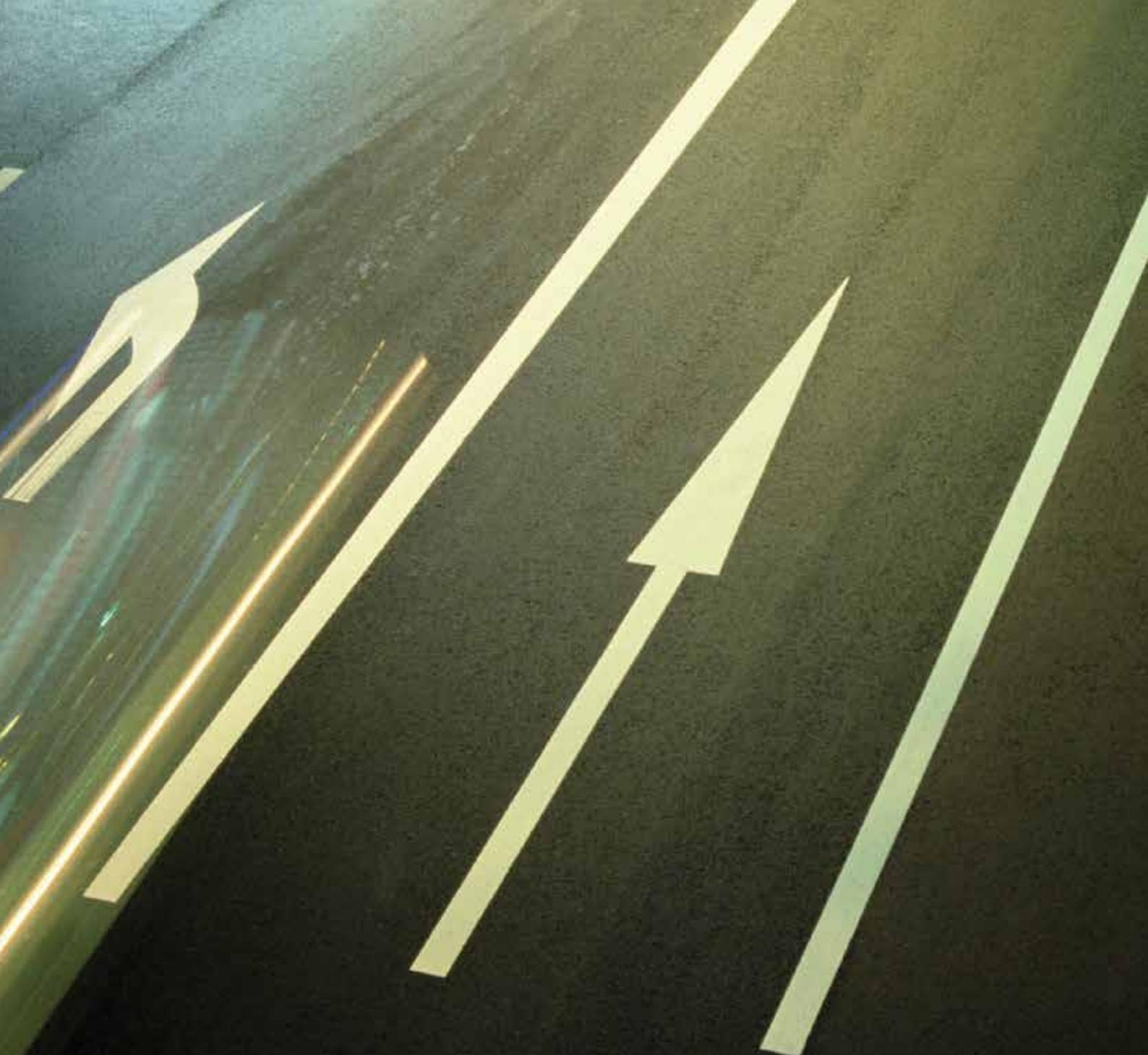
EY performed a survey of marketers, and summarized below are the findings of how they rated their events and activation agencies across various functions (the graph indicates number of responses):



Marketers most appreciated the execution quality and cost efficiency of their events and activation vendors. They also appreciated the innovation brought to the table by them, and their ability to manage event risks.

They are looking to get more strategic inputs from agencies on their brands, and would like to see initiatives where their agencies enable results for brands (only 10% believed that the ROI was adequately demonstrated). Most marketers understood the importance of digital integration and were looking for ideas from their agencies to implement more digital activations to reduce their cost per contact.

Source: EY marketer survey 2014



Future trends

In this section we cover the key opportunities, issues and trends which the events and activation industry is likely to witness in coming years. This section is based on survey of the CEOs of Indian event management companies and EY's analysis of the same.



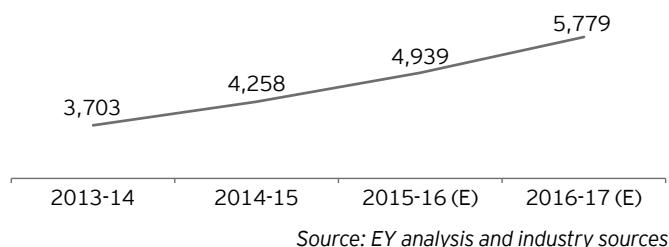
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Future trends

2.1 The industry continues its robust growth trajectory

- According to a majority of respondents interviewed in our survey, the organized segment of the event industry is expected to grow at a healthy pace of around 16%-17% for the next two to three years, to touch INR5,779 crore by 2016-17.

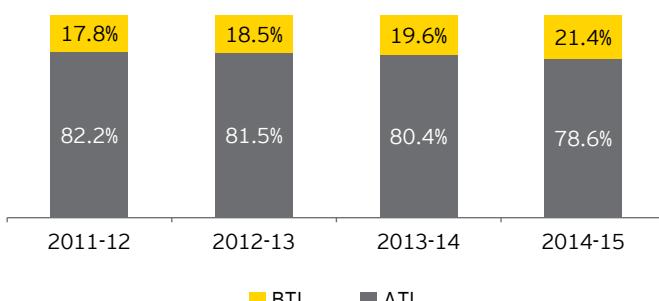
Expected size of the events industry (INR Crore)



Source: EY analysis and industry sources

- Marketers have been increasing their BTL spends over the last few years, primarily due to events, activations and digital activation. Majority of survey respondents believe that BTL's share of the advertising spend will increase in the range of 10%-15% over the next few years. Our analysis of marketer spends indicates that BTL spend (including digital) has increased to 21% in 2014-15.

Marketers will spend more below-the-line (percentage of respondents)

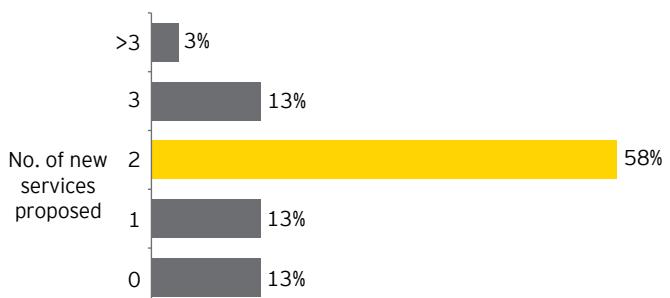


Source: EY EEMA report 2011-12; EY marketer survey 2014

- Overall inflationary growth in production costs, regional growth in activations, and increasing IPs are also expected to contribute to the growth.

- 87% of survey respondents have plans to offer one or more new service (e.g., sports, weddings, retail, hospitality, digital, etc.) over the next few years, and 84% have plans to expand into new geographies either nationally or internationally, mainly for the purposes of building an expanded presence.

Plans to offer new services (percentage of respondents)



Source: EY survey

- Survey respondents have indicated that the organized segment is currently 53% of the total industry. With the propensity to spend increasing, growing importance of regional markets and increase in demand for large events, they expect the share of the organized segment to grow in the next two to three years to 59%.

2.2 Non-metro markets will increase in importance

- Rural India accounted for around 52% of total retail spending in 2014. Rural retail is expected to grow from INR16.4 lakh crore in 2014 to INR29.7 lakh crore in 2020, and INR53.2 lakh crore in 2025⁵. This spend, however, is spread over 6.5 lakh villages and towns, which will therefore need activations support – physical and digital. In 2012-13, the average per capita consumption expenditure in rural India was INR13,164, and was INR26,243 in urban India⁶.

5 Technopak Report "2014: The Year That India's eTail Announced Its Arrival"

6 CMIE Consumer Pyramids Report, March 2014

- The events industry is likely to see an increased focus by marketers towards non-metro markets to capitalize on this growth. Moreover, the rise in disposable income and willingness to spend has created demand for events in tier II and tier III cities.
- With the digitization of television, particularly in phase III and phase IV markets, the impending Phase III of FM radio license auctions and roll-out of pan-India ISP businesses by companies such as Hathway, Den, Jio, etc., most broadcasters and media companies now have marketing plans that reach out to 300 to 500 cities.

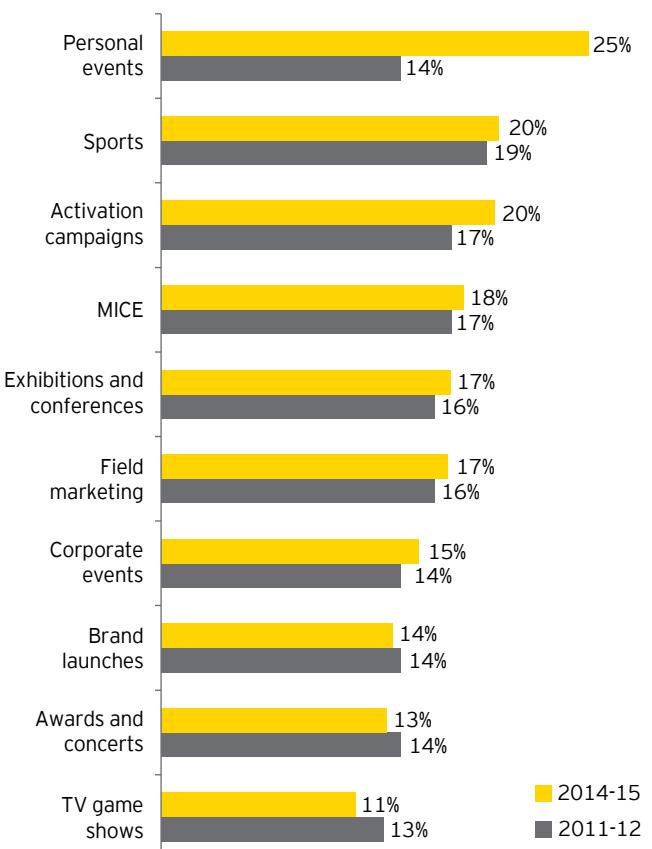
2.3 Personal events, activation campaigns, MICE and sports will fuel growth

- A majority of respondents covered in our survey, believe that personal events, sports, activation campaigns and MICE are the four categories that will register the fastest growth rates in the range of 18% to 25% in the next two to three years.
- Personal events are expected to register the fastest growth rates during the next two to three years. High disposable incomes and willingness to spend on large scale weddings, anniversaries, parties and family get-togethers is expected to increase the growth rate in the personal event space. As the willingness to spend has been increasing, so is the expectation from customers for excellence and precision in delivery of events. This leads to increased professionalism and enhanced revenues.

“Personal events are emerging as a big opportunity in our country, as they reflect clients' social standing in the community and so have big budgets.”

Dr. Jaydeep Mehta
True Innovation

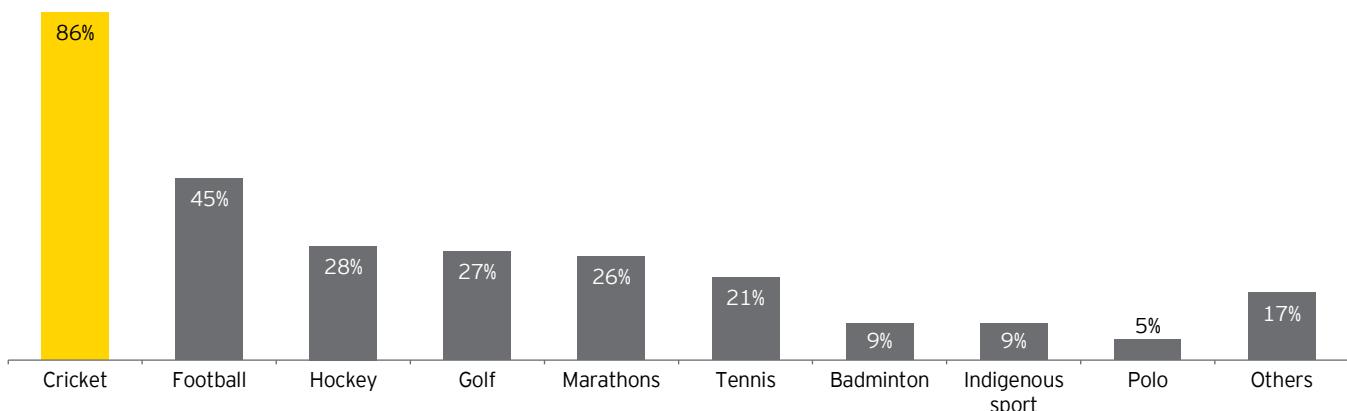
Average growth expectation in different event categories



Source: EY survey

- ▶ Sporting events have also been witnessing a revival. 70% of marketers state that sports is either a key focus area for them or a definite part of their total marketing spends⁷. What used to be a single sport market, dominated by cricket, is now showing signs of diversification, as marketers are willing to invest across different sports.

Games favored by brands for their brand marketing campaigns



Source: EY marketer survey 2014

- ▶ 90% of survey respondents believed that activations would have increased importance going forward, or will be a significant driver of growth. Activation campaigns are showing growth as more and more marketers use activations to promote their brands and products in tier II and tier III towns. In particular, FMCG, telecom, banking, insurance, durables, education and automobile industries are using activations to grow beyond the metros, where their sales are beginning to stagnate. Our survey of marketers indicated that 100% of respondents wanted to use digital integration in some form, while 50% of respondents believed it will become a very important element of their marketing spend budgets.
- ▶ India ranks 27th in the global MICE market⁸. Survey respondents expect the MICE segment to grow at around 18%. Outbound MICE has also seen significant growth over the last few years. The domestic MICE market is gradually picking up with support from the Ministry of Tourism. Though the current state of infrastructure limits the true potential for growth of domestic MICE, the increasing number of hotels and conference venues of international standards is helping grow this segment.

“Companies are still linear in their approach... use of digital integration will see a spurt.”

Siddharth Ganeriwala
Aura Integrated Solutions

- ▶ The events space has also begun to integrate digital initiatives and activities into its traditional events portfolio, mainly for:
 - ▶ Building awareness for an event
 - ▶ Ongoing interaction with audiences to get feedback during and after the event
 - ▶ Build communities using social media networks
- ▶ The increased opportunity, however, lies in offering digital activation led campaigns for advertisers, to target audiences, which live in largely media dark markets. Digital not only reaches young customer segments, but can also be used to target illiterate consumers through IVR-based solutions and niche customer segments, which could be too expensive for mass media.
- ▶ In this direction, building communities is critical in forging relationship with target audiences, even after the event is over. The model is effective for both B2B and B2C events

7 EY Marketer survey, Jun 2014

8 International Congress and Convention Association, The Global Association of the Exhibition Industry

9 EY's Future of Television in India report, 2014

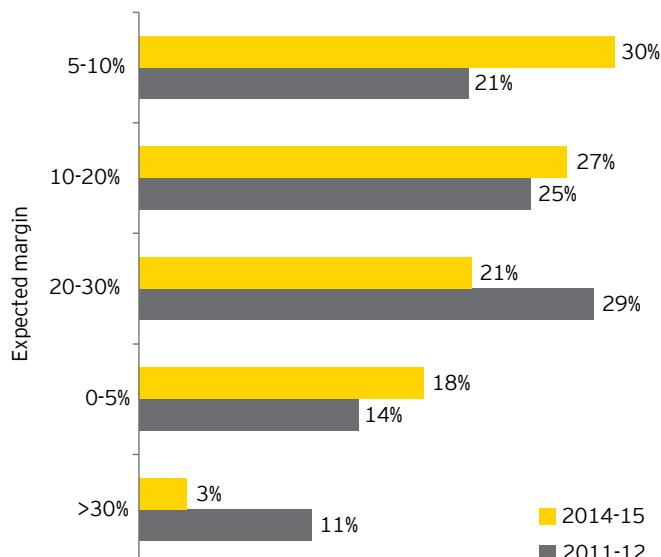
10 India Brand Equity Foundation web-site

and results in improved brand recall and better engagement on an ongoing basis. Hence, evolving strategies on building communities through ongoing interaction with audiences – aided by digital integration – will gain importance in the future and event companies exhibiting this skill will reap benefits in a big way.

2.5 Margins continue to stay positive, but cost control is imperative

- ▶ Survey respondents expected EBITD margins to be, on average, 13% over the next two to three years, which is a reduction from the 16% they had estimated in the 2011-12 survey.

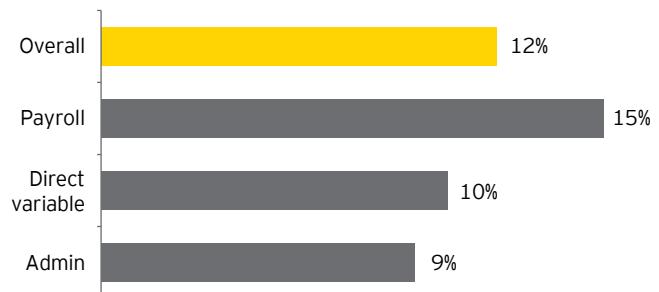
Overall profit margins (percentage of respondents)



Source: EY survey

- ▶ Respondents believed that costs would increase by an average of 12% over the next two to three years, led by payroll costs required to attract and retain quality talent. Respondents expected to increase employee strength from 84 today to 104 employees, on average, within two to three years.

Expected growth rate in costs



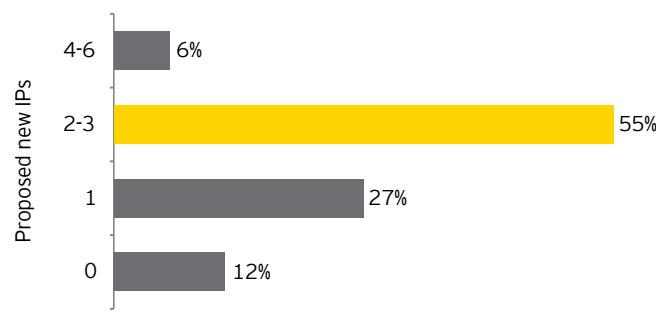
Source: EY survey

- ▶ Event companies need to be mindful of increasing overhead expenditures in the business, as well managing margins on a real time basis. Respondents believed margins could improve if cost leakages and wastages were reduced. A few factors, which are critical to maintain profitability are:
 - ▶ People cost
 - ▶ Efficient management of attrition
 - ▶ Ensuring all replacement hiring is done at the same or reduced cost
 - ▶ Ensuring all new hiring is approved by CEO/directors
 - ▶ Better management of procurement costs
 - ▶ Implementing a centralized procurement function
 - ▶ Ensuring purchase orders are issued for key items prior to event date, to prevent subsequent buffering
 - ▶ Enabling volume discounts across business divisions
 - ▶ Increasing use of barter transactions
 - ▶ Variable event costs
 - ▶ Preparation of a pre P&L statement
 - ▶ Live monitoring of costs and revenues against budgets
 - ▶ Real-time monitoring of ticket sales, bands and cash collections
 - ▶ Daily monitoring of consumption of food and beverage stocks to identify wastage and unbilled/missing items.

2.6 Event companies will continue to create IP

- 88% of survey respondents intend to build IPs over the next two to three years. Event companies are increasingly focussing on building IPs in-order to capitalize on the growing demand for quality events. IPs command a premium over other services, add more quality revenue to the company's kitty, get signed on for long-term deals, demonstrate measurable results and are more resilient to economic slowdowns. Event companies intending to gain a superior position in the industry are building IP capabilities as it improves the companies' perception in the market and in the minds of customers and investors.

**IPs expected to be launched in next 2-3 years
(percentage of respondents)**



Source: EY survey

- The entry barriers to creating IPs are reducing. In the past, a national IP will need marketing costs, which could be 50% of the total investment. Today, marketing costs can be reduced through the digital medium to 25%-30% of total IP costs, as well as enable a focussed approach towards a targeted community. Hence, event companies' reliance on mass media can reduce.

Ticketed events

An interview with Girish 'Bobby' Talwar, VP Events BookMyShow & Co-Founder OML/NH7

Q. What is the size of the ticketed events industry and what share does BookMyShow have?

The ticketed events industry two years ago would be around INR150 crore to INR200 core. Today that number is around INR450-500 crore and slated to grow at the same rate. As BookMyShow we service more than 50% of that market.

Q. How has this industry grown in the past two years, and where do you expect to see it in the next two years?

In the past two years I have seen a surge in the number of events that are taking place annually. The average ticket prices have risen from around INR600 to INR1,000; not including the premium category prices which have also seen a 40%-50% rise. B towns are seeing an immense appetite for all kinds of ticketed events. This trend is expected to grow across more B and C town cities with the introduction of new genres of ticketed events, entertainment and sports.

Q. What are the key areas of opportunity and growth?

As segments, music-based events, comedy and sports will continue to be the key areas of growth. Opportunities like small and large venue management seem to be a new sunrise market.

Q. Any concerns you'd like to see addressed?

The introduction of a service tax in addition to an entertainment tax on tickets is a serious concern. This will raise the taxes on tickets to 30% and even more in some cases. Apart from damaging the margins of events promoters and substantially raising prices of tickets, this may result in the serious slowdown and even shutdown of some event and sports promoters. I would really like to see the speedy implementation of GST (goods and services tax) that hopefully addresses this issue at reasonable rates for all stakeholders. Also, more permanent, quick turnaround infrastructure venues, for events to be hosted across the country would be the need of the hour.

What changed?



Key changes that were observed in survey responses between 2011-12 and 2014-15



Intellectual property

Majority of survey respondents are planning to **build between 1 and 3 IPs in the next two to three years**, to help generate stable cash flows, gain scale quickly and improve business valuations. However, companies have also realized it is difficult to build quality IPs.



Growth

Growth is expected to be driven by **personal events, activations, sports and MICE**. Rising disposable incomes, increased success of sports leagues and importance of the rural market for advertisers will support these segments of the industry.



>70%

Service outside India

Increased number of respondents – more than 70% – have started to **provide service outside India**, across personal events, MICE and IP.



Challenges

Lack of trained manpower and inability to demonstrate ROI to clients have become the key challenges faced by the industry, given the increase in number of events, rise in quality expectations and increased geographical spread of events and activation activity.



Activations

Activations are of increased importance to advertisers. They comprise 31% of total revenues today as compared to 14% during our 2011-12 survey.



Profitability expectations

Profitability expectations have reduced from 16% to 13% on the back of cost inflation and advertiser cost consciousness. Managing cost has never been more important – across fixed overheads, people cost and reducing leakages in variable event costs.



Payroll costs

Payroll costs have increased significantly from 13% of total costs to 18% of total costs. They are now twice the admin costs and fixed overheads of event companies.



Digital integration

35% of respondents are now providing some level of digital integration in their events. Digital is being used to market events, sell tickets, enable registrations, obtain feedback and continue to engage the community after the event. More importantly, it is being used to demonstrate ROI to clients, a task which has become an increased challenge over the past few years.



Performer availability

Performer availability has improved. Television shows and talent agencies have developed an ecosystem that makes it easier to showcase and recruit performers across the country.



Mergers and acquisitions

In this section we discuss the mergers and acquisitions (M&A) deals which have taken place. We also cover the M&A opportunity that exists in the future.



3

Mergers and acquisitions

3.1 Overview of the M&A landscape

- The event management industry witnessed very few transactions in the last four to five years. Most of these transactions have been below the US\$10 million (approximately INR62 crores) range.
- Given the highly fragmented industry structure (more than 10,000 event companies) there is scope for consolidation in the industry. In addition, small players dominate specific sectors and regions and attract large national players looking to expand operations. Although there are several benefits that some of the niche companies can provide to large national players, deal activity has been slow due to:
 - Issues regarding financial transparency and corporate governance in the smaller companies

- Uncertainty in cash flows due to high customer concentration
- High employee turnover resulting in instability in operations
- Despite these challenges, we have observed some inbound interest in event management companies that have a focus on activation. There are several large advertising agencies including JWT, Publicis and McCann Worldgroup, which have acquired companies to strengthen their activation solutions to brands and we expect this trend to continue. A few notable transactions in the activations space over the last decade include the Encompass Events being acquired by JWT and Publicis acquiring Solution Digitas.

Table 2: The table gives details of some of the deals in the events and activation industry

Date	Target	Investor	Industry	Deal type
February 2015	Eventifier	BookMyShow	Events	Domestic
October 2014	Adlabs Entertainment	NYLIM Jacob Ballas India Holdings	Events/Activation	Private equity
July 2014	Milestone Brandcom	Dentsu Aegis Network	Activation	Inbound
April 2014	Media Lounge	Origin BeanstalkCreatives Consultants Pvt. Ltd.	Events	Domestic
April 2013	End To End Marketing Solutions Pvt Ltd	McCann Worldgroup India	Events/Activation	Domestic
November 2012	Cream Events	Edelman India	Activation	Domestic
October 2012	KWAN Entertainment & Marketing Solutions	CAA	Talent management	Inbound
April 2012	Only Much Louder (OML)	CA Media	Events	Inbound
July 2011	Direxions Global	LoyaltyOne	Database Marketing	Inbound
October 2010	Asian Business Exhibition and Conferences	QInvest LLC	Events	Private equity
March 2010	IMG Reliance (Joint Venture)	Reliance	Events	Domestic
March 2009	Candid Marketing (IMSG stake of 66%)	Candid Marketing management	Activation	Buy-back
June 2008	Megaron	MCI group	Activation	Inbound
April 2008	RAMS	Grey (G2,WPP)	Activation	Inbound
April 2008	Percept Holdings	Everstone, JPM, Passport Capital	Events/Activation	Private equity
January 2008	Encompass Events	JWT	Events/Activation	Inbound
July 2006	Goto Customer Services	Omnicom Group	Events/Activation	Inbound
June 2006	Candid Marketing	IMSG Plc	Activation	Inbound
December 2006	Sercon India	Bates Asia	Events/Activation	Inbound
November 2005	Solutions	Publicis Groupe	Events/Activation	Inbound
January 2005	Kidstuff Promos & Events	DDB Mudra	Events/Activation	Domestic

Source: EY research and industry sources



3.2 Evolving M&A opportunities

Industry focus on IP-led events

The trend of event companies focusing on building IP-events has been around for more than two to three years. Events are conceptualized and executed in order to make them into big brands. Such events provide increased margins and strong fan-following and the brand can be extended into bars, cafes, merchandise, music records, video labels, etc. IPs enable the creation of a stable stream of cash flows. A few of the successful IP events in India include Sunburn by Percept, IIFA by WizCraft and NH7 Weekend by OML. The annuity cash flow and the tertiary business opportunity that these events provide make them attractive for domestic and international investors. CA Media's investment in OML, which is focused on IP-led events, is the first investment towards focused IP events. We expect deal activity in IP-led event management companies to pick up after few more companies demonstrate ability to create IP-led events and scale them up successfully.

Advertising agencies' interest in companies with ability to execute experiential marketing and activation events for their clients

The consumer industry across India has started focusing on increasing activation and experiential marketing spends. Event management companies have the capability to organize and manage such consumer activities for brands and have been awarded contracts by brands such as Coca Cola for Coke studios and MTV for MTV Unplugged. The increasing trend of consumer companies using event management agencies has resulted in advertising agencies building event management capabilities to win these contracts. Going forward, event management companies that focus on experiential marketing and brand activations could become attractive targets for advertising agencies.



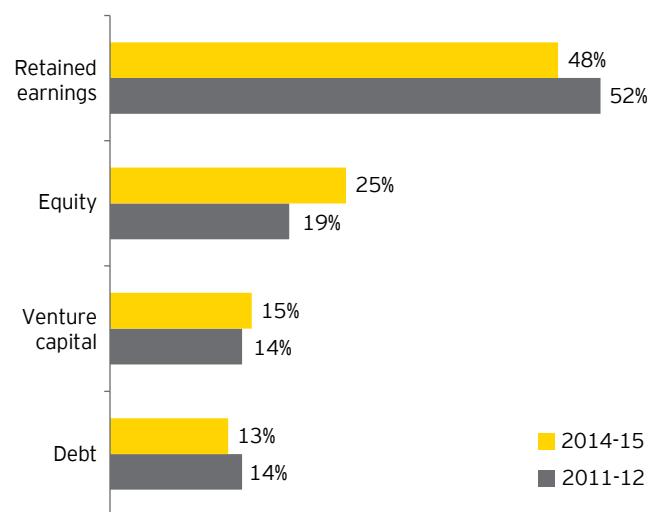
"I see many mergers and acquisitions, agencies joining hands and moving ahead while retaining clients and providing better services. Agencies would prune their manpower and have varied services to offer."

Harjinder Singh
Showworks Eventz

3.3 Consolidation and inbound investments are expected to continue

- As a part of industry reorganization, large companies are expected to acquire other small companies with focus on niche areas such as brand activations, experiential marketing, MICE, personal events and sports events management. In addition, we also expect the larger national players to consolidate their presence by acquiring a few regional players, which can enable them to provide pan-India services to their clients in an organized and transparent manner. This consolidation is also expected to improve the bargaining power of companies with vendors and suppliers thereby improving cash flows, which will make them attractive targets for global strategic investors looking to enter India.
- Survey respondents believed that the majority of inorganic growth will be funded through internal accruals. However, companies have also indicated that they are increasingly open for equity infusion and venture funding.

Fund options (percentage of respondents)



Source: EY survey

Sports leagues

With the onset of different sports leagues in India such as, Indian Premier League, Indian Soccer League, Hockey India League, Kabaddi league, Badminton league etc., event management industry has seen a considerable increase in demand. The contract value for event management companies will increase with popularity of these leagues. Given the advertiser interest in the new sports leagues and the potential for brand activations around these events, niche sports event management companies can be attractive targets for either the large event management companies, broadcasters or for advertising agencies.



Tax implications

This section discusses the direct and indirect tax implications on the industry.

4

Direct tax

Among the myriad taxes applicable to the events industry, direct taxes have a major impact on the cash flows of the events industry. The increase in the number of events and the high visibility associated with them has drawn the attention of Revenue Authorities. Although the stand on many aspects of direct taxes has attained finality, certain aspects remain contentious due to a lack of judicial precedence. In light of the unique nature of the industry, the following key issues need to be considered from an income-tax perspective while organizing an event in India:

4.1 Tax revenues from an event in India

- ▶ The primary source of revenue for an event manager from an event is revenue from sale of live telecast rights (where an event is organized and recorded by an event owner) or management fee (where an event management company is commissioned to organize an event). The other sources of revenue include income from ticket sales and sponsorship fees.
- ▶ A resident event management company/event owner in India is taxable in respect of its global income on net basis according to normal provisions of the Income-tax Act, 1961 (Act). However, typically, a non-resident event management company/event owner will be taxable in three cases:-
 - i. Where the person's income accrues or arises in India; or,
 - ii. Where the income deems to accrue or arise in India; or,
 - iii. Where the income is received or is deemed to be received in India.

A non-resident event management company/event owner can choose to be governed by the provisions of the Act or the applicable Double Taxation Avoidance Agreement (Tax Treaty), provided it is eligible to claim Tax Treaty benefits and has the prescribed documentation in place.

- ▶ Where an event management company/event owner has entered specified transactions (international transaction, deemed international transaction, or a specified domestic transaction) with its related parties, as defined under the Act, such transactions are required to be at a price such as that between two unrelated parties (known as arm's length price).

In this regard, the event management company/event owner is required to maintain the prescribed documentation and undertake the prescribed filings with Revenue Authorities. This will enable it to demonstrate that the transactions with related parties, during the year, are at arm's length price.

4.2 Tax issues relevant to event industry

Taxability of revenues from sale of live telecast rights

The event owners typically own the rights to telecast a live event, which they may grant to broadcast companies. The issue that arises is whether revenues earned by non-resident event owners from grant of rights to telecast a live event in India are taxable in India. Generally, the taxpayers take a position that there is no "copyright" in the rights to telecast a live event in India and, therefore, the grant of such rights is not in the nature of "royalty". However, the Revenue Authorities typically consider the payment towards acquisition of rights to telecast a live event in India is in the nature of "royalty" for transfer of "copyright", and, therefore, taxable in India. In view of the same, there exists a controversy on the taxability of income earned from transfer of rights to telecast a live event in India. A recent decision of the Delhi High Court on the matter held that payment for "live" telecast falls outside the ambit of "royalty" as defined in the Act.

Taxability of event management fee

According to the provisions of the Act, payment to a resident event management company i.e., event management fee, is considered to be in the nature of "professional fees" and is subject to withholding tax. In the case of a non-resident event management company, the event management fee may be considered to be in the nature of "business income" (unless the provisions of Independent Personal Services under Tax Treaty are attracted). Hence, such fee is taxable in India where the event management company is considered to have a business presence in India (i.e., a permanent establishment) in India. However, the Revenue Authorities may take a position that the "event management fee" is taxable on gross basis in India as "fees for technical services" (which includes technical services

such as managerial, technical, professional or consultancy services) according to the Act or applicable Tax Treaty and accordingly, litigation in the matter cannot be ruled out. The Finance Bill, 2015, proposes to reduce the tax rate on fees for technical services and royalty from the current 25% to 10% (plus applicable surcharge and cess).

Taxability of sponsorship fee

An event owner receives sponsorship fee from various corporate organizations (i.e., sponsors), which use the events for promotion of their products. Sponsorship generally includes naming an event after the sponsor, displaying the sponsor's company logo or trading name, giving the sponsor exclusive or priority booking rights, complimentary tickets, sponsoring prizes or trophies for competition etc. Typically, sponsorship agreements are a mixture of all these rights and the sponsorship fee is a lump sum amount to be paid annually by the sponsors.

As regards payment of sponsorship fee to a resident event owner, the issue arises regarding applicability of withholding tax provisions in respect of royalty (for use of or right to use trademark or similar property) vis-à-vis advertising contract, depending on the terms of the contract.

The other issue that could arise is whether the sponsorship fee paid to a non-resident event owner by various sponsors, in respect of an event in India, is in the nature of "royalty" and taxable in India.

Taxpayers take a position that the consideration from grant of sponsorship rights is not in the nature of "royalty". However, the Revenue Authorities usually take a contrary view on the basis that there is use of trademark or similar property involved.

The taxability of sponsorship income essentially depends on the facts of the case and commercial understanding of parties. Given the stakes involved, it is imperative that appropriate documentation is maintained to mitigate tax exposure of sponsorship income being taxed as 'royalty'.

4.3 Taxability of revenues from activations business

- ▶ Despite logistical challenges such as multi-city events and varied target audience profiles, the activations business continues to grow with the prominent source of revenue arising from sponsors of the brand/products. As regards the payment of fee to the companies undertaking activations, the issue arises regarding applicability of withholding tax provisions in respect of payment to resident contractors vis-à-vis fees for professional or technical services to residents.
- ▶ Since the purpose of activations is advertising or brand promotion, the taxpayers take a position that the payment is for advertising work and subject to withholding at the rate of 2%. However, the Revenue Authorities may take a position that the activations are in the nature of professional services and subject to withholding at the rate of 10%. Accordingly, the taxability of payments for activations will depend on the terms of the contract and the facts of each case supported by appropriate documentation.

4.4 Withholding tax implications on key payments

- ▶ The major payments associated with event management are payments to event management companies, artists' fees, infrastructure at the venue and production expenses (unless broadcasting rights are transferred). Such payments may be liable to deduction of tax at source under various provisions of the Act. In the case of residents, the applicability of the withholding provisions in respect of payment to resident contractors' fees for professional or technical services to residents and, in addition, in the case of non-residents, the applicability of the provisions in respect of payment to non-resident sportsmen or sports association and payments of other sums to non-residents should be examined.

- ▶ Non-compliance with the withholding tax provisions results in additional interest liability, disallowance of expenses and penalty exposure. Moreover, where a payee, whose income is subject to withholding, does not have a tax registration in India (i.e., Permanent Account Number), the tax is required to be withheld at the rate specified in relevant provisions or the rates in force or 20%, whichever is higher.

We have discussed below the withholding tax implications on some of the key payments in connection with an event:

Payments to resident artists performing in India and outside India

- ▶ Provisions of the Act specifically provides that the services provided by resident artists for performance in India are in the nature of "professional services" (defined under the Act) and are subject to withholding at the rate of 10%.
- ▶ An individual resident in India is taxable on his global income. The income from performance outside India could also be subject to withholding tax in respect to the country of performance. In case taxes are withheld in the foreign country, then the resident artist may claim the tax credit for taxes paid outside India against the tax liability in India subject to certain conditions.

Payments to non-resident artists performing in India

- ▶ Provisions of the Act cover within their ambit the taxability of income received by non-resident entertainers from performance in India, at the rate of 20% (excluding surcharge and education cess) on a gross basis and the consequential withholding tax rate would also be the same. Furthermore, a specific provision of the Act exempts non-resident entertainers from filing a tax return in India if the only income earned from India is in respect of performance in India and appropriate taxes are withheld from the said income.
- ▶ Usually under the Tax Treaty, there is a separate Article on "Income earned by entertainers and athletes", which provides for taxation in India of the income from the personal activities of artists/entertainers in India. Even where the income from personal activities accrues to another person and not directly to the artists/entertainers, the income is still taxable in India.
- ▶ Additionally, a non-resident artist, who has come to India in connection with shows or events in India and has earned taxable income in India, should obtain an Income Tax Clearance Certificate (ITCC) prior to departure from India. In the absence of procuring the ITCC, there may be practical difficulties for the artist while departing from India.
- ▶ According to guidance by the apex income-tax administration body (the CBDT) consideration paid to a non-resident artist to acquire the copyrights of performance in India for subsequent sale in India (as records, CDs, etc) or the consideration paid to

the artist for acquiring the license for broadcast or telecast in India is taxable in India as "royalty" under the Act as well as the applicable Tax Treaty.

- ▶ In some contractual arrangements, it is possible that the non-resident artist receives separate consideration for grant of "image rights" (including, but not restricted to, right to use name, images, videos, quotations, signature, likeness, personal attributes etc., of the non-resident artist). Most of the elements of "image rights" granted by the non-resident artist are likely to qualify for protection under the intellectual property law and, hence, are considered as "royalty". However, few components of "image rights" granted may not enjoy protection and the tax implications thereon will need to be evaluated based on the factual matrix. Accordingly, it is imperative to undertake a careful assessment of the "image rights" granted according to the agreement to determine withholding tax implications.
- ▶ It will be relevant to note that the Organisation for Economic Co-operation and Development (OECD) has recently updated its Model Tax Convention guidance on the article pertaining to artists and sportsperson wherein, India has provided its reservations to OECD's view on the applicability of the aforesaid article to the following:
 - ▶ Prize money received by the car/horse owner from races
 - ▶ Income of models from fashion shows performances
 - ▶ Any consideration received by an entertainer or sportsperson for any personal activity, including appearance
 - ▶ Income from reporting or commenting activities during the broadcasting of an entertainment or sports event

Accordingly, the Revenue Authorities may contend that the above streams of income earned by a non-resident entertainer or sportsperson are taxable in India under the subject article of the relevant Tax Treaty.

In view of the above, it is imperative to understand the nature of activities to be undertaken by the non-resident in India to determine the appropriate income-tax implications.

Payments to resident event managers

The CBDT has clarified that the services provided by resident event managers are in the nature of "professional services", as defined under the Act, and are subject to withholding at the rate of 10%.

5

Indirect tax

With various Indirect taxes applicable on an event, the impact of such taxes must be considered in detail while planning any event activity in India. Major Indirect taxes applicable on events held in India include Entertainment tax, Service Tax, Value Added Tax (VAT), Stamp Duty, etc. Furthermore, with the likely introduction of a Goods and Services Tax (GST) in the near future, the importance of Indirect taxes in the overall decision making is likely to increase.

5.1 Entertainment tax

Entertainment tax is a state levy on various activities such as film exhibition, entertainment events, sports activities, cable/DTH operations, etc. Generally, entertainment tax is levied on amounts charged for allowing entry into the place where the entertainment event is held.

High and diverse entertainment tax rates and laws

Ticket collection for events is a major revenue contributor for organizers and event owners. Certain state governments charge entertainment tax at a rate as high as 50% of the value charged for entry into an event, while some state governments also grant exemption from payment of entertainment tax depending on specific nature of events.

A generic comparison of Entertainment tax rates applicable to events held in some major states has been provided below:

State	Entertainment tax rate (%)
Bihar	50
Uttar Pradesh	25
Maharashtra	25
Andhra Pradesh	20
Goa	15

Given that the legislations governing the entertainment tax law are different in all states, the applicability of entertainment tax on events conducted in the states also differ, leading to difficulties in complying with the appropriate laws.

Entertainment tax rates on events also differ from state-to-state, which adds to the degree of complexity in ensuring compliance and pricing for events with a multi-state spread. Furthermore, certain legislations provide for different rate of taxes on the same event within the state but within different municipal limits. In addition to this, certain state legislations provide for different rate of taxes on the nature of events. For instance, different rate of entertainment tax has been prescribed under the Maharashtra Entertainment Tax law for award functions and other events. This leads to considerable confusion on the appropriate rate of entertainment tax levied on the events.

Applicability of entertainment tax on business exhibition

While entertainment tax is applicable on entertainment, certain legislators intend to extend the applicability of such tax to business exhibitions and fairs carried out in those states. This aspect lacks clarity and the event organizers/owners of such business exhibitions shall be under risk of demand of entertainment tax on the collections from these events.

Entertainment tax, in addition to other taxes

While entertainment tax is levied on entertainment events, certain revenues from events are also made liable to service tax. For e.g., event sponsorship amounts earned are liable to entertainment tax under certain entertainment tax legislations, in addition to the service tax at 12.36% (to be increased to 14% in 2015) already levied by the Central Government.

5.2 Service tax

Service Tax is currently applicable on the value of all services provided, unless mentioned in the Negative list or Exemption list of services. Till recently, entry into all entertainment events and amusement facilities was kept out of the service tax ambit and accordingly entry to events such as music shows, amusement parks, sports events, award functions etc., were not liable to service tax.

With the announcement of Union Budget 2015, some of the events have been brought into the service tax ambit. Thereby, with the implementation of the proposals of the Union Budget 2015, tickets for award functions, concerts, pageant, musical performance, certain sporting events etc., shall be liable to service tax where the ticket price exceeds INR500 per person.

Accordingly, apart from the major sources of revenue related to events such as grant of telecast rights, sponsorship revenue, which were already liable to service tax, revenue pertaining to admission to entertainment events shall also be liable to service tax.

With the introduction of service tax on ticket sales, coupled with increase in service tax rate from 12.36% to 14% in 2015, the cost of organizing an entertainment event and participating in an entertainment event in India is likely to increase.

5.3 Customs duty

Customs duty is levied on import of goods into India. Events such as exhibitions, musical shows, etc., entail import of various goods into India. While all imports are liable to customs duty at generic rate of 29.44%, the rate of customs duty depends on the description of the product and its classification under the internationally accepted classification nomenclatures. Furthermore, certain benefits such as exemptions, duty drawback, concessional rate of duty, etc., could be explored for temporary import of such goods. Moreover, International Custom arrangements such as ATA carnet allow temporary importation of equipment's without the payment of customs duty for use at exhibitions and fairs.

5.4 Value added tax

VAT is levied by state governments in India on sale and purchase of goods within a state in India. Furthermore, sales which occasion movement of goods from one state of India to another are leviable to a Central Sales Tax (CST). VAT is levied at generic rates ranging from 5% to 15% depending on the description of goods sold. VAT legislations are likely to provide for special registration and payment provisions for sales made in exhibitions, trade fairs, etc.

5.5 Goods and services tax

A new tax reform in the form of Goods and Service Tax Act (GST) is likely to roll out in 2016, which is intended to subsume the existing Indirect taxes, i.e., Excise duty, Service tax, VAT and other state levies such as Octroi, entertainment tax, etc. Given the fact that GST is aimed to be a uniform tax levy, which will allow free flow of credits, the burden of cascading effect on account of non-transferability of credit should be settled.

It is proposed that the state government's exclusive power relating to levying of Sales Tax, Entry Tax, Luxury Tax, Betting And Gambling Tax, Entertainment Tax (except for local bodies) etc., are proposed to be deleted and similarly Central Government's exclusive power relating to levying of service tax, excise duty (except for petroleum products, alcohol and tobacco) etc. are proposed to be deleted. The Constitution of India is proposed to be amended to empower both Centre and State to tax supply of goods and provision of services simultaneously.

While most of the taxes where States have the power are subsumed, entertainment tax levied and collected by the local bodies (such as Panchayats, Municipalities etc.) is kept outside. This could mean that local bodies shall be empowered to levy tax on entertainment in addition to GST. Currently, most entertainment taxes are levied by the states and only a fraction (in the form of show tax etc.), is levied by local bodies. However, if such a power is left outside the GST, local bodies may levy tax on entertainment in addition to high rate of GST. This will make revenues earned by the entertainment industry unpredictable and increase the cost of doing business.

While no decision has yet been taken on the issue, it is expected that the rate of GST on events would be higher than the currently proposed 14% service tax for 2015-16, thereby causing a significant increase in the cost of events and advertisements.

Furthermore, with the introduction of GST, the State Governments shall intend to collect GST on all activities conducted within the state. Going by this intention, for the event industry, the GST might have to be paid to the states where the event is actually held and hence additional complexities may arise on account of multi-state events or activations. This may also result in blockage or loss of GST credits when the vendor charges GST of a state different than the state where the customer is located.

5.6 Stamp duty

Stamp duty is payable to the state government on the execution of specified instruments. Certain state stamp duty legislations provide for payment of stamp duty on instruments granting exclusive telecast/broadcast rights, instruments for specified performances, etc.

5.7 Other key indirect tax considerations

Other key indirect tax considerations

Internationally, ATA Carnet benefit for duty free temporary import of goods into India extends to goods imported for exhibition, fair, professional equipment and commercial samples. While India is a member of ATA Carnet, the temporary duty free import is available only in respect of goods imported for exhibitions or fairs. This requires event owners to incur customs duty on such imports and apply for draw back or refund at a later date resulting in cash flow inefficiencies.

Multiple taxation without credit

Multiple indirect taxes are levied by multiple regulators on the various activities in relation to an event. However, credit of the tax paid on any activity is not available as set off against the liability of any other levy which leads to increase in cascading and multiplicity of taxes. With the introduction of GST, issue related to cascading effect of taxes due to non-transferability of credit is likely to be addressed.



Governance, risk and control

The New Companies Act, 2013 has far reaching implications on corporate governance and risk management. This section highlights some key changes for event companies.



6

The New Companies Act, 2013

Regulatory checks, accountability and governance standards have received a serious boost with the introduction of the New Companies Act, 2013. The changes in law are aimed at ensuring higher standards of transparency and accountability, and seek to align the corporate governance practices in India with global best practices. While standards are more stringent for public companies, most compliance and governance requirements apply to private sector companies as well. Event companies which can demonstrate good governance will have a significant advantage over unorganized and fly by night operators.

In this section we have covered three critical governance requirements of the New Companies Act, 2013 viz, internal financial controls, compliance management and vigil mechanism. For a complete set of compliance requirements, you can log on to www.ey.com/in/companiesact2013.

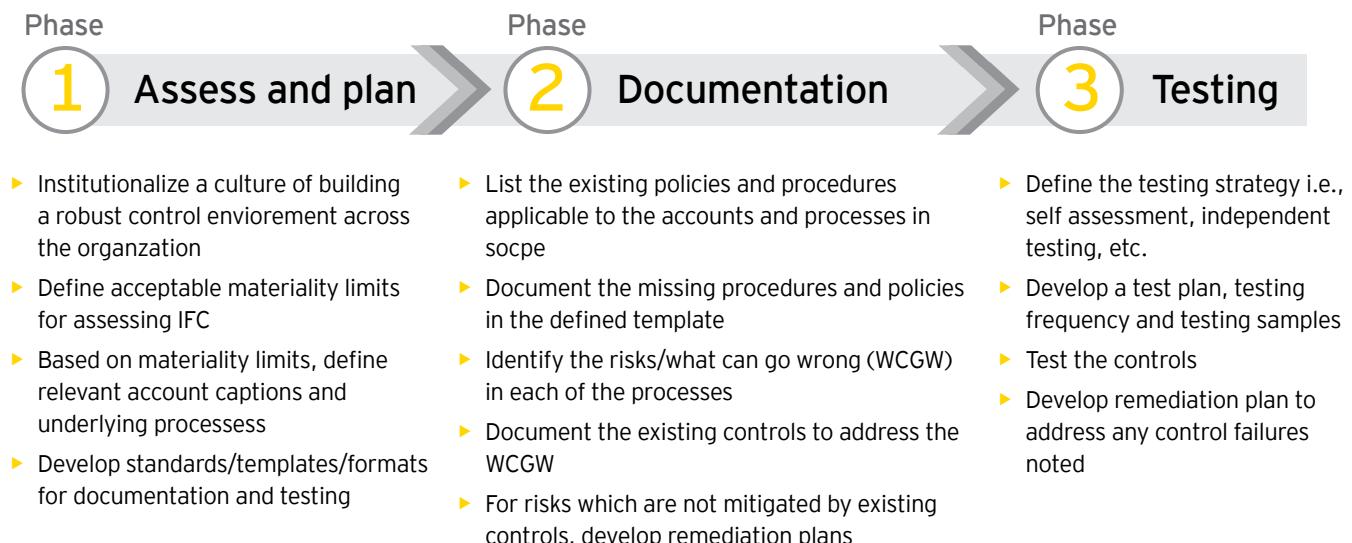


6.1 Internal financial controls (IFC)

As defined under section 134(5)(e) of the New Companies Act, IFC means the policies and procedures adopted by a company for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information. Thus, IFC covers controls over financial statements and business operations.

Applicability	Requirement	Impact of non-compliance
Applicable to all public and private companies.	Board of directors, independent directors, audit committee and auditors will have to comment on the adequacy and effectiveness of internal financial controls.	Every officer of the company, who is in default, shall be punishable with imprisonment for a term, which may extend to three years or with a fine, which shall not be less than INR50,000/- but which may extend to INR500,000, or with both.
Additionally, over and above the controls over financial reporting, public companies will have to ensure adequacy of effectiveness of operating controls as well.		According to section 2(59) of the New Companies Act "officer" includes any director, manager or key managerial personnel or any person in accordance with whose directions or instructions the board of directors or any one or more of the directors is or are accustomed to act.

Auditors will be required to comment on the adequacy of the IFC system in place and the operating effectiveness of such controls from financial year 2015-16. Companies need to follow the following framework to enable compliance:



Companies need to ensure that adequate amount of documentation is maintained to demonstrate to the board, independent directors, audit committee and auditors that the company has taken adequate and reasonable care in assessing the adequacy and effectiveness of its internal financial controls.

6.2 Compliance management

More than 50 central, state and local regulations and acts apply to companies in the Indian events industry. The Companies Act requires that every company comply with all the acts which are applicable to it.

Applicability	Requirement	Impact of non-compliance
Applicable to all companies	The Directors' Responsibility Statement, as stated in the Act, shall state that a company's directors had: Devised proper systems to ensure compliance with provisions of all applicable laws, and Ensured such systems were adequate and operating effectively	Every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than INR50,000 but which may extend to INR500,000 or with both.

Companies need to adopt the following methodology to comply with the requirements of the New Companies Act, 2013:

- ▶ Identify all acts applicable to the organisation - central, state and the local
- ▶ For each act, identify the list of compliances along with the timelines and frequency of compliance. This should also include the various licenses which are required to conduct different types of events
- ▶ Classify the compliance requirements into key and non-key compliances. Any compliance requirement which can impact the continuity of the business or can result in significant financial penalty or imprisonment should be classified as a key compliance
- ▶ Ensure that each compliance requirement is mapped to an individual within the organisation who is responsible for its compliance
- ▶ Develop a system of maker-and-checker control to monitor compliance
- ▶ On a monthly/quarterly basis, obtain a compliance status report from each function. The compliance status report should clearly highlight non compliances if any and the corrective action plan. This report can be used to demonstrate to the Board of directors and auditors the compliance status.

With the large number of regulations, growth in the number and types of events and geographical spread of most event companies, the compliance function can be cumbersome and time consuming. Companies could consider implementing an automated compliance management workflow, which can act as a reminder mechanism and a store of documentation. There are several tools available for the same.

6.3 Vigil mechanism

Directors, employees of an organization and business partners (key vendors, distributors, etc.) may have crucial information about fraud, misconduct, violation of policies, etc. A vigil mechanism (also known as a whistle blowing system) enables them to convey issues to appropriate levels of authority within the organization.

Applicability	Requirement	Impact of non-compliance
Applicable to: ▶ all listed companies ▶ companies which accept deposits from the public ▶ companies which have borrowed money from banks and public financial institutions in excess of INR50 crore	Companies are required to establish a vigil mechanism for directors and employees to report genuine concerns. The audit committee is required to oversee the operation of the whistle blowing mechanism. For companies that do not need an audit committee, a director to be nominated by the Board for this purpose.	The company shall be punishable with fine which shall not be less than INR100,000 but which may extend to INR500,000 and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one year or with a fine which shall not be less than INR25,000 but which may extend to INR100,000; or with both.

Companies should develop a whistle blowing policy and mechanism which address incidents covered, reporting channels, guidance on reporting, protection to whistle blowers and management of frivolous complaints.

It is sometimes felt that such systems are expensive and lead to frivolous complaints. To this effect, several vendors exist who provide such a service for a nominal fee, and enable filtering of complaints as well. The Indian events and activation industry could consider implementing such a system at an industry level.

Illustrative list of regulations applicable to an events company

Corporate laws

1. The Companies Act, 2013 read with the 1956 Act
2. Companies Central Governments General Rules and Forms, 1956
3. Companies Disclosure of Particulars in the report of Board of Directors Rules, 1988
4. Companies Disqualification of Directors under Section 274 1 g of the Companies Act, 1956 Rules, 2003
5. Companies Act, 1956 and Companies (Director Identification Number) Rules, 2006
6. Companies Act, 1956 and Director's Relatives (Office or Place of Profit) Rules, 2003
7. Companies Preservation and Disposal of Records Rules, 1966
8. The Companies (Cost Accounting Records) Rules, 2011
9. Private Limited Company and Unlisted Public Limited Company (Buy-back of Securities) Rules, 1999
10. Companies Transfer of Profits to Reserves Rules, 1975
11. Companies (Declaration of Dividend Out of Reserves) Rules, 1975
12. Companies (Particulars of Employees) Rules, 1975

Foreign exchange laws

1. Foreign Exchange Management Act, 1999
2. The Foreign Trade Development and Regulation Act, 1992 and Foreign Trade Regulation Rules, 1993
3. Foreign Exchange Management Acquisition & Transfer of Immovable Property outside India Regulations, 2000
4. Foreign exchange management Borrowing and Lending in Foreign Exchange Regulations, 2000
5. Foreign Exchange Management Borrowing and Lending in Rupees Regulations, 2000
6. Foreign Exchange Management Current Account Transactions Rules, 2000
7. Foreign Exchange Management Export of Goods and Services Regulations, 2000
8. Foreign Exchange Management Foreign Currency Accounts by a Person Resident in India Regulations, 2000
9. Foreign Exchange Management Manner of Receipt And Payment Regulations, 2000
10. Foreign Exchange Management Permissible Capital Account Transactions Regulations, 2000
11. Foreign Exchange Management Realisation, Repatriation and Surrender of Foreign Exchange Regulations, 2000
12. Foreign Exchange Management Transfer or Issue of any Foreign Security Regulations, 2004

Commercial laws

1. Income Tax Act, 1961 and Income Tax Rules, 1962
2. Wealth Tax Act 1957 and Wealth Tax Rules, 1957
3. Finance Act and Service Tax Rules
4. The Maharashtra State Tax on Professions , Trades, callings and Employments Act, 1975 & The Maharashtra State Tax on Profession, Trades, Callings and Employments Rules, 1975
5. Maharashtra Value Added Tax Act, 2002 and Maharashtra Value Added Tax Rules, 2005
6. Central Sales Tax Act 1956 & Central Sales Tax Registration & Turnover Rules 1957 & Central Sales Tax (Maharashtra) Rules, 1970
7. Bombay Motor Vehicles Taxation Act, 1958 and Bombay Motor Vehicles Taxation Rules, 1959
8. The Maharashtra Tax on the Entry of Goods into Local Areas Act, 2002 & The Maharashtra Tax on the Entry of Goods into Local Areas Rules, 2002

Environmental, health and safety

1. The Air (Prevention and Control of Pollution) Act, 1981 and Maharashtra Air Prevention and Control of Air Pollution Rules, 1983
2. The Maharashtra Fire Prevention and Life Safety Measures Act,2006 and The Maharashtra Fire Prevention and Life safety Measures Rules,2009
3. The Water (Prevention and Control of Pollution) Act, 1974 and Maharashtra (Prevention and Control of Water Pollution) Rules, 1978.
4. Water Prevention and Control of Pollution Cess Act, 1977 and Water Prevention and Control of Pollution Cess Rules, 1978
5. The Environment Protection Act, 1986 and The Environment Protection Rules, 1986

6. The Noise Pollution Regulation and Control Rules, 2000
7. Batteries Management and Handling Rules 2001
8. Food Safety and Standards Act 2006
9. Indian Standard Code of Practice Selection and Maintenance of First Aid Fire Extinguishers
10. Environment Protection Act 1986, e-waste (Management and Handling) Rules, 2011
11. Hazardous Wastes Management, Handling and Trans-boundary Movement Rules, 2008
12. Environment Protection Act and Biomedical Waste (Management and Handling) Rules 2011

Labour laws

1. The Contract Labour (Regulation and Abolition) Act, 1970 & The Maharashtra Contract Labour (Regulation and Abolition) Rules, 1971
2. The Bombay Shops & Establishments Act, 1948 and The Maharashtra Shops & Establishment Rules, 1961
3. The Industrial Disputes Act, 1947 & The Industrial Disputes (Bombay) Rules, 1957
4. The Maternity Benefit Act, 1961 and The Maharashtra Maternity Benefit rules, 1965
5. The Minimum Wages Act,1948 & The Maharashtra Minimum Wages Rules,1963
6. The Payment of Wages Act, 1936 & The Maharashtra Payment of Wages Rules , 1963
7. The Payment of Gratuity Act, 1972 & The Payment of Gratuity (Maharashtra) Rules, 1972
8. Supreme Court Guidelines on Prohibition of Sexual Harassment of Women at Work Place
9. Weekly Holidays Act, 1942
10. Employment Exchanges Compulsory Notification of Vacancies Act, 1959 and the Employment Exchanges Compulsory Notification of Vacancies Rules, 1960
11. Employees Provident Fund and Miscellaneous Provisions Act, 1952, The Employees Provident Funds Scheme, 1952, The Employees Deposit-Linked Insurance Scheme, 1976 & The Employees Pension Fund Scheme, 1995
12. Apprentices Act, 1961 and Apprenticeship Rules, 1992
13. Equal Remuneration Act, 1976 and Equal Remuneration Rules, 1976
14. The Employees State Insurance Act, 1948 and The Employees State Insurance General Regulations, 1950
15. The Industrial Employment (Standing Orders) Act, 1946 & The Bombay Industrial Employment (Standing Orders) Act, 1959
16. The Employees' Compensation Act,1923 & The Bombay Workmen's Compensation Rules, 1934
17. The Payment of Bonus Act, 1965 & The Payment of Bonus Rules, 1975
18. The Bombay Labour Welfare Fund Act, 1953 and The Bombay Labour Welfare Fund Rules, 1953
19. The Maharashtra Factories (Control of Industrial Major Accidents Hazards) Rules, 2003
20. The Maharashtra Workmen's Minimum House-Rent Allowance Act, 1983 & The Maharashtra Workmen's Minimum House-Rent Allowance Rules, 1990
21. Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 and Maharashtra Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Rules

Others

1. Copyright Act and Rules.
2. Information Technology Act, 2000 and Information Technology (Reasonable Security Practices & Procedures & Sensitive Personal Data or Information) Rules, 2011
3. Trademark Act, 1999 and Rules.
4. The Bombay Lifts Act, 1939 & The Bombay Lifts Rule, 1958
5. Bombay Electricity Duty Act, 1958 & Bombay Electricity Duty Rules, 1962
6. Electricity Act, 2003 read with The Electricity Rules, 2005
7. The Legal Metrology Act, 2009 & The Maharashtra Legal Metrology (Enforcement) Rules, 2010
8. The Motor Vehicles Act, 1988 & The Maharashtra Motor Vehicle Rules, 1989
9. Bombay Prohibition Act, 1949
10. NOCs from Police, Fire Brigade, electrical, health dept, etc.

Note: This list is representative and applicability will depend upon a case to case basis.

EEMA wish list

EEMA wishes to highlight certain key challenges faced by its members, and possible solutions for the government to consider.



7

EEMA wish list

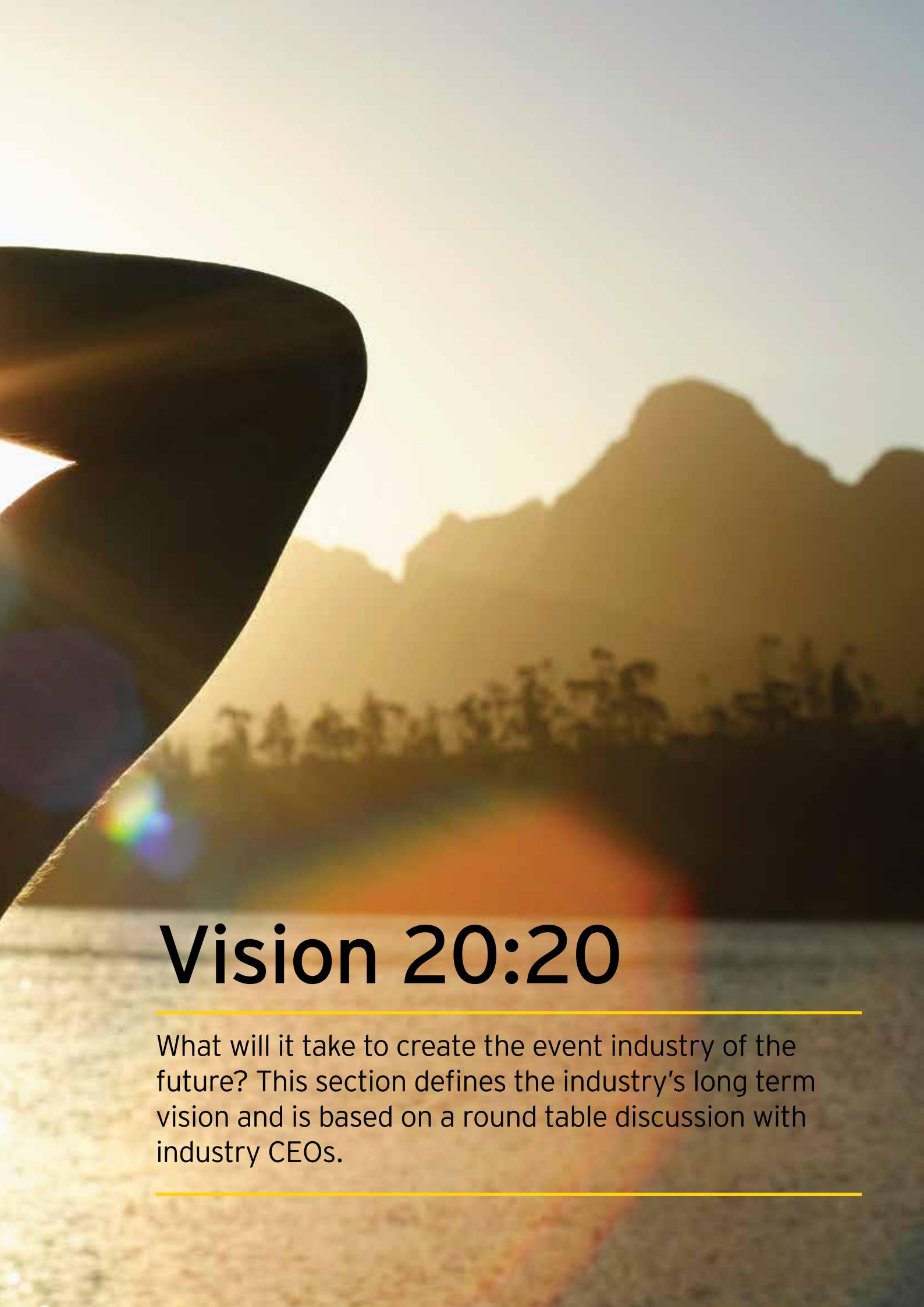
The events and activation industry seeks to highlight some key problem areas for the consideration of the Central Government and state governments. Most of them stem from a basic lack of knowledge and appreciation of the vital role that this industry can play in energizing economies of entire regions besides being an employment generator for millions of youth and other sections of society. In our opinion, the first and most primary need is, therefore:

Area	Description	Request
Recognition of the events & activation Industry	<p>This will facilitate a basic ability to gain access to institutional finance and, therefore, enable a complete reorientation of cash flow management that is otherwise tending to throttle industry growth. Almost 90% of the industry today does not manage to achieve a sustainable level of growth that can enable it to attract better talent, institute better management practices and build client relationships that recognize its constituents as partners rather than vendors.</p>	Grant industry status to the events and activation industry
Withholding taxes (TDS)	<p>Event management services are purely contractual services and are covered within the ambit of "any work" as defined under section 194C of the Act and are not only confined to "works contract". Further, it has been clarified by CBDT vide Circular No.681, dated 8 March 1994 that provisions of section 194C of the Act shall also apply to "services contract". Thus, event management services fulfill all the conditions enumerated under section 194C of the Act, whereby, TDS rate of 2% is applicable to event management companies in respect of services rendered by them. However, against the above services rendered by event management companies, while making payments for the same, clients are withholding taxes under section 194J of the Act, instead of 194C of the Act at the time of making payments, in lieu of the CBDT notification no. 2085E, dated 21 August 2008, issued to cover services rendered by event managers in relation to sports activities. Accordingly, against the above services rendered by event management companies, taxes are being withheld at 194J of the Act instead of 194C of the Act.</p> <p>Currently, the event management industry is running on small marginal profits varying from 7% to 10%, whereas, taxes are being withheld by their clients at the rate of 10% on the gross amount (including reimbursements) on the presumption that provisions of section 194J of the Act applies. The above situation is leading to shortage of funds required for working capital purposes, impacting the overall sustainability of the industry.</p>	The industry seeks a confirmation from the CBDT on the correct withholding tax rate of 2% applicable on event management companies, in lieu of the aforesaid services rendered to its clients to bring clarity on the controversy surrounding the applicable withholding tax rate. The CBDT holds that companies have recourse to Sec 197 which does allow for a lower deduction of tax but this is client-specific and period-specific and is a time-consuming, laborious process the need for which can be obviated by a clear ruling.
Single window clearance	<p>There is an urgent need for single window clearance to avoid the multiple hurdles and government red tape that hinders every event, irrespective of size. Police permissions and other approvals are held back till the last minute and can also be withdrawn because they were never given!</p>	To set up single window clearance process for each state

Area	Description	Request
Live entertainment spaces and segregation of Entertainment tax on live entertainment as distinct from films	<p>There is a need to invest in the various art forms of our country, live entertainment being the key area for consideration. Government, through its urban development programs, needs to build sustainable projects which include theaters, museums, rehearsal spaces, experimental studios, galleries, digital labs, amphitheaters, and do this in a spirit of public partnership. The capital city of Delhi has not one new public space, with a sense of aesthetics or pride nor reflecting the national culture. At the same time, Delhi and several other cities that have a plethora of monuments that can serve as great spaces and backdrops for live entertainment and corporate events. The Government and Archeological Society of India need to radically change policy on this subject just as the Sports Authority has now done in the case of Stadiums.</p>	<ul style="list-style-type: none"> ▶ Recognition of live events and activation as an independent industry ▶ A complete waiver on Entertainment tax across states
	<p>Entertainment districts traditionally contribute to a city's economy. Broadway offers up US\$9-11 billion and West End £5-7 billion through its restaurants, nightclubs, theaters, bars and concerts. The Edinburgh festival contributes £255 million of additional spend during the 7 weeks of festival, attracting 1.5 million tourists, artists and art lovers who congregate at this Mecca of the Arts world.</p>	
	<p>At the annual Jaipur Literature Festival, which brings together 300 speakers over 5 days and attracts more than a 270,000 visitors, the additional contribution to the city's economy has been estimated at approximately INR16-20 crore. City hotels see capacity crowds, jewelers, retailers and craft outlets do brisk business and airlines and transport companies cash in on the annual boom. NH7 - Pune and Sunburn Goa, contribute more than US\$10 million to the local economy.</p>	
	<p>IIFA, which is considered to be a world renowned brand, brings in millions of dollars of additional revenue to the city states that bid for the event, often reviving a flagging local economy.</p>	
	<p>Having stated the impact Live Entertainment has on an economy we would like to highlight the anomaly that the industry is currently facing.</p>	
	<ul style="list-style-type: none"> ▶ Live events are currently clubbed with the Film industry and are charged the same levels of Entertainment tax as them. Live entertainment is totally different in character and the economics are totally different from a screening of a film in a theatre. 	
	<ul style="list-style-type: none"> ▶ Each state has a different Entertainment tax structure ranging from 0% in Rajasthan to 60% in Uttar Pradesh. 	
Corporate social responsibility	<ul style="list-style-type: none"> ▶ The CSR act currently states that 2% of profits of companies with turnover of more than INR500 crore have to be spent on CSR initiatives. This is currently open to a choice of initiatives. 	<p>We propose that the Government include the sponsorship for arts and live entertainment as a key part of CSR to encourage live entertainment across the country.</p>
Education through Skill Development	<ul style="list-style-type: none"> ▶ Skill development is today an avowed mission of our new Government, and could go a long way in helping this industry overcome basic challenges due to paucity of knowledge and technical skills that are critical for growth and achieving global standards. 	<p>Build skill development curriculum in consonance with technical institutes and architectural and engineering institutions to help develop a talent base that could take this industry to the next level.</p>

Disclaimer: All information included in this section was provided by EEMA. The views and opinions expressed herein are those of its members.





Vision 20:20

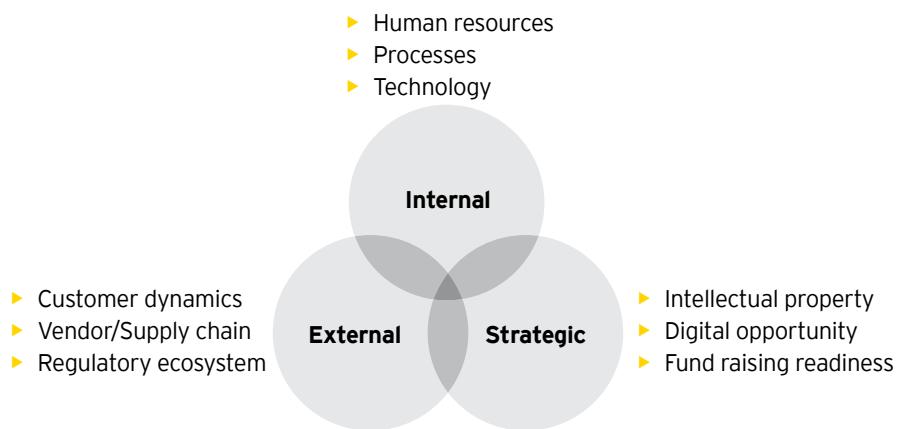
What will it take to create the event industry of the future? This section defines the industry's long term vision and is based on a round table discussion with industry CEOs.

8

Vision 20:20

8.1 Framework for the future

The aspects, which are most critical for the industry's evolution have been broadly classified as internal, external and strategic.



These areas are discussed in detail below.

8.2 Internal aspects

Event companies have to overcome the internal challenges faced by them today to function better. The key internal factors identified were human resources, processes and technology. Improving these three areas will help the players in achieving better efficiency, output quality and profitability.

8.2.1 Human resources

Training and development

Dearth in desired skill sets and qualifications is a factor that often limits the growth of an industry. Event companies have often faced difficulty in targeting the right people. Moreover, event companies face significant competition from other segments in the entertainment industry such as television, print, film and radio when it comes to attracting talent.

“Skilled manpower is one of the biggest challenges being faced by the events industry and needs to be addressed urgently for growth of the industry.”

PVN Vidyasagar
Catpro Events & Entertainment

As of now, employee development process in the industry is either absent or at a very nascent stage. Event companies need to:

- ▶ Invest in improving skill sets of employees and improving the overall quality of the workforce through development of industry specific curriculum for different types of roles – this will enable a certain basic level of qualification for people joining the industry
- ▶ Enable a system of accreditation for different levels of employees and roles, which will enable proper evaluation at the time of recruitment, and can be used as a basis for promotions.

Vision 20:20 workshop participants

<ul style="list-style-type: none">▶ Sabbas Joseph, Wizcraft International Entertainment▶ Brian Tellis, Fountainhead Promotions & Events▶ Atul S. Nath, Candid Marketing▶ Mandeep Malhotra, Mudra Max▶ Mohomed Morani, Cineyug Media & Entertainment▶ Sushma Gaikwad, Ice Global	<ul style="list-style-type: none">▶ Rahul Gomes, Oak's Management Consultancy▶ Sanjay Kaul, Impact Communications▶ Tarsame Mittal, ART Entertainment & Services▶ Xerxes Antia, 7OEMG▶ Neelabh Kapoor, Studio Neelabh▶ Neha Seth Arora, Var Vadhu Wedding Management
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Job security

As most of the work in the event industry is project based, job security is an issue the industry has to grapple with. Event management companies could overcome this by offering its employees, and those of its contractors/vendors unemployment insurance, disability assistance and life insurance. For instance, the retail industry now has a few players who offer insurance and various schemes at the industry level to retail employees as long as they continue to work in the retail industry.

Compensation and pride

For the same level, compensation varies significantly across event companies. It is observed that benchmarking (which is important for arriving at a uniform salary structure across the industry) seems to be absent. Compensation and benefits offered in the industry also need to meet the aspirations of the work force in order to attract and retain the right talent, yet be feasible for industry players as well. The industry should consider hiring from leading educational institutions, attract talent through job fairs, and define bands of compensation for different roles and accreditations, to enable fair play.

In addition, the industry needs to position itself in the right way in order to create a sense of pride in the minds of existing and prospective employees.

Health and safety

Safety is an area of concern for the industry and needs to be managed. Going forward event management companies can limit the number of accidents through:

- ▶ Definition and implementation of safety standards both for themselves and for their vendors
- ▶ Vendor accreditation can be linked to compliance with safety standards and their safety record
- ▶ An initiative around creating awareness on work safety is required to educate vendors and their employees
- ▶ Additional support through insurance coverage could also help in limiting the loss to employees in case of unforeseen events.

8.2.2 Processes

Policies

At the very minimum, event management companies need to have policies covering:

- ▶ Procurement
- ▶ Vendor management
- ▶ Use of prohibited substances
- ▶ Remuneration and benefits
- ▶ Code of conduct/sexual harassment

Evolving regulatory standards in India make it even more imperative to have adequate policies in place to comply with the new Companies Act, which entails the proper management of:

- ▶ Remuneration
- ▶ Controls over financial reporting
- ▶ Fraud prevention and detection – given the relatively small size of the industry, a whistle blower mechanism at the industry level could be implemented.
- ▶ Compliance with all regulations (there are more than 50 different acts, which apply to an Indian events company)
- ▶ Controls over operations

Management Information System (MIS)

Effective MIS helps in providing business intelligence to top management and proactively identifying issues. While such systems are found lacking in many event companies, they are prevalent in the more developed part of the Indian entertainment industry such as TV, print, etc. Given the current and expected growth the Indian events industry is experiencing, and the width of solutions it offers, companies – as they cross the INR100 crore turnover mark – need to embrace the right business and event-level MIS and incorporate central analytics to remain competitive, grow revenues and rationalize costs.

8.2.3 Technology

At the Office

As the industry progresses towards 2020, the event management industry must leverage the power of technology in order to generate efficiency in day to day operations. Technology can enable:

- ▶ Accurate and timely capture of transactions and accounting for them
- ▶ Centralized procurement databases
- ▶ App/workflow based approvals for job code set-up, budget approvals, invoicing and payments
- ▶ Using data analytics to detect fraud, and
- ▶ Business level and event level real-time generated MIS

At the event venue

Technology can be a great lever at event venues in bringing safety and efficiency in various processes such as ticket sales (online sales kiosks), access (bar codes and RFID bands), production monitoring (cameras, motion sensors), food & beverage sales (swipe cards, bands), safety & security (turnstiles, barricades, stress testing, load testing, fire prevention), social integration (apps), and database management. Feedback could be managed effectively at event venues through technology as well.

8.3 External aspects

External factors are those that are largely out of the control of an event management company.

Key external factors

Customer dynamics	Vendor/Supply chain	Regulatory ecosystem
▶ Positioning	▶ Development	▶ Tax
▶ Account focus	▶ Accreditation	▶ Infrastructure
▶ ROI	▶ Risk management	▶ Approvals

8.3.1 Customer dynamics

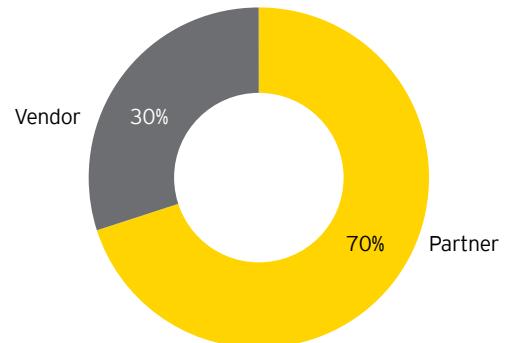
Positioning

As event management companies create value for their customers, positioning plays a critical role in determining the value event companies are creating in the minds of their customers. This is especially important for event companies managing big corporate accounts and involved in brand launches and other corporate events. Companies should position themselves as vendors or as partners in business.

“Given the rate at which our industry is growing, it is imperative to have a central body to lay down our preamble and the dos & don’ts for the entire ecosystem including clients.”

Siddhartha Chaturvedi
Event Crafter

How do advertisers view their event agencies? (percentage of respondents)



Source: EY marketer survey 2014

Right positioning by event companies is instrumental in creating value for customers and ensuring better margins at the same time. Some initiatives which event companies could undertake to position themselves as business partners are developing industry specialization, digital specialization and end-to-end management of the BTL function (including demonstration of ROI).

Account focus

As the event management industry matures and increases in size, focus on key accounts and industry specialization becomes important. Event companies need to rationalize operations through key account focus and industry specialization. Key steps that event companies need to take include:

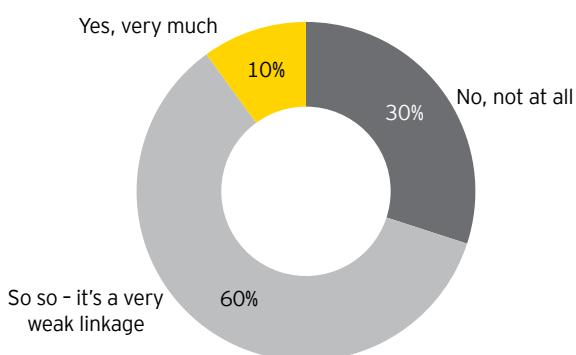
- ▶ Build relationships at the CMO and other relevant CXOs at clients
- ▶ Map client relationships to more than just one event company person, to guard against attrition
- ▶ Track the event company's share of wallet from the client
- ▶ Enable discussions around industry trends and leading practices on the digital and BTL side and conduct ideation workshops with key stakeholders to assist them meet their business objectives

These initiatives could help improve positioning, hence event companies could build better relationship with customers and have higher revenue visibility.

Return on Investment (ROI)

Every client has different expectations from each event. Further, every event is unique as the same concert can be very different in two different cities or event on different days at the same venue and hence, events are inherently difficult to measure. Unlike viewership, listenership or readerships, which are largely measuring audiences, events are evaluated by clients based on whether they meet certain objectives, often unstated.

Are advertisers satisfied by ROI measurement they receive for their BTL spends?



Source: EY marketer survey 2014

In the absence of a generally acceptable measurement platform, event companies should develop a ROI mechanism which clients can relate to. This will be centred around the following:

- ▶ Understand client objectives for the event, which can vary for a particular type of event for different clients
- ▶ For each objective, use a common measurement technique, which is something that can be centrally defined by the industry body
- ▶ At the end of the event, demonstrate ROI to client based on agreed objectives
- ▶ Clients who wish to have the ROI measurement validated can appoint their employees or independent agencies for the same

8.3.2 Vendors/Supply chain

Vendor development

Vendor development process is instrumental in efficient integration of the supply chain for organizing better events. Global standards around delivery, excellence, innovation, upgrade, training and technology need to be evaluated. The following initiatives can be considered by the industry:

- ▶ Build a vendor database: Vendor details, their services/goods (defined across different quality segments), their successes and failures (as updated by event management companies) need to be captured on an events industry intranet, to enable

"The industry needs to become more inclusive, set a common base, and enable standardization in quality of delivery!"

Anushree Agarwal
Theme Weavers

dissemination of knowledge relating to vendors and their capabilities

- ▶ Manage monopolies: Event companies also need to be mindful of potential monopolies while selecting vendors to retain bargaining power and efficiently negotiate terms with suppliers. Hence, identification of areas where there are supply chain gaps, and nurturing a set of vendors to meet these requirements is important
- ▶ Standards definition: Developing standardized requirements and costing for often used items such as sound, lights, barricades, etc., can go a long way in improving the industry standards and quickly determining costs
- ▶ Contracting: EEMA can play a role by prescribing the ideal event contracts that should be signed with consultants, artistes, vendors and the supply chain to enable responsibility and accountability.

Accreditation

Vendor management is critical in the event industry as choosing wrong suppliers could lead to multiple problems. Vendors need to be benchmarked on the basis of their capabilities, service standards and experience. Certain industries like the hotels and restaurant business have a fairly robust accreditation system and a certification program could work in the event industry as well; this could prevent frauds, reduce instances of non-delivery or non-compliances, and also ensure safety at the venue.

While event companies have emphasized on safety standards of vendors there is no industry policy or tracking on compliance with safety standards. As the industry becomes more globalized, accreditation would become imperative to meet the expectations of more demanding clients. The industry must work towards the following initiatives:

- ▶ Develop a formal accreditation system for vendors and partners. This will enable event agencies to quickly determine the quality and dependability of the vendors they are dealing with
- ▶ Periodically, vendors can be provided with an accreditation – a rating that enables event agencies to quickly evaluate a vendor's capabilities – which can be renewed annually based on industry feedback

- ▶ In the course of time, an industry body can be created to take appropriate action against defaulting vendors
- ▶ The event industry can also take a cue from Indian advertising, film and broadcasting associations wherein a defaulting vendor gets black listed across association members

Risk Management

In the event management industry, a lot is at risk till the point each event finally concludes. Hence, an appropriate risk management system is essential to limit loss to event companies in case of unforeseen events. Currently, the responsibility for risk management is often not clearly defined. The industry could consider the following initiatives in this area:

- ▶ Defining standard risk management clauses in vendor agreements to detail the responsibility for risk management, or the required risk management procedures required to be undertaken by vendors and partners
- ▶ Building awareness among vendors and other service providers regarding risk management through workshops
- ▶ Linking risk management to the vendor accreditation rating mentioned above

8.3.3 Regulatory ecosystem

Tax

The event management industry is subjected to multiple taxes and taxes which vary by state. Taxes in some states go up to 100%¹¹, which discourages event activity in those states. In fact, there is disparity in taxation when compared with film production, television and print. In order to promote increased activity, the industry should lobby for tax rates to be made common across states and be aligned to the tax incentives and schemes available to other segments of the Indian media industry like film production, exhibition, etc. These are covered in detail in another section of this report.

Infrastructure

The regulatory ecosystem should support infrastructure growth in the event management industry; wherein event venues could be promoted through public private partnership modes. Additionally, government incentives such as tax holidays could additionally help in promoting infrastructure in event management industry.

Approvals

The event management industry has often been plagued by delays in regulatory approvals wherein the time consumed in permissions and licenses has limited the growth of the industry. Regulatory bottlenecks in the system decrease overall industry attractiveness. Online approvals and single window clearance could help in accelerating growth of the industry.

Copyrights

It is currently possible to protect only a name, logo, design, but not an event concept or process. The industry should work towards obtaining legal advice to enable protection of its original concepts and processes. These can then be exported to other countries as well.

8.4 Strategic aspects

Factors such as development of intellectual property, digital offerings, future solutions and funding for growth are important to ensure that the industry makes the most of the business environment in which it operates.

8.4.1 Intellectual property

The benefit of developing IPs is that the value of an IP increases over a period of time and therefore the benefits of owning IPs increases dramatically during the later years. Moreover, over the past few years, investments in IP have also become common with private equity investors and ad agencies taking stakes in event companies owning IP¹².

Given the increase in digital media consumption, led by smartphone penetration and improved broadband connectivity, it is now possible for event companies to build their own communities of like-minded individuals, and cater to their needs through events, activations, digital etc., at far lower costs than before. More importantly, there is a lesser need to rely on expensive mass media, as these communities can be reached through the digital medium in a very cost efficient manner. IPs also have the added advantage that sponsors are willing to sign long-term deals for IPs, and they can be easily televised – broadcasters are facing increasing costs for acquiring satellite rights of films, and need events to engage audiences.

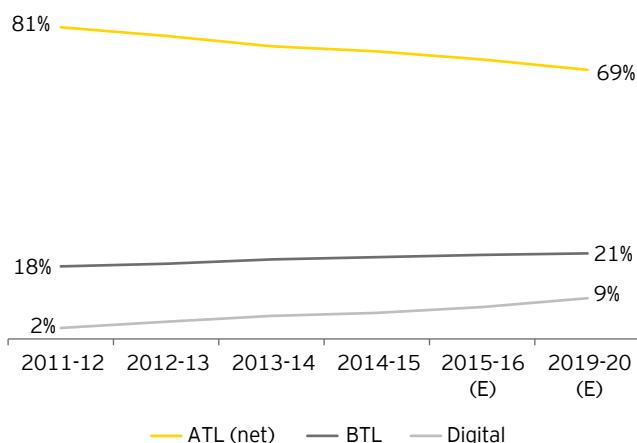
¹¹ http://www.filmtvguildindia.org/entertainment_tax_in_various_states.html

¹² Industry Sources and EY Research

8.4.2 Digital opportunity

Digital events and activations will enable the next phase of growth for the industry, growing from 2% of total ad spends in 2011-12 to 9% by 2019-20.

Percentage of total ad spends by marketers



Source: EY analysis

The benefits are many:

- ▶ On the customer front, digital will help in improving the customer experience before, during and after the event.
- ▶ Digitization also makes content distribution and interactivity affordable for smaller, yet advertiser friendly, customer segments.
- ▶ Advertisers prefer digital events due to the lower cost of reaching audiences, lower levels of overflow, ability to demonstrate ROI in a real time basis and ability to reach media-dark but telecom-lit consumers.
- ▶ On the administrative front, digital platforms can support decision making requirement of event companies through analytics wherein number of clicks, social media activity, purchase cycle, visits and content viewed could be captured through increasing usage of digital.

Value chain of digital convergence in events

Pre-event	During event	Post event
▶ Marketing	▶ Feedback	▶ Feedback
▶ Contests/ interaction	▶ Opinions	▶ Targeted marketing
▶ Expectations	▶ Voting/elimination	▶ Database development
▶ Ticket sales	▶ Bidding	▶ Personna development
	▶ Awards	

Note: EY analysis and industry sources

▶ **Pre event:** Pre event activities including marketing campaigns and ticketing could be digitized. Online ticketing and marketing could save time and cost in organizing events. For instance, a large portion of tickets at events like Sunburn and Vadfest are being purchased online. Moreover, events can get better visibility and amplification through digital platforms at a fraction of cost of traditional media.

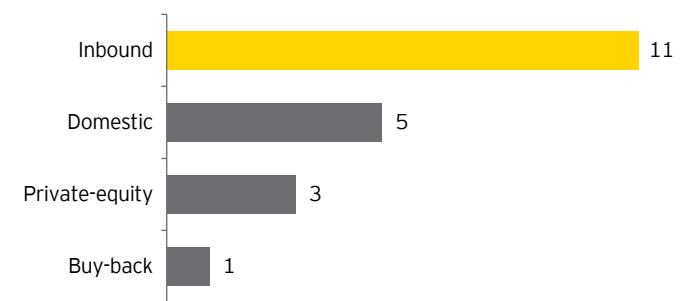
▶ **During event:** Digital platforms can help in continuous feedback during the course of the event. For instance, audience opinions, voting, bidding, merchandising and awards could be enabled through digital platforms. This would help in saving time, money and effort while organising events.

▶ **Post event:** Post event activities such as feedback and database development could be managed better through digitisation. Digital can also enable engagement post event, be it marketing, information dissemination or preparation for the next event.

8.4.3 Fund raising readiness

So far, access to different forms of equity investments, debentures, and other forms of financing has been quite limited in the industry. However, now investors are keen on capitalizing the increasing growth opportunities which the event industry holds. For instance, private equity investors and leading Ad agencies are increasingly looking at event companies having their own IPs. Media houses are also willing to do equity for media space deals. More inbound investments are being made in recent years. Event companies need to prepare themselves for onboarding investors. This will include better reporting, implementing accounting and business policies, accounting technology and restructuring of contracts.

Type of deals 2005-2015



Source: EY survey

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Xtreme Mindz



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The average age of all survey respondents is 43 years.

Glossary

ATL	Above the line, or media spends by marketers
BTL	Below the line, or non-media spends by marketers
CAGR	Cumulative accumulated growth rate
CBDT	Central Board of Direct Taxes
CEOs	Chief executive officers
CFOs	Chief financial officers
CMOs	Chief Marketing Officers
Crore	Ten million
CSR	Corporate Social Responsibility
DAS	Digital addressable systems
EBIDT	Earnings before interest and tax
EY	Ernst & Young LLP, India
£	Great Britain Pound
GST	Goods and Services Tax
IFC	Internal financial controls
INR	Indian Rupees
IP	Intellectual property
ISP	Internet service providers
ITCC	Income Tax Clearance Certificate
Lakh	A hundred thousand
M&A	Mergers and acquisitions
MICE	Meetings, incentives, conferences and exhibitions
MIS	Management information systems
NOC	No Objection Certificate
PAT	Profit after tax
ROI	Return on investment
TDS	Tax deducted at source
TV	Television
US\$	United States Dollar
WCGW	What could go wrong

About us

Event and Entertainment Management Association (EEMA)

The Event and Entertainment Management Association (EEMA) is an autonomous and non-profit registered body of companies, institutions and professionals operating within the Events and Experiential Marketing industry of India. Over the past seven years EEMA has grown into the de-facto voice for events.

EEMA is the first and only body of its kind, which seeks to bring together the country's leading Event Management, Sports Management and Brand Activation companies, MICE and Wedding Planners, Experiential Marketers, Entertainment Professionals, Artist Management Companies and International counterparts on the same platform. EEMA today is the only national association with a unified voice that leads dialogue within its members and with government, Statutory Bodies, Taxation Authorities, Private and Municipal Licensing Bodies, Corporate Industry, Vendors and Artists. EEMA is setting Industry Standards that guide its members and has prescribed a Code of Conduct for its members and their employees.

Since its incorporation in 2008, EEMA has rapidly grown in membership to include all significant organized players across the length and breadth of the country, and it is estimated that close to 80% of the organized revenue in this space, is represented through EEMA members.

EY

EY is the largest provider of professional services to the media and entertainment industry in India. With a dedicated events team since 1999, EY has been associated with over 150 different events, awards, contests, game shows, talent hunts, etc. It provides various events services including IP development and valuation, event risk management, voting/scoring process automation, event process documentation and validation of participant selection or winners.

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