



ASEAN-India: Growing together

Exploring investment opportunities
in digital and creative industries



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सत्यमेव जयते

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MESSAGE

2017 is a landmark year in the history of India and ASEAN as it marks 25th anniversary of the ASEAN-India relations. Since 1992, with each passing year, the relationship has acquired greater significance through strengthening of economic engagements between ASEAN and India. Trade in Goods, Services and Investments Agreements under the Framework Agreement between ASEAN and India, Regional Comprehensive Economic Partnership negotiations, among several others; reaffirm India's commitment to place ASEAN at the heart of its 'Act East Policy'.

ASEAN is the second largest trading partner of India globally, only after European Union, and followed by China and US. There is still an opportunity to grow trade relationship between the two parties. ASEAN and India share many common interests and areas for sustainable economic growth including a booming start-up ecosystem and technology. As the relationship continues to strengthen, the focus is now aligned towards developing closer ties through trade in services and enhanced connectivity (physical and digital).

India offers a large number of investment opportunities for foreign investors, including the ASEAN members. These investment opportunities span across multiple sectors and are driven by government initiatives and distinctive advantages of India. This report explores various investment opportunities in India for investors from ASEAN, especially in digital and creative sectors.

In the global market, India holds prominent position in the digital space, owing to availability of large English speaking talent pool. At the same time, India is witnessing tremendous growth in the sector, driven by intense focus of Government of India on digitalization. ASEAN can partner with India to set up business hubs in the country to meet its technology-related demands.

In the creative sector, India is at pivotal stage with transformational changes across segments. Thriving millennial population, rising disposable income and growing rural markets are helping to set new benchmarks for industry growth. Further, the government's conducive investment policies, renewed focus on infrastructure development and ease of doing business are driving investments in the sector.

The government of India is committed to make India as an attractive destination for investments through its various programs; such as, 'Make in India', 'Skill India', and 'Digital India'. In all these initiatives, Federation of Indian Chambers of Commerce and Industry (FICCI) also play a vital role to strengthen relationship between ASEAN and India through continuous dialog and support in policy formulation.

As a way forward, the Indian and ASEAN economies are set to benefit immensely through continued focus of governments of India and ASEAN members to foster relationship, deepening economic engagements and contribute to mutual growth.

(Nirmala Sitharaman)

Message from FICCI

ASEAN and India have emerged as strong trade and investment partners in the Asian region. With the relationship beginning as sectoral partners in 1992, India and ASEAN became strategic partners in 2012. Government of India's 'Act East Policy' is focused to further strengthen the relationship with ASEAN.

ASEAN and India have decided a priority set of sectors—healthcare, automobiles, textiles and jewellery, agriculture, and science and technology, among others—to boost trade investments in the coming years. India offers great investment opportunities across sectors, supported by its unique favourable characteristics of availability of huge market, large youth population and rapid urbanisation. At the same time, Indian government has taken multiple initiatives to attract more investments in the country.

Attracted by these, total FDI inflows from ASEAN to India have registered robust CAGR of 30.5 per cent, during 2010–11 to 2016–17, to reach USD8.9 billion. Singapore is the second largest contributor to India's total FDI inflow globally and largest among ASEAN. Supported by Indian government's intense focus to boost relationship with ASEAN, the investment flow from ASEAN in the country is bound to grow.

FICCI plays a vital role in helping strengthen the trade relationship between ASEAN and India through continuous dialogue, economic events and support in policy formulation.

This report highlights the key investment opportunities for ASEAN members in India, particularly in digital and creative industries. We acknowledge the support of various stakeholders in preparing the report. We are confident that this report can serve as a framework for ASEAN members looking at investing in India in these two key sectors.



Dr. A. Didar Singh
Secretary General
FICCI

Message from KPMG in India

As time progresses, economic ties between ASEAN and India continue to deepen day by day. Both parties realise the immense opportunities for trade and investments, and have reached at a significant stage of strategic partnership.

Amid uncertain global economic environment, India is a bright investment spot, on the back of strong GDP growth in the country (FY18E: 7.2 per cent and FY19E: 7.7 per cent). There is great synergy between India's market and investment or business needs for ASEAN members. While India offers a huge market to increase overseas footprints to Singapore and Malaysia, other ASEAN members, such as Thailand can invest in India to overcome their domestic challenges.

In terms of sectoral split, the services sector attracts largest FDI inflow from ASEAN, followed by computer software and hardware, trading, telecommunications, and pharmaceuticals. Further, India believes that there is scope to boost investment in the services sector, based on its core strength in the industry—large pool of high-skilled talents. This underlies the importance of more orientation towards people connect. Government of India has been taking multiple initiatives in this direction by improving physical (road, maritime) and digital connectivity.

This report by KPMG in India and Federation of Indian Chambers of Commerce and Industry (FICCI) explores investment opportunities in two key industries, digital and creative. Proliferation of smartphones and increase in penetration of internet, and strong start-up ecosystem are driving growth in the digital sector. Further, availability of large talent pool attracts foreign multi-national enterprises to set-up business operations in the country. On the other hand, rapid urbanisation and liberalised business policies are helping attract investments in the creative sector.

As ASEAN members continue to explore various investment opportunities, this report can serve as a guide to them for investments in digital and creative industries. Indian government's favourable stance towards ASEAN can help build more cohesive economic relationship, which could lead to flourishing trade and investment partnership.



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Table of contents

Executive summary 01

Introduction—ASEAN-India relationship 07

Investment opportunities in India's digital industry 15

Investment opportunities in India's creative industry 33

Way forward 53

Executive summary

ASEAN and India rejoice 25 years of relationship

ASEAN-India relationship has cultivated over the years, starting from dialogue sectoral partners in 1992 to strategic partners in 2012...



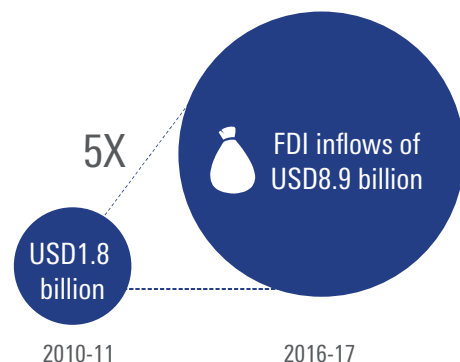
...thereby making ASEAN, India's second largest trading partner

The total trade value between ASEAN and India amounted to USD71.7 billion in 2016–17, growing at a CAGR of 4 per cent, since 2010–11. By 2022, the trade value is expected to reach USD200 billion.

The partnership has further improved inward FDIs to India from ASEAN.



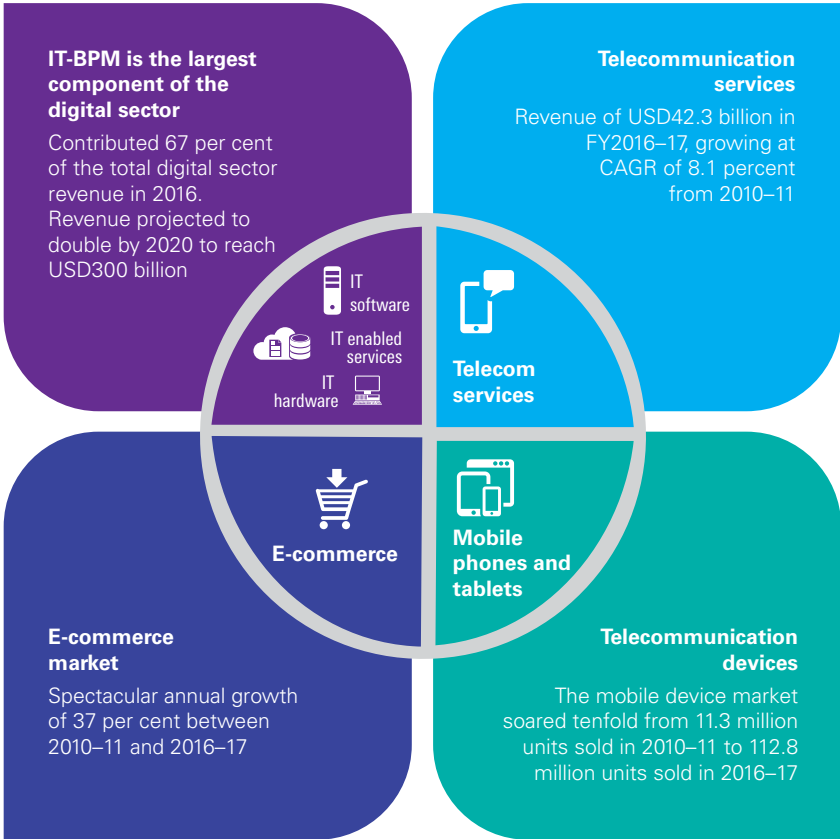
FDI increased five-folds between 2010–11 and 2016–17



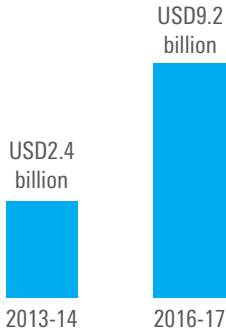
Attracting investments across all sectors, of which digital and creative form important components.

Digital industry

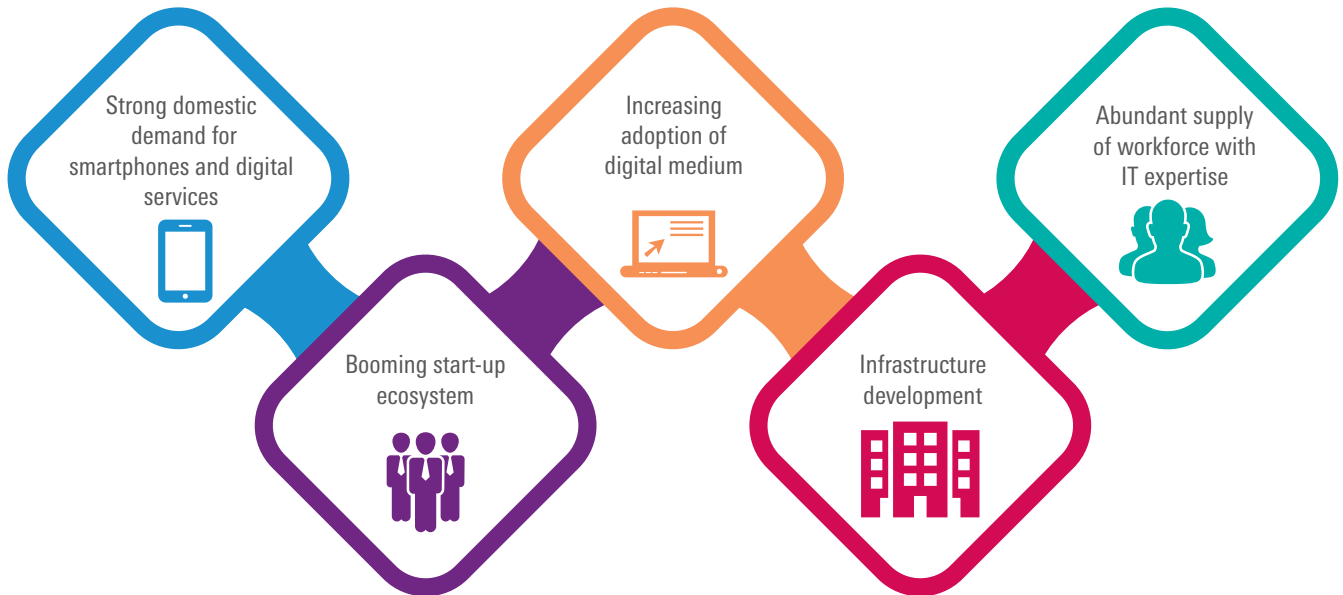
The digital industry is fast-growing and being fuelled by thriving millennial population, increasing standard of living and changing lifestyle. Key components include:



FDI in the sector quadrupled between 2013-14 and 2016-17 to USD9.2 billion



India’s digital industry offers several investment opportunities to ASEAN members



In addition to the above, Indian government has undertaken several initiatives to drive the growth of the digital industry in India.

 <p>Infrastructure development</p> <ul style="list-style-type: none"> • E-business platform • Smart cities • Start-up India initiative 	 <p>Talent building</p> <ul style="list-style-type: none"> • National Digital Literacy Mission • Pradhan Mantri Kaushal Vikas Yojana • National Action Plan for skill development in the telecom sector 	 <p>Market expansion</p> <ul style="list-style-type: none"> • India BPO Promotion Scheme • Ministry of Electronics and Information Technology (MeitY) • Free wireless internet hotspots 	 <p>Financial incentives</p> <ul style="list-style-type: none"> • Tax rate for royalty and fees from technical services reduced from 25 per cent to 10 per cent • Central Value Added Tax credit time limit increased from six months to one year
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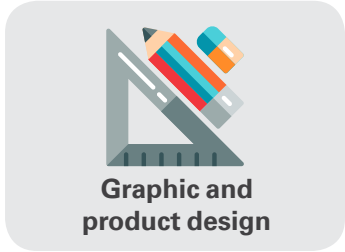
Creative industry

The creative industry is on an increasing trend, due to rising share of affluent population and changing consumption pattern.



The segment revenue amounts USD19.4 billion, expected to reach USD37.3 billion by 2021
 Remarkable growth in the digital media segment at a CAGR of 38 per cent during 2011–16

Textile and apparel segment expected to increase at a CAGR of 7.4 per cent during 2016–23
 Per capita apparel consumption expected to increase to USD123 by 2025 from USD45 in 2015



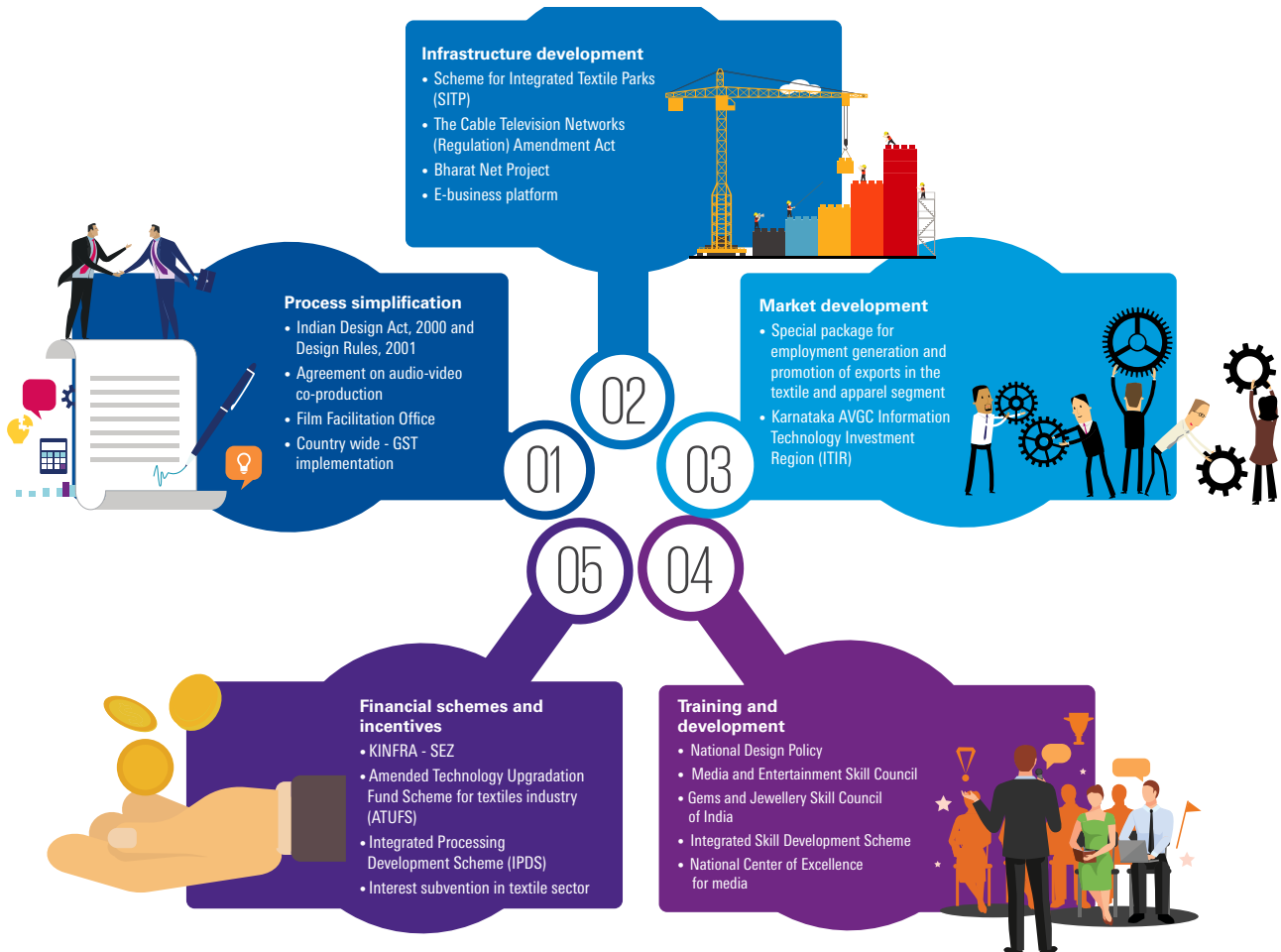
Segment to expand from USD0.3 billion in 2017 to USD2.9 billion by 2020
 Industrial design expected to account 58 per cent of the total design market size



India's creative industry offers several investment opportunities to ASEAN members

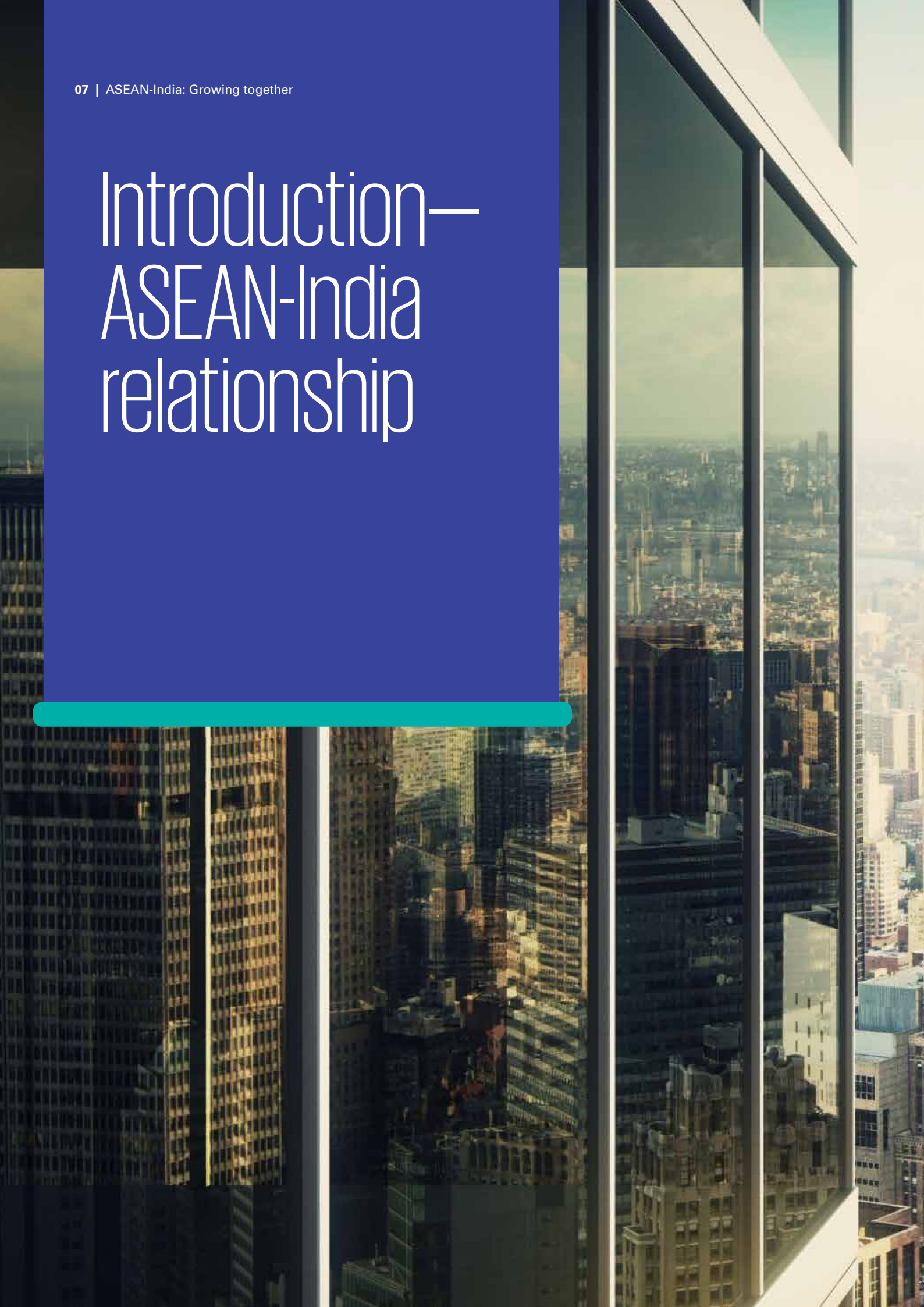


The government has also undertaken a variety of initiatives to drive growth in the creative industry.





Introduction— ASEAN-India relationship



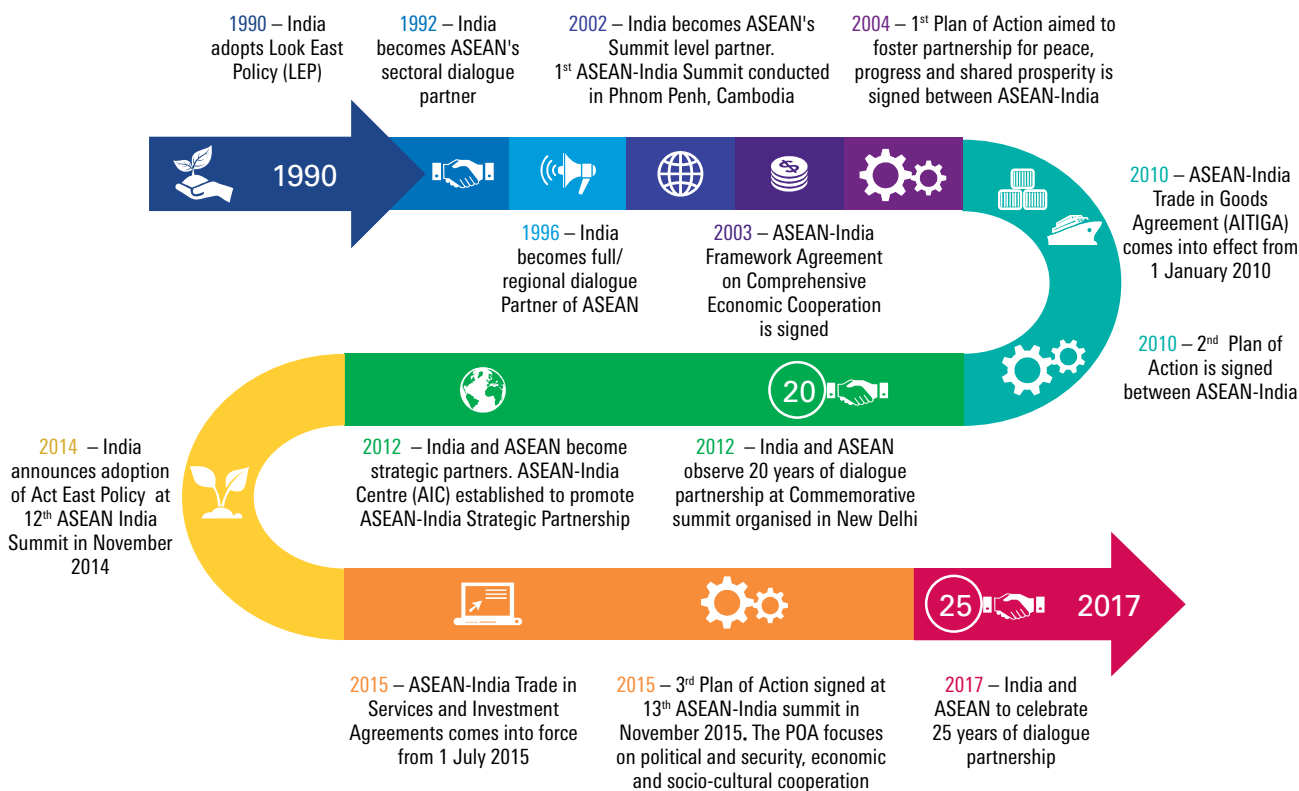
Laying the cornerstone with its Look East Policy in 1990, India has traversed a long way strengthening its economic and socio-cultural relationship with Association of Southeast Asian Nations (ASEAN) at various milestones. As India commemorates its 25 years of 'dialogue partnership' with ASEAN, the country builds conducive investment environment for multiple industries, including digital and creative.

Background

ASEAN and India with combined population of approximately 2 billion (26.6 per cent of global population) and combined Gross Domestic Product (GDP) of USD4.5 trillion (5.9 per cent of global GDP) present immense mutual investment opportunities.^{01,02} The relationship between ASEAN and India began in 1992 and has grown steadily from sectoral dialogue partnership to summit-level partnership in 2002. At the second ASEAN-India summit held in 2003, ASEAN and India signed an ASEAN-India Framework Agreement on Comprehensive Economic Cooperation that served as a guidance to establish further agreements such as Trade in Goods Agreement, Trade in Services, and

Investment Agreement as part of ASEAN-India Free Trade Area (AIFTA). Effective January 2010, the Trade in Goods Agreement came into force, wherein, ASEAN and India agreed to gradually reduce and eliminate duties on more than 90 per cent coverage of products traded between the regions over a period of time. Further in July 2015, ASEAN-India Trade in Services and Investment Agreement was initiated, which includes provisions on transparency, domestic regulations and dispute settlement. The agreement also laid down policies to ensure fair and equitable treatment for investors.^{03,04}

Timeline: Developing ASEAN-India ties



Source: ASEAN-India Relations, Ministry of External Affairs, Government of India, March 2017

01. ASEAN Statistical Leaflet, Selected Key Indicators, ASEAN.org, 2016
 02. DataBank – India Profile The World Bank, as accessed on 4 July 2017

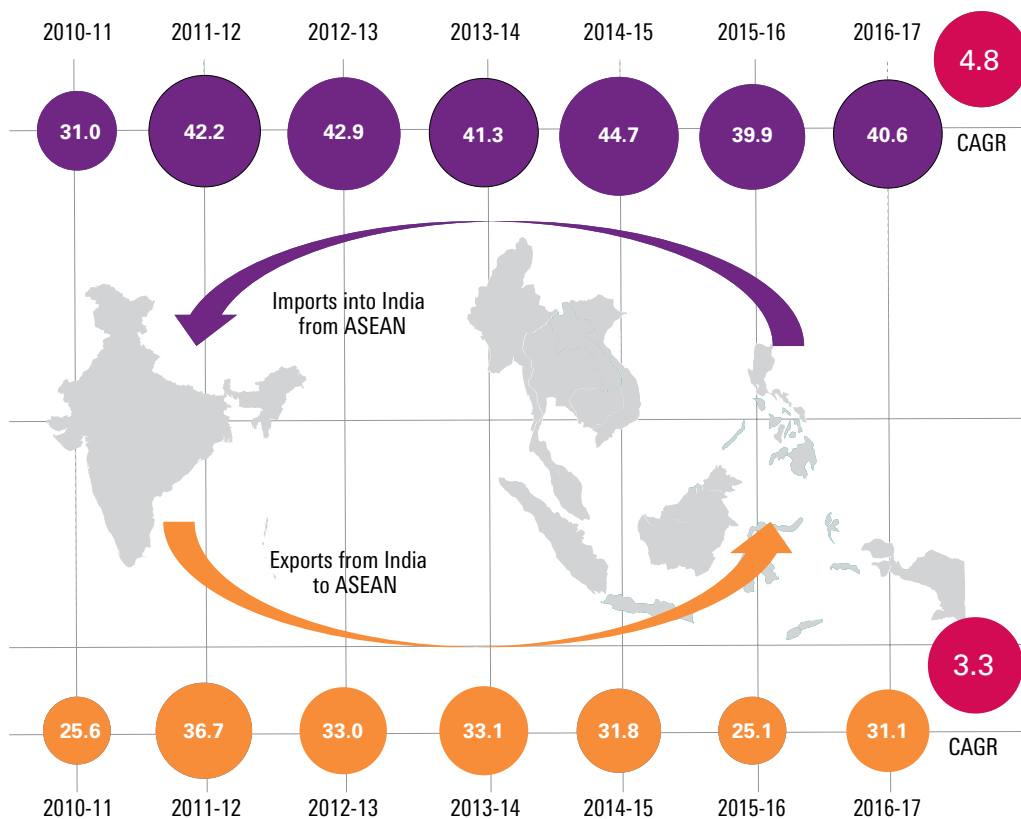
03. ASEAN-India Free Trade Area (AIFTA), ASEAN.org, October 2015
 04. India ASEAN Trade and Investment Relations, ASSOCHAM, July 2016

Trade and investment

ASEAN is India's second largest trading partner with a total trade value of USD71.7 billion in 2016–17, which has increased from USD56.2 billion in 2010–11, reflecting a Compound Annual Growth Rate (CAGR) of about 4 per cent.⁰⁵ After a steep rise in 2011–12 (up 40.4 per cent YoY), the trade value remained stable till 2016–17. Despite buoyant economic sentiment in India,

the trade value has remained subdued on account of soft commodity prices. However, this trend is set to reverse owing to rigorous focus of both parties for expanding trade relations in existing areas, as well as exploring opportunities in new sectors. With renewed interest in economic cooperation, the bilateral trade value is expected to reach USD200 billion by 2022.⁰⁶

Trade between ASEAN and India (in USD billion)



Source: Export and import data, Ministry of Commerce and Industry, Government of India, July 2017

While the trade value between the two parties has largely been unchanged, true growth of the partnership is reflected through rapid growth in Foreign Direct Investment (FDI) flow from ASEAN to India.

India, one of the fastest growing economies in the world has emerged as a favoured foreign investment destination owing to various market-led factors such as availability of large talent-pool and huge domestic market. In addition, various flagships initiatives such as 'Make in India', 'Skill India' and 'Digital India' introduced by the Indian government. These initiatives are directed to enhance India's competitiveness as an investment destination.

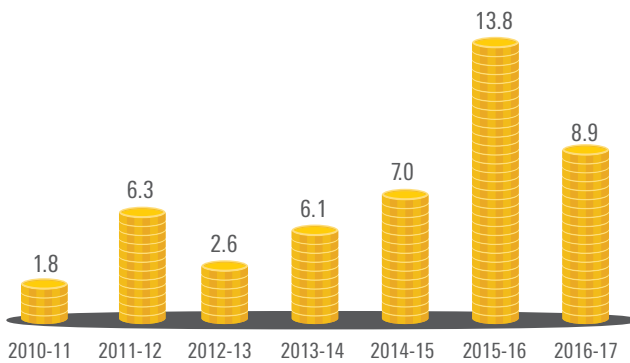
Key initiatives taken under these include:

- Increase in upper limit for foreign investment in various industries, including digital and creative
- Introduction of reforms, such as labour (allotment of labour identification number to simplify online compliance filing, among others), tax (launched Goods and Services Tax or GST), innovation (improved and faster registration of Intellectual Property Rights or IPR)
- Improvement of business environment by withdrawing obsolete and outdated policies (scrapped retrospective tax, withdrawn customs and duty exemptions on parts and components of mobile devices).

⁰⁵ Export and import data, Ministry of Commerce and Industry, Government of India, 2017, as accessed on 29 June 2017

⁰⁶ ASEAN, India reaffirm commitment to strengthening cooperation, Ministry of Foreign Affairs Singapore, 9 June 2017, as accessed on 30 June 2017

FDI inflows from ASEAN to India (in USD billion)



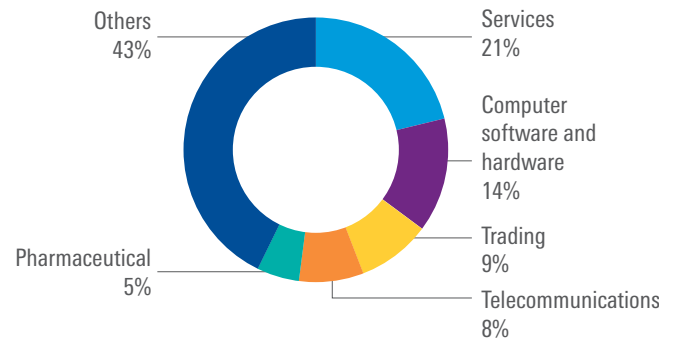
Source: FDI Statistics, Department of Industrial Policy and Promotion (DIPP), April 2011–March 2017.

Driven by these advantages, FDI in India is growing at an unprecedented rate. ASEAN, a key trading partner, also realises these benefits and is therefore investing in India. During 2010–11 to 2016–17, FDI from ASEAN to India grew five folds from USD 1.8 billion to USD 8.9 billion.⁰⁷ While most of the growth has come from Singapore (about 98 per cent of the cumulative FDI inflows from ASEAN, during 2011–17),⁰⁷ other ASEAN members have made significant investment commitments in recent times. In April 2017, major Indian and Malaysian companies in the oil and gas, infrastructure, and engineering sectors signed 31 Memorandum of Understanding (MoUs) to facilitate investment proposals worth USD 36 billion in both countries.⁰⁸ Similarly, other ASEAN members, such as Myanmar, Vietnam and Thailand have signed MoUs in the areas of power and energy, financial services, and Information and Communication Technologies (ICT).^{09,10}

In general, India's market dynamics complements the business needs of ASEAN. For instance, Singapore's outward FDIs appears to be focused on growing markets (as observed in financial/retail/construction sectors) or achieving efficiencies in the existing business processes (as observed in the manufacturing sector). India, with its sheer population size, availability of labour and technical capabilities, serves as an appropriate investment destination for Singapore based companies. The similar case is observed in Malaysia, where government-linked programmes encourage local companies to expand operations overseas to gain scale and leverage technological advancements in the destination country. On the contrary, Thailand's outward FDIs in foreign markets to overcome their domestic challenges.

Driven by the above factors, various companies based in ASEAN plan to set up and expand operations in India. For instance, several Thailand-based companies plan to invest USD 772 million in food processing, automobile components, electronic devices, and telecommunications sectors in India.¹¹

Per cent share of FDI inflows from ASEAN to India (2015)



Source: FDI Statistics, DIPP, December 2015

If looked at the sectoral split, services sector attracts largest FDI inflows from the ASEAN region, followed by software and hardware, and telecommunication sectors. A large market coupled with vast availability of skilled talent has been driving investments into these sectors. In the recent past, the pharmaceutical sector also invited greater focus due to low-cost production, availability of qualified researchers, robust patent regime and liberalised FDI policies.

07. FDI Statistics, DIPP, April 2011–March 2017

08. India, Malaysia sign \$36-bn investment proposals, Business Standard, 4 April 2017

09. Joint statement – India/Vietnam, Ministry of External Affairs – Government of India, 3 September 2016

10. Joint statement – India/Myanmar, Ministry of External Affairs – Government of India, 29 August 2016

11. Thai companies likely to invest Rs. 5,000 crores in Uttarakhand, eNewsDesk, 7 April 2017

Recent government initiatives

Government of India has undertaken various initiatives to affirm its relationship with the ASEAN community. In addition to providing support in various areas, such as promoting socio-cultural integration and minimising the development gap between ASEAN member states, India is working on various economic initiatives to

strengthen its relationship with ASEAN. Enhancing connectivity (physical as well as digital) can provide an added impetus to growth of trade and investment opportunities between both parties. Key initiatives in this regard include:

Trade and investment



- ASEAN-India Agreement on Trade in Service was signed in November 2014 with an aim to increase movement of labour between India and ASEAN. The agreement lists the provisions on domestic regulations, recognition, market access, national treatment and dispute settlement procedures during services exchange among India and ASEAN transacting parties^{12,13}
- The ASEAN-India Agreement in Investment was also signed in November 2014 to boost flow of investments. The investment agreement stipulates protection of investment to ensure fair and equitable treatment for investors, non-discriminatory treatment in expropriation or nationalisation and fair compensation¹⁴
- ASEAN-India Trade Negotiating Committee was reconvened in 2015 to monitor problems associated with ASEAN-India Trade in Goods Agreement that came into effect in 2010. The committee aims to promote and increase the Free Trade Agreement utilisation between India and ASEAN¹⁵
- In August 2017, India created a Project Development Fund (PDF) with a corpus of USD77.0 million to develop manufacturing hubs in Cambodia, Laos Myanmar and Vietnam (CLMV). In addition, EXIM Bank of India also provided lines of credit worth USD750.0 million for projects in power, irrigation and railways, among others to CLMV countries^{16,17}

Connectivity



- Promote and expedite development of roads, railways, seaports, maritime logistics network and other related physical infrastructure. This is aimed to extend economic integration, facilitate movement of goods and mobilise private sector investment in the region. Key projects include: India–Myanmar–Thailand Trilateral Highway Project (to be completed by 2020), Kaladan Multimodal Project and India-Myanmar-Thailand Motor Vehicle Agreement (IMT MVA) and India-Myanmar-Laos-Vietnam-Cambodia highway¹⁸
- At the India Telecom-2017 conference, India offered ICT products, technical knowledge and financial help to ASEAN countries for developing telecommunication ecosystem in their respective nations. The aim of the meet was to promote Indian telecommunication companies as service and technology providers in ASEAN markets¹⁹
- During the 13th ASEAN-India summit, India committed a Line of Credit of USD1.0 billion to support projects aimed at boosting physical and digital connectivity between ASEAN and India²⁰

12. ASEAN-India Free Trade Area (AIFTA), ASEAN.org, October 2015

13. India-ASEAN FTA for services, investments offers only varying market access, Business Line, September 2016

14. ASEAN-India agreements on Trade in Services and Investment to come into force by year end: Sushma Swaraj, FICCI, 11 March 2015

15. India asks ASEAN members to ratify services trade pact, The Dollar Business, 20 February 2016

16. From Look East to Act East, The Hindu Business, 26 February 2017

17. Cabinet approves creation of a Project Development Fund to catalyse Indian economic presence in Cambodia, Laos, Myanmar and Vietnam, Press Information Bureau, 31 August 2016

18. Plan of action to implement the ASEAN-India partnership for peace, progress and shared prosperity (2016-2020), ASEAN.org, August 2015, as accessed on 3 July 2017

19. India offers Tech 'Know How' to ASEAN in Telecom Sector, Press Information Bureau, 20 February 2017

20. About East Asia Summit, Ministry of External Affairs – Government of India, November 2016

Sector-focused initiatives



Science and Technology

- At the 14th ASEAN-India summit held in 2016, Government of India increased the ASEAN-India Science and Technology Development Fund from USD1 million to USD5 million. The fund was established in November 2007 to promote collaborative Research and Development (R&D) projects in science and technology²¹
- Government of India plans to commercialise low-cost technologies, collaborative R&D projects and technology transfer through ASEAN-India Innovation Platform.



Space

- India and Vietnam have signed a framework agreement to explore outer space for peaceful purposes. The countries will collaborate in the areas of satellite communication and satellite-based navigation, space science, remote sensing of the earth, and planetary exploration. As part of ASEAN-India initiative India plans to open Indian Space Research Organisation (ISRO) Satellite Tracking Centre in Vietnam.²²



21. Keynote address by Secretary (East) at the Business Session of Delhi Dialogue VIII, Ministry of External Affairs – Government of India, 17 February 2016

22. Achievements: India-Vietnam Defence and Security Cooperation, Vivekananda International Foundation, 12 May 2017

Bilateral agreements between ASEAN and India

Malaysia

- Visa-free programme for Indian nationals between 1 April 2017 and 31 March 2018
- In 2017, seven MoUs were signed to promote bilateral cooperation, and economic growth and development. The areas included cooperation in development of 4th technology park in India, urea and ammonia manufacturing plant development in Malaysia, sports, education and air travel²³
- At the India-Malaysia Business Forum held in April 2017, Indian companies operating in oil and gas, infrastructure and engineering sectors signed 31 MoUs with Malaysian counterparts to facilitate investments of USD36 billion²⁴
- In 2015, Construction Industry Development Board (CIDB) of Malaysia proposed to invest USD30 billion in India's Smart City project²⁵
- In 2017, Government of Malaysia launched Digital Free Trade Zones (DFTZ) for SMEs/ entrepreneurs with an aim to boost e-commerce growth in the country. As part of the DFTZ, Malaysia offers number of facilities such as faster customs and cargo clearance, satellite services and proximity to sea and airports.²⁶

Myanmar

- In 2016, during Myanmar's President, Htin Kyaw's visit to India, both the governments signed four MoUs for cooperation in the areas of traditional medicine, renewable energy, and construction of Myanmar's Tamu-Kyigone-Kalewa section (India to invest USD57.2 million) and Kalewa-Yagyi road section of the India, Myanmar and Thailand Trilateral Highway. The Trilateral highway aims to facilitate movement of goods and traffic among nations.^{27, 28}

Indonesia

- In order to promote usage and access to reliable, clean and affordable energy, India and Indonesia signed an MoU on new and renewable energy in November 2015.²⁹

Singapore

- In December 2016, India and Singapore signed a protocol to amend their bilateral Double Taxation Avoidance Agreement (DTAA) in New Delhi. As per the agreement, the existing tax exemption on capital gains for acquired shares has been amended. For shares acquired before 1 April 2017, existing tax exemption on capital gains will be preserved. However, for those acquired after 1 April 2017, a capital gain tax of 50 per cent of India's domestic tax rate will be levied.³⁰

Vietnam

- During Indian Prime Minister, Narendra Modi's visit to Vietnam in 2016, 11 MoUs of cooperation were signed between both the parties. Both countries plan to bolster trade, investment, defence and technology partnership through these MoUs.³¹

23. Joint Statement on 60th Anniversary of India-Malaysia Diplomatic Relations, Ministry of External Affairs – Government of India, 1 April 2017

24. India, Malaysia sign \$36-bn investment proposals, Business Standard, 4 April 2017

25. Malaysia Proposes to Invest \$30 Billion in India, NDTV Profit, 15 October 2015

26. Malaysia launches world's first digital free trade zone, Malaysia Digital Economy Corporation, 22 March 2017

27. India-Myanmar Joint Statement during the visit of the President of Myanmar to India, Ministry of External Affairs – Government of India, 29 August 2016

28. Construction of 69 Bridges including Approach Roads on the Tamu-Kyigone-Kalewa road section of the Trilateral Highway in Myanmar, Press Information Bureau - Government of India, 30 December 2015

29. India-Indonesia Joint Statement during the State visit of President of Indonesia to India, 12 December 2016

30. Singapore and India Sign New Protocol to Update Bilateral Avoidance of Double Taxation Agreement (DTA), Inland Revenue Authority of Singapore, 30 December 2016

31. Joint Statement between India and Vietnam during the visit of Prime Minister to Vietnam, Ministry of External Affairs – Government of India, 3 September 2016

Bilateral trade—India and Thailand

The trade partnership between India and ASEAN kicked off in 2003 to bolster trade and investments. In 2016, both countries agreed to strengthen their partnership in defence and maritime security and accelerate the implementation of an infrastructure project, linking Thailand and India to increase trade and economic interaction.

Thailand ranks as India's fourth largest trading partner after Singapore, Indonesia and Malaysia. The bilateral trade value between India and Thailand reached USD8.6 billion in 2016–17 as compared to USD6.5

billion in 2010–11, registering a CAGR of 4.6 per cent. During the same period, FDI inflow from Thailand to India has multiplied six times to reach USD42.9 million in 2016–17, driven by investments from leading Thailand-based companies operating in agro-processing, construction, automotive, engineering and banking sectors.³²



32. FDI Statistics Archives, DIPP, April 2011–March 2017

Investment opportunities in India's digital industry

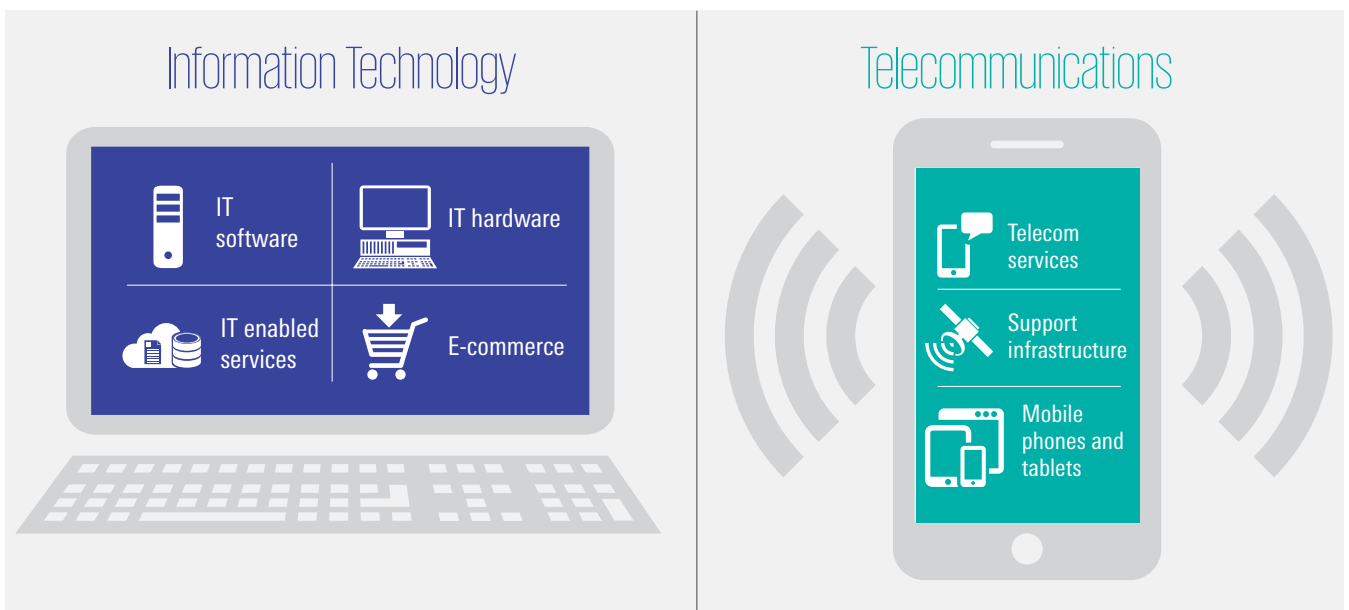


Overview

The digital industry encompasses two broad segments, i.e., Information Technology (IT) and telecommunications. The IT segment includes IT-Business Process Management or IT-BPM (IT software and hardware, and IT-enabled services) and services

delivered over the internet (including e-commerce/m-commerce). The telecommunications segment comprises telecommunication services and supporting infrastructure, such as mobile phones and tablets.

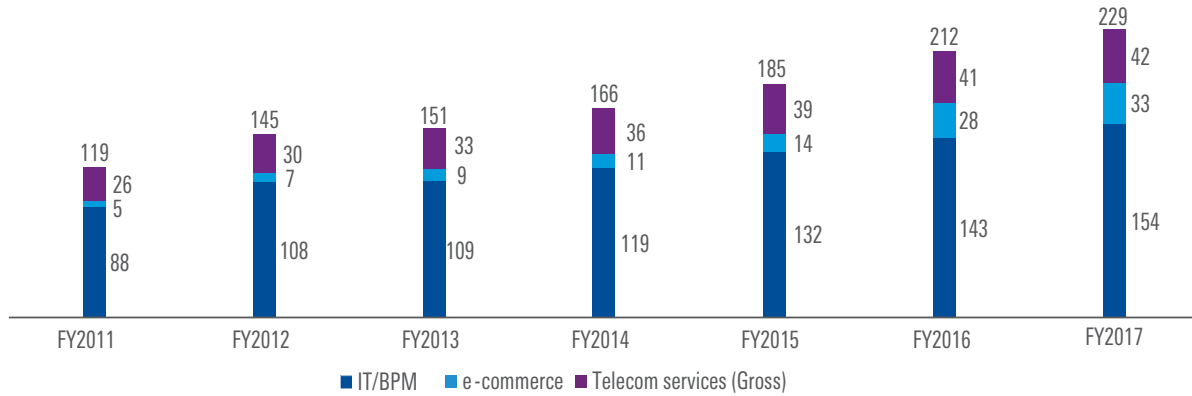
Key constituents of the digital industry



India's digital industry is of significant interest to ASEAN, as India's strengths complement the needs of the countries in the region. Driven by business-friendly government initiatives, a large pool of high-skilled talent and mushrooming start-up ecosystem, India has been attracting huge global investments in the sector. Further, as the digital industry gets more traction with rapid digitalisation, opportunities to invest in the country are rising manifold. Singapore, one of the largest investors in the digital sector in India, is attracted by

these advancements and has signed multiple MoUs with state governments for smart cities initiative. Several Singapore companies find India as a valuable investment destination in the e-commerce sector, given that it is the fastest growing segment in the digital industry. On the other hand, ASEAN members such as Vietnam, Thailand and Indonesia have been facing challenges in meeting the demand for industry-ready talent. These countries may find a valuable partner in India to help them transcend these challenges.

Growth of India’s digital industrial market (in USD billion)



Source: National Association of Software and Services Companies (NASSCOM), Telecom Regulatory Authority of India (TRAI) reports; e-commerce market size in FY2011 was extrapolated, based on growth rate as provided by NASSCOM

The digital industry recorded CAGR of 11.5 per cent during 2011 – 17 to reach USD229.3 billion,³³ mainly driven by the e-commerce/m-commerce market. The industry witnessed a CAGR of 37.0 per cent, during the same period. The digital landscape in India is on a constant flux, with booming infrastructure, thriving millennial population, increasing standard of living and changing lifestyle.

and increased reach of online retailers to remote locations are key factors that are driving growth in the e-commerce market in India. India is moving towards a mobile-first economy with the mobile internet user base accounting for 90 per cent of the total internet user base in India.³²

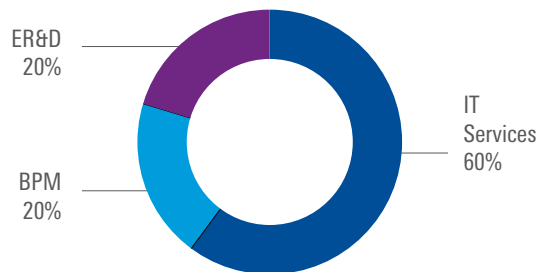
Since 2011, many e-commerce marketplaces have been launched in India. Apart from home-grown players, American and Chinese e-commerce giants have also invested in India, owing to huge growth potential of the market, currently characterised with low levels of e-commerce/m-commerce penetration. Rising internet and mobile phones penetration in semi-urban and rural areas, ease of shopping through cashless transactions,



33. NASSCOM, TRAI reports – 2011 to 2017, as accessed on 10 July 2017

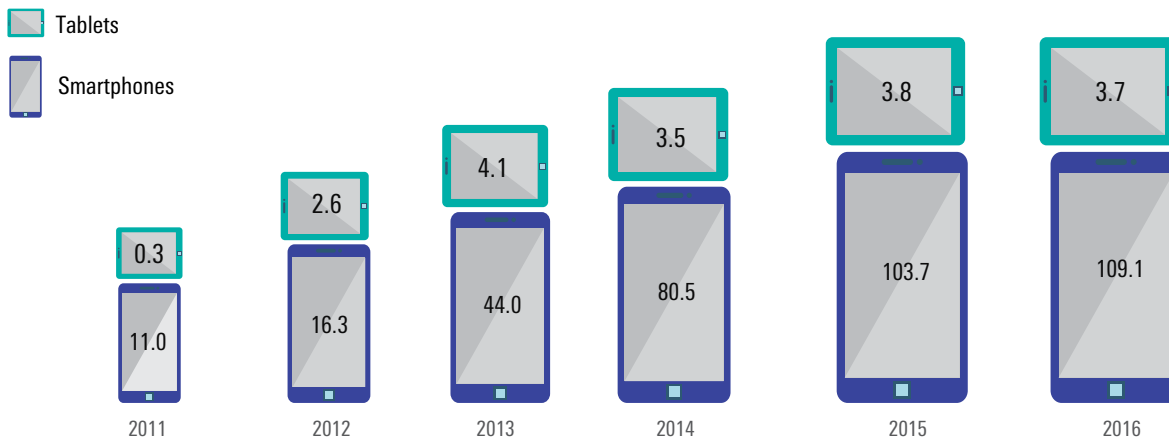
The IT-BPM segment has also been witnessing similar growth. Driven by abundant availability of talent with IT expertise, the IT-BPM's market share increased from USD88 billion in 2010–11 to USD154 billion in 2016–17.³² India is the largest outsourcing provider of IT services, accounting for 56 per cent of the total global outsourcing market.³⁴ India is home to more than 16,000 IT firms, of which over 1,000 are large global firms, operating in 50 locations in India.³³ The share of IT-BPM market is 45 per cent of the total services exported from India.³³ As India traverses the journey of digitisation, this market is expected to almost double to USD300 billion by 2020,³⁵ thereby making it a highly attractive segment for foreign companies to invest in the sector. Though the BPM segment contributes to only 20 per cent of the overall Indian IT revenues, it is still the world's largest BPM destination.³³ This segment has maintained its leadership position in the global market due to its ability to provide high-quality services for latest technologies as well as the confidence the segment has built with its existing foreign clients. The country has also emerged as a global hub for high value engineering R&D services.

IT-BPM revenue breakdown in FY 2016



Source: NASSCOM, Indian IT-BPM Industry FY16 performance and FY17 Outlook, June 2017

Smartphones and tablets unit sales (million)



Source: International Data Corporation, 2011–16

34. IT and BPM, Make in India website, Government of India, as accessed on 4 July 2017

35. IT – ITeS Sector Profile, Government of Gujarat, as accessed on 4 July 2017

The telecommunication services segment has registered a CAGR of 8.1 per cent during 2010–11 to 2016–17 to reach USD42.3 billion.³² This growth was mainly driven by the increase in subscription revenue generated from wireless and broadband subscribers. The total number of wireless subscribers were 1,170.2 million as on March 2017, an increase of 13.2 per cent over the previous year and constituted 98 per cent of the total telecom subscribers as on March 2017.³² With increasing internet penetration the demand for broadband subscription has also grown from 19.7 million subscribers in 2010–11 to 422.1 million subscribers in 2016–17.³² Currently, the teledensity in rural India is a little over 56 per 100 people, therefore providing tremendous potential for investments in this sector.³² Growing penetration of mobile phones and internet access is expected to drive the telecom sector in the future too.

Another component of the digital industry is the mobile devices market, which includes smartphones and tablets. The mobile devices market has soared tenfold from 11.3 million units sold in 2010–11 to 112.8 million units sold in 2016–17,³⁶ due to increasing affordability of smartphones coupled with low-cost tariffs for telecom services.



36. IDC Quarterly Mobile Phone Tracker, IDC, as accessed on 18 July 2017

Investments in the digital industry

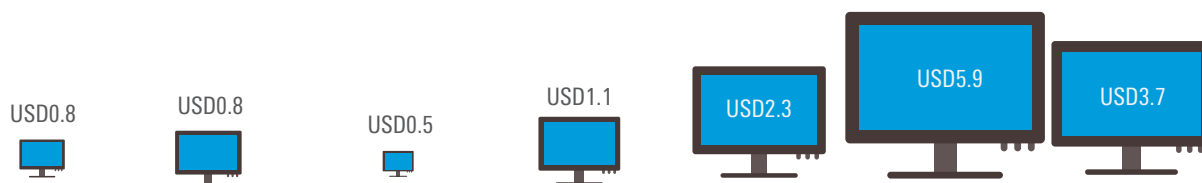
Foreign Direct Investments (FDI) in India's digital industry increased from USD2.4 billion in 2010–11 to USD9.2 billion in 2016–17, registering a CAGR rate of 24.8 per cent.³⁷ Though the inflows remained constant at about USD2.5 billion per year during 2010–11 to 2013–14 with a decline in 2012–13, due to subdued investor sentiments caused the Supreme Court's (India) verdict on 2G spectrum, there has been rapid growth in

FDI over the last three years. From 2013–14 to 2016–17, FDI in the digital industry quadrupled from USD2.4 billion to reach USD9.2 billion with cumulative inflows of USD48.6 billion since April 2000.³⁷ This increase was mainly driven by growing demand for data services and smartphones, and various initiatives undertaken by Indian government to boost FDI and digitise the Indian economy.

FDI in digital sector (USD billion)



FDI in computer software and hardware sector (USD billion)



FDI in telecommunications sector (USD billion)

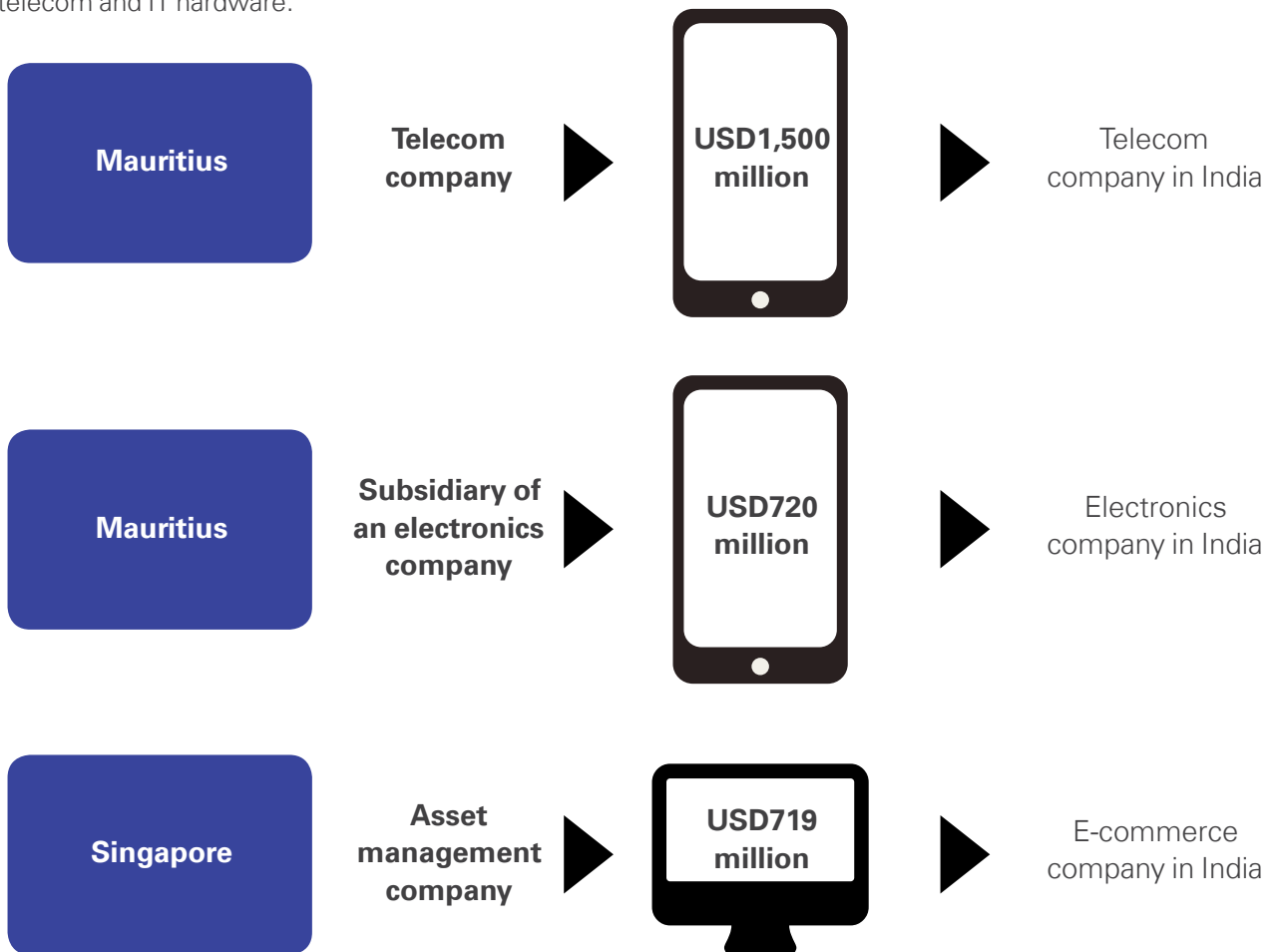


Source: FDI Statistics, DIPP, April 2011–March 2017

37. IDC Quarterly Mobile Phone Tracker, IDC, as accessed on 18 July 2017

In 2013–14, Government of India increased the FDI cap in telecom sector from 74 per cent to 100 per cent with 49 per cent under automatic route, thereby creating further channels for foreign investments.³⁸ In January 2017, Indian government also amended the Modified Special Incentive Package Scheme (MSIPS), wherein it granted subsidies (20 per cent for investments in Special Economic Zones or SEZs and 25 per cent in non-SEZs) for capital expenditure incurred in manufacturing electronics in the country including telecom and IT hardware.

Considering the global FDI inflows in digital industry into India, Mauritius and Singapore, together account for 75.7 per cent of the cumulative FDI between January 2000 and December 2015.³⁶ Some of the recent significant FDI announcements include:³⁹



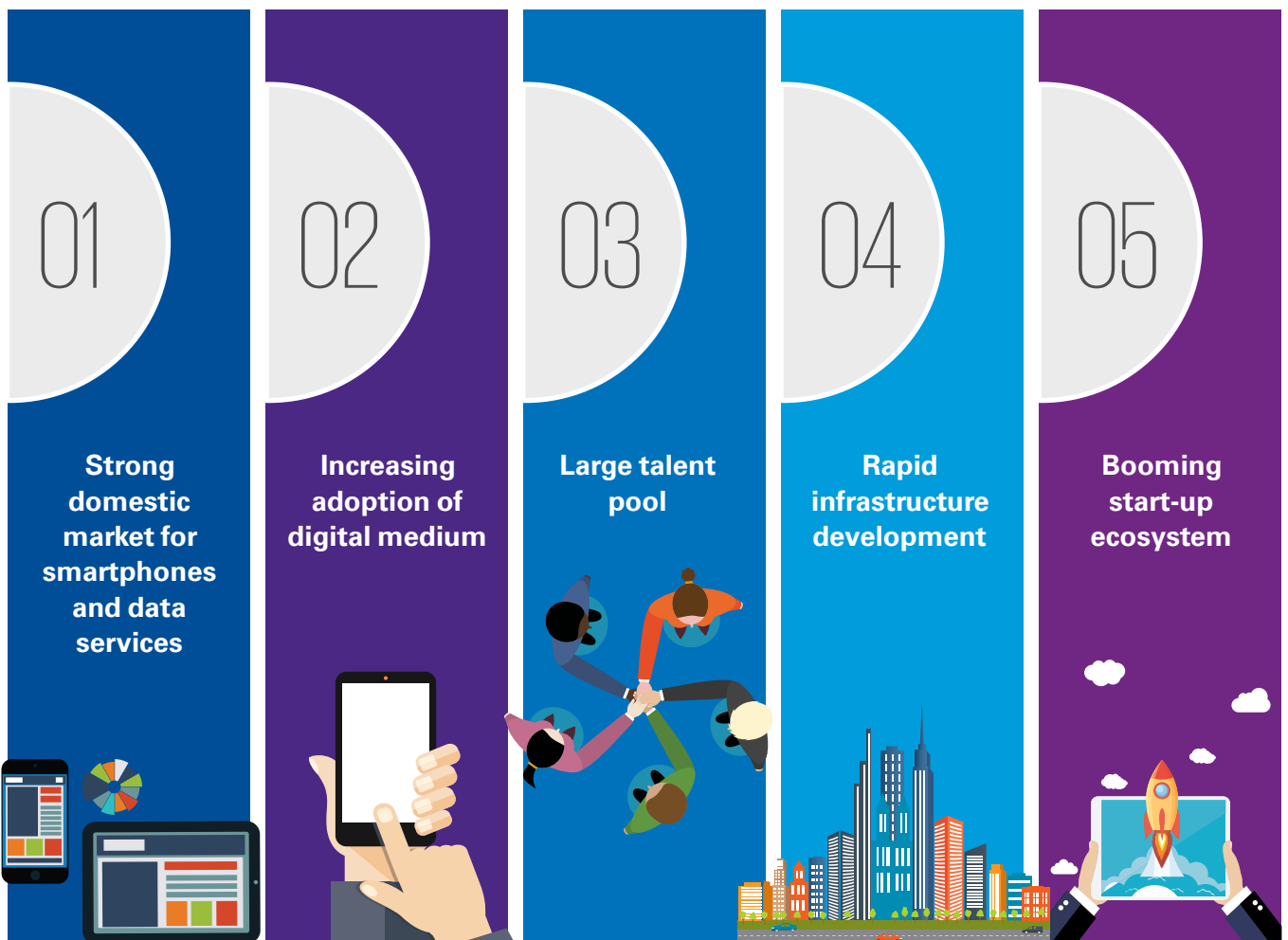
While Singapore accounts for the largest FDI in the digital sector among all ASEAN, other ASEAN members such as Vietnam, Thailand and Indonesia are battling skilled-workforce shortages. Vietnam is projected to require 400,000 IT workers between 2016 and 2020, however, it is expected that the number of universities/training establishments in Vietnam can provide only 250,000 IT workers.⁴⁰ Thailand has also been facing its greatest shortage of skilled labour in the recent

past, and has engaged with many countries such as Singapore, South Korea and Japan to upskill their workforce.⁴¹ In Indonesia, only 10 per cent of the total employment account for high-skilled workers, the lowest ratio for any Southeast Asian nation. Investors in Indonesia are therefore looking to offshore technology-related work as they seek to fill the talent-gaps.⁴² Working with a committed partner, such as India, could benefit ASEAN overcome these challenges.

38. Govt allows 100 per cent FDI in telecom, hikes insurance cap to 49 per cent, Times of India, 16 July 2013
 39. Make in India 'Telecommunication Sector'- Achievement Report, Electronics and IT Sector: Achievement Report, Government of India, as accessed on 10 July 2017
 40. Vietnam's software industry sees growth overseas, Vietnam Net, 6 May 2016

41. Thailand's Labour Ministry unveiled plans to solve skilled labour shortage, Skill reporter, 28 March 2017
 42. Talent shortage stymies Indonesia's tech scene, Reuters, 8 June 2016

Key market drivers for investments in the digital sector



Strong market for digital products and services, abundant availability of talent, strong infrastructure development and thriving start-ups in cutting-edge technologies are the key drivers for attracting FDI into India.

01

Strong domestic market for smartphones and data services

India has exhibited robust domestic demand for smartphones and internet connectivity due to greater affordability of internet-enabled phones coupled with comparatively low internet tariffs.

A report by IMRB, published in March 2017, suggests that 77 per cent of the urban users and 92 per cent of the rural users consider mobile phones as their primary device for accessing the internet. In 2016,

the sales of smartphones in India has surpassed the global growth (18 per cent YoY vs 3 per cent global YoY).⁴³ Moreover, the government estimates internet subscribers to almost double by 2020 from its current user base in 2016.⁴⁴ These factors collectively provide tremendous potential for foreign companies to invest in the digital sector in India.

**18 per cent vs
3 per cent (2016)**
Smartphone growth -
India vs global



02

Increasing adoption of digital medium

With increasing demand for smartphones and internet penetration, there has also been a rise in the digital modes of payments and transactions. Digital payments grew 55.0 per cent by volume and 24.2 per cent by value in 2016–17 over 2015–16.⁴⁵

Growth of digital services has also been driving the fintech industry in India, which in-turn

is leading to higher FDI inflows. In 2016, the total investment in the fintech industry was USD475 million, with many Indian fintech companies raising funds from foreign firms.⁴⁶ One of the largest mobile payments company in India, raised USD1.4 billion and USD200 million from two different investors early this year.⁴⁷

Digital payments
in 2016–17 vs
2015–16

**55.0 per cent
by volume**

**24.2 per cent
by value**



43. India Smartphone User Base Tops 300 Million, Counterpoint Research, 24 January 2016

44. Internet users in India to reach 730 million by 2020: Govt, India Today, 27 March 2017

45. Digital payments surge 55 per cent in 2016-17, Live Mint, 3 July 2017

46. The Annual Indian Start-up Funding Report 2016 - Not That Bad A Year After All, inc42, 20 January 2017

47. India's Mobikwik is raising new funding at \$1B valuation to battle payment rival Paytm, Techcrunch, 15 June 2017

48. Make in India - IT/BPM Statistics, Government of India, as accessed on 5 July 2017

49. NASSCOM Strategic Review 2016 Highlights- Digital, Partnerships, and Smart Enterprises, NASSCOM, 10 February 2016

50. The global talent pool will have a different face by 2030, Forbes, 26 April 2017

51. Make in India - Smart Cities, Make in India, as accessed on 3 July 2017

52. IT-BPM Industry in India: Sustaining Growth and Investing for the Future, NASSCOM, 22 June 2017

53. Indian IT-BPM Industry FY16 Performance and FY17 Outlook, NASSCOM, February 2016, as accessed on 3 July 2017

03

Large talent pool

India is home to a large number of IT professionals and fresh talent with IT skills. The IT-BPM market is the largest private market employing 3.7 million professionals.⁴⁸ This offers companies a large pool of skilled-workforce to choose from.

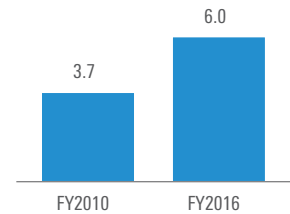
In addition, the country's graduate talent that is being added to the workforce is also increasing at a rapid rate. In 2016 alone, India added 6 million graduates into its working pool.⁴⁹ A

large proportion (around 35 per cent⁵⁰) of the graduates in the country have a degree in STEM (science, technology, engineering, mathematics) discipline, therefore providing an abundant pool of fresh talent with relevant skills.

3.7 million
IT/BPM
professionals



Graduates addition to working talent in India (in millions)



CAGR between FY2010 and FY2016
8.4 per cent

35 per cent
STEM graduates

04

Rapid infrastructure development

Indian government has been taking a number of initiatives to improve the infrastructure in the country. In Union Budget 2016–17, Indian government allocated USD1.2 billion for the smart cities initiative, intended to be carried out through Public-Private-Partnership (PPP).⁵¹

These infrastructure development initiatives are not only limited to metro cities but also extended to tier II and tier III cities. Cities such as Nagpur, Vadodara and Indore have large number of ongoing projects to develop their infrastructure. Such initiatives are expected to create opportunities for

digital companies to invest in the country.

USD1.2 billion
Budget allocated
for smart cities



05

Booming start-up ecosystem

With increasing demand, large talent pool and strong infrastructure, there is a booming start-up ecosystem. In 2016, India was the third largest technology start-up base in the world with over 4,750 start-ups and over 1,200 start-ups are being created every year.⁵² In addition, many of these start-ups are focused on disruptive technologies.

There were over 750+ start-ups focused on emerging digital technologies.⁵³ The total funding during the year 2016 was approximately USD4 billion.⁵¹ There were over 110 incubators and accelerators in India driving this growth.⁵¹

This spurt in the number of technology start-ups provides opportunities to foreign

firms to invest in the digital sector through acquisitions or partnerships.

Number of technology
start-ups in India, 2016

4,750+



Government initiatives to promote FDI in digital space

To further enhance the attractiveness of India's digital market, government is adopting number of initiatives to attract investments from foreign companies. The backbone to India's digital push has been the 'Digital India' initiative, as envisioned by the MeitY. This initiative aims to make India a digital economy by the

year 2018. Initiated in 2014, it is being implemented in phases with a budget of approximately USD18 billion. Start-up India, Skill India and Smart Cities are some of the initiatives that seek to augment the 'Digital India' campaign.

The government's 'Digital India' initiative targets the following nine specific pillars to digitise the country:

<p>01</p> <p>Broadband highway</p> <p>Broadband for rural, urban and national information infrastructure</p> 	<p>02</p> <p>Universal access to mobile connectivity</p> <p>Mobile network penetration across the country</p> 	<p>03</p> <p>Public internet access programme</p> <p>Common service centres and post offices as multi-service centres for delivery of government and business services</p> 
<p>04</p> <p>E-governance: Reforming through technology</p> <p>Use of technology to revamp government business processes and improve transactions</p> 	<p>05</p> <p>e-Kranti: Electronic delivery of services</p> <p>Use of technology for service delivery in— education, health, farmers, security, financial inclusion, justice, planning, cybersecurity</p> 	<p>06</p> <p>Information for all</p> <p>Open portals and platforms for information access and sharing</p> 
<p>07</p> <p>Electronics manufacturing</p> <p>Target NET ZERO imports by 2020</p> 	<p>08</p> <p>IT for jobs</p> <p>Train talent with IT skills to meet service sector demands/setting up Business Process Outsourcing (BPOs)</p> 	<p>09</p> <p>Early harvest programmes</p> <p>Focus on short-term projects to be implemented faster</p> 

54. India is making a \$18 billion tech push, Business Insider, 1 July 2015

To achieve these nine pillars, the government has undertaken initiatives under four broad categories:

Infrastructure development initiatives **Pillars**



E-business platform

The DIPP has launched an initiative that serves as a one-stop destination to address the needs of businesses/investors. The platform is aimed at reducing levels of points of contact between businesses and government agencies.



Connectivity

To further expand internet in rural areas, the government has launched National Optical Fibre Network (NOFN) programme and allocated USD3.1 billion to lay optical fibre around 250,000 Gram Panchayats spread over 6,600 blocks and 641 districts.⁵⁵ As of January 2017, optical fibre connectivity was provided to 76,089 Gram Panchayats.⁵⁶ This provides tremendous opportunities for telecom/internet service providers to enter these markets. Once internet connectivity is established, companies can also commercialise services in the digital industry.



Smart-cities

The government allocated a budget of USD1.2 billion in the Union Budget 2014–15, to upgrade infrastructure in 500 urban areas and seeking foreign partnership in developing these smart cities.⁵¹ Till date, eight deals have been signed — three each with Germany and the U.S., one each with Spain and Singapore. As these cities shift to become smart, the need for digital service providers also increases.⁵¹



Ecosystem

As part of the 'Start-up India' initiative, the government has set-up five incubation centres (four in Bengaluru and one in Gurugram) for funding start-ups in IoT business segment.⁵⁷ Growing start-up ecosystem will provide industry-ready talent and latest technology for foreign firms to invest in India.



Market expansion initiatives **Pillars**



Capacity building

The India BPO Promotion Scheme (IBPS) provides incentives to companies for establishment of 48,300 seats in respect of BPO/ITES operations, across the country.⁵⁸ This is aimed at building capacity in smaller cities in terms of infrastructure and talent, thereby marking the growth of IT/ITES sector.


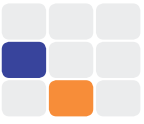



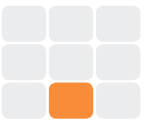







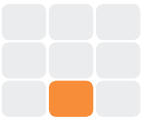
In the telecom sector, the government has liberalised the payment terms for spectrum auctions and now allows both one-time payment and payment-in-parts for acquiring the right to use spectrum. This will now enable small-sized firms to come and invest in India. The Department of Telecommunications (DoT) has amended the Unified Licence for telecom operations, which will allow sharing of infrastructure such as antenna, feeder cable and transmission systems between operators, thereby lowering the costs of operations and leading to faster rollout of networks. The DoT has also invited TRAI to provide their views on 5G services in India. All these initiatives are aimed at attracting investments in this sector.



55. Aksh Optifibre bags the order for Package B of the National Optic Fibre backbone project worth Rs 200 Crore Plus, IndiaPRWire, 16 January 2014
 56. Digital India: All gram panchayats to be connected through Optical Fibre Cable by 2018-end, BGR, 9 February 2017

57. Govt plans 5 IoT start-up incubation centres, Business Standard, 17 November 2015
 58. India BPO Promotion Scheme (IBPS), MeitY Website, as accessed on 27 July 2017

To achieve these nine pillars, the government has undertaken initiatives under four broad categories

Market expansion initiatives		Pillars
 <p>Connectivity</p>	<p>MeitY plans to launch a digital literacy programme, aimed at creating awareness on digital inclusion for over 60 million people in rural areas. This programme is likely to cost nearly USD265 million for the next three years. This creates an addressable market for companies operating in the digital industry to tap in the future.</p>	
 <p>WiFi hotspots</p>	<p>The government is creating a market for digital service providers by providing free internet connectivity through wireless internet hotspots. This initiative spans across smart cities as well as 1,000 Gram Panchayats.⁶¹</p>	
Talent-building initiatives		Pillars
 <p>Talent building</p>	<p>In August 2014, NASSCOM launched National Digital Literacy Mission (NDLM) with the objective of enhancing digital literacy. The mission was to train 5.25 million people by 2018.⁶² Due to growing interest and demand for IT skills, the programme has been highly successful with close to 8.5 million people trained and 4.8 million certified under NDLM.⁶³</p>	
 <p>Talent building</p>	<p>In January 2016, the Ministry of Skill Development and Entrepreneurship (MSDE) signed a MoU with DoT to develop and implement National Action Plan for skill development in the telecom sector.⁶⁴ The objective of this MoU is to fulfil skilled manpower requirement and provide employment/entrepreneurship opportunities in the telecom sector.</p>	
 <p>Talent building</p>	<p>MeitY plans to train approximately 10 million people from small towns and villages in the country in the area of IT. The estimated timeline for this initiative is 2020.⁶⁵</p> <p>MeitY also plans to train 300,000 people within 2017, to run viable business delivering IT services.⁶⁴</p>	
 <p>Talent building</p>	<p>Through MeitY nodal agency, telecom service providers plan to train 500,000 rural people by 2020 to cater to their own needs.⁶⁴</p>	
 <p>Talent building</p>	<p>The Pradhan Mantri Kaushal Vikas Yojana (PMKVY) programme was launched in 2015 to train 10 million youth with a budget of USD1.8 billion within 2020. For the digital sector, approximately 95,000 people have enrolled under this scheme.⁶⁷</p>	

59. New Digital Literacy Mission aims to train 60 million from rural India, Hindustan Times, 27 June 2016

60. New Digital Literacy Mission aims to train 60 million from rural India, Hindustan Times, 27 June 2016

61. Free WiFi hotspots at over 1,000 gram panchayats, Times of India, 18 January 2017

62. Government to Impart Digital Literacy Training to 5.25 Million by 2016, NDTV Gadgets, 17 November 2015

63. National Digital Literacy Mission (NDLM) Website, as accessed on 06 July 2017

64. MSDE and DoT sign a MoU to develop and implement National Action Plan for Skill Development in Telecom Sector, Press Information Bureau, 22 January 2016

65. Digital India - A programme to transform India into a digitally empowered society and knowledge economy, MeitY, as accessed on 27 July 2017

66. Pradhan Mantri Kaushal Vikas Yojana (PMKVY) Website, as accessed on 27 July 2017

67. Details of candidates trained and certified under Sector skill council during 2015-2016, DIPP Website, as accessed on 27 July 2017

Financial incentives

Pillars



IT/BPM sector

- The royalty and fees from technical services are now taxed at 10 per cent, compared to earlier rate of 25 per cent³⁴
- There was an increase in domestic transfer pricing threshold from USD769,230 to USD3.1 million. Considering that transfer pricing disputes are of high concern in the global market, the increase in threshold limits will particularly reduce compliance issues for smaller companies³⁴
- The Central Value Added Tax (CENVAT) credit time limit was increased from six months to one year. This would provide new companies in the country, a years' time, to assess credits of inputs and services and then avail them accordingly³⁴
- Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of USD3.1 billion, and credit guarantee corpus of USD461.5 million aiming to infuse funding among the new generation entrepreneurs.³⁴



Telecom sector

In August 2014, the Ministry of Commerce directed the DoT to set-up a committee to prepare a detailed report on the subsidies that can be provided to the companies in the telecom sector. There are indications that incentives such as a 10 year tax holiday, excise waiver and bank loans at lower rates are likely to be considered initially.⁶⁸



68. India may follow China subsidy model in telecom manufacturing, Business Standard, 5 August 2014

Key investments by ASEAN firms in the digital space

Driven by the large number of government initiatives, coupled with swelling market for smartphones and internet services, and abundant availability of digital workforce, many of the ASEAN companies are investing in India.

ASEAN firms investing in India's digital industry



Singapore is the most active foreign investor from the ASEAN region.³⁷ While the Singapore government agencies have shown great interest in the smart cities initiatives, Singaporean Venture Capital (VC)/

Private Equity (PE) firms are actively funding Indian e-commerce start-ups to gain first mover advantages in this rapidly growing field.

Key recent investments made by Singapore based companies are provided below:

1. Government of Singapore

Investor's country	Amount invested	Sector	Investment driver
Singapore	NA 	Smart Cities 	Infrastructure developments 

Apart from e-commerce start-ups, many Singapore based companies have expressed keen interest in investing in smart cities with an extra focus on technology financing, among others.⁶⁹

- In October 2015, an MoU was signed between the SGovernments of Singapore and Andhra Pradesh to build India's first planned smart city, Amaravati, and create opportunities for Singapore entities to invest in the state⁷⁰
- Later in October 2016, Government of Andhra Pradesh and the Monetary Authority of Singapore (MAS) entered into a 'Fintech Cooperation Agreement' to drive innovation in financial services in both the countries⁷¹
- In March 2017, International Enterprise (IE) Singapore, a programme that operates under Singapore's Ministry of Trade and Industry, signed an MoU with Municipal Corporation of Pune to implement smart city initiatives. The IE Singapore project has previously signed MoUs on smart city initiatives with Rajasthan and Gujarat.⁷²

2. E-commerce company in Singapore

Investor's country	Stake acquired	Sector	Investment driver
Singapore	62 per cent stake 	E-commerce 	E-commerce growth 

Acquired 62 per cent stake in an India based e-commerce entity.^{73,74} This now positions the investing company to compete against other multi nationals and local player in the fight to grab market share in an ever-evolving e-commerce segment.

3. Singapore-based technology hardware, storage and peripheral manufacturer

Investor's country	Amount invested	Sector	Investment driver
Singapore	NA 	E-commerce 	E-commerce growth 

The PC and flash memory manufacturer has come a long way since it started investments in India in 2002. Advent of e-commerce has enabled the company achieve 30–35 per cent of the company's sales from India.⁷⁵

69. Singapore firms keen on Smart Cities, Business Standard, 6 October 2016

70. Singapore to Help India Build First Planned Smart City – Amaravati, OpenGovAsia, 28 October 2015

71. Singapore and the Government of Andhra Pradesh ink FinTech cooperation agreement, MAS, 26 November 2016

72. Singapore to help India address urban challenges, Metering, 28 March 2017

73. Alibaba to hike stake in Paytm's marketplace for \$177 million, Economic Times, 3 March 2017

74. Alibaba will hold 40 per cent stake in Paytm's e-comm entity, Times of India, 3 February 2017

75. Singapore companies see rich rewards in investing in India, StraitsTimes, 15 February 2016

4. Singapore-based VC firm

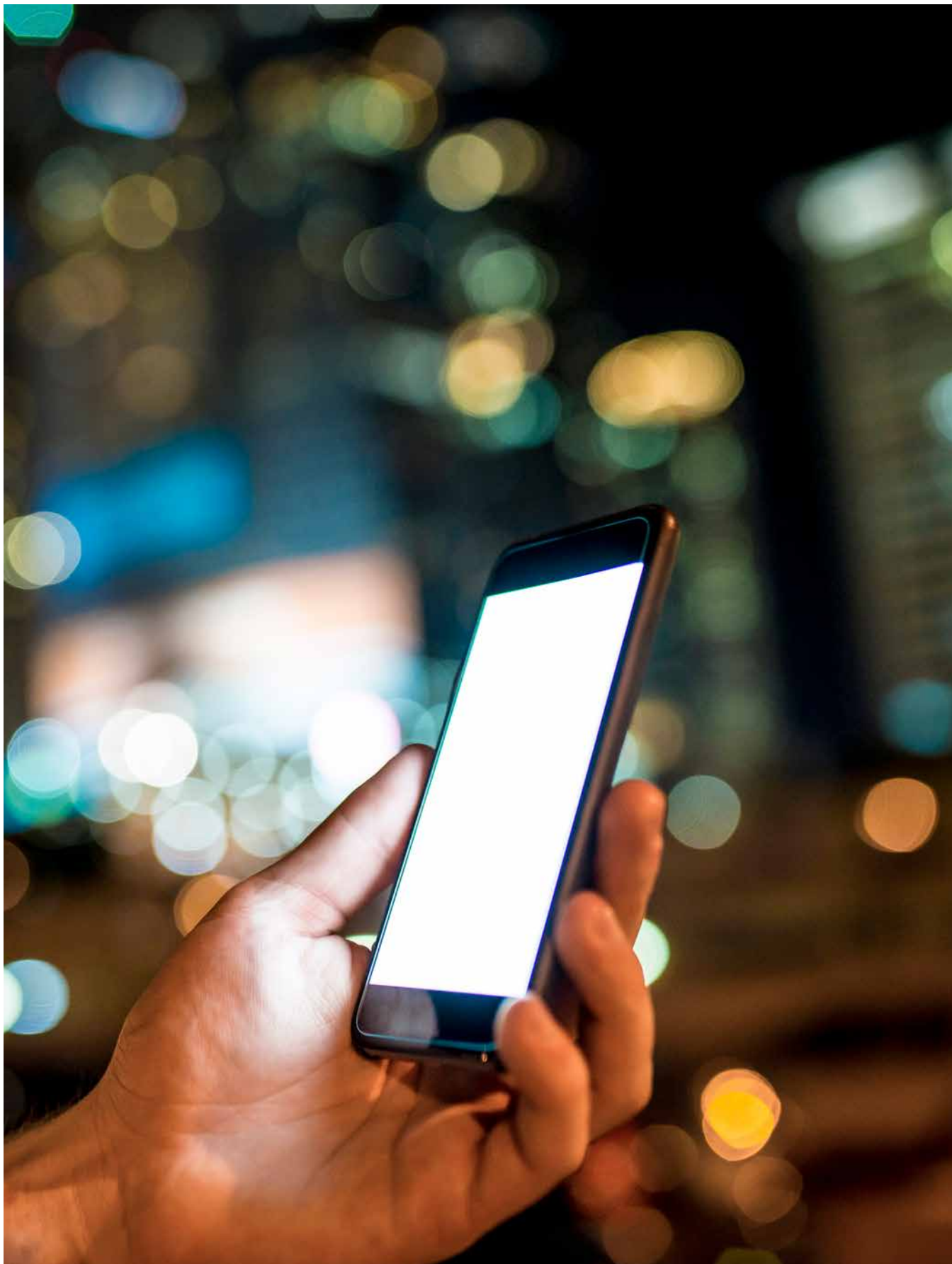
Investor's country	Amount invested	Sector	Investment driver
Singapore	USD60 million 	e-commerce 	Start-ups ecosystem 

As of September 2016, the Singapore-based VC firm had invested in over 25 Indian start-ups. The firm has plans to make an investment every month in India across different sectors.⁷⁶

In addition to Singapore, Malaysia is also focusing on India. The Malaysian Industries Minister, has expressed Malaysia's desire to expand its investments in India across multiple sectors including IT.⁷⁷

76. BeeNext to do one investment per month till year-end, Business Standard, 8 September 2016

77. Malaysia wants to expand investment in India, says Industry minister Mustapa Mohamed, Economic Times, 1 April 2017

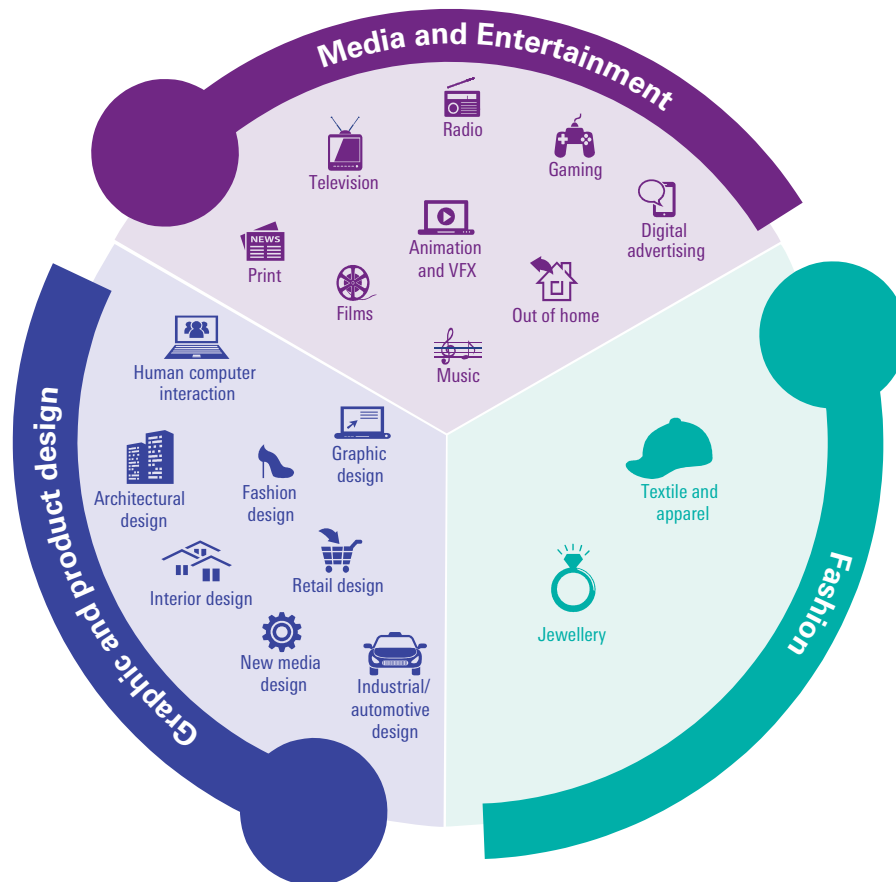


Investment opportunities in India's creative industry



Overview

The creative industry broadly comprises Media and Entertainment (M&E), fashion, and graphic and product design segments. All these segments encompass varied sub-segments, as depicted below:



The Indian market is attractively placed to draw interests from global investment communities in the creative industry. Key market driving factors such as availability of a large market, skilled workforce and robust infrastructure, along with favourable government initiatives are driving investments in the sector. If looked at the M&E segment, attracted by huge market potential, companies in Singapore are investing to expand their footprint in the country. On the other

hand, in the textile segment, most of the outward foreign investments from ASEAN members, including Thailand, Vietnam and Myanmar are aimed to overcome challenges related to skilled workforce and production inefficiencies. These countries can leverage abundant availability of raw materials and effective production methods available in India to cater to their domestic demands.

Media and Entertainment (M&E)

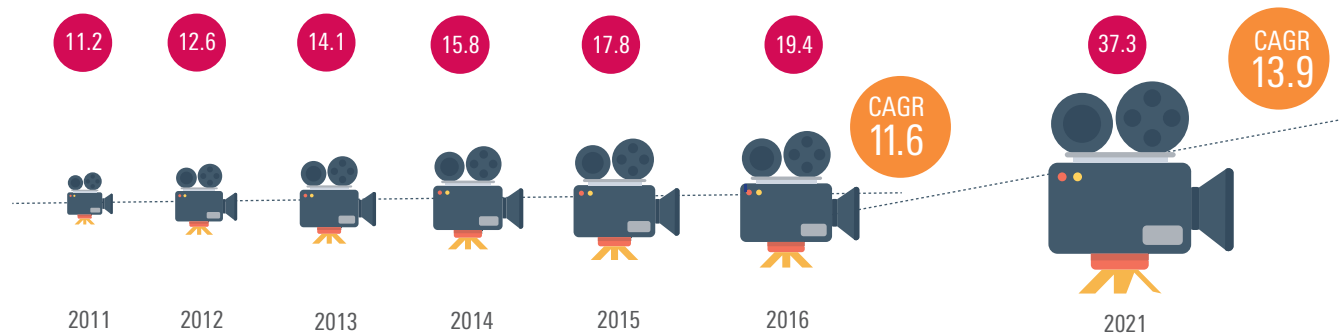
[Television, print, films, digital advertising, animation and visual effects or VFX, gaming, out-of-home advertisement or OOH, radio, and music]

The M&E segment in India is very rich and dynamic with flourishing diversified sub-segments, comprising television, print, films and digital advertisements, among others. The overall segment size has registered a CAGR of 11.6 per cent, during 2011–16, to reach USD19.4 billion.⁷⁸ Though television is a dominant sub-segment in M&E, the fastest growth has been registered in the digital media (2011–16 CAGR: 37.9 per cent). This is primarily driven by change in customer preferences towards digital. The digital consumption is expected to gain more traction, supported by continued digital infrastructure development, and increase in the

penetration of smart devices and internet, particularly in rural areas (75 per cent of the new internet user growth will be driven by rural areas, as per the report released by NASSCOM).⁷⁹

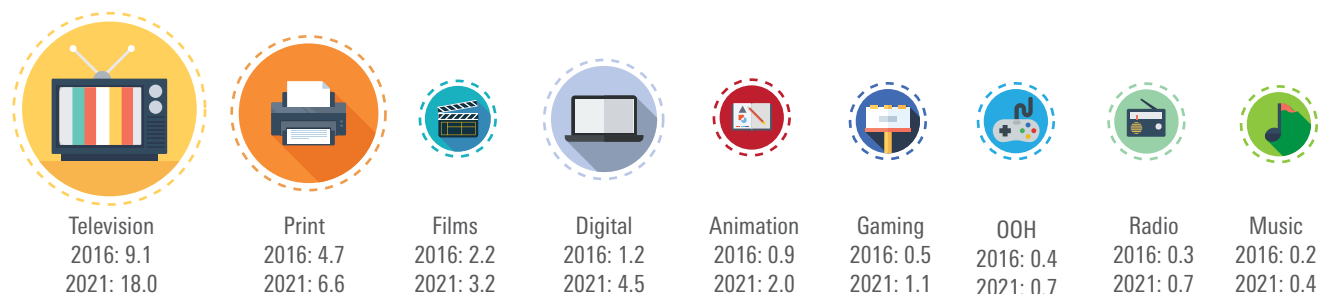
The segment size is expected to reach USD37.3 billion by 2021. Strong economic growth, increase in disposable income and robust demand from thriving millennial population (accounting for 28.0 per cent of the total Indian population⁸⁰) to drive the overall segment.

M&E sector's market revenue (in USD billion)



Source: KPMG in India's analysis and estimates, March 2017

Segment growth in M&E sector (in USD billion)



Source: KPMG in India's analysis and estimates, March 2017

78. KPMG in India's analysis and estimates, March 2017

79. Rural India to power internet users to 730 million by 2020, says report, Live Mint, 18 August 2016

80. India's millennial to lead in internet spending growth, Economic Times, November 2016

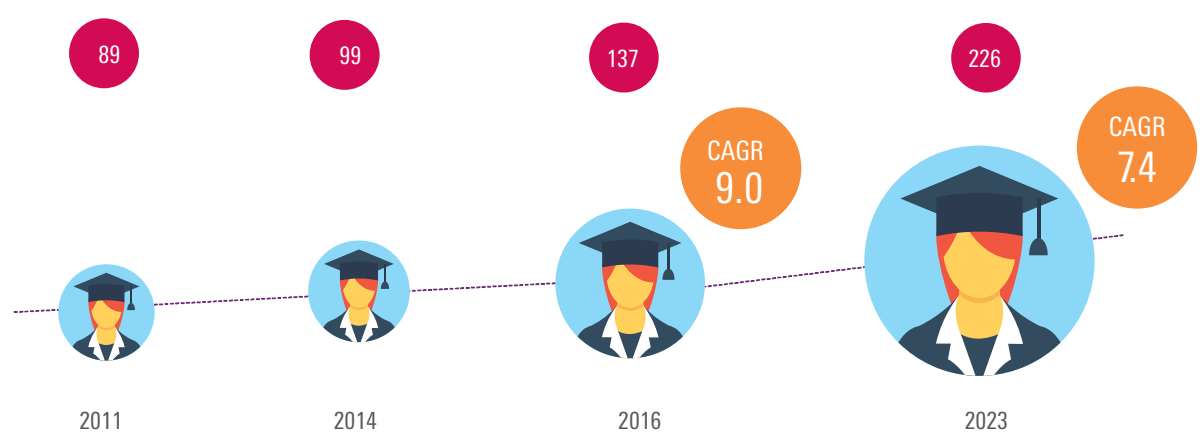
Fashion

[Textile and apparel, jewellery]

In 2016, the size of textile sub-segment stood at USD137 billion and is likely to reach USD226 billion by 2023, at a CAGR of 7.4 per cent.⁸¹ Rising purchasing power, urbanisation and growth in online fashion retail bode well for textile.⁸² These factors are likely to result in more spending on fashion and apparel, with per capita apparel consumption expected to increase to USD123 by 2025 from USD45 in 2015.⁸³

On the back of thriving domestic demand (supported by rising consumerism) and favourable government policies (with a set target to double textile exports over the next 10 years), the fashion industry is poised for secular growth.

Textile industry’s market size (in USD billion)



Source: Ministry of Textiles, June 2017



Gems and jewellery sub-segment contributes to 6–7 per cent of India’s total GDP and is growing rapidly and anticipated to grow at a CAGR of 16.0 per cent, during 2014–19.⁷⁰ This growth is primarily driven by increase in domestic demand for branded designer jewellery and increase in exports of Indian made products (such as polished diamonds, gold coins, and medallions and silver jewellery). India is also one of the major hubs of the global gems and jewellery market. The country is the world’s largest centre for cutting and polishing diamonds. Availability of highly-skilled labours at low cost and supportive government policies are key drivers in making India an export giant in the global market.⁸⁴

81. Textiles and apparels, Ministry of Textiles, June 2017
82. Textiles and apparels, Ministry of Textiles, June 2017

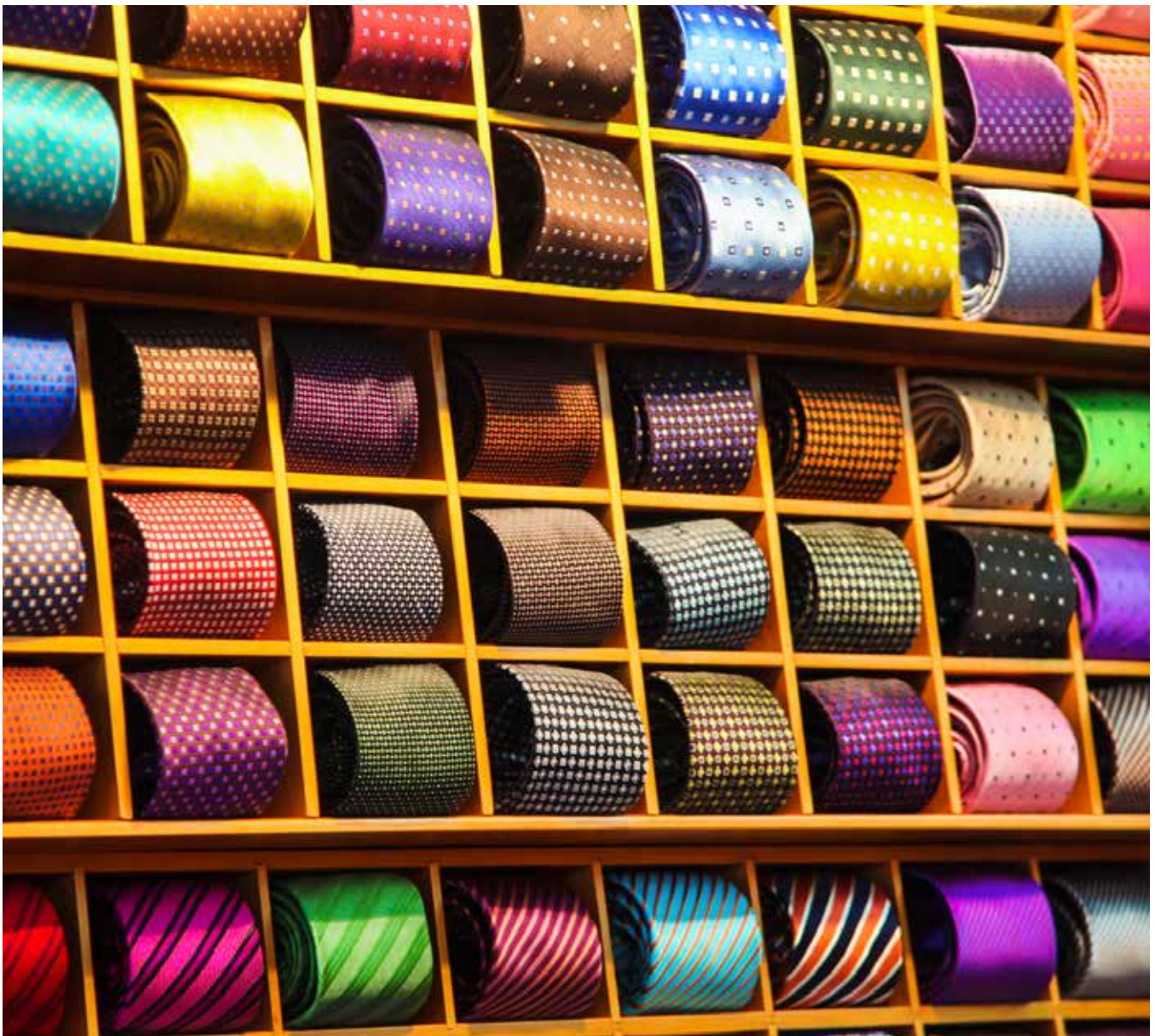
83. Indian’s per capita spending on apparels on the rise, Fashion United, 12 May 2017
84. India Centre, Gem Jewellery Export Promotion Council’s website, as accessed on 18 July 2017

Graphic and product design

[Architectural and interior design, industrial/automotive design, fashion design, graphic design, retail design, Human Computer Interface or HCI, and new media design]

The ambit of design is not only limited to aesthetics of a product, but also relates to the overall product functioning. In recent times, design has become central to the product development and manufacturing, leading firms to redirect their focus towards design to gain competitive advantage. The current market size of India's design industry is USD0.3 billion, as per the report published by Confederation of Indian Industry (CII). The Indian design market is anticipated to grow to

USD2.9 billion, by 2020, of which Industrial design is expected to be the largest segment (accounting for 58 per cent of the total design market size).⁸⁵ Increase in median income per household and strong demand from tier II and tier III cities for designer products, supported by favourable government policies, will drive growth in the segment.



85. Indian design industry may grow to Rs 18,800 cr by 2020: CII, India Today, 5 December 2016

Key investments in the creative industry

Services and information and broadcasting (including print media) are among the top ten sectors in FDI investments in India.

Strong domestic demand, availability of large talent pool and attractive FDI policies introduced by Government of India are prime reasons for driving investments in the creative industry. India has attracted investments from some of the major economies, such as the U.K., U.S., Netherlands, Canada, Germany, Singapore, Australia, South Africa and New Zealand in the creative sector. With government's renewed focus on developing talent, supporting innovation and strengthening IPR policies, the sector will continue to attract investments. This also augurs well for ASEAN companies, as they can leverage these advantages to drive business growth and cater to their domestic demands.

In the M&E segment, the availability of growing domestic market coupled with ease of doing business provides a perfect opportunity for PE investors, Over The Top (OTT) service providers and television broadcasters present in Singapore, Indonesia, Malaysia and Thailand. In the fashion industry, the availability of abundant skilled labour at low cost makes India an attractive manufacturing outsourcing destination for countries, such as Singapore, Malaysia, Myanmar and Vietnam. Although low-cost labour is also available in Myanmar and Vietnam, these countries have been battling availability of skilled labour. Countries such as Singapore and Thailand are promoting India as a preferred destination for market expansion and investments. For instance, Board of Investments (BOI) of Thailand promotes India as 'market for opportunity' for Thai investors.⁸⁶

M&E

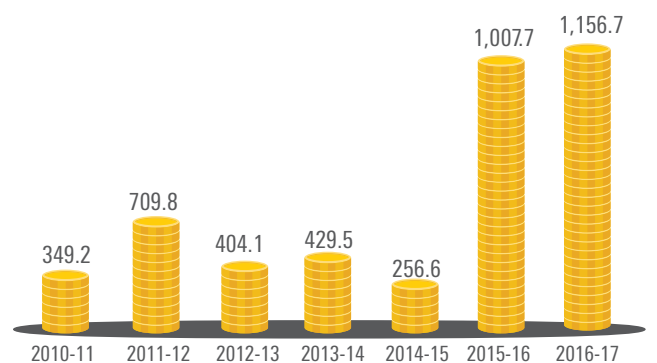
[Television, print, films, digital advertising, animation and VFX, gaming, OOH, radio, and music]

The FDI inflow in the information and broadcasting sector⁸⁷ registered a robust CAGR of 22.1 per cent, between 2010–11 and 2016–17, to reach USD1.2 billion.⁸⁸

In May 2015, the Government of India relaxed FDI limit from 76 per cent to 100 per cent in teleports; direct-to-home; national, state and local cable networks; mobile TV; and Headend-in the Sky (HITS).⁸⁹ This FDI limit liberalisation led to sudden surge in FDI inflows in the sector in 2015–16 (up 3.9x YoY).

This led to the entry of various players in the segment. In addition, the segment is also witnessing increasing consolidation. The total mergers and Acquisitions (M&A) deal value in the sector reached USD2.8 billion in India in 2016, at a CAGR of 22.2 per cent, during 2011–16. The increase in the M&A activity was primarily driven by strategic objectives of large players to expand their footprint in high-growth regional segment, through acquisition of smaller players in non-metro cities and towns.⁶³

FDI inflow in information and broadcasting (in USD million)



Source: FDI Statistics, DIPP, April 2011–March 2017

86. BOI Supports Government Policy to Promote Overseas Investment, BOI –Thailand Government, January 2015

87. Note: FDI inflow data only available for information and broadcasting (including print); data considered as a proxy to represent directional trend for the M&E sector

88. FDI Statistics, FDI Statistics Archives, DIPP, April 2011–March 2017

89. Press Release, DIPP, Government of India, DIPP, Ministry of Commerce and Industry, May 2015

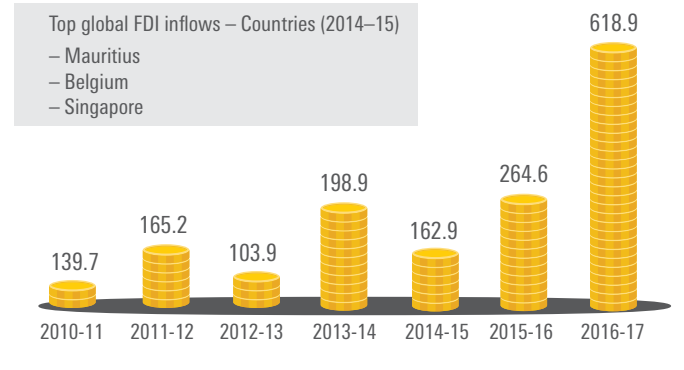
Fashion

[Textile and apparel, jewellery]

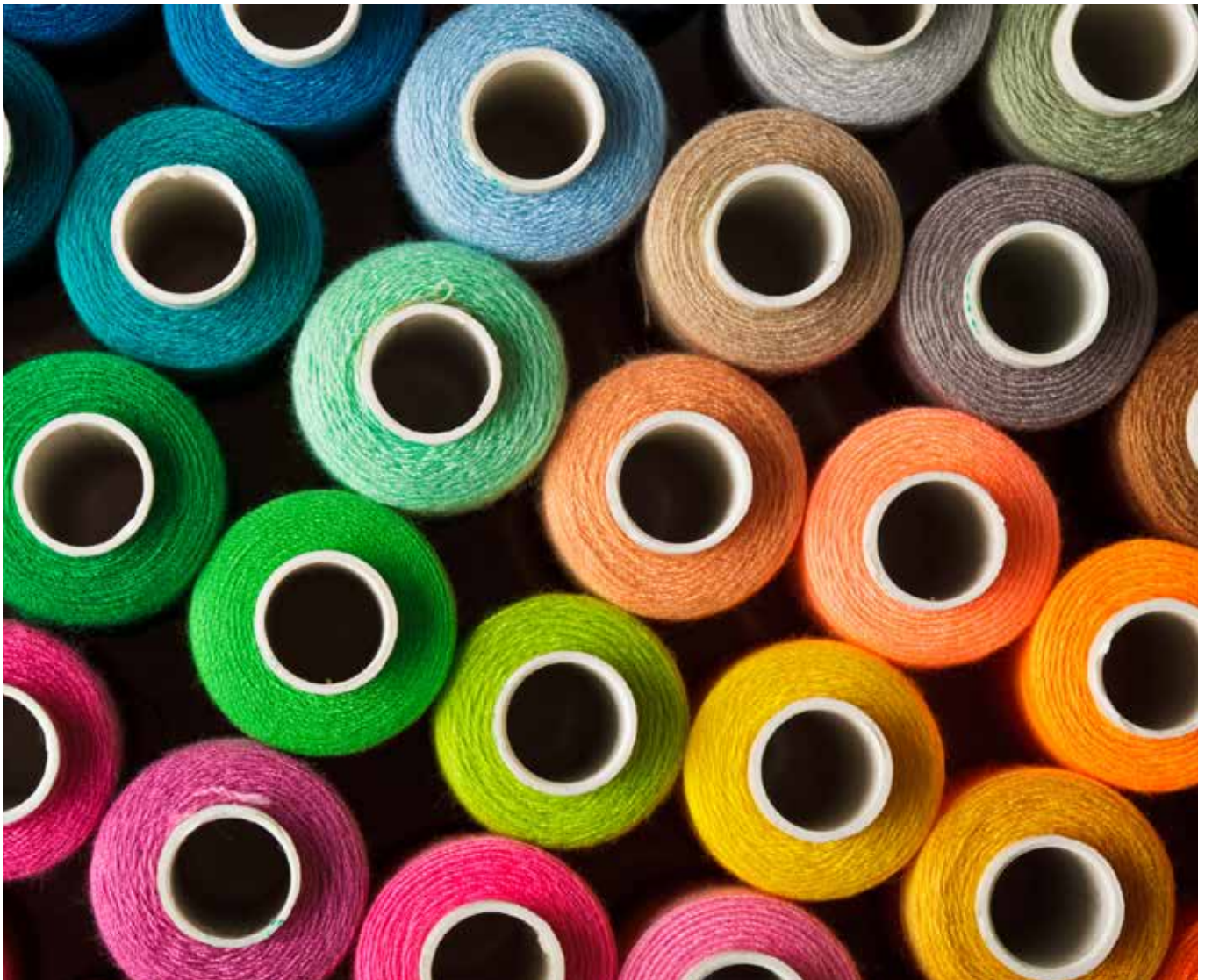
The FDI inflows have been increasing in textile and apparel (2011–17 CAGR: 28.2 per cent) segments. Gems and jewellery sector has also seen a rising FDI inflows (2011–17 CAGR: 35.6 per cent).⁷³ Favourable government policies, such as 100 per cent FDI through automatic route in both segments, along with financial incentives in the form of loan restructuring and interest rate subvention have played a key role in attracting investment.

In addition, low manufacturing cost, skilled manpower and infrastructure availability have helped in establishing India as a desired destination for textile and jewellery manufacturing. Increasing disposable income and changing consumers' preference toward branded products in the domestic market are providing a fillip to the segment.

FDI inflow in textile segment (in USD million)



Source: FDI Statistics, DIP, April 2011–March 2017



Key market drivers for investments in creative sector

In India, rise in domestic demand, large workforce and robust digital infrastructure are driving investments in the creative industry.



Favourable demographics

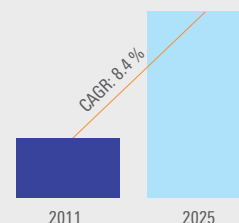
The GDP per capita in India has reached USD1,709.4, reflecting a CAGR of 3.2 per cent during 2011–16⁹⁰. Further, the income growth rate is expected to double over the next five years. This, in turn, is expanding the share of affluent population⁷⁵. With more disposable income, there has been a shift in the consumption pattern, which has positively impacted the overall creative sector. Moreover, India boasts the largest youth population in the world⁹¹ in the age group of 10–24 (constitute 27.4 per cent of India's total population). The large consumer base along with rising spending power (expected spend on leisure activities in India in 2025: USD97.0 billion, 2011–25 CAGR: 8.4 per cent⁶³) will continue to fuel long-term growth.



Per capita income growth rate to double in between 2016 and 2020



Largest youth population in the world (350 million)



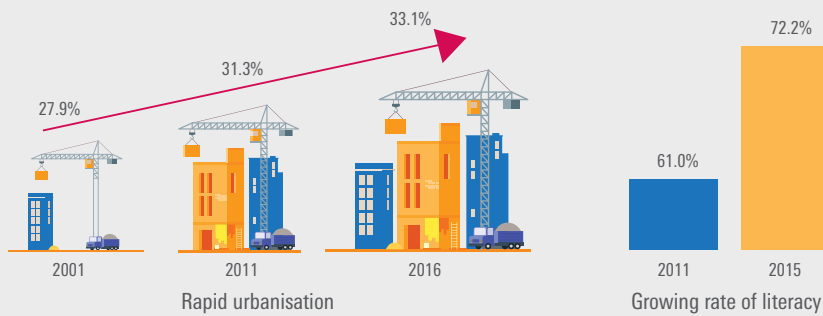
Spent on leisure activities in India to increase

90. GDP per capita, World Bank, as accessed on 18 July 2017

91. India has world's largest youth population: UN report, The Hindu, 19 November 2014

Tremendous market potential

Traditionally, urban areas have been the major source of revenue for the creative sector. However, semi-urban and rural areas are rapidly catching up with the trend, opening a lucrative market for organisations operating in the sector. This is primarily driven by rapid urbanisation, increase in disposable income and rise in literacy rate (literacy rate – 2001: 61.0 per cent, 2015: 72.2 per cent⁹²). For instance, in the M&E sector in India, the television reach in rural markets has expanded rapidly from 78 million households in 2015 to 99 million households in 2016 (up 27 per cent YoY).⁹³ There exists a huge untapped market, as the penetration rate of television in rural areas is considerably lower as compared to the national average (rural: 54 per cent, national average: 64 per cent).⁶³ This has prompted many television broadcasters to launch rural-specific 'Free to Air' channels to tap the growing potential in the market.⁹⁴



Immense talent availability

India has a strong workforce with total working population of about 482 million (39.8 per cent of the total population⁹⁵), with a significant number of people employed in the creative sector (52 million, representing 10.8 per cent of the total working population). Indian government has been taking a number of initiatives to boost the competitiveness in the sector and upgrade skills of the workforce.

M&E

The M&E industry employs 0.6 million people, as of 2016, which is likely to increase to 1.3 million by 2022.⁶³ The government has set up the Media and Entertainment Skills Council (MESCC) with a mandate to develop 1.2 million skilled workforce by 2020.⁹⁶

Fashion

Indian textile industry is the second largest employer in India with 51 million of direct and 68 million of indirect employment,⁹⁷ while, the gems and jewellery sector employs 4.6 million people in India.⁹⁸ Further, the government has launched Integrated Skill Development Scheme (ISDS) and various online training courses to promote advanced training in emerging technologies and skill upgrade in the fashion segment.

Design

India has a large talent pool of more than 0.4 million designers⁹⁹. Further, as part of National Design Policy 2007,¹⁰⁰ the government has opened a number of design centres/innovation hubs including Indian Design Centre (IDC)¹⁰¹ with the objective of developing and up-skilling workforce employed in the design segment.

92. UNESCO – India, UNESCO website, accessed on 11 July, 2017

93. The rise of rural TV viewers, Live Mint, 12 January 2017

94. Free-to-air TV channels rush to cash in on rural market, Live Mint, 19 May 2016

95. Participation in Economy, Ministry of Statistics and Programme Implementation, 2014

96. Overview – MESCC India, MESCC India website, as accessed on 8 July 2017

97. Textile and garments, Make in India website, as accessed on 8 July 2017

98. About GJSCI, Gems and Jewellery skill Council, as accessed on 9 July 2017

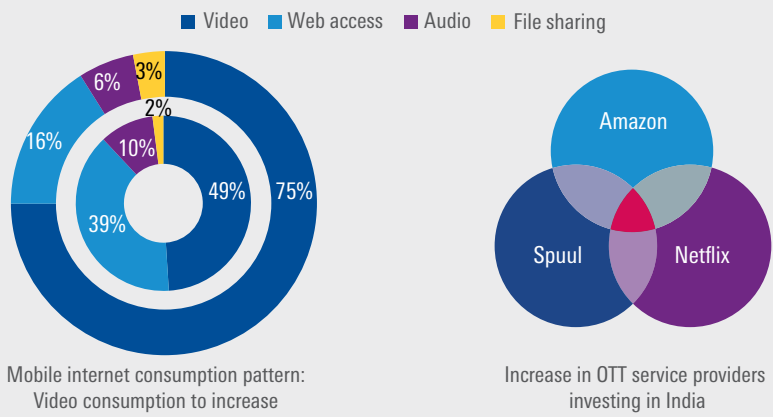
99. LinkedIn, as accessed on 9 July 2017

100. National Design Policy, Press Information Bureau - Government of India, 31 July 2015

101. About Us – India Design Council, India Design Council Website, as accessed on 9 July 2017

Increasing digital consumption

Penetration of high-speed broadband and wireless internet, and proliferation of low-cost smartphones devices have led to an increase in consumption of digital media content, such as online media, music streaming and on-demand video streaming. Plummeting data cost will continue to support high growth in the segment, particularly in video streaming. The share of online video consumption in the overall mobile internet traffic is expected to rise from 49 per cent in 2016 to 75 per cent in 2021.⁶³ Attracted by high growth, many foreign OTT service providers have invested in the country.^{102,63}



102. OTT growth in India 2016; leaves no stone unturned in charming users, Business Standard, 29 December 2016

Key government initiatives to promote FDI in creative industry

The creative industry is the next engine of growth in India, as it continues to provide impetus to job creation, sustainable development and income generation. To

further promote and encourage investments in the sector, Government of India has been taking several measures, which are categorised in five major buckets.



Simplifying processes and making them transparent



Graphic and product design

India offers IPR protection to industrial designs through its Indian Design Act, 2000 and Design Rules, 2001 (with amendments made in 2008 and 2014). To ensure proper quality management, the government has also acquired ISO 9001:2008 certification for the design application registration process.¹⁰³



Industrial



Media and Entertainment

Government of India has signed an Agreement on Audio Visual Co-production with Italy, Germany, Brazil, U.K., France, New Zealand, Spain, China, Canada, Korea and Bangladesh to promote joint-production of commercial, documentaries and animation films in India. As per the agreement, co-produced films are entitled to claim all the state and central benefits that are enjoyed by the domestic film making industry.^{104 105}



Films



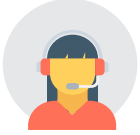
Media and Entertainment

In November 2015, Indian government opened Film Facilitation Offices (FFO) to enable single window clearance to filmmakers and promote India as an attractive filming destination. As a result of this initiative, a total of 41 film shooting permissions were given for foreign films/projects by FFO in 2016 (represents increase of 33 per cent over 2015).^{106 107}



Films

In 2016 at the 28th State Information Ministers Conference (SIMCON), Minister for Information and Broadcasting, Shri Venkaiah Naidu also announced cash prize of USD0.2million as part of Most Film Friendly State Award to state that promotes India as filming destination.¹⁰⁸

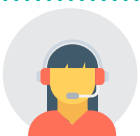


Media and Entertainment

The Government of Maharashtra as part of its IT/ITeS policy is undertaking various steps to make Animation, Visual, Gaming and Comic (AVGC) sub-segment attractive for foreign investors. These steps include developing a legal framework for IP creation and protection, and development of AVGC parks in Pune and Lonavala.^{109 110}



AVGC

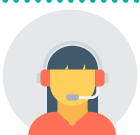


Media and Entertainment

The government has simplified the Annual Renewal Process for existing TV channels for broadcasters and has introduced provisions for making online payment via Bharat Kosh Portal from 1 January 2017.⁹²



Television



Media and Entertainment

In March 2017, Online Film Certification System of Central Board of Film Certification (CBFC) was launched to automate the Film Certification Process. The system will also enable applicants to track and monitor their applications in real time, boosting transparency and confidence in the system.⁸⁹



Films

In April 2017, Government of India introduced a new kind of visa for foreign film artist and technicians. This new visa will simplify the visa process for entry of foreign production units in India and facilitate filming of documentaries and commercial videos.¹¹¹

103. Designs, IP India website, as accessed on 9 July 2017

104. M&E, German-India Business Centre website, as accessed on 9 July 2017

105. Audio visual co-production agreement – India and Germany, India Film website, as accessed on 14 July 2017

106. Minister inaugurates India Pavilion at Cannes Film Festival, Press Information Bureau - Government of India, 13 May 2016

107. Online Film Certification System to promote transparency and Ease of Doing Business - Shri Venkaiah Naidu, Press Information Bureau - Government of India, 27 March 2017

108. Year End Review- Ministry of I&B, Press Information Bureau - Government of India, 23 December 2016

109. Maharashtra Government to setup two AVGC parks, Channel Times, 6 May 2016

110. Development of an Animation, Visual effects, Gaming and Comics (AVGC) Lab, Government of Gujrat, January 2017, as accessed on 14 July 2017

111. New visas for foreign filmmakers to shoot in India, Economic Times, 3 April 2017



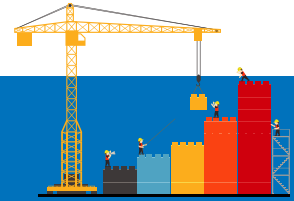
Media and Entertainment

Successful implementation of Goods and Services Tax (GST) in India likely to simplify the indirect tax compliance and promote ease of doing business.

- In the M&E segment, GST implementation will reduce overall costs and eliminate any dual levies of service tax and Value Added Tax (VAT) on transactions¹¹²
- In the textile segment, the tax treatment will be equal for both man-made fibre and natural fibre, leading to 'fibre-neutrality effect'.¹¹³

Multiple sub-segments

Developing infrastructure



Fashion

Scheme for Integrated Textile Parks (SITP): The initiative came into effect in 2005 to provide infrastructure facilities to companies for setting up textile units in India. As part of this initiative, the government funds 40 per cent of the total project cost (maximum limit USD6 million) and also provides assistance such as enabling faster clearances, exemption from stamp duty etc. to the investors. Till date, the government has spent USD148.0 million in providing grants and has sanctioned 74 ITP (out of which 30 are operational). This has attracted a total investment of USD1.2 billion from corporates. In addition, investors from foreign countries such as Germany, Japan, South Korea, Italy, Turkey and France have invested in the country.¹¹⁴



Textile

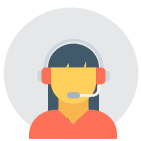


Media and Entertainment

In December 2011, the Government of India digitised cable television networks across the nation under the Cable Television Networks (Regulation) Amendment Act.¹¹⁵ The initiative is expected to increase the market penetration of television in the country and facilitate increase in advertisement and subscription revenue for the broadcasters (as the digitalised cable networks will be able to carry about 600 channels at a time as compared to 100 over a traditional cable networks). As a result of this implementation, 33 million set-top-boxes have been installed in the country and another 110 million installations are estimated by 2017. The market penetration of television in India has also increased to 64 per cent. In order to accelerate the adoption of digital cable networks, custom duty on digital head-ends and set top boxes has been reduced by 10 per cent.¹¹⁶



Television



Media and Entertainment

In 2017, the Finance Minister of India, Arun Jaitley, announced a contribution of USD1.5 billion as part of Bharat Net project that aims to provide high-speed broadband connection to 0.15 million Gram Panchayats by the end of 2017–18. The project, besides providing connectivity will also drive consumption of digital M&E content in rural areas. This is expected to help increase the customer base for OTT Telco service providers.¹¹⁷



Digital media

112. GST – Impact on M&E Industry, GST India website, 10 January 2017

113. Textile and Garments – Sector Policy, Make in India website, as accessed on 9 July 2017

114. Review of the Scheme for Integrated Textile Parks (SITP) with a View to Gauge the Impact on production, Employment and Success in Intended Objective of Clusterisation, Wazir Advisors, December 2016, as accessed on 9 July 2017

115. Bill to digitise Cable TV passed in Parliament, Business Line, December 2013, as accessed on 9 July 2017

116. Budget 2016-2017: Customs cut on set top boxes to help lower customer acquisition cost, Business Standard, 29 February 2016

117. Bharat Net allocation moves up to Rs.10,000 crore for 2017-18, Economic Times, 1 February 2017



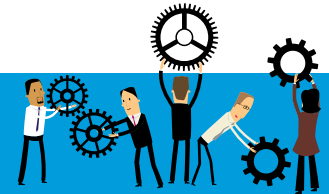
Fashion

E-business platform - DIPP has launched an initiative that serves as a one-stop destination to address the needs of businesses/investors working in the textile and apparel sub-segment. The platform is aimed at reducing levels of points of contact between businesses and government agencies.



Textile

Building market



Media and Entertainment

Government of India in a bid to promote digital media and create digital awareness has launched the following two initiatives:⁹³

- New Business Policy for Publication Division to promote online readership by pricing the digital version of the any government publication at 75 per cent the price of printed version
- Online Payment and Subscription Services for popular journals and employment news of publications division through Bharat Kosh Portal of Ministry of Finance.



Digital media

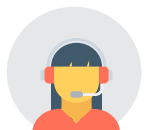


Fashion

In June 2016, Government of India approved USD1 billion to promote employment generation and exports in the textile and apparel segment. The package is expected to generate 10 million new jobs in textile industry, will lead to cumulative increase of USD30 billion in exports and will bring forth investments worth USD11.4 billion over next three years in the sector.¹¹⁸



Textile



Media and Entertainment

With an aim to achieve pan-India reach of FM radio, Government of India rolled out Phase - 3 of FM radio auction. In the second batch of auction, 266 frequencies across 92 cities were put under the hammer.¹¹⁹ The government has also increased the subsidy for setting up of community radio stations in the country.¹²⁰



Radio



Media and Entertainment

Government of Karnataka has launched number of initiatives for promoting AVGC sector.¹²¹

- Development of two Karnataka AVGC Information Technology Investment Region (ITIR)
- Allocated USD100 million for digital media city project aimed to develop state of the art ICT infrastructure in the state
- Is contributing USD5 million for development of Digital Post Production AVGC Lab in public private partnership.



AVGC

118. Cabinet approves special package for employment generation and promotion of exports in Textile and Apparel sector, Press Information Bureau - Government of India, June 2016, as accessed on 9 July 2017

119. ENIL and Sun TV spend big bucks in FM phase 3 batch 2 auction, Business Standard, 27 February 2017

120. Year End Review- Ministry of I&B, Press Information Bureau - Government of India, 23 December 2016

121. AVGC, Invest Karnataka website, as accessed on 14 July 2017



Implementing financial schemes and incentives



Media and Entertainment

The government developed a SEZ in Kerala - Kerala Industrial Infrastructure Development Corporation (KINFRA)¹²² dedicated to AVGC industry. The companies operating out of this SEZ enjoy a number of incentives such as exemption from Income tax on export income for first five years, minimum alternate tax, and single window clearances for central and state level approval.¹²³



AVGC



Fashion

Technology Upgradation Fund Scheme (TUFS) –Government of India offers financial assistance to textile industry manufacturers on capital investments made for the development of state-of-the-art technology. For the period of 1999–2015, a subsidy of USD3.3 billion has been provided. This has also generated investments of worth USD41.8 billion in the textile industry. In 2015, Amended Technology Upgradation Fund Scheme for textiles industry (ATUFS) was introduced, wherein a subsidy of 15 per cent (increased to 25 per cent for garment sector in 2016) in capital investment, subject to a ceiling of USD4.6 million is offered to apparel, garment and technical segments in textile industry and subsidy of 10 per cent with a ceiling of USD3.1 million on other sectors.¹²⁴



Textile



Fashion

Integrated Processing Development Scheme (IPDS): Introduced in 2014, the scheme aims at providing financial support to private players (50 per cent of the project cost with ceiling limit of USD11.6 million) to develop environment-friendly infrastructure in textile processing units.¹²⁵



Textile



Fashion

As part of its Scheme for Growth and Development of Technical Textiles (SGDTT), Government of India has set up four centres of Excellence (COEs)—BTRA (Geotech), SASMIRA (Agrotech), NITRA (Protech) and SITRA (Meditech) to provide testing, training, and information support.¹²⁶



Textile



Media and Entertainment

Government of Maharashtra is working on a procedure for introducing 100 per cent exemption from stamp duty, waiver in electricity duty, property tax at par with residential rates, exemption in entry tax to AVGC clusters in the state.⁹⁴



AVGC



Fashion

In 2016, Government of India introduced 3.5 per cent interest subvention on the working capital loan of garment companies. This will result in reduced cost of capital for the industry and make India an attractive textile manufacturing destination.¹²⁷



Textile

122. List of operational SEZ of India as in 30.04.2017, SEZ India website, as accessed on 9 July 2017

123. Incentives and facilities offered to the SEZs, SEZ India website, as accessed on 9 July 2017

124. Cabinet approves Amended Technology Upgradation Fund Scheme for Textiles industry, Press Information Bureau - Government of India, 30 December 2015

125. Launching of Integrated Processing Development Scheme (IPDS), Press Information Bureau - Government of India, 5 February 2014

126. Material on technical textile, Textile ministry website, as accessed on 9 July 2017

127. India can be a reliable sourcing partner for ASEAN, Financial Express, 2 July 2017

Training and development



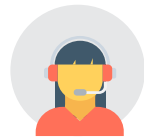
Graphic and product design

National Design Policy: The policy was introduced in 2007 with an aim to develop, promote and up skill workforce in the Indian Design Industry. To achieve this, the policy aims to set-up design centres/innovation hubs, upgrading facilities and infrastructure at the National Institute of Design (NID), and imparting design education through Indian Institutes of Technology (IITs) and National Institutes of Technology (NITs).^{128 129}

- India Design Council (IDC) was also established on 2 March 2009, as part of the National Design Policy. It is a national strategic body for design in India that works to create design awareness and promotion, endorses design investment in industry and research organisations, and helps to position India as a top design destination.¹³⁰
- Design Clinic Scheme Project was also launched in 2010. The scheme aimed to improve the manufacturing competency of the Micro, Small and Medium Enterprises (MSMEs) through skill development and training. The scheme is implemented by NIDs.¹¹³



Textile



Media and Entertainment

Under National Skill development mission, Government of India has setup MESCC with an aim to create 500 million skilled workforce by 2022.¹³¹

Multiple sub-segments

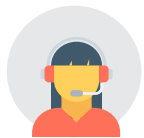


Fashion

Gems and Jewellery Skill Council of India was founded in 2012 with an aim to train and up-skill 4 million people by 2022 in Gems and Jewellery sub-segment.¹³² The council also launched Digital Jewellery Retail Sales Associate (JRSA) online training course to train jewellery sales professionals.



Jewelry



Media and Entertainment

A number of initiatives have been taken by state governments of Karnataka,¹³³ Telangana and Maharashtra for skilled workforce development in AVGC sub-segment. These involve development of CoEs, and training and education institutes (such as IMAGE - Innovation in Multimedia, Animation, Gaming and Entertainment in Hyderabad).



AVGC

128. National Design Policy, Press Information Bureau - Government of India, 31 July 2015

129. India Design Report, CII Report, as accessed on 9 July 2017

130. About Us, India Design Council's website, as accessed on 9 July 2017

131. Overview, MESCC website, as accessed on 9 July 2017

132. About GJSCI, Gems and Jewellery skill Council's website, as accessed on 9 July 2017

133. Animation, Visual effects, Gaming and Comic Sector, Invest Karnataka website, as accessed on 9 July 2017

134. Hyderabad a global hub for animation and gaming, The Times of India, 21 January 2017



Fashion

ISDS: The scheme was introduced by Government of India with an aim to develop the skillset of the growing workforce employed in the textile segment and related segments such as apparel, handicrafts, handlooms, jute, sericulture and technical textiles through training and education (as per the National Skill Development Corporation or NSDC report, the overall employment in the textile and clothing sector expected to increase from 33–35 million in 2008 to 60–62 million by 2022). As part of the initiative, the government promotes opening of skill development centres in conjunction with institutions, private industry partners and state government agencies. For this, a grant subsidy of 75 per cent of the product cost with a ceiling of USD154 per trainee is provided to the partner institute.¹³⁵

The scheme has resulted in opening of 3,250 training centres across the nation with good penetration at district level. Till date, about 1.13 million training targets have been sanctioned under 76 projects. The government plans on skilling 1.5 million persons by the end of March 2017. The scheme is also aligned with Make in India initiative and also provides placement assistance to trainees.



Textile



Media and Entertainment

Government of India plans to set up a National CoE for media in Mumbai.¹³⁶

Multiple sub-segments

135. About ISDS, ISDS-Ministry of Textiles, India, as accessed on 9 July 2017

136. Govt mulls setting up 'National CoE' for M&E industry, Business Line, 15 February 2016

Key investments by ASEAN firms in creative space

India's strong market potential, and conducive government policies and regulatory environment, have stimulated many companies based in ASEAN to invest in India's creative sector.

Singapore has been at the forefront of these investments in India. India's M&E sector, driven by favourable demographics and rapid digitisation, has been of particular interest for Singaporean companies, as they look to expand their top line through overseas market expansion. The fashion sector (particularly textile and apparel) is also observing big ticket investments by PE funds, driven by potential high returns on the back of strong market potential.

Investor's country	Amount invested	Sector	Investment driver
Singapore	USD153 million 	Broadcasting 	Domestic demand 

A Singapore-based media company has acquired 50 per cent stake in broadcasting company in India for USD153 million.¹³⁷ India's TV penetration in both rural and urban areas is increasing rapidly. The company aims to expand its market presence in the nation by targeting regional content consuming audience.¹³⁸

Investor's country	Amount invested	Sector	Investment driver
Singapore	USD10 million 	OTT 	Digital media demand 

Singapore-based on-demand video service provider has invested USD10 million in India to develop market for its online video streaming services and aims to tap the growing demand for regional, Hollywood and television series content over internet through these investments.¹³⁹

137. Viacom acquires 50 per cent stake in Indian regional networks, Viacom website, 31 July 2015

138. Viacom acquires 50 per cent stake in Prism TV, Live Mint, 31 July 2015

139. Hooq debuts in India with video streaming service, Business Line, 26 May 2015

Investor's country	Amount invested	Sector	Investment driver
Singapore	USD6 million 	OTT 	Digital media demand 

A Singapore-based online video-streaming platform has invested USD6 million (till 2015) in the Indian market.¹⁴⁰ The company aims to tap the growing demand for digital video content in the country and is expanding its footprints rapidly.¹⁴¹ The company offers latest Bollywood movies and Indian television content over its online platform and is also investing in creating its own digital content to address regional demand.

Investor's country	Amount invested	Sector	Investment driver
Singapore	USD150–160 million 	Garments and apparel 	Market demand/infrastructure 

Singapore-based principal investment firm has invested USD150–160 million in India-based manufacturer of polyester products. The investment will be used to complete the target's new manufacturing plant. The investor expects to gain good returns on investments backed by the target's strong market presence and demand for polyester in the market.¹⁴²

Investor's country	Amount invested	Sector	Investment driver
Singapore	USD17 million 	Garments and apparel 	Skilled labour/market demand 

A Singapore-based private equity investment firm has acquired 33 per cent stake in an India-based fashion house. The availability of good design capabilities, strong market presence and demand for the brand are the main reasons for stake acquisition. The fund expects to get good returns on its investment.¹⁴³

140. Spuul to invest in creating digital content in India, Business Line, 29 June 2015

141. Video on demand (VOD) services: Spuul India seeks paying subscribers, not advertising, Financial Express, 17 October 2016

142. KKR Jupiter to part finance JBF's new plant: KKR India CEO, Money Control, 24 December 2015

143. Buying NPAs of banks is not General Atlantic's business: Frank Brown, Live Mint, 1 April 2014

144. And Designs India: Affordable Luxury for Young India, Forbes India, 18 July 2014



Way forward

Digital

Industry poised to create significant investment opportunities

- The market for the digital industry is likely to grow with increasing use of mobile phones and rising levels of internet penetration. India's smartphone market is projected to almost triple¹⁴⁵ from 2016 to 2020, while India's internet user base is expected to almost double,¹⁴⁶ during the same period. As the customer base transacting on the digital medium continues to expand, new investment avenues arise. Foreign investors can gain first-mover advantages by exploiting these investment opportunities. Some of the investment firms from Singapore have been actively funding e-commerce start-ups in India to be part of the fastest growing sector.

It is the right time to invest in India

The time to invest in the digital sector has never been as incentivising as it is currently. The three unique advantages that India provides to its foreign investors in this sector include:

- Traditional sectors such as retail, healthcare, banking and education are increasingly adopting digital means to improve their service delivery. This provides foreign investors a large growing market for technology and services, having a plethora of investment opportunities
- In terms of services, India has cost advantages coupled with high-skilled employees and an ecosystem for adoption of cutting-edge technologies
- The government has also relaxed foreign investment norms and simplified entry procedures for firms to invest in the country.



Policies to mobilise investments

- India, with an established IT sector, has expressed in multiple forums that it is willing to help ASEAN members in this space by sharing expertise and the know-how. The government of India has also stated that ASEAN members could explore digitisation opportunities in a win-win fashion
- India has undertaken several initiatives to mobilise foreign investments into the country. Some initiatives such as the smart cities campaign invites public-private partnerships. As of now, 20 cities have been shortlisted, and agencies from Singapore (MAS, IE Singapore and Singapore government) have signed MoUs. However, as India plans to create 100 smart cities in the future, there is immense opportunity for foreign investors to play a pivotal role in the development of India and also achieve significant returns on their investments
- India also offers incentives for setting up BPO centres in the country, especially in tier II and tier III cities. One such initiative is the North East BPO Promotion Scheme (NEBPS), where companies can obtain capital and rental support. This provides foreign companies opportunities to set up outsourcing centres in the country
- The digital investments made by CLMV countries is almost negligible as compared to the other ASEAN members. India, being a global leader in the digital sector, is looking to provide IT-BPO services beyond the U.S. and European geographies. Therefore, companies from the CLMV region should look to combine with the Indian counterparts to scale-up and expand the scope of service delivery in this sector
- RCEP, currently in the stages of negotiations, when finalised, could pave way for greater liberalisation of trade in services and provide future investment opportunities with a wider group of nations.

145. The Mobile Economy India 2016, GSMA, as accessed on 13 July 2017

146. Internet users in India to reach 730 million by 2020: Govt, India Today, 27 March 2017





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