



# Govt. Policies

**DRAFT**

## **GOVERNMENT OF ANDHRA PRADESH INFORMATION TECHNOLOGY & COMMUNICATIONS DEPARTMENT**

### **ANDHRA PRADESH GAME (GAMING, ANIMATION, MEDIA & ENTERTAINMENT) POLICY 2013-2018**

#### **1. Background:**

Andhra Pradesh has a unique distinction among the states of our country. It has its own language - Telugu - which is considered as “Italian of the East” and Hindu King Krishnadeva Raya applauded as “Desabhashalandu Telugu Lessa” (Telugu is best of all languages in the Nation); has over 2000 years of literature; a culture that is just as old enterprising, cosmopolitan and peace loving people. Hyderabad , hub of cutting-edge technology, has placed our country as a focal point in the global economy and is also a melting pot of cultures and languages from across the globe.

The greatest advantage the people of Andhra Pradesh enjoy is a proactive Government that has moved step by step with the enterprising people of the State.

The Government has been supporting a variety of economic and industrial activities, by initiating specially designed policies to promote growth. The Information & Communications Technology ( ICT ) Policy 2010-2015 is one such success story by the Government which has resulted in exponential growth of the IT industry. The ICT sector in the State has registered an unparalleled growth. Total export revenues earned by this sector have grown from INR 1000 crore in 1998-1999 to INR 40,646 crores in 2011-2012 adding Rs. 5624 crore from previous year. The export and domestic turnover performance of ICT Industry in the State of Andhra Pradesh during the year has crossed Rs.53,000 crores. While all India IT growth rate is at 15.7%, the AP Growth rate is recorded at 16%.The direct employment created by ICT Industry in the State is over 3.2 lakhs and it is a well known fact that one direct employment created in ICT Industry in turn creates four indirect employment opportunities in other services sectors. The growth of IT employment in AP is 14% compared to national average of 11.3%. AP Ranks 4<sup>th</sup> in IT performance in the Country and IT sector contribute to about 39% of total exports from all sectors in the State. Further, realizing the significance Electronics Hardware Industry and imperative need to promote the same as an import substitution sector, in tune with the Triad Electronics, IT and Communications Policy of

Gol, Government of Andhra Pradesh is the first State to bring out Andhra Pradesh Electronic Hardware Policy 2012-2017.

One of the greatest challenges facing our country and our State is building capabilities of its population. Educated, skilled, healthy and empowered people are an asset to the State. Therefore, the challenge is to ensure that every citizen of our state is an asset and is enabled to participate productively in the growth process of our economy.

## 2. Status of Gaming, Animation, Media and Entertainment Industry

The global animation market was estimated at USD 68 billion in 2008 and is expected to grow at a CAGR of 10 per cent to reach USD 100 billion by 2012. In 2010, the Indian Animation, VFX and post production industry witnessed a growth of 17.5 per cent over 2009 to reach Rs 23.6 billion. The growth was largely led by the VFX segment which grew by 42 per cent and post production which grew by 17 per cent. In 2010, the Indian Animation industry grew by 10 per cent to touch Rs 10 billion. The Animation Industry in India is estimated to be at US \$ 460 million in 2008 and set to growth at a CAGAR of 27% to reach USD 1163 million by 2012

The mobile and online gaming segments are relatively new segments in the global gaming arena, but have grown rapidly to account for 29 per cent (mobile) and 24 per cent (online) of the global gaming revenues. Whereas, in India, the Gaming Segment has registered a turnover of USD 167 millions and is expected to grow at a CAGR of 49 per cent to reach USD 830 millions by 2012. (*Courtesy NASSCOM REPORT 2012*)

Animation & Gaming Industry is recognized as an important and focused industry, being encouraged & promoted extensively by countries like China, Singapore, Korea, France, Dubai, Taiwan, etc., with appropriate policy initiatives. For example, while in Singapore Animation & Gaming Industry is promoted by the Singapore Film Society and the Media Development Authority of Singapore, in Korea, a Korea Culture & Content Agency is functioning, in France, tax credits are offered, in Taiwan National Development Fund of NT\$20 billion with a 5 year budget is created, and in Dubai a separate Dubai Media City exists.

In India too, in order to capture the sizeable Animation & Gaming market, States like West Bengal, Karnataka, Kerala, NCR, Maharashtra and Tamil Nadu are going ahead with various incentives and policy measures. For example, Government of Kerala, has developed a Film & Video Park in a 75 acre campus at Trivandrum, West Bengal Electronics Development Corporation (WEBEL) had already started Animation Academy, besides offering various Policy initiatives. Government of Karnataka has recently come up with ANIMATION, VISUAL EFFECTS, GAMING AND COMICS (KAVGC) POLICY

Andhra Pradesh Gaming, Animation, Media and Entertainment Industry has the advantage of having some of the major suppliers to the Industry such as HP, AMD, NVIDIA, etc. located within Andhra Pradesh and more specifically Hyderabad. Andhra Pradesh has a rich and diverse heritage of art and culture, and there is a great potential for the talent in the state to adapt to Animation & Gaming sector. So far,

science and technical streams were preferred avenues of the society for employment but the Gaming, Animation, Media and Entertainment sector will create better employment opportunities to arts stream. Entry of creative artists into the Animation & Gaming Industry is regardless of cultural and language backgrounds. There is a requirement of nearly 70% of creative and artistic employees in this industry which it will lead to the economic upliftment of large strata of economically backward sections of the society especially in the rural areas.

The growth of Animation & Gaming industry in India in general and in Andhra Pradesh particularly, is constrained due to:

1. Non-availability of economic core talent (i.e, animators, game developers, modelers, script writers)/ancillary talent pool, experienced personnel, etc(One conservative estimate says that there are about 30000 jobs available in Animation & Gaming industry at current level of growth but could not be filled due to non-availability of talent & skill sets required.)
2. Cultural gap,
3. Low Consumption in Domestic market
4. Increasing Global competition
5. Paucity of proper physical infrastructure facilities, like Animation studios ,
6. Entrepreneurship
7. Lack of proper motivators - fiscal and non-fiscal (supportive/handholding) - for starting Animation & Gaming companies.

On the other hand, the State of Andhra Pradesh has the following Strengths for Gaming, Animation, Media and Entertainment Industry to thrive:

- Reasonable cost & abundant Labor
- Long tradition of culture and treasure house of various folk arts and tales,
- Existence of animation and gaming industry in the State
- Low Attrition rates
- Low Cost of Living and social amenities
- Low cost of transportation
- Excellent innovative Language, Communication & Computing skills
- Proven Experience & Record of IT industry
- Availability of Excellent Programmers
- Huge Experience & Set industry of Bollywood/Tollywood
- Fast Growing Mobile Networks & industry
- Experience in Multi-platform Development & Design
- Excellent Technical Education Infrastructure
- No. of New players entering in the Market
- Ability to scale up quickly

In the ICT Policy 2010-2015, certain focused and special incentives have been provided to Animation Industry. However, having , therefore, felt that there is every opportunity to promote the Animation & Gaming vertical in ICT sector by the State of Andhra Pradesh, with suitable and exclusive policy initiatives, incentives and felicitation mechanism to enable the Animation, Gaming, Visual Effects and Digital Entertainment

companies to come, set up, grow and sustain their operations in the State of Andhra Pradesh, it is proposed to bring out ANDHRA PRADESH GAME (GAMING, ANIMATION, MEDIA & ENTERTAINMENT) POLICY 2013-2018.

## ANDHRA PRADESH GAME (GAMING, ANIMATION, MEDIA & ENTERTAINMENT) POLICY 2013-2018:

The Andhra Pradesh GAMING Policy 2013-2018 is brought out with the following objectives.

### 3. Objectives

- Make Andhra Pradesh the most favored destination for investment in GAMING, ANIMATION, MEDIA & ENTERTAINMENT areas
- Encourage and support appropriate manpower development, infrastructure development and business development.
- Spread awareness and provide multifaceted employment for people in the Gaming, Animation, Media and Entertainment areas.
- Bridge the demand and supply gap of human resources in Gaming, Animation, Media and Entertainment sector.
- Attract top global companies in the field of Gaming, Animation, Media and Entertainment to Andhra Pradesh
- Capture a larger share of outsourced international Gaming, Animation, Media and Entertainment work for Andhra Pradesh
- Facilitate a legal framework for 'IP' creation and its protection.
- Promote growth of indigenous 'digital content' education and entertainment for the masses.
- Set up a "CENTER OF EXCELLENCE" i.e., Andhra Pradesh GAME City, with state-of-the-art facilities to act as a catalyst for the Gaming, Animation, Media and Entertainment sector.
- Set up multiple Gaming, Animation, Media and Entertainment Parks on the lines of Dubai Media City, Singapore Multi Media Super Corridor and on SEZ model.

### 4. Components of Gaming, Animation, Media and Entertainment Sector:

The Broad components or areas of Gaming, Animation, Media and Entertainment Sector are :

#### Animation Segment Classification:

## (A) Entertainment

1. TV/Broadcast of animated cartoon series through 2 Dimensional Cell Animation(Using 2D bitmap or Vector graphics) or 3D CGI animation or 3D motion capture animation,
2. Fully animated feature films
3. VFX or Visual Effects,
4. Direct to DVD(Home Entertainment content)

(B) Web Designing: Consumer animated flash and multi-media content on Websites through broad-band.

(C) E-education and E-learning :High end interactive animation to impart training on complex subjects and process using automated and digitized versions.

Animation Segment activity involves Intellectual Property Rights Development stage; pre-production stage ( story boarding, character design and animatic, i.e., timed moving version of the story board); production stage (Modelling, Texturing, Riggin Rendering, compositing); post-production stage( animated piece editing, sound editing, sound and music track effects); and Delivery, i.e., involving distribution of DVDs, VCDs to the end consumer.

### Gaming Segement Classification:

1. PC Gaming - involves playing video games on a personal computer
2. Console Gaming - involves playing games on dedicated gaming hardware called console, with an output device such as computer monitor or a television and an input device called controller.
3. Online/Multiplayer Gaming - involves the use of a PC and internet/broadband connectivity either played on line or downloaded and played on line later.
4. Mobile Gaming - Games that are available and can be run on handheld devices like mobile phones or PDAs, hand held games, etc.
5. Video Games

Gaming Segment activity involves Game concept creation Technological Feasibility; pre-production stage(i.e., Intellectual Property, conceptualization, Game Design, Character); production stage(Programming, VFX), testing (game testing & debugging) & development; and distribution.

## 5. Strategies & Policy Initiatives for the growth of Gaming, Animation, Media and EntertainmentSector:

### I. Provision of Infrastructure:

In order to provide hassle-free and investor-friendly environment to come, set up and grow their operations by Animation & Gaming industry, in the State of Andhra Pradesh, the following exclusive and dedicated infrastructure initiatives are envisaged.

(i) Setting up of Andhra Pradesh GAME City;

ANDHRA PRADESH GAME (GAMING, ANIMATION, MEDIA & ENTERTAINMENT) City will be set up initially in Hyderabad in an appropriate extent of land by Government through AP Industrial Infrastructure Corporation (APIIC). The Andhra Pradesh GAME City will be a world class facility that will provide an ideal environment for the following types of Businesses in Animation & Gaming Industry:

- Animation Film & Gaming: Production & Distribution, Media Content Management & Provider, Film Content Rights Management, Production, Post Production.
- Animation & Gaming Media Support Services: Web Designing & Management, Interactive Services (Webcasting/Streaming), Media Software Development & Integration, Access Spending, Multimedia Software Development , Video Games, Internet Gaming Broadcasting Hardware & Equipment, Satellite Services & Equipment Provider, GSM & Electronic Media, Media Equipment Rentals, Digital Media Management, Media Archiving & Distribution and Systems Integration Services.
- Animation & Gaming Media Marketing Services: Advertising & Public Relations Agencies, Intellectual Property Rights Management, Media Placement, Corporate Identity & Branding.
- Animation & Gaming Broadcasting: TV & Radio
- Animation & Gaming Information Agencies:Media Research and Information Services
- Music & Entertainment: Music Production, Recording Distribution, Publishing & Management, Performing Arts, Choreography.

The Andhra Pradesh GAME City shall have Incubation Centre, where state of the art “walk to work” and “plug and play” built up office space is provided at subsidized rates to first generation technocrat entrepreneurs, SMEs engaged in Gaming, Animation, Media and Entertainment activities, and consist of all common amenities, housing, recreation, schooling, entertainment, medical facilities. The Incubation Centre will have type-design buildings or blocks that would be exclusively dedicated and earmarked for:

- Animation & Gaming Companies
- Animation & Gaming Processing Labs & Studios for Live Action, Motion Capture
- Television & Media Wing
- Production Wing
- Outsourcing Wing
- Animation & GamingAcademy

In order to promote Tier II locations, such as Visakhapatnam, Vijayawada, Kakinada, Tirupati, Warangal, etc. as Animation & Gaming Centers in the States, such GAME Cities are developed by Government of Andhra Pradesh in future.

(II) Allotment of appropriate extent of Government lands subject to fulfillment of prescribed obligations on employment, investment and terms & conditions of allotment, in Hyderabad and other Tier II locations of the State, to eligible Gaming, Animation, Media and Entertainmentcompanies for their expansion and setting up their own facilities.

(iii) Provide cheaper and higher bandwidth broadband to help the growth of Animation & Gaming industry to unbundled the last mile connection to reduce monopoly and help increase the available bandwidth to end customer.

## II. Provision of Human Talent;

(i) Setting up of GAME Academy:

Government of Andhra Pradesh in association with stakeholders shall set up a world-class and first of its kind in the country Gaming, Animation, Media and Entertainment Academy to impart requisite communication skills, artistic skills and domain knowledge to the students. This Academy will help create the talent pool that is needed to incubate new ideas and foster entrepreneurs in the AP Animation Industry. The Academy would be set up with active involvement and association of reputed Animation & Gaming Industry leaders, to maintain the balance between theoretical and practical knowledge in the field of Gaming, Animation, Media and Entertainment areas.

(ii) Training & Placement through Jawahar Knowledge Centres:

Jawahar Knowledge Centre (JKC) programme is a unique and first of its kind initiative in the country to strengthen the quality of graduates coming out of colleges by imparting Industry grade skill sets in both technical and non technical disciplines. JKC programme brings the ICT Industry, Academia, and the Government, together to make the graduating students Industry ready. At present, there are 748 JKC in 414 engineering and 334 degree colleges spread across all regions of the State. So far, under JKC programme more than 100,000 final year students have been trained and about 25000 of them, including students from economically and socially deprived sections of the society and from rural/remote areas of the State have been provided gainful employment with IT majors. In addition, another 25,000 students have obtained placements elsewhere. JKC will be further strengthened, and expanded, to all engineering and degree colleges in every nook & corner of the State.

Government shall ensure that through JKC, the requisite talent pool for Animation & Gaming industry, not only qualified but also industry ready, is available through imparting hands on experience in communication skills and domain knowledge and through provision of campus placements.

## III. Awareness Creation:

For creating public awareness on promoting Animation films produced locally, Govt will organize Gaming, Animation, Media and Entertainment promotion events, in association with animation companies and animation training institutes annually

#### IV. Promote Local Content Creation through reservation of air time:

Govt of AP shall take up with Govt of India at appropriate level, in order to implement the reservation of at least 5 - 15% airtime on channels (both foreign and domestic) to promote locally created content to provide level playing field and foster competition between current domestic players, foreign companies that set up base in AP as well as start ups. The will ensure that quality content goes on air.

#### V. Venture Capital Funding :

Government of AP shall create a suitable Venture Capital Funding mechanism in association with stakeholders to extent appropriate seed capital assistance to first generation entrepreneurs, start ups, Small & Medium Enterprises engaged in the animation, gaming, visual effects and digital entertainment sector.

#### VI. Fiscal Incentives

In order to promote this vertical, Government shall make available the following fiscal incentives:

#### VII. Fiscal Incentives

In order to promote this vertical, Government shall make available the following fiscal incentives:

1. Reimbursement of production cost of an animation film or gaming product, upto a maximum of Rs.15 lakhs per company subject to prescribed guidelines, incurred for two animation or gaming films produced by an Gaming, Animation, Media and Entertainment company, which set up their operations after the issue of this Policy, The allowable production costs are Manpower cost, Materials & Print and Professional Services.
2. 25% subsidy on lease rentals up to Rs.5 lakhs per annum maximum up to a period of three years, built up office space ranging from 1000 sft to 10,000 sft, leased by Animation & Gaming Companies
3. 100% reimbursement of stamp duty, transfer duty and Registration fee paid by Gaming, Animation, Media and Entertainment companies on sale/lease deeds on the first transaction. This incentive is not available in case Government land is allotted.
4. 50% reimbursement of stamp duty, transfer duty and Registration fee paid by Gaming, Animation, Media and Entertainment companies on sale/lease deeds on the 2nd transaction. This incentive is not available in case Government land is allotted
5. Admissibility of Industrial Power category tariff.



6. 25% power subsidy on power bills for a period of 3 years or Rs.40 lakhs which ever is earlier, from the date of commencement of commercial operations.
7. Rs.15 Lakhs as recruitment assistance for employing minimum 100 employees within one year of commencement of commercial operations.
8. Reimbursement of 20% of expenditure incurred for obtaining quality certifications for CMM Level 2 upwards. Reimbursement will be limited to a maximum of Rs.5 lakhs.
9. 25% investment subsidy limited to Rs.25 Lakhs
10. 10% Interest subsidy on term loan and working capital loan subject to a maximum of Rs. 5.00 Lakhs per year for a period of 5 years for units.
11. 50% Exhibition stall rental cost will be reimbursed for participating in the notified national/international exhibitions limited to 9 sq.mts of space.
12. Reimbursement of Internet Bandwidth charges for a period of three years or Rs. 10 Lakhs whichever is earlier.
13. 100% reimbursement of Input VAT / Sales Tax/ CST/APGST, for a period of 5 years or Rs.10 Lakhs whichever is earlier from the date of commencement of production for products/Films/ Services made in AP.

6. Over and above all, Government of Andhra Pradesh shall make every effort to bring in to the State the most reputed Gaming, Animation, Media and EntertainmentMNC corporate and Training Academies of international repute to come and set up their operations in the State. Special & negotiable package of incentives and felicitation are offered to Mega Projects.

7. Appropriate Operational Guidelines for administration of initiatives and incentives envisaged under this Policy, indicating eligibility criteria and procedure thereon, shall be issued separately.

8. The ANDHRA PRADESH GAME (GAMING, ANIMATION, MEDIA & ENTERTAINMENT) POLICY 2013-2018 shall be in force for a period of 5 years from the date of issue of the Government Orders.

Secretary  
to the  
Government

(Proposed on :02-  
03-2013)