



IMAGE POLICY 2016





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MESSAGE

A large part of India's success as an economic powerhouse can be attributed to the growth of the Information Technology sector in the past two decades. This sector currently contributes close to 9.5% of India's GDP and employs over 3.5 million professionals directly. In the coming years, this sector will see the emergence of new technologies such as data analytics, cyber security, gaming and animation etc. with high levels of creativity and innovation involved. The State of Telangana aspires to be a front runner in embracing all these new and emerging technologies.

In addition to being a major IT center, Telangana has also evolved into a major cultural hub with a rich heritage in the areas of arts and crafts, dance, music, cinema, comics etc. and this heritage is now paving way for Telangana to become a leader in the entertainment industry. With the advent of digital technologies in this sector and a rapidly growing market, Telangana's entertainment ecosystem is poised to become a national, and eventually, a global leader.

The AVGC Sector is being encouraged and promoted extensively by countries like China, Singapore, UK, The Netherlands, Canada, Japan etc. These countries have also created infrastructure and ecosystems for the development of the industry, viz. Media City in Dubai (UAE) and Manchester (UK) and Dutch Games Gardens in The Netherlands.

Additionally, companies have started to focus on improving quality and the creation of original Intellectual Property. In this direction, new business models have evolved in the marketplace, to successfully tackle current challenges such as piracy, lack of effective distribution etc., which has led to increased market penetration, and heightened awareness about the animation and gaming industry. The Animation & Gaming industry is a significant user of technology, and can further showcase India's well-established credentials in the technology and services offshoring space, in addition to playing a seminal role in developing India's domestic media and entertainment industry.

Government of Telangana has been supporting a variety of economic and industrial activities by initiating specially designed policies to promote growth. While Telangana has been a leader in the area of IT/ITeS, a push to the Film, Content, Digital, Animation, VFX, Gaming & Comics industry supported by a futuristic policy will ensure exponential growth of this industry and attract investments from related stakeholders into Telangana. This will establish Telangana as a truly creative industry hub.

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THE BACKDROP

Telangana is a State with a legacy of rich cultural heritage and tourism. It has evolved as a Cultural & Tourism capital right from Art markets, Paintings to Dance, Music, Sculpture, Cinemas, Comics etc. and is now emerging as a leader for ecotourism and entertainment. It has evolved its own inherent skills and is poised to impact the global entertainment scenario through the Indian film festival. The holistic development of the State from Agriculture to Manufacturing, IT, ITES to Media & Entertainment and to other contemporary development symbolizes the true convergence of Technology, Art, Science and Culture.

The State Government has unleashed unique policy measures such as TS-IPASS, which is specially designed to expedite the Government clearance process, thereby augmenting the growth of Industry. The ICT sector in the State has registered an impressive growth. Total export revenues earned by the Technology sector is over US\$ 10 Billion growing at a rate of 17% per annum. The IT Industry employs over 4.5 lakh software professionals. Hyderabad ranks 2nd in IT performance in the Country and the IT sector contributes to over 40% of total exports from all sectors in the State.

As per Gartner's Report, the ICT industry is growing at a swift pace with global IT spends reaching US\$ 3.9 trillion in 2019. As a proportion of national GDP, the Indian ICT sector contribution has grown from 1.2% in FY1998 to 8% in FY2015. India accounted for 58% share in the global sourcing industry in the year 2015. Indian IT Industry has crossed the USD 147 billion mark recording a growth of 13% including USD 48 billion domestic contribution to the overall growth. (Source NASSCOM). The Indian IT – BPM Industry employs over 3.5 million software and IT services professionals adding 2.3 lakh professionals annually.

The growth of Telecommunications also presents exciting prospects. In recent times, India has emerged as one of the fastest growing telecom markets in the world. The Indian telecom sector has become the second largest wireless network in the world after China. The future progress of telecom in India is very encouraging. As per TRAI data, the number of mobile subscribers in India has increased to 1,006.96 million in 2015.

India is poised to be the 2nd largest Smartphone market in the world. India's Smart phone penetration will reach 314 million mobile internet users by 2017 as per the report of IAMAI & KPMG. There were approximately 100 million 3G subscribers in India by the end of 2015 and the number is projected to reach 284 million by end of year 2017. This development is propelling the growth of the Mobile Computing Industry in India.

Animation, Gaming, VFX, Entertainment & Allied industries are the emerging verticals in the ICT sector. Globally, these verticals have been in focus in the recent past and are believed to have a significant share in the ICT and Entertainment Industry in the future. The sector has huge potential to generate employment and surge ICT exports resulting in socio-economic development of the Country.

The Animation and Gaming industry has shown resilience in the face of the current economic downturn. India is now seen as a leading destination for high-end, skill-based activities. The Indian Animation industry is estimated to grow at a CAGR of 22% and the Gaming industry, at a CAGR of 49% by 2015 (Source: NASSCOM). Over the years, the Animation, Visual effects, Gaming and Comics (AVGC) industry has seen the entry of many global majors who have tapped into India's talent pool for offshore delivery of services. The global Gaming industry includes manufacturers of Gaming Hardware and developers of Gaming Software. The Video Game industry is cyclical in nature and the installed base of the next generation of hardware platforms has an effect on the demand for gaming software. The global animation and gaming market is expected to grow from \$122.20 billion in 2010 to \$242.93 billion by 2016. This represents a CAGR of 12.94% from 2011 to 2016. The AVGC Sector is being encouraged & promoted extensively by countries like China, Singapore, UAE, UK, The Netherlands, Canada, South Korea, Japan etc. The Animation, Visual effects, Gaming & Comics is recognized as an important and focused segment and this is considered as a creative industry. These countries have also created infrastructure and ecosystems for the development of the industry, viz. Media City in Dubai (UAE) and Manchester (UK) and Dutch Games Gardens in The Netherlands.





THE SEGMENTS

Animation Entertainment

This segment includes the TV/Broadcast of animated cartoon series through 2D cell animation (using 2D bitmap or vector graphics), 3D CGI animation or 3D motion capture animation. It comprises of movies and fully animated feature films including VFX or visual effects. Direct to DVD (home entertainment content) is also included in this segment. The segment Animated e-learning provides high-end imperative effects to impart training on complex subjects and processes using automated and digitized versions.

Gaming Industry

- Online** Online games are played on the internet through web portals. These games range from basic single-player games to multiplayer online role-playing games (MMORPG). MMORPGs enable several players to simultaneously interact during a game on the Internet.
- Mobile** These games are played on mobile telephone devices. Mobile games typically cost under USD10 and are sometimes adapted from popular console or PC games.
- PC Games** Games in this segment are played on a PC, which is usually upgraded with gadgetry such as an additional graphics card for an enhanced gaming experience.
- Console** This segment of gaming requires a separate hardware known as a console that is loaded with the games software. The main brands in this segment include the Sony Playstation, Nintendo Wii and Microsoft Xbox. Typically, a generation of console lasts for a few years, also called console cycles and is upgraded/replaced by a new generation of gaming hardware and software.

While homegrown Indian gaming companies have attracted investments from entertainment majors and private equity players in the past, international gaming companies have also set up base in India either to capitalize on the low-cost advantage or to serve the emerging local market through customized content.

Developments over the years indicate that India is emerging as a key animation and gaming development market. The Indian Gaming industry is close to USD 890 million. India's Animation industry generated revenue worth INR 4,490 crore in 2014, a 13% increase from the previous year, according to data from a FICCI-KPMG report on India's Media and Entertainment industry. The industry is expected to double in size to INR 9,550 crore within five years, as Hollywood studios tap a large pool of low-cost, English-speaking animators who are familiar with Western culture.

Gaming development in India has been further strengthened by the entry of animation companies into game development. It is easy for the animation companies to tweak existing resources (employees with skills in animation development) to gain from a new opportunity.

The following are the factors which will contribute to the growth of the Gaming market in India:

- Growing demand for Indian content will drive more local gaming development
- Improving internet bandwidth and PC penetration will also drive uptake of online gaming and lead further boost to development of online games
- Increased penetration of GPRS-enabled handsets will increase downloads of mobile games
- Cut in duties might also result in console prices falling in the coming years, as this will help drive uptake
- Penetration beyond Tier I cities is likely to drive sales

Approximately 10% of Indian gaming companies are engaged in the development of their own IP - creation of end-to-end gaming products. The rest are involved in outsourced work. By 2017, it is expected that more Indian companies will develop their own IP. However, due to lack of advanced skill sets, a favorable regulatory environment and the underdeveloped local gaming market, most of the work in the industry is expected to be outsourced work. Hyderabad has a special advantage of having some of the major suppliers in the Industry, such as HP, DELL, AMD, NVIDIA, Amazon Web services, etc.

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

The State of Telangana shall make every effort to attract reputed Animation, Visual effects, Gaming & Comics companies and Training Academies/ Universities of International repute to set up their operations in the State.

The following are the advantages & Challenges in the State of Telangana with regard to Animation, Visual effects, Gaming & Comics industry:

Advantage Telangana

- Reasonable cost & abundant human resource
- Existence of AVGC industry in the State: International players like Walt Disney, Sony Entertainment, Microsoft, Electronic Arts etc. and domestic players like Tata Elxsi, Purple Talk, Prime Focus, Rythm & Hues, Prasad EFX, DQ entertainment, 7Seas Entertainment, Green Gold, Makuta, Fire Fly, etc. are present in the State.
- Low cost of living & transportation and world-class social amenities
- Proven experience and record of IT industry in the state
- Major opportunity in Bollywood and Tollywood - Pre- and Post-production works
- Experience in multi-platform development and design
- Fast growing telecom industry and improved mobile connectivity
- Dedicated policy and scheme in place to provide conducive environment to the growing industry

Key Challenges

- **Shortage of talented professionals and training institutes:** The number of people employed in the Indian gaming industry is estimated to have reached 15,000 in 2015. However, the industry is still facing a shortage of skilled professionals at the entry and senior management levels. India also lacks training institutes in its gaming industry.
- **Piracy:** The software piracy rate in India is over 60% and it is estimated that the Indian entertainment industry loses around US\$3.5 billion annually due to pirated software. This high piracy rate can be attributed to the high cost of original software and the Country's inadequate legal framework.
- **Lack of games that cater to Indian tastes:** The lack of casual games that are customized to the Indian environment, society, lifestyles and culture inhibit users in tier 2 and tier 3 cities. Games based on international themes and storylines are only able to elicit a limited interest from Indian consumers.
- **Development of original IP.** India's gaming industry witnesses a shortage of funds and manpower. This prevents players from developing original IP, which hampers their ability to be competitive with foreign players.
- **Payment hassles:** Non-availability of a one-click payment mechanism is a deterrent for sale of games. Moreover, the use of credit cards for online transactions other than for air/rail ticket bookings is still not that prevalent among Indian consumers.

Price-sensitivity: Installation of advanced graphic cards for high-end PC games has increased the price of PCs and laptops. This presents a challenge for gaming companies, since price-sensitive Indian consumers are not willing to spend on the infrastructure required for high-end PC games.

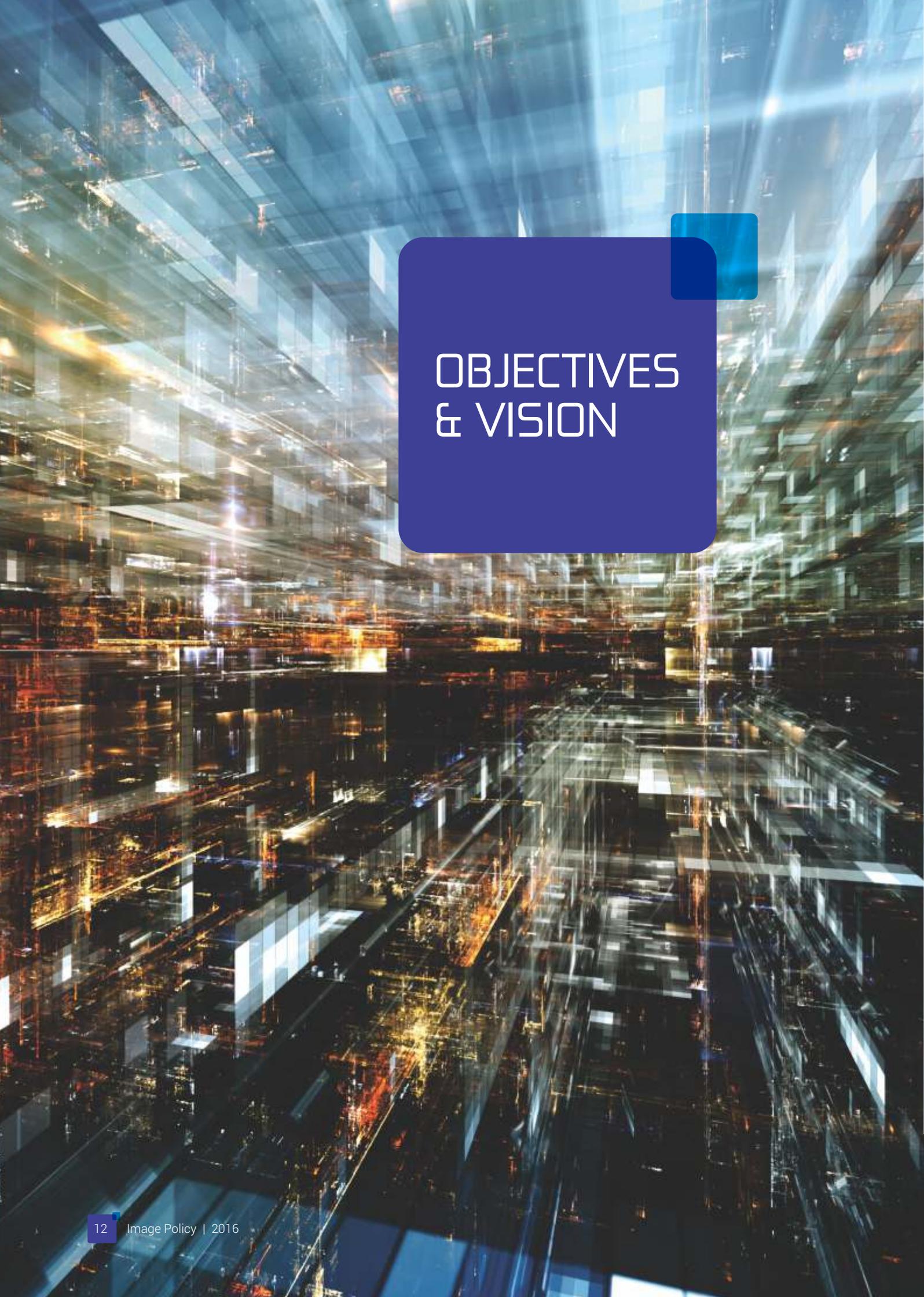
Regulatory challenges: The high import duty levied, coupled with indirect taxes, has made the prices of console games dearer compared to prices in the grey market. This is adversely affecting authorized game retailing chains in India.

Need for effective revenue sharing models between telecom operators and game developers: Indian telecom operators usually acquire a revenue share in the range of 60%-70% because of their subscribers' billing rights. Therefore, gaming companies end up with a 25%-30% revenue share. This is low, as compared to the revenue share of around 60% secured by content companies in developed countries. This is inhibiting the growth of the Indian gaming industry.

Infrastructure: The lack of proper physical infrastructure for Animation, Gaming and Visual effects studios, along with inadequate grants/funds for technology and pipeline set ups, is also a stumbling block.

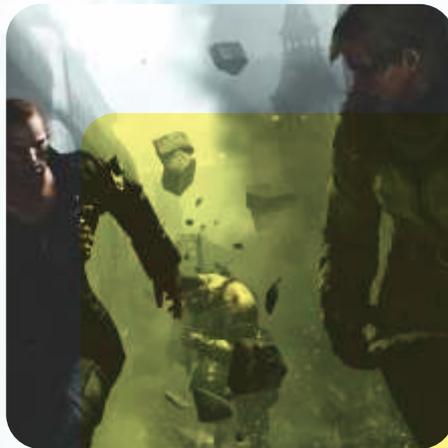
Lack of funding: For gaming companies to provide cutting-edge services, it requires adequate funding in infrastructure, IP development, set up a pipeline of training resources. Although, private investors helped gaming companies with funding, however, given the credit crunch and global meltdown, funding constraints is likely to be witnessed by the AVGC industry.





OBJECTIVES & VISION

- Make Hyderabad the most favored destination for investment in Animation, Visual effects, Gaming & Comics sector
- Encourage and support appropriate manpower development, infrastructure development and business development
- Spread awareness and create employment in the Animation, Visual effects, Gaming & Comics sector
- Bridge the demand and supply gap of human resource through various skill development programmes
- Attract global majors and R&D companies in Gaming, serious gaming, Animation and serious animation into Telangana
- Strive towards a larger share of the outsourcing opportunity in the global Animation, Visual effects, Gaming & Comics markets
- 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. Telangana Animation and Gaming - IMAGE City, with state-of-the-art facilities to act as a catalyst for the Animation, Visual effects, Gaming & Comics sector





DEFINITIONS

Animation, Visual effects, Gaming and Comics (AVGC)

Animation is a way of making a film by using a series of drawings, computer graphics, or photographs of two and three dimensional objects (such as puppets, clay models or paper cutouts) that are slightly different from one another and that when viewed quickly one after another create the appearance of movement. Animation shall include 2D Animation, 3D Animation, claymation, paper animation, stop motion, shadow animation, hard surface animation etc. Animations can be recorded on either analogue media, or on digital media.

Visual effects are the processes by which imagery is created and / or manipulated outside the context of a live action shot. Visual effects involve the integration of live-action footage and generated imagery to create environments which look realistic, but would be dangerous, expensive, impractical, or simply impossible to capture on film. Visual effects include computer generated imagery using the affordable and user friendly animation and compositing software.

Visual Effects shall include Rotoscopy, Digital Cleanup, VFX paint, morphing, DMP - (Digital Matte Painting), Chroma key, Compositing, Tracking, pre-visualization, Prep-wire removal, beauty pass, face & body replacement, Modeling, shadders, texturing, lighting, animation, Rigging, Match move, FX(cloud, liquid, rain, water, dust, smoke, wind, fire, flame, blast, snow, ice, etc) Particle simulation, Simulation - (Fur, hair, Cloth, crowd, destruction, etc), Background & Set creation and extension, Digital environment creation, miniatures for VFX, Image processing, Digital Imaging (DI), Colour correction, Sub-Titling etc.

A Game is an electronic game that involves human interaction with a user interface to generate visual feedback and immersive experience on a device which shall include 2D, 3D, video, hand held devices, mobile, virtual, console etc. This includes online games, PC games, mobile games and console games.

Comics is a visual medium used to express ideas via images, often combined with text, voice, sound or visual information. Comics shall include hand drawing, digital, 2D, 3D, motion graphics, motion comics.

Stereo conversion is a specialized process in animation post production where the normal 2D or live action films are converted to stereoscopic form for an immersive experience. Stereo conversion shall include Rotoscopy, layer painting, depth grading, tracking, element compositing, finalling, edging, particles etc.

Virtual reality, Augmented reality, Motion Capture, facial capture & Performance Capture, 3D printing, 3D mapping, Simulation, Digital streaming & Content dissemination, Rendering etc. shall be a part of AVGC.

(I) SME

Animation, Visual effects, Gaming & Comics Company with turnover between INR10 Lakhs to INR 20 Crores.

(ii) Large Scale Companies

Animation, Visual effects, Gaming & Comics Company with turnover between INR 20 crores to INR 50 Crores.

(iii) Strategic/Mega Project:

Animation, Visual effects, Gaming & Comics Company with turnover over INR 50 Crores and investment proposal above INR 50 crores.

(iv) SC/ST Entrepreneurs

Animation, Visual effects, Gaming & Comics Company having a stake of more than 51% shareholding of SC/ST entrepreneurs in the company/unit.

(v) Women Entrepreneurs

Animation, Visual effects, Gaming & Comics Company having a stake of more than 51% shareholding of women entrepreneurs in the company/unit.



STRATEGIES & POLICY INITIATIVES FOR THE GROWTH OF ANIMATION, VISUAL EFFECTS, GAMING & COMICS SECTOR

IMAGE CITY



Provision of Infrastructure

Identifying infrastructure as a major driver for attracting investments to the state, the Government of Telangana is committed to provide an investor friendly atmosphere by developing high quality infrastructure in the investment regions. All new AVCGI parks and development areas shall be provided with the required infrastructure of the highest standards. Telangana State Industrial Infrastructure Corporation (TSIIC) will become the nodal agency to create this infrastructure and manage the land bank.

While government agencies like TSIIC will be encouraged to develop infrastructure and set up designated AVCGI clusters, reputed private developers, with proven track record, will also be welcomed to develop dedicated clusters in an appropriate PPP mode. The exact structuring of each of the PPP projects will be decided by the government on a case to case basis. In addition, AVCGI clusters developed by private parties on completely private owned lands will also be eligible to receive benefits from the government on par with those developed on government lands, either by government agencies or through PPP.

A few initiatives taken up by the Government to provide high quality infrastructural support are as follows:

Telangana Animation and Gaming (IMAGE) City will be set up in RR District, Hyderabad in an appropriate extent of land by Government through Telangana Industrial Infrastructure Corporation (TSIIC). The IMAGE City will be a world-class facility that will provide an ideal environment for the following types of businesses in the Animation, Visual effects, Gaming & Comics Industry:

- Animation Film & Gaming: Production & Distribution, Media Content Management & Providers, Film Content Rights Management, Production, Post Production
- Animation, Visual effects, Gaming & Comics 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, Visual effects, Gaming & Comics Media Marketing Services: Advertising, Corporate Identity & Branding, Intellectual Property Rights Management
- Animation, Visual effects, Gaming & Comics Information Agencies: Media Research and Information Services
- Promotion of AVGC Public and Private Parks / Business Improvement Areas (BIA)
- Setting up Common Facility Centers such as sound and video editing, video still photography and motion capture
- Setting-up of Incubation Centre for AVGC Industry
- Establishing reliable and high speed telecommunication link as the volume of data transferred is multifold compared to IT industry
- Ensuring reliable Power by setting up appropriate backup power and exempting industry from statutory power cuts
- Establishing National AVGC Centers like National Informatics Centers (NIC)

The IMAGE City shall provide plug and play spaces, with state-of-the-art built-up office space which will be provided at subsidized rates to first generation technocrat entrepreneurs, SMEs engaged in Animation, Visual effects, Gaming & Comics activities, and consist of all support services in the envisaged park. The Incubation Centre will have blocks that would be exclusively dedicated and earmarked for:

- Animation, Visual effects, Gaming & Comics companies
- Animation & Gaming Processing Labs & Studios for Live Action, Motion Capture, Sound & Acoustics
- Production Wing
- Outsourcing Wing
- Animation, Visual effects, Gaming & Comics Colleges, Universities, Institutions

The IMAGE City shall have the following other features:

Government will facilitate the creation of Render farms service on cloud computing model. This will have industry standard Licensed Softwares and will be provided on shared basis.

Allotment of Government Land

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 Animation, Visual effects, Gaming & Comics companies for their expansion and setting up of their own facilities.

The eligibility criteria for allotment of land to the Animation, Visual effects, Gaming & Comics companies is given below. Further, it is also possible to choose land outside these clusters. Large companies who want to make their presence in Hyderabad can develop their own campuses outside these clusters by following the mentioned principles.

The eligibility criteria for allotment of land to the Animation, Visual effects, Gaming & Comics companies is given below. Further, it is also possible to choose land outside these clusters. Large companies who want to make their presence in Hyderabad can develop their own campuses outside these clusters by following the mentioned principles.

na Industrial Infrastructure Corporation (TSIIC). The Telangana Animation and Gaming IMAGE City will be a world class facility that will provide an ideal environment for the following types of Businesses in Animation, Visual effects, Gaming & Comics Industry:

Hyderabad

- i. Fulfillment of an employment obligation of employing 250 Animation, Visual effects, Gaming & Comics professionals per one acre of land allotted
- ii. Construction of 25,000 sft. office space in one acre of land allotted
- iii. 3 years for completion of the project and fulfillment of obligations mentioned at (i) and (ii) above from the date of taking over possession of the allotted land

Tier-II City (Warangal, Karimnagar, Mahboobnagar, Khammam etc.)

- The applicant Animation, Visual effects, Gaming & Comics company shall have been in operation for the last two financial years on the date of application requesting for allotment of land and registered a turnover of
- INR 15 crores during the last two financial years.
- On the date of application requesting for allotment of land, the Animation, Visual effects, Gaming & Comics Company shall have 100 employees on its payrolls.

The conditions for fulfillment of obligations upon allotment of appropriate extent of land in Tier-II city to Animation, Visual effects, Gaming & Comics company are:

- I. Fulfillment of an employment obligation of employing 100 Animation, Visual effects, Gaming & Comics professionals per one acre of land allotted
- ii. Construction of 15,000 sft. office space in one acre of land allotted
- iii. 3 years for completion of the project and fulfillment of obligations mentioned at (i) and (ii) above from the date of taking over possession of the allotted land velopment initiatives will be executed through TASK.



Provision of Talent Pool

(i) Setting up of Animation, Visual effects, Gaming & Comics Academy

- Government of Telangana in association with stakeholders shall set up a world-class and first of its kind in the country Animation, Visual effects, Gaming & Comics 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 Telangana Animation Industry. The Academy would be set up with active involvement and association of reputed Animation, Visual effects, Gaming & Comics Industry leaders, to maintain the balance between theoretical and practical knowledge in the field of Animation, Visual effects, Gaming & Comics areas.
- The Government shall encourage establishing Colleges/institutes/Academy (Government registered Colleges) and universities for long term education in Creativity, Film, Content, Digital, Animation, VFX, Gaming, performing arts, IT & Design and introducing Degree and Diploma Certifications.
- By forming a panel of experts from the industry for designing vocational courses in various disciplines of AVGC.
- Encouraging Public-Private Partnership to set up Universities, Colleges, Education institutes, Colleges / Academies.
- Giving due and equal weightage for creative and artistic subjects viz. acting, painting, photography, sculpturing, drawing, mimicry, sound recording, camera handling, dancing, singing, theater and all forms of performing arts in State High School and Junior College syllabus for making the foundation strong. Awareness campaigns in schools and colleges about employment opportunities. Government through TASK will work closely with the Education Department in this respect.
- Introducing AVGC as a subject in all fine arts courses in Degree colleges and University programs.
- AVGC to be introduced as a stream in ITI Curriculum & Skills programme.
- Government shall facilitate in drawing Industry experts to dedicate two hours weekly mandatory teaching at AVGC education institutes.
- Government shall set up Digital Content Commission and Media and Entertainment Skill development council MSDC which will work towards development of skills required for Animation, Visual effects, Gaming & Comics Industry.
- Constitution of a Committee for drafting IP Protection and Consumer Privacy Act.
- All the aforesaid Skill development initiatives will be executed through TASK.

(ii) Training & Placement through TASK

Telangana Academy for Skill and Knowledge - TASK 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. TASK programme brings the ICT Industry, Academia, and the Government, together to make the graduating students industry-ready.

The Government shall ensure that through TASK, the requisite talent pool for Animation & Gaming Industry (industry ready), is available through imparting hands-on experience in communication skills and domain knowledge and through provision of campus placements. Apprenticeship for students graduating in AVGC segment shall also be facilitated. Through TASK, Government will also conduct programs such as "Train the Trainer."

(iii) Dedicated Incubator for AVCGI

In its effort to further enhance the start-up ecosystem in the state, Government of Telangana in association with STPI has created an Incubation Center dedicated for AVCGI start-ups and early stage companies.

In addition, Government of Telangana shall create a suitable Venture Capital Funding mechanism in association with stakeholders to extend appropriate seed capital assistance to first generation entrepreneurs, start ups, Small & Medium Enterprises engaged in the Animation, Visual effects, Gaming & Comics sector.

(iv) Awareness Creation

For creating public awareness and promoting Animation, Visual effects, Gaming & Comics industry, Government will conduct state-of-the-art national / international scale events, conference & exhibitions on annual basis. Further, it will also support & participate in national / international conferences and exhibitions conducted by industry to promote this sector. This initiative will help in showcasing local industry about the products & services and also help in attracting investments in AVGC sector.

(v) Promote Local Content Creation through Reservation of Airtime

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



(vi) Fiscal Incentives

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

Capital investment subsidy: 25% Capital investment subsidy limited to INR 25 Lakhs for fresh investments made post declaration of the said policy. This is a one-time subsidy for an investment of above INR 5 Crore and creating new employment of 50 employees and above (subject to the company being in operation for the last two financial years).

Reimbursement of production cost: 20% cash back of the project cost if 80% of the production cost of that project is incurred in Telangana by using Telangana talent. This incentive is applicable to animation companies that have produced Animation Films (90 minutes & above) - "Animation Theatrical Released film." The total reimbursement will be up to a maximum of INR 10 lakhs per film for one company, per annum, if produced on their own and marketed in their brand name. The allowable production costs are manpower cost, materials & print and professional services.

Reimbursement of production cost: 20% cash back of the project cost if 80% of the production cost of that project is incurred in Telangana by using Telangana talent. This incentive is applicable to animation companies that have produced Animation Cartoon Series (25 episodes & above) for TV and telecast on TV channel. The total reimbursement will be up to a maximum of INR 5 lakhs per series for one company per annum if produced on their own and marketed in their brand name. The allowable production costs are manpower cost, materials & print and professional services.

Reimbursement of GAME production cost: 20% cash back of the project cost if 80% of the production cost of that project is incurred in Telangana by using Telangana talent. This incentive is applicable to GAMING companies which has developed online, mobile, console Game. The total reimbursement will be up to a maximum of INR 5 lakhs per Game for one company per annum if produced on their own and marketed in their brand name. The allowable production costs are manpower cost, materials & print and professional services. Units /companies to be eligible for said incentives should showcase 2 lakhs collective downloads on IOS, Google Play or windows or the Game should be award winning /nominated at National / International reputed Gaming Conclaves.

Subsidy on lease rentals: 25% subsidy on lease rentals up to INR 5 lakhs per annum (maximum) up to a period of three years, for built up office space of up to 25,000 sft. leased by Animation, Visual effects, Gaming & Comics companies. Eligibility as per operational guidelines.

Reimbursement of duties: 100% reimbursement of stamp duty, transfer duty and registration fee paid by Animation, Visual effects, Gaming & Comics companies on sale / lease deeds on the first transaction. This incentive is available for Mega Projects also. This incentive is not available in case Government land is allotted.

Reimbursement of levies: 50% reimbursement of stamp duty, transfer duty and registration fee paid by Animation, Visual effects, Gaming & Comics companies on sale / lease deeds on the second transaction. This incentive is available for Mega Projects also. This incentive is not available in case Government land is allotted.

Power category: Admissibility of Industrial Power category tariff for Animation, Visual effects, Gaming & Comics Companies. This incentive is eligible for Mega Projects.

Additionally, AVCGI company will be permitted to avail renewable energy under open access system after paying a nominal fixed cost component to DISCOMs as fixed by ERC, subject to a maximum of one third of their total power requirements.

*** Power Category Conversion and Open Access system is also available to Training Institutions, Academies, Universities subject to condition that such College, University, Institutes Academies are dedicated Training facilities which are focused on imparting short and long term courses in AVGC Sector (such training institute should be certified by TASK or accredited / affiliated Colleges or Training Institutes by JNAFAU / HCU / JNTU / OU and other universities in Telangana to avail the said benefit).*

Recruitment assistance: INR 15 Lakhs as recruitment assistance for employing a minimum of 100 employees within two years of commencement of commercial operations payable on telescopic method @ INR 7.5 lakhs in the 1st one year for employing 50 employees and the balance of INR 7.5 lakhs in the 2nd year for employing 50 more employees. For the purpose of calculation, 50% of the employees recruited should be of Telangana origin.

Entertainment Tax exemption: Full-fledged Animation VFX Theater film produced and released in Telangana will be entitled for Entertainment Tax exemption. This incentive is available for Mega Projects also.

Reimbursement of quality certification costs: Reimbursement of 20% of expenditure incurred for obtaining quality certification such as ISO, Indian & International Patent, Conformity European (CE), China, Compulsory Certificate (CCC) and industry specific certifications as per AVGC Standards as recommended by AVCGI Industry Association / CCAGI. Reimbursement will be limited to a maximum of INR 4 lakhs.

Reimbursement of exhibition rentals: 50% exhibition stall rental cost limited to 9 sq.mts. of space and delegate registration charges at conferences / exhibitions will be reimbursed for participating in the notified national / international exhibitions specifically for Animation, Visual effects, Gaming & Comics conferences and exhibitions. This incentive is up to a maximum amount of INR 5 Lakhs per annum for participation in single or multiple event.

Reimbursement of Internet Bandwidth charges: Up to INR 2 Lakhs per annum for a period of three years (multiple locations within Telangana under single company name) will be reimbursed. The reimbursement is based on actual usage of Internet connectivity charges paid to an Internet Service Provider (ISP).

Mega Project incentives: Special incentives and Subsidies package will be worked out for Mega Projects and projects of strategic importance.

(vii) Fiscal Incentives for SC/ST and Women Entrepreneurs

Capital investment subsidy: 25% Capital investment subsidy limited to INR 35 Lakhs for fresh investments made post declaration of the said policy. This is a one-time subsidy for an Investment above INR 5 Crores and to create new employment of 50 employees and above (subject to company being in operation for last two financial years).

Reimbursement of production cost for Animation Theatrical Released film: 40% cash back of the project cost if 80% of the production cost of that project is incurred in Telangana by using Telangana talent, as compared to the incentive mentioned in the above section. The other conditions remain the same. This incentive is limited to a maximum of INR 15 Lakhs per film company per annum.

Reimbursement of production cost for animation series: 40% cash back of the project cost if 80% of the production cost of that project is incurred in Telangana by using Telangana talent, as compared to the incentive mentioned in the above section. The other conditions remain the same. This incentive is limited to INR 10 Lakhs per series per company per annum.

Reimbursement of GAME production cost: 40% cash back of the project cost if 80% of the production cost of that project is incurred in Telangana by using Telangana talent, as compared to the incentive mentioned in the above section. The other conditions remain the same. This incentive is limited to INR 10 Lakhs per game per company per annum.

Subsidy on lease rentals: 50% subsidy on lease rentals up to INR 8 lakhs per annum maximum, up to a period of three years for built up office space of up to 25,000 sft. leased by Animation, Visual effects, Gaming & Comics companies. Eligibility as per operational guidelines.

Reimbursement of duties: 100% reimbursement of stamp duty, transfer duty and registration fee paid by Animation, Visual effects, Gaming & Comics companies on sale / lease deeds on the first transaction. This incentive is available for Mega Projects also. This incentive is not available in case Government land is allotted.

Reimbursement of levies: 75% reimbursement of stamp duty, transfer duty and registration fee paid by Animation, Visual effects, Gaming & Comics companies on sale / lease deeds on the 2nd transaction. This incentive is available for Mega Projects also. This incentive is not available in case Government land is allotted.

Industrial Power category: Admissibility of Industrial Power category tariff for Animation, Visual effects, Gaming & Comics Companies. This incentive is eligible for Mega Projects also.

Additionally, AVCGI companies will be permitted to avail renewable energy under open access system after paying a nominal fixed cost component to DISCOMs as fixed by ERC, subject to a maximum of one third of their total power requirements.

Recruitment assistance: INR 15 Lakhs as recruitment assistance for employing minimum of 100 employees within two years of commencement of commercial operations payable on telescopic method @ INR 7.5 lakhs in the 1st one year for employing 50 employees and balance of INR 7.5 lakhs in the 2nd year for employing 50 more employees. For the purpose of calculation, 50% of the employees recruited should be of Telangana origin.

Entertainment Tax Exemption: Full-fledged Animation VFX Theater film produced and released in Telangana will be entitled for Entertainment Tax exemption. This incentive is available for Mega Projects also.

Quality certification expenditure: Reimbursement of 40% of expenditure incurred for obtaining quality certifications such as ISO, Indian & International Patents and industry specific certifications as per AVGC Standards as recommended by AVCGI Industry Association / CCAGI. Reimbursement will be limited to a maximum of INR 5 lakhs.

Exhibition rentals: 100% exhibition stall rental cost limited to 9 sq.mts. of space and delegate registration charges at conferences / exhibitions will be reimbursed for participating in the notified National / International exhibitions specifically for Animation, Visual effects, Gaming & Comics Conferences and Exhibitions. This incentive is up to a maximum amount of INR 10 Lakhs per annum for participation in single or multiple event.

Internet bandwidth charges: Reimbursement of Internet Bandwidth charges up to INR 3 Lakhs per annum for a period of three years, as compared to INR 2 Lakhs mentioned in the above section.





(viii) Other facilitations

Animation, Visual effects, Gaming & Comics companies / units registered as per ROC are eligible for the following general incentives. Automatically applicable:

- Animation, Visual effects, Gaming & Comics companies are exempt from the purview of the statutory power cuts.
- Animation, Visual effects, Gaming & Comics companies are exempt from the purview of the Pollution Control Act, except in respect of power generation sets.
- Animation, Visual effects, Gaming & Comics companies are exempt from inspections under the following Acts and the Rules framed thereunder, barring inspections arising out of specific complaints. The units are permitted to file self-certificates, in the prescribed formats.
 - The Factories Act, 1948
 - The Shops & Establishments Act, 1988
 - The Contract Labour (Regulation & Abolition) Act, 1970
 - The Payment of Wages Act, 1936
 - The Minimum Wages Act, 1948
 - The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
- General permission for three shift operations with women working in the night for Animation, Visual effects, Gaming & Comics companies subject to compliance of safety and security norms prescribed by State Police Dept. with regard to women's safety.
- Animation, Visual effects, Gaming & Comics companies are declared as essential services under Essential Services Maintenance Act.

Consultative Committee on Animation & Gaming Industry (CCAGI)

Constitution of Consultative Committee on Animation & Gaming Industry (CCAGI) will be formed which will be a Joint Committee with representatives from the Government and Animation, Visual effects, Gaming & Comics Industry for administering the incentives and disbursement of Incentives and Subsidies to Animation, Visual effects, Gaming & Comics industry. Such applications shall be placed before the CCAGI for its consideration.

The State Government shall make every effort in sustaining the existing Industry and strive towards attracting reputed Animation, Visual effects, Gaming & Comics companies and Training Academies / Universities of international repute.

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

The Telangana IMAGE Policy 2016 shall be in force from the date of issue of the Government Orders.

-Secretary to Government



Jayesh Ranjan IAS
Secretary to Government

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