DQ Entertainment:

Header: Toon magic
Intro: This one’s not complaining. It is proud to be Indian and it shows.
DQ Entertainment firmly believes that India has all the makings of an animation superpower

Animation is global US$ 50 billion industry. However, India, despite having a robust entertainment industry, does not produce too many animation films. Again while animation work is highly labour intensive with a tremendous potential for outsourcing, India is not an outsourcing destination. South Korea, Taiwan, Philippines and Eastern Europe figure high up on the list of such destinations, thanks in no small measure to government apathy. India has it all – talent, low costs and management. If the government gets its act together, India could be up there – a major animation player.
Cut to DQ, which has made a success of its animation initiatives. Goes to prove that if the management is right – with vision and execution capabilities – an animation company can certainly succeed. Tapas Chakravarti, MD and CEO, Dataquest, brushes aside all doubts about animation skills in India. He says that it is management inadequacy and not absence of animation skills that has led to failures in the animation sector. He says the excuses about lack of quality and efficiency in Indian animators are just that - excuses to cover up the inability to manage people and projects. Indian animators produce animation that is comparable to the best in the world. Even on efficiency levels Indian animators can hold their own against the animation centres around the globe. For instance, Indian animators are as efficient as animators in Philippines. Koreans are more efficient though – the efficiency levels of Indian animators may be around 70% of that of Koreans. However, Indian salaries are 1/8th to 1/10th of South Korea.

Tapas Chakravarti, with a background in project consultancy and multimedia, got into animation only in 2000. He got backing from lots of venture capitalist (VC) organisations – iLabs, Templeton, ILFS and IFC. Small amounts to start with. Adequate funds came much later. Turns out that VCs backed the right horse. Dataquest has grown since then and has 1,200 employees – 1,000 in Hyderabad and 200 in Manila.

Animation offers a business model that is far superior to other kinds of business process outsourcing. While other BPOs restrict themselves to just being service providers, animation offers co-ownership of animation. Indeed,
it is possible for an animation company to start as a service provider and later graduate to a production house into licensing and distribution. The investment is mostly in the form of sweat equity. Animation work is usually outsourced from production houses overseas. These production houses outline the concept, script, story and character on paper. Dataquest takes it from there and does the remaining work – character modeling, background, layout, complete animation, colouring and editing into broadcast quality and loading onto DIGI Betatapes. Animation as an industry has taken off only in the last 15 years. Earlier you had just a few animation companies like Walt Disney, Warner Brothers, Columbia and Fox Air. The subsequent animation boom has meant that there are more than 4,000 animation companies. Again, the increase in volumes of work has meant that work has started to get outsourced to Asia from the late 80s.

While other animation companies often complain about the inefficient Indian work force, Tapas Chakravarti carries the Indian tricolour with great pride. He says that even though the company is just two years old, it has already surpassed Philippines in animation is already catching up with South Korea. He also gives the comparison of productivity levels for equal quality production. A single animator in South Korea would manage 50 feet of animation per week for a complex Disney show kind of animation while the Indian animator manages a comparable 30 feet per week. While the animator in South Korea might manage 70 feet/week on cartoon style network kind of a movie, the Indian animator might manage 50 feet/week. But you need to pay a huge salary to the South Korean animator – at least US$ 2000 - 3000 per month. However, you can hire a Indian animator for US$ 200 - 300 per month – almost 1/10th the cost.

However, it is to the credit of Dataquest that it has managed to maintain a high quality of workforce. While other animation companies are always complaining about the discontinuous nature of work and prefer contract type employment – Dataquest has gone out of its way to offer security to employees. This has meant that attrition rates are just 0.3 %. Indeed, the HR team goes out of its way to keep employees happy. For instance, during the Cricket World Cup, Dataquest hired movie halls during semifinals and finals to show the live telecast on movie-sized screens. Dataquest hires fine arts graduates and trains them for almost four months. It also offers ESOPs to senior management.

An interesting lesson from Dataquest – and Dataquest is not unique – is how a company with little or no animation expertise quickly builds animation
expertise to deliver global quality animation services. Many other BPO firms have done this – in call centre, medical transcription, back office processing and so on. However, the challenge to build delivery capabilities in animation could prove to be slightly steeper. And Dataquest chose the shortest route – if you don’t have expertise, buy it. Dataquest hired top-notch animation industry veterans from all over the world to help set its animation delivery units in India. These globally recognised animation maestros handheld Dataquest to the level where it could match the best animation company in the world in terms of quality and efficiency.

One of the key strengths of Dataquest is marketing. Tapas Chakravarti comes across as a person with strong people skills. Pratik Basu, formerly CEO of Buenos Vistas – the Walt Disney initiative in India, is also on the team. Richard Lewis, another animation industry veteran, manages the North American marketing effort. About 50% of Dataquest business comes from Europe, another 40% from Canada. Surprisingly the US, the animation major, just accounts for 10% of the business. Why so? It is very difficult to please American bosses. They have their own idea of time frames and schedules and matching it is a task.

Dataquest has also ventured into licensing and distribution. It acquires content rights from animation majors across the world and distributes it in India and Asia. However, Mr Chakravarti is very clear that this won’t prove to be a distraction from the main line of business – producing animation for overseas companies. At no point in time would revenues from licensing and distribution exceed 30% of total revenues. More than 70% of revenues would always come from animation.

Mr Chakravarti complains of lack of government support to the animation industry. He says that the animation business in India is less than $ 50 million. But there is no reason why the animation industry should not scale to $ 1 billion in a short time. However, the industry currently employs only 3,000 people. This could scale up to 10,000 people with government support.

Firstly, the government must set up animation schools. Just as the government has set up institutes for technology, medicine, business, fashion, the government needs to set up institutes for training animation professionals. And pretty fast at that. Next, NFDC must provide financial support to the animation industry. Last, but not the least, the government must sign a co-production treaty with the governments of UK and Canada. This might entail investments from the government, but once such treaties are signed, animation work will start flooding into India.
Startup Year: 2000
Area of Operation: Animation
Location: Hyderabad
MD and CEO: Tapaas Chakravarti
Funding: iLabs, Templeton, ILFS, IFC
Approximate Headcount: 1200
Approximate Revenues: N.A