



Crest Animation Studios CEO AK Madhavan

"Crest would like to be positioned as one of the top 5 digital production studios in the global animation space"

If its animation for Jakers got Crest into the international limelight, the squash and stretch in the 3D animated Pet Aliens has taken the studio to an altogether new height.

Crest, which has been an undisputed leader in the Indian animation scene for quite a while now, is today held as one of the leading digital animation studios in the world.

What has been Crest's recipe for success? How has it managed to cope with the adverse winds that have torn the sails of many an Indian animation studio? What are its future plans?

Animation Express Anand Gurnani recently met up with **Crest Animation Studios CEO A K Madhavan**.

Here are excerpts from the interview

What's the latest projects at Crest?

The final deliveries for *Pet Aliens* are completing this month. We have also moved into a couple of DVD productions and started delivering on them. The brands that we are working on now are properties which have been in the American market space as animated properties, be it as toys or as merchandise or as television series for the past 25 - 30years. Besides the DVDs, we are also working on another TV series around one of the fastest moving toys in America and Canada. That's a significant achievement for India and for Crest; however we would wait for them to make the first announcements.

From Crest Communication to Crest Animation, the strategy of becoming a pure play animation studio seems to have paid off well for Crest. Could you provide us an insight into how things were 3-4 years ago and how they are now?

A few years ago Crest communication was into all forms of businesses, we were into post production, we were into producing TV Commercials, we were into providing services to networks and channels out here and so on and so forth.

The decision to change name to Crest Animation was driven by the markets. We took a strategic decision 3-

4 years ago to move away from the India business and focus primarily on the animation space. Even within animation, though we had core competence in traditional animation which is 2D, Crest chose to occupy a position in the 3D space. The business was getting more focused; very strategic to the mainstream markets and the business was animation.

The reason I say that the change of name was driven by the markets is because previously as Crest Communication we used to get a lot of telecom related enquiries from European countries and Japan because they thought we were in the telecom business. Or even when I would make a cold call with a studio in the United States, Crest Communications did not represent the business that I was into, then one had to explain and so on and so forth.

Meanwhile Crest as a brand was slowly getting noticed in the United States, the studios know us, the broadcasters know us, our shows are running in 150 countries.

But since my target market was animation, Crest Animation was a very natural progression. It certainly has paid off. 3-4 years ago if we would have made the name as Crest Animation, I would have been greeted with cynical smiles, because then nobody had seen any significant animation coming out of India. Today Crest Animation by itself has been slowly getting a brand positioning in the mainstream markets.

It's been very well accepted, recognition is happening, 3-4 years ago there were barriers in terms of talent pool, deliveries were not happening, infrastructure didn't exist, a pipeline didn't exist. Today there are lots of International studios coming into India, checking out studios, whether it is Crest or other digital production houses which are setting up or have set up. The key issue that they look into is the pipeline, both in terms of the skill sets and infrastructure in terms of technology.



A still from *Bratz*
◆ MGA Entertainment

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3-4 years ago we didn't have a pipeline. Today we have a pipeline because in the last 3 years we have delivered in excess of maybe 80-90 half hours of high quality 3D CGI animation stuff. 40 episodes of *Jakers*, 26 episodes of *Pet Aliens*, 10 DVDS of *Ten Commandments* and so on. Crest has delivered volumes without even the Indian markets knowing. It's been good and certainly has paid off, we have moved, we have set up pipelines, we have been consistent in our deliveries maintaining high quality, we have ramped up and grown, we started with 6-7 animators when we began the business, today we are close to 350 animators. We have the strength of scalability.

Production, CO Production and IP Creation. What do these terms mean to Crest as its position rises in the global animation scenario?

In terms of a business model, there isn't longevity when it comes to doing only work for hire or only being a production house for some other studio, most studios aspire to move up the value chain. Because the business is very capital intensive, most of us are under pressure to maintain the challenges to constantly keep production going. In the process one misses out on the opportunities of co owning or building IPR.

But when Crest began the business we were very clear in our business model, where we said we will not remain as a permanent work for hire studio, we would go into the co production space. The first thing however was to prove deliveries and the pipeline and acceptability factor that the United States market would accept our deliveries in terms of qualities.

So once we established the credibility we moved into the co production space and *Pet Aliens* is a fine co production story, where we have actually done a co production. In the international scenario, co Productions involve multiple partners. We are one of the partners in the business and have part of the rights across mediums, platforms and geographical territories. Since that model has been very successful in terms of deliveries and the product is doing very well in the market space, we would continue pursuing & doing multiple co productions.

"We have moved from production, we have delivered 80-90 half hours, we have moved into co production, delivered co production and we are moving into the IPR space. Certainly it is an ambitious drive of the company to zero in the possibility of IPR"

More importantly when we began the animation business, we also looked at this particular model and said if we were to move to co production and owning IP, we need to own a studio that understands the sensibilities of the market and we acquired Rich Animation. The whole purpose and objective of acquiring Rich Animation was that they understand the sensibilities, they understand the markets, and they have been executive producers for feature animation films. Mr. Richard Rich has delivered more than 6 animated features, more than 65 direct to home videos and so on in the last 16-17 years of the existence of Rich Animation.

So if you want to create your own IP, you can't create characters out of India with a world market sensibility. It can create characters of Indian origin, but it has to have touch and feel or design and look of what would be accepted by the world market in the animation space.

We have moved from production, we have delivered 80-90 half hours, we have moved into co production, delivered co production and we are moving into the IPR space. Certainly it is an ambitious drive of the company to zero in the possibility of IPR.

Work has begun, we have identified a couple of virtual properties of ours, we would try our best to get to build our own property. The challenge is going to be doing it this financial year (April'05 to March 06) in terms of announcing and moving into the space of building our own content, our own product which will be marketed by one of the distribution houses in the United States. We are getting there, talks are going on. I am hopeful of surprising the market in terms of doing it this year. But if we fail to announce it this year, it will be more out of perspective of commercial viability rather than, we stopping our own movement into that space. So if we don't announce it this year we certainly will do so early next year.

The challenge is lying in closing a viable commercial deal produced entirely between our subsidiary and ourselves which is Rich Crest animation. We would have our own IP. There are enough investments in this space and we are moving into the right direction. So in terms of the model that we are in, we are into all 3, production, co production and building our own IP.

When it comes to positioning in the global scenario in the animation space, Crest would like to be positioned as one of the top 5 global digital production studios in the animation space. That's the challenge that we are working towards over the next few years.

Crest has an outstanding partnership with Mike Young Productions, could you elaborate on it? What future projects are you planning with MYP?

Yes! I think we have an extremely outstanding relationship with Mike Young Productions, I think I would not hesitate even if you wake me up in middle of the night to recognize and give all credit to Mike Young as an

individual and as a company because he certainly took a huge risk in outsourcing an entire series for the first time to India which till then had never delivered a series.



A still from Jakers The Adventures of Piggly Winks
◆ Entara & Mike Young Productions

"We have an extremely outstanding relationship with Mike Young Productions and we have our gratitude carved in stone"

I think all credit in terms of risk taking ability goes to Mike Young. He had extreme confidence and trust in us and on the first project called *Jakers! The adventures of Piggly Winks*, I think there was tremendous support and hand holding from Mike Young Productions. We have our gratitude carved in stone. I think he is an extremely wonderful person; he is the only guy who based on the work being done for the 40 half hours of Piggly Winks contracted other Indian studios with work even before we had completed the final deliveries.

Let me say this on record that I am grateful to him. He has trusted us on multiple projects and we have done 3 different shows with him so far and we have also had extensive support from his partners Bill Shultz and Liz Young.

We have done wonderful shows and I am sure they would be glad to validate that we have been true partners in the businesses that we have built in the 3D CGI space and they would vouch to continue in this relationship. MYP, I would say is probably the largest supplier of 3D CGI content for television in the United States, he would certainly do more shows and I am sure whilst he is looking at other studios he would certainly continue working with Crest.

There are several projects that we were planning with MYP but they would probably get into motion in the first quarter (June '05).

What role does Rich Crest Animation play in Crest's future plans?

In terms of Rich Crest Animation's role in our future plans, that is a company strategically bought for the particular objective and purpose of building IPR and it will play a significant role because IPR recognitions do not happen in India for an animated product so we would obviously ride on the subsidiary we have in the US. We compliment each other, the pre production work, designs, post production happens in our LA office at Rich Crest and all the production happens out here. There are a couple of projects on which we are working together and the values are going to be huge in this relationship. When we are creating our own IPR, all the pre and post would happen in LA, that is a very important component of your productive process. Richard rich is an extremely creative guy and his contribution is going to be significant in our role play. Rich crest animation, due to its ability and unique positioning is also placed well to participate in co production deals.

The squash and stretch in the 3D animated Pet Aliens has got a lot of rave reviews. What were the challenges that the studio faced in Pet Aliens and how did you meet them?

Squash and stretch has never been attempted big time in the 3D space. It's been a very traditional animation technique and the challenge was certainly to achieve that in 3D and I think from a television perspective, as far as my knowledge goes, its been attempted for the first time by Mike Young Productions and Crest Animation Studios.

There is nobody that I can recall, who until *Pet Aliens* began used the technique for a 3d television series. Its a fairly exciting technique for the 3D space and we have very successfully implemented it. We have got numerous accolades and applause for achieving it in the television space.

Of course in the theatrical space, *Incredibles* has a lot of stretch and squash techniques, but those budgets were huge, but for the kind of budgets we are working on Television, there has been recognition by Industry stalwarts who have recognized and mentioned that Crest has done a wonderful job.

For *Pet Aliens*, we have applied all our 2D learnings and fundamentals to 3D.



A still from *Pet Alien*

◆ Crest/RCA, Mike Young Productions, Telegael, Antefilms

"For *Pet Alien*, we have applied all our 2D learnings and fundamentals to 3D"

Does the talent shortage affect Crest as badly as it does other Indian studios? Are there any plans for training?

There is talent shortage and it will continue to be a challenge that we face. There is a shortage of a creative talent pool who understand animation as a technique and as a product, just knowing art or drawing is not enough especially when you are getting into CG animation. It is affecting all studios in India, there is a conscious barrier that we constantly need to keep working on and the only methodology is training.

Its a continuous process and we have our own in house techniques of training, in fact when we decided to exit from traditional animation and go completely into 3D animation, we retained all the 2d animators in the studio and trained them into 3D.

Training is not only required for animation but also modeling, lighting, texturing, compositing and so forth. It is a continuous process and Crest doesn't leave any stone unturned when it comes to quality training.

Please provide an overview of the global animation market? What are the key drivers for growth?

In terms of overall view of the global animation market, there are statements made by the industry champions that 3D is growing in geometric proportions and so the need for content in 3D is increasing. Lots of old properties are being converted into 3D like *Popeye* which is a 1928 product. 2 of the DVDS that we are working on have been 2D products for the last 25 years and are now being done in 3D.

If you walk into a shopping mall in the United States the shelf space is getting occupied by an increasing number of 3D content, the overall market is moving towards 3D. Not that 2D animation will ever die, traditional animation is cute, traditional animation is challenging, but right now the market demand is for 3D content and that's where the global market is headed, be it in Television, DVD or Features. For eg. over the last couple of years you must have seen more 3D theatricals like *Finding Nemo*, *Shrek*, *Monsters Inc*, *The Polar Express* and *The Incredibles* etc.

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If you look at IT or Telecom, one has to be abreast with the latest technology and its application. The creative challenges are getting increasingly exciting, for eg if you see the road map from *Toy Story* to *The Incredibles* or from *Bugs Life* to *Shrek*, you have to keep pace in delivering and one has to keep raising the bar and keep up the pace both creatively and in technology.

The global market size is estimated to be in Billions of Dollars, Which segments contribute to the total market and where is the growth? What sort of a consumption and where adds up to the Billions?

Television, DVD, Box Office, Games, Playstations, XBoxes, you are getting into next generation games which are increasingly realistic and real time.

Animation in Gaming is getting increasingly complex and challenging and pricier, at one point of time the gaming industry probably would have a component of software and code much more than component of animation as the cost of the product, but today it is reversed, it is high complex 3dimensional animation happening there and the costs of animation are getting significantly more than the cost of software and code.

Next Generation gaming industry is heading towards that. The applications are across platforms, Television, DVD, Theatricals and games.

There is a need to keep abreast of technology in meeting the challenge of creative deliverables and there are constraints, keeping in mind the capital intensive nature of the business. That's a need though and not a deterrent for growth, because the returns are huge and vulgar. One only has to glance at the theatrical returns and the gaming returns and it is there for everyone to see.

It is not only out of the box office but also from the other ancillaries like DVDs, Games, Toys, Licensing and Merchandise. Gaming is growing at a much faster pace, so if you have the core competencies in animation, and gaming skillsets you are getting into a big area.

3 -4 years prior DVD wasn't as huge a segment that it is today. Technology is advancing at blazing speeds and the content demand changes as newer platforms emerge? What do you foresee for the future?

It's completely driven by the market, from the introduction stage to the growth stage, the DVD markets look set to grow for another couple of years. Look at Mobile Gaming which has suddenly become big, again it requires similar skill sets, the complexities of animation might be different but a new market opens up.

So today mobile gaming is a buzz word amongst all gaming companies, because you have a readymade user base of mobile users. Millions are using the mobile, connectivity is across hundreds of countries, remotest of villages, children everyone is using it.

Suddenly the need for content for the Mobile game is increasing, technology is growing at such a fast pace, it is providing additional values for the same price. 3 years ago we didn't have the cameras and color screens, today countries like UK and Japan have video mobile phones, where you can actually see the person you are talking to on the mobile phone.

There is going to be content requirement for all kinds of platforms.

Is your scaling up to 350 enabled by the downsizing of a few big Indian studios?

I don't think that the scaling up has been because of the competition downsizing, it has been more from the perspective of the contracts that we have been bagging. I don't think any studio has either enabled or disabled us in our growth. Competition will continue to exist, it will always be there, that does not necessarily mean that it is from within India, competition is also from other countries like China and Korea.

Would you be open to recruit from overseas?

Scalability is not only from the perspective of the number of people or machines, it is also about your profits and margins and your values and the product lines that you are getting into. How are you moving up the value chain, volumes and value of your deliveries.

For e.g. if you look at Pixar it is a one product company, they make only features and make tones of money. Can Pixar produce 5 movies a year? The answer is yes. Do they want to do it? I don't know.

What I am saying is from a scalability perspective I am not going to be 3,000 people or 4,000 people; there are studios that have made announcements for that kind of stuff. The important thing is, do I have the resource and talent within India, If I don't and If I am moving up the value chain and if I need the resource which fills the gap, if the product I am working on calls for it and we don't have the talent then yes, I will contract the job to the neighboring Asian countries or probably Europe or even US. The product has to demand the certain kind of skill sets.

I am a bit averse to taking up people from other countries, but only if we can't deliver or if we don't have the skill sets, I would certainly look into that direction.

Are you looking at developing IPRs for the Indian market too?

I would love to play a role in developing the local content market in India, Crest did put in monies and develop *Tenali Raman* which also won an award last year. We need tremendous support; there are cost barriers, In the cost for producing an half hour episode you would probably get a years content of live action.

You need support in terms of government perspective, subsidies, investments, for developing the talent pool out here. Look at Japan, huge local market, huge local consumption of animation. Techniques and styles like anime have emerged out of it.

India is slowly moving towards it but it has a very small urban market, but for the momentum to pick up, you have to get into mass scale pumping in of content and there is a cost element if you are doing that kind of volumes. But then I am sure 20 more animation studios will spring up to fill up the content base.

There are initiatives, there are studios producing local content out of India, but they are not being encouraged enough, it's a very costly process and the return on that product is not seen by marketers. Advertising revenues have to drive it, or the corporate sector has to drive it or sponsorships have to drive it. It will happen slowly, I think networks like Cartoon Network are pushing in Indian content and I am sure once Disney gets into top gear in India they will be showcasing a lot of Indian content, I am supportive of it but cannot singularly push it.

What about VFX? Are you looking at catering to the International markets in VFX too?

Crest used to do a lot of VFX, we have done very pioneering VFX for commercials and feature films and Television. In India there are SFX Initiatives being taken by a lot of studios. Answering your question, yes we want to get into very serious VFX and SFX very soon because that's a market for which we have developed skill sets at Crest. There are people who have been working here for more than 10 years who come from that kind of a background, but we didn't grow this business for a simple reason that we wanted take a position for one category and the easiest was 3D animation.

The monies spent for VFX for a live action feature film are huge, (Hollywood A category) and the core skills for their needs do not exist out here in India. We don't have the aptitude in terms of knowledge base, not that we can't do it but the risk is very huge. Again when it comes to VFX, large studios have not downloaded work to the overseas markets, they prefer to do it themselves. In animation, Disney has been outsourcing 2D animation work to the Asian countries for decades, but at the same time, If Disney does a live action feature full of special effects it will not outsource the VFX work. It will get it done in the United States, because the FX is part of the excitement of the movie. B & C category Hollywood movies have started coming in, lot of small studios doing lot of wire removals, wrig removals, touch ups and simple composites, there are also foreign companies that have set up shop here.

"When it comes to VFX for the global market, my core skills exist, let somebody get the business into India, let somebody take a leadership position and I will definitely get into that space. So watch out competition, you develop the markets and I will be there."

Crest doesn't want to take a leadership position in terms of developing the market, we let the others develop the market, we will enter because we have the skill sets. Whereas Crest has played a lead role in developing the 3D CGI market. I took a leadership position, I need to build that, I need to grow that, I am answerable to my stakeholders, I need to show profits, I need to turnaround, so I need to first milk what I have invested in. My core skills exist, let somebody get the business into India, let somebody take that position, let somebody occupy that space in VFX, and I will definitely get into that space, so watch out competition, you develop the markets and I will be there.

As a digital animation studio, what is your outlook towards, technology and R&D?

We are using state of the art hardware, for e.g. today all our workstations are 64 bit, my renders and my nodes are all 64 bit architectures, Nakona blades and servers, 4 years ago no one looked at us but today technology companies are chasing us. In terms of switches for networking we are using 10 gig switches which are not being used by any of the animation players here. The proprietary storage that we are using by IBM is huge. That was the hardware part of it.

The software part, we were the first guys to take a lead in doing a show in XSI, When it comes to compositing we are using Apple G5s and Shake which is the same software which has been used for LOTR and all the big Hollywood films, when it comes to rendering, we have written huge proprietary programs and the kind of products that we are delivering to the United States, is all out of the proprietary software and technological developments that we have made here in this studio.

If we see it from a technology perspective, whether it is hardware or software R&D, we don't infuse those kinds of monies we don't spend millions and millions of dollars in R&D budgets, but we are on the right track when it comes to use of technology, we are on par with the best studios in the United States of America.

- Anand Gurnani

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