INDIA'S MEDIA & ENTERTAINMENT SECTOR

EY-FICCI 2022 REPORT

Indian entertainment and media sector set for an explosive growth.

SUMMARY

Television segment grew 5% in 2021

Segment	2019	2020	2021	2022E	2024E
Advertising	320	251	313	344	394
Distribution	468	434	407	415	432
Total	787	685	720	759	826

INR billion (gross of taxes) | EY analysis

- Television advertising grew 25% in 2021, recovering from a 21.5% drop in 2020, just 2% short of 2019 levels
- Ad recovery was volume-driven for most of the year, with an average of 3% rate growth
- Subscription revenue continued to fall for the second year in a row; it experienced a de-growth of 6.2% mainly due to a reduction of six million pay TV homes and a fall in consumer-end ARPUs
- Connected TV sets, however, increased to 10 million
- Time spent on TV fell 8% from 2020 levels and was slightly lower than 2019 levels for Hindi speaking markets
- While television households will continue to grow at 1% till 2025, we expect growth to be driven by connected TVs which could cross 40 million by 2025 and free television which could cross 50 million, thereby stressing the core pay television market
- Subject to implementation of ad caps and regulatory restrictions on pricing, we expect television revenues to grow to INR826 billion by 2024
- We expect the LCO business model to be hybrid: a linear TV wire + a broadband connection for providing efficient content services, broadband connectivity, smart home services and locality/ community services

REACH

Number of television channels reduced marginally to 906

	September 2020	September 2021
FTA	584	558
Pay	327	348
Total	911	906

MIB website; TRAI

- Pay channels increased by 21, while free-to-air (FTA) channels reduced by 26, which reflects a move by broadcasters to build stronger subscription revenue products through bouquets
- 62% of channels were free-to-air as compared to 64% in 2020
- News channels comprised 43% of total channels

The number of distribution platforms remained stable

	December 2020	September 2021
MSO	1,702	1,745
DTH	5	5
HITS	1	1

MIB website

- MSO registrations increased by 3% during 2021 to reach 1,745
- The Indian market is serviced by four pay DTH providers (Dish + VideoconD2H+, Tata Play, Airtel, Sun Direct) and one free DTH provider (FreeDish) as of 2021
- InCable continues to operate the lone HITS service – NXT Digital

There were 164 channels on DD FreeDish in 2021

	Date Channel count
December 2018	80
December 2019	104
December 2020	161
December 2021	164

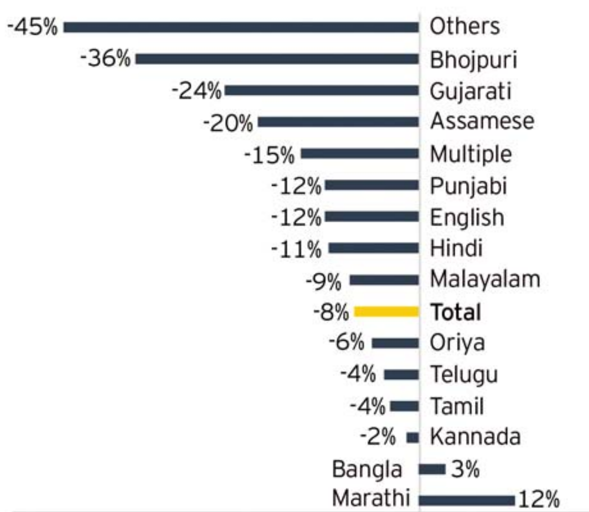
Prasar Bharti

TELEVISION CONSUMPTION

Overall, time spent on TV decreased 8% over 2020

BARC | Sum of weekly AMA (in billion) | Wk1 to Wk52

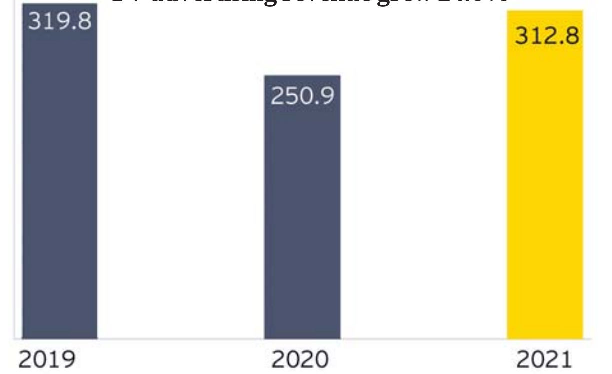
Only two regional languages increased in viewership in 2020



BARC | change in aggregated weekly AMA 2021 vs 2020

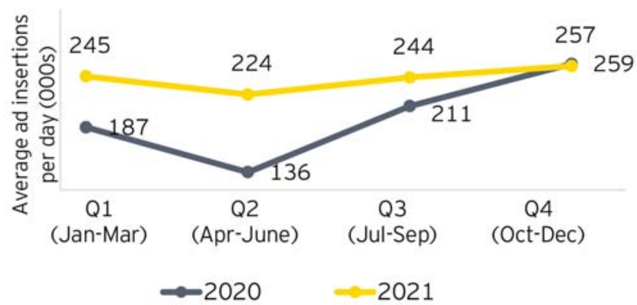
ADVERTISING

TV advertising revenue grew 24.6%



INR billion (gross of taxes) | EY analysis

Ad volumes grew 21% in 2021



TAM AdEX

GEC overtook news to be the largest contributor of ad volumes

		% Share	
Rank	**Genres**	**2020**	**2021**
1	**GEC**	27%	28%
2	**News**	31%	28%
3	**Movies**	23%	21%
4	**Music**	10%	12%
5	**Kids**	3%	3%

TAM AdEX

45 channel genres saw an increase in the number of advertisers

Channel genre	Count of new advertisers
English business news	115
Telugu GEC	104
Tamil GEC	91
Kannada music	87
Telugu religious	78

TAM AdEX

- 8,932 advertisers used television in 2021 as compared to 9,225 in 2020 and 10,105 in 2019, showing a continued decline in advertiser base
- Of these, 4,682 advertisers used only television as a medium for advertising and were not present in print and radio

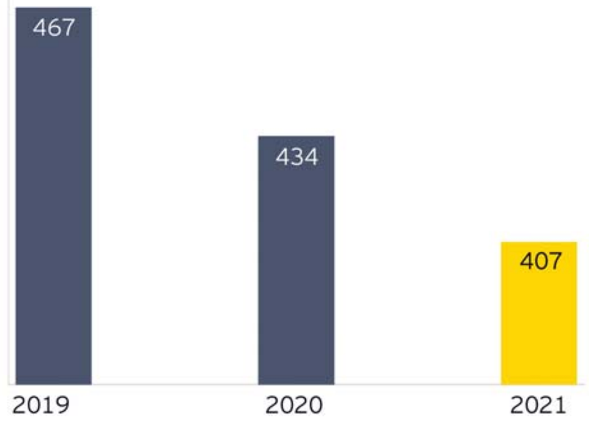
End-customer prices decreased marginally

- End-customer prices declined 1% on an average to reach INR223 net of taxes as compared to INR226 in 2020
- The reduction was on account of DTH subscribers finetuning their packs to eliminate channels that they did not wish to watch
- Industry discussions indicated that cable ARPUs did not decline significantly as most consumers opted for packs created by the MSOs and LCOs with minimal customization
- The impact of implementation of NTO was felt as there was little scope for pack discounting by DPOs

DISTRIBUTION

Distribution income continued to fall in 2021

Television subscription at end customer prices



INR billion (gross of taxes) | EY estimates

Active paid subscriptions reduced by 6 million in 2020

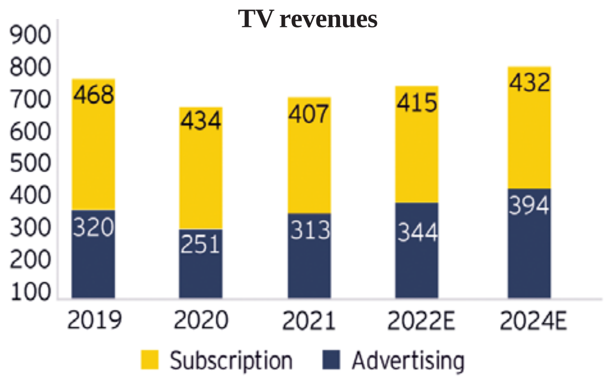
	2020	2021
Cable	72	67
DTH*	56	55
HITS	2	3
Free TV	40	43
Total	171	168

Television subscriptions in millions | Industry discussions, billing reports, TRAI data, EY analysis
* Net of temporarily suspended subscribers

- While HITS and DTH were relatively stable in 2021, cable saw a decline of 5 million homes (7% compared to 2020 numbers)
- The fall in paid subscriptions is attributed to rural subscribers who are churning out and moving to free TV platforms and some number of urban subscribers moving consumption to connected TVs
- In 2021, broadcasters earned revenues from an average of 125 million paid subscriptions, as compared to 131 million reported in 2020

FUTURE OUTLOOK

We expect television revenues to grow to INR826 billion by 2024



INR billion (gross of taxes) | EY estimates

- Expect television advertising to grow at a CAGR of 8% to reach INR394 billion by 2024
- Subscription income will see a marginal 2% CAGR growth to reach INR432 billion by 2024, on account of several conflicting factors
- Television segment revenues are expected to grow at a CAGR of 4-5% to reach INR826 billion by 2024

Television will go mass, and premium

	2021	2025
Pay TV (cable + DTH + HITS)	125	130
Free TV	43	50+
Unidirectional TV	168	180+
Connected TV (bi-directional)	10	40+
Total TV subscriptions	**178**	**220+**

EY estimates | millions of subscriptions

- Pay TV will continue to grow as states like UP, Bihar, Rajasthan and West Bengal get electrified
- However, more new users will enter the Free TV market as FreeDish channel count increases to around 200 by 2022 (from 164 in 202115), providing a low-cost advertising opportunity to marketers
- Growth of unidirectional TV will be far outstripped by the growth of connected TVs, which could reach over 40 million connected sets by 2025, on the back of 46 Indian cities which have a population of over a million each and a total population of 122 million which can be wired-up more easily for broadband as well as telcos partnering with LCOs to drive broadband services
- This means that overall TV connections will keep growing at a healthy pace of over 5% per year to cross 67% of Indian households by 2025

The future will be hybrid

- Over time, as wired broadband is perceived as a utility and enters more Indian homes, the importance of the hybrid set-top box will increase significantly
- Users will be able to get their television content in realtime linear mode through the television connection, while accessing more premium OTT content — and catchup TV content —using their broadband connections
- This will prove to be network efficient, with live content viewed using television infrastructure, thereby reducing the load on broadband networks
- Packaging will also gain importance as linear + OTT packs become the norm; and this revolution will be led not just by the telcos and DPOs, but by ISPs, LCOs and independent start-ups
- Consequently, while a small portion of top-end households will cut the cord completely, we expect the majority to continue with at least one TV and one broadband + OTT bundle for the large screen

The new 2x4 model for LCOs

- With the hybrid model, LCOs will move to a 2x4 business model i.e., two parallel wires connecting a household for TV and broadband respectively, offering four key services to consumers
- The service offerings of the LCO could include:
  - Aggregated content services:
    - Linear TV content
    - OTT content
    - Education/ learning content
  - Broadband connectivity
  - Home services e.g., security, smart home (heating/cooling/ lighting etc.) management, etc.
  - Locality social media, news, online shopping and interactivity

Consumer will be king

The consumer will shape the future of the television segment:

- **Whom to watch?** Audience preferences will determine the actors being cast in content produced, the genres of content, and duration
- **When to watch?** Content will need to be available at the exact time that the viewer would like to watch it. A mix of linear appointment viewing and the option of catch up available online, along with the option of a pure connected-TV-only experience may be explored to match consumption trends
- **Where to watch?** Consumers will also have a say on the platform that they would like to watch their content on. Expect to see platform splits and options for consumers to choose from, along with the potential to get into bundled packs for linear and digital platforms
- **How much to pay?** Current duration-based packs offered by MSOs i.e., daily, monthly, annual, etc., may have to be revisited. With connected TVs on the rise, there may be a need to unbundle content and align prices with actual pieces of content being watched, as well as create multiple windows — premium windows (watch content before any others) to regular windows to economy windows (offer delayed content at a deeply discounted rate for price-conscious consumers)
- **Why to pay?** With increase in broadband connectivity and demand for content, piracy is poised to grow. It will become imperative for content producers to manage controls and data security, as well as offer a seamless experience to paying subscribers to minimize piracy
- **What they think?** Social media interactions will provide significant channels of feedback on content, story, cast, quality. These interactions will also provide IP owners with a monetization opportunity around short video/ shoulder content
- **Why not create/ belong?** Passive viewing will gradually be replaced by consumers who like to participate along with content viewing. This would mean an opportunity for broadcasters and IP owners to build and monetize interactivity applications, contests and AR solutions that would increase consumer engagement

Source: EY-FICCI Report ME Report