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India Will Be World's Biggest Direct-to-Home TV Market by 2012 – (study)

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Mumbai: Indian direct-to-home (DTH) [TV] industry is set to become the largest market in the world by 2012 in terms of subscriber base, according to Media Partners Asia [MPA].

India's subscriber base in 2009 stood at 17 million and will overtake US by 2012, said the report titled "India specific pay-TV and broadband markets 2010".

India's DTH subscriber base is expected to reach 45 million by 2014 and 58 million by 2020.

The report also predicts digital cable to grow to 17 million subscribers by 2014 and 29 million by 2020.

In 2009, 15 per cent of India's pay-TV homes had at least one set-top box. This number will grow to 38 per cent by 2014 and almost 50 per cent by 2020 with HDTV gaining more traction after 2010, driven by DTH satellite networks.

Cable broadband, a key driver of future cable sector profits, will grow from 850,000 homes in 2009 to three million by 2014, MPA said.

Commenting on the report, MPA executive director Vivek Couto said: "Cable MSOs probably face the most challenging future as capital intensity and competitive dynamics are such that the premium placed on funding and execution skills is growing at an alarming rate. Nonetheless, most national MSOs will be able to forge stronger last-mile links with the consumer long-term, with positive implications for future funding as well as large-scale deployment of digital pay-TV and broadband."

MPA is more positive on India's DTH opportunity than previously, especially when anchored to consolidation and improved pricing power with continued growth, Couto added.

"We suspect the DTH market will consolidate from six to four platforms within three to five years, and estimate four will be making money at the EBITDA [Earnings before Interest, Taxes, Depreciation, and Amortization] level by FYE March 2013. Finally, the combination of a strong economy, a larger pay-TV audience and digitization will also boost the market for broadcast groups. Competition will remain intense, as the main theatre of war shifts to regional markets. The major risk to all our growth assumptions is regulation, which continues to commoditize and destroy industry value."

The future of pay-TV in India will be driven by media owners and distributors expanding market share with an eye on profits.

Projections from MPA suggest that Indian pay-TV subscribers will grow from 105 million in 2009 to 149 million by 2014, and 173 million by 2020. This means pay-TV penetration will grow from 78 per cent in 2009 to more than 90 per cent long-term. Cable will retain 70 per cent market share by 2014, falling to 64 per cent by 2020, while DTH will scale up to almost 35 per cent share long-term.

Total pay-TV subscription revenues will grow at an average annual rate of 14 per cent over the next five years and 10 per cent over the next decade, reaching 8bn dollars by 2014 and more than 12bn by 2020.

Revenues from HDTV and VAS [value-added services] (including VOD, HDTV and PVR) will contribute more than 500m dollars by 2014, rising to 1.5bn by 2020.

A resurgent economy, an expanded pay-TV market and the growth of regional media should help bolster pay-TV advertising growth to an average annual rate of 14 per cent over the next five years, and 10.5 per cent over the next decade.

MPA expects the total pay-TV advertising market to reach 3.2bn dollars in 2014, and 5.1bn by 2020.

The Indian pay-TV sector generated sales of 6.5bn dollars for FYE March 2010, while EBITDA profits for the sector reached 800m dollars, implying a modest profit margin of 13 per cent. MPA sees industry sales growing to 12.1bn dollars by 2014 and 18.5bn by 2020; margins will improve to 15 per cent and 23 per cent over the same period, with EBITDA profits reaching 2.3bn dollars and 4.4bn dollars.

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