

**Press Release**

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**New TRAI regime unlikely to reduce TV bills for most**

Popular channels and OTT platforms will gain from new rules

The network capacity fee (NCF) and channel prices announced by broadcasters and distributors as per the Telecom Regulatory Authority of India's (TRAI) new guidelines could increase the monthly bill of most subscribers of television channels.

CRISIL's analysis assumes a scenario where subscribers opt for the top 10 channels by viewership in addition to the free-to-air (FTA) ones (*refer to Scenario II of table given in annexure*).

TRAI's new regulatory framework for broadcasting and cable services industry is intended to usher in transparency and uniformity, and will afford far greater freedom of choice to viewers.

More than 90%<sup>1</sup> of TV viewers flip 50 or fewer channels, and the new rules will let them subscribe to what they want and not be saddled with channels they are not interested in.

The regime, which came into effect on February 1, 2019, will benefit popular channels and hasten adoption of over-the-top (OTT; or content providers who stream media over the internet, such as Netflix and Hotstar) platforms, and will be a mixed bag for viewers and distributors.

**Says Sachin Gupta, Senior Director, Ratings, "Our analysis of the impact of the regulations indicates a varied impact on monthly TV bills. Based on current pricing, the monthly TV bill can go up by 25% from Rs 230-240 to ~Rs 300 per month for viewers who opt for the top 10 channels, but will come down for those who opt upto top 5 channels."**

The new regime could drive consolidation in the broadcasting industry because content will clearly be the king and key differentiator. Subscription revenues of broadcasters would rise ~40% to Rs 94 per subscriber per month compared with Rs 60-70 now. With viewers likely to opt for popular channels, large broadcasters will have greater pricing power. Conversely, broadcasters with less-popular channels will find it tough to piggyback on packages, and the least popular ones will hardly have a business case and could go off air.

For distributors (DTH and cable operators), the new regulations are a mixed bag. While content cost will become a pass-through, protecting them from fluctuations, they may lose out on the benefits of value-added services such as bundling content across broadcasters, customisation, and placement revenue.

Currently, most distributors are charging NCF at the cap rate of Rs 130 per month. Similarly, broadcasters have priced subscription for the most popular pay channels at the cap rate of Rs 19 per month.

But these are early days and the situation may evolve with prices charged by broadcasters and distributors declining depending on market forces, viewership and competitive intensity.

**Says Nitesh Jain, Director, Ratings, "In all this, OTT platforms could emerge as the big beneficiary because many viewers could shift because of rising subscription bills. And low data tariffs also encourages viewership on OTT platforms."**

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<sup>1</sup> According to the Broadcast Audience Research Council India (BARC), the television audience measurement agency

## Annexure

Reference	Particulars	Current regime	New regime*		
			Scenario I	Scenario II (most likely)	Scenario III
-	Channels opted	~250 (800+ channels operate in India)	Top 3 channels+ FTAs	Top 10 channels+ FTAs	Top 25 channels+ FTAs
A	Network capacity fee	230-240	130	130	130
B(i)	Pay channel subscription charges (Gross)		38	144	284
B(ii)=B(i)*15%	Discount		6	22	43
B=B(i)-B(ii)	Pay channel subscription charges (Net)		32	122	241
C=(A+B)*18%	GST		29	45	67
<b>D=A+B+C</b>	<b>Bill for TV viewers (incl. GST)</b>		<b>192</b>	<b>298</b>	<b>438</b>
<b>B(i)*65%</b>	<b>Broadcasters' share^</b>	<b>60-70</b>	<b>25</b>	<b>94</b>	<b>185</b>

Note: the above numbers are in Rs/month

^After factoring in a maximum permissible share of 35% to the distributors.

\*Top 3/10/25 pay channels chosen for the analysis pertains to data released by BARC for the week ending January 25, 2019.

CRISIL, for its analysis, has considered NCF at Rs 130 per subscriber per month, as announced by the most DTH and cable operators, for the first 100 SD channels. CRISIL has considered the channel prices, announced by broadcasters, as on January 31, 2019.

CRISIL believes that subscribers opting for only FTAs or a few pay channels are likely to opt for DD Free Dish, which is not impacted by the TRAI's new guidelines. CRISIL understands that the top 20 channels account for over 80% of viewership. Therefore, even if viewers rationalise the number of channels, they are likely to opt for the top 10 channels. Accordingly, CRISIL believes that a large proportion of viewers will fall under Scenario II of the table mentioned above.

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