PRESS RELEASE

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'Cord-cutting[1]' to keep business of traditional pay-TV operators vulnerable; credit profiles of players to continue moderating in FY2026: ICRA

- ***'Cord Cutting' will compress urban pay-TV subscriber base the most***
- ***Pay-TV industry operating margins expected to contract by 175-225 bps on a YoY basis in FY2026***

Rating agency ICRA forecasts the revenues for the Indian pay-TV[2] industry[3] to witness a contraction in the range of 1-3% in FY2026, driven by a sustained shrinkage in their subscriber base, which is increasingly shifting to either over-the-top (OTT) platforms or free dish services (provided by sole state-sponsored DTH operator – Prasar Bharti). Aggregate operating margins and coverage indicators are expected to moderate further by 175-225 bps YoY to 23-25% (33-35% for DTH and 6-8% for MSO sample) in FY2026 from FY2025 estimated levels, though strong parentage of major players will ensure adequate liquidity and access to capital for investments.

ICRA expects the subscriber base decline to be offset, to an extent, by a higher average revenue per user (ARPU, average 1-3% growth YoY) on bundled or premium offerings and industry consolidation. Bundling of traditional TV content (with OTTs and/or broadband services) and more premium content offerings (such as HD, 4K, and live events), will support growth in ARPU. Nevertheless, increased content acquisition costs (e.g., sports rights, premium international content) and consistent capex/opex towards network expansion and maintenance will continue to compress margins for pay-TV operators, in ICRA's view.

Providing her views, **Ritu Goswami, Sector Head, Corporate Ratings, ICRA,** said: *"Several factors make OTT a preferred mode of watching TV for consumers – like - on-demand and personalised content, ad-free viewing options, access to regional content and flexible subscription models (mobile only to multi-screen, basic to premium quality). In addition, the telecom and digital revolution (with increasing smart phone penetration, affordable data plans, percolation of smart/connected TVs) and regulatory changes (relating to pricing caps for channels and rules for their packaging) have aided the shift to non-traditional modes of TV viewing in India over the last decade."*

The Indian television market is next only to China, with nearly 190 million TV households in 2024 (estimated), a number which is expected to keep growing in the near term, with its increasing population and their disposable incomes, leading to transition from TV-dark (i.e., having no TV) households. However, the industry is undergoing a structural evolution – with subscribers at the higher end of the ARPU pyramid moving away from pay-TV to smart/connected TV or other digital alternatives and those at the lower end shifting towards the free dish. Further, a significant variation in urban and rural pay-TV subscriber dynamics is apparent in India; the shift away from pay-TV has been sharper in urban areas (shift to digital streaming platforms driven by higher disposable income, access to wired broadband infrastructure, among other factors) while traction for free dish services has been observed in rural or low-income households.

"*Despite having a large subscriber base, the Indian TV distribution industry lags developed markets like the U.S. and Europe in size due to their higher ARPU. It is the highest in the U.S. and Europe as consumers can pay for premium content like sports, HD, and exclusive programming, while India and China maintain much lower ARPU due to their vast, price-sensitive subscriber bases. Given this price sensitivity, the pace of 'cord-cutting' in India will be relatively moderate, with significant variation in urban vs. rural markets. A strong tradition of TV viewing,*

[1] *The practice of cancelling or forgoing a pay-TV subscription or landline phone connection in favour of an alternative internet-based or wireless service.*
[2] *Traditional TV services (cable, satellite, IPTV, terrestrial) for which consumers pay a monthly or annual charge*
[3] *Industry refers to ICRA sample of all four paid direct-to-home (DTH) operators and five of the top ten multi-system operators (MSOs) in India registered with TRAI as on Sep 30, 2024, which cumulatively account for ~40% of industry revenues*

availability of affordable hybrid offerings and challenges related to internet infrastructure will also prevent any sharp fall in pay-TV subscriptions," **Goswami** added**.**

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