

Impact of coronavirus on Media & Entertainment sector

Contact:

Madan Sabnavis
Chief Economist
madan.sabnavis@careratings.com
+91-22-6837 4433

Vahishta M. Unwalla
Research Analyst
vahishta.unwalla@careratings.com
+91-22-6837 4408

Mradul Mishra (Media Contact)
mradul.mishra@careratings.com
+91-22-6837 4424

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Overview

Within three months of its emergence in China, the lethal coronavirus has spread to more than 100 nations. India, as of yet, has not tested as many positive cases as other nations, however more than 100 individuals are currently quarantined and under treatment.

World Health Organisation recently declared the novel coronavirus outbreak a pandemic and globally, most governments have imposed stringent restrictions on travel and movement of people. This has undoubtedly affected day to day operations of most businesses across the country. Among these, Media and Entertainment is one such sector that is expected to witness an impact on its various segments directly as fewer footfalls means drop in revenue. On the other hand, with restrictions on movement of people, business of Over the Top (OTT) platforms shall benefit, while segments such as Outdoor events and Film Exhibition are expected to be hit hard.

Also, advertising which remains a prime source of income for players of the media and entertainment sector is expected to dip further, which has already displayed subdued trends in past few months of FY20 due to slow economic growth.

Through this report, we try to estimate which segments of the media and entertainment sector shall be most impacted by the spread of coronavirus and to what extent.

(Hereafter, all calculations are based on estimations and assumptions made by analysts of CARE Ratings)

Impact of spread of coronavirus on film exhibition business

To avoid large gathering of people in public places, state governments have decided to temporarily shut theatres in large markets such as Delhi and Maharashtra.

India has about 8 screens per million population, with about 200 - 500 seats per screen. Depending on the length of a movie, each theatre has about 3-5 shows per day. The occupancy rates in theatres differs based on show timings, brand of theatre, location, movie artists, price of movie tickets, etc. Assuming occupancy rates in the range of 30-60%, we estimate about 25-30 crore is the footfalls size in film theatres in India per month.

- Sale of movie tickets: Estimating a film ticket priced around Rs. 100-300, will leads to *Rs. 3,500-4,500 crore* generated from *sale of movie tickets* by film exhibitors in a month. Of this, *GST collections* are estimated at about *Rs. 800-1,000 crore*. Here it is assumed that there is a total shutdown of theatres across the country. The actual loss would vary depending on how many states/cities/towns impose such restrictions.
- Food and beverages: Other than income from movie tickets, film exhibitors derive significant portions of their income from sale of food and beverages within theatres. On estimating a spend per head on food and beverages of Rs. 50-70, equals to *Rs. 1,500-1,800 crore* per month of revenue from this component for film exhibitors.
- Advertisement: Advertising income, with a contribution of 10-12% to total revenue derives significant importance for film exhibitors. Advertisers prefer to advertise in theatres as it offers the advantage of captive audience, which is lacking in most other mediums such as TV, print, internet. Key sectors that advertise in cinemas such as automobiles, FMCG, gems and jewellery, telecom, banking and retail, have already lowered their spends in recent months of FY20 amidst slow growth in business. To add to this, due to temporary shutdown of theatres, cinemas shall no more be a preferred medium of advertising and could lead to about *Rs. 900-1,000 crores* in loss of revenue per month.

Assuming a temporary shutdown of all film theatres across the country, we estimate a total loss of about *Rs. 5,800-7,800 crore* to film industry in one month.

Impact of spread of coronavirus on outdoor events

Multiple sports events are scheduled in the year 2020, including the Tokyo Olympics, Hockey Pro League, Asia Cup, UEFA Champions League and much more. While some of them have been postponed, few are expected to be cancelled. The Indian Premier League (IPL) of cricket is one among these mega events expected to be played in India. While it was scheduled to commence on 29th March 2020, it has is now been pushed to April 15th 2020. This decision comes after there were multiple pleas to the central government for postponement/ suspension of the event. As uncertainty of the event looms, sale of tickets are put on hold by IPL franchises.

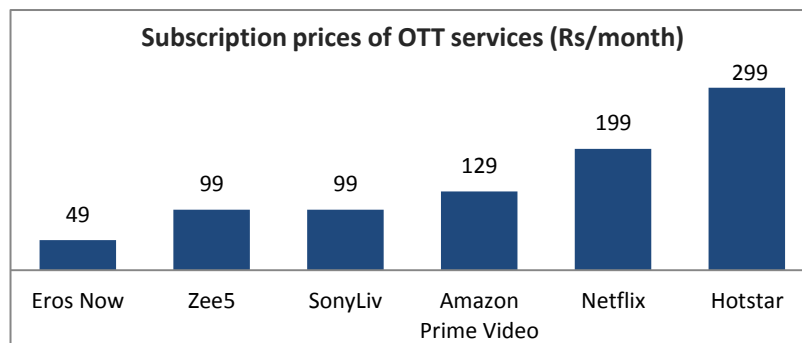
Assuming this event is cancelled this year, there will be repercussions on multiple stakeholders. IPL 2020 has scheduled 60 matches to be played in 9 stadiums across the country. Number of seats in these stadiums ranges from 30,000 to 70,000 and tickets are priced mostly between Rs.500-8,000. Assuming an average of 20,000 paid seats per stadium and Rs. 1,000 as average ticket price, we expect a loss of Rs. 1 crore for every 10,000 seats. This leads us to an overall loss in revenue of Rs. 120 - 150 crore from sale of match tickets for the IPL season of 2020. The loss could escalate as ticket prices further rise.

In addition to this, advertising contracts for the event may have to be revoked. Also, broadcasters who have bought broadcast right for a significant sum of money shall also be affected.

Impact of spread of coronavirus on Over the Top Platforms (OTT)

The spread of coronavirus has restricted movement of people, either for caution or by being officially quarantined. In such a situation, if individuals are forced to stay at home they move to popular TV and film streaming services as their only source of entertainment. Due to this, OTT players are expected to be large beneficiaries from the widespread of coronavirus and are expected to add multiple new accounts to their existing subscriber base in coming days.

Indian OTT market has grown manifold in past 2-3 years, due the drop in internet rates and availability of low priced and durable phones. Below chart depicts subscription price per month for popular OTT players operating in India.



Source: Company websites,

Note: Prices are of basic packs (as on 13th March, 2020)

Concluding remarks

Three segments of media and entertainment sector that will see definite impact due to spread of lethal coronavirus in India are film exhibition, outdoor events and Over the Top platforms.

- Temporary shutdown of film theatres across the country is estimated to lead to Rs. 5,800-7,800 crore of revenue loss per month for film exhibitors. Of this, Rs.3,500 - 4,500 will be for sale of movie tickets, including GST loss of Rs. 800 - 1,000 crore. Loss of revenue on sale of food and beverages sale in theatres would sum to about Rs. 1,500 - 1,800 and additional Rs. 900 - 1,000 crore will be loss on advertising income.

Most film and TV show producers have decided to halt their shooting for few weeks, till the virus subsides in the country. At the same time, release dates of most movies has been pushed to a later date, which will affect release dates of other movies that were expected to be released in next 3-4 weeks. Therefore, the ripple effect has been created and shall impact FY20's last quarter revenues for film exhibitors.

- Cancellation of a mega outdoor event – Indian Premier League (IPL) for restricting gathering of people, is expected to lead to a loss of Rs. 120 – 150 crores on sale of tickets for 60 matches played across stadiums of the country. With multiple stakeholders involved in this event, the decision to cancel the event for the year is unlikely, however postponement to a future date till the coronavirus subsides seems feasible.

- Over the Top platforms shall be one of the biggest winners of the spread of coronavirus, as people are forced to not leave home. Low priced subscription plans will lead to increasing number of individuals opting for streaming services as their preferred source of entertainment.

CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022. CIN: L67190MH1993PLC071691

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457

E-mail: care@careratings.com | Website: www.careratings.com

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