



FICCI RESPONSE TO TRAI's CONSULTATION PAPER ON ENTRY LEVEL NET WORTH REQUIREMENT OF MULTI-SYSTEM OPERATORS IN CABLE TV SERVICES

According to FICCI's E&Y report, India has 98.5 million Cable TV homes (2018 figures). Of the 286 million households in India 183 million are TV households.

While improvements in IT infrastructure, enhanced purchasing power parity and growing urbanization have served as a boost to the M&E industry, there is emergent need to streamline downstream players through improvements in infrastructure and better hygiene and transparency across the value chain. The cable television industry is one typified by high levels of fragmentation. Existing policies and regulations as exist today are also inadequate in enforcing appropriate hygiene and consumer benefits. In the absence of robust financial entry criterion, dubious players entered the fray.

In this light, we thank the Telecom Regulatory Authority of India (TRAI) for the opportunity to participate on this consultation process on specifying entry level net-worth requirement of Multi-System Operators (MSOs) in cable TV services. We hope that the inputs given by us shall be of help and assistance to the TRAI to create an enabling regulatory framework for provisioning of cable TV services in the broadcast sector.

As a noteworthy context, TRAI, in 2008, had also issued its recommendations of 'Restructuring of Cable TV Services' *inter-alia* prescribing a minimum net-worth criteria for registration of MSOs (depending upon their area of operation). However, MIB has so far only prescribed an entry fee of just Rs. 1 lakh for MSO registration for operating on pan-India basis/parts thereof. On the other hand, MIB has specified minimum entry level net worth requirement for broadcasters and Head-end In the Sky (HITS) operators which could be seen as an unlevelled play field necessitating addressal.

In order to meet the compliance and system requirements of DAS, it is therefore important to introduce uniform net worth entry level requirements, which acts as a filter to ensure that fly by night operators do not enter the system and serious stakeholders are able to bring true transparency and hygiene into the cable TV value chain.



1. Do the present rules and provisions as regards eligibility and net worth for MSO require a review or modification? Give your answer with justification?

Yes, in our opinion, the present rules and provisions as regards eligibility and net worth for MSO require a review/ modification. The same needs to be in line with the net worth requirements prescribed for the other stakeholders in broadcasting sector, for example, the Broadcasters and HITS Operators. For DTH Players also, there is a requirement of entry fee and bank guarantee. All these provisions ensure that only the serious players enter the business.

The Interconnect Regulations 2017 and QoS Regulations 2017, establish certain minimum obligations for the DPOs towards subscribers. These include, inter alia, establishing customer care centre and service SLAs. In the NTO framework, a DPO has been assured a Network Capacity Amount for 100 channels from the subscribers (Interconnection Regulation). Separately, the “Must Provide” requirement has a proviso pertaining to the payment defaults by the distributor of channels (Interconnection Regulation Chapter II, clause 3(2)). The aforesaid requirements imply that DPO has certain minimum obligations to fulfil. Year-on-year continuing Net-worth requirement is a suitable measure of such financial strength.

The present eligibility provisions for registration of MSOs should be modified and an entry level net-worth should be imposed. Prescribing a net-worth requirement will induce stability in the industry by ensuring that only entities which can sustain competition and provide good quality of services to the consumers can register as MSOs. The fact that about 22.3% of the MSOs registered with MIB i.e. around 330 service providers are not operational validates this argument.

2. If yes, should there be provisions specifying eligibility only for registered proprietorship/ partnership firms or it should continue to include individuals or group of individuals as at present? Please elaborate your comments with reasons and facts.

In case of Broadcasters/ DTH/ HITS Operators, only a company registered under the Indian Companies Act is allowed to apply. In the case of MSOs individuals should not be allowed to enter or continue to retain the MSO License. The provision for MSO license needs to be limited to only a company, a registered partnership firm or a registered proprietorship firm that may be allowed to enter the business.

All MSOs ought to register themselves as a corporate entity under the Companies Act, 2013 within a reasonable timeframe. This will ensure that they adhere to the audit and compliance requirements stipulated in the Companies Act.



3. Is there a need for prescribing an entry level minimum net worth for the MSOs? Please justify your comments.

Addressed earlier

4. If yes, what should be the procedure to check and verify the net-worth in case of individual or group of individuals? Similarly, what should be the mechanism to verify the net-worth as claimed by business entities like proprietor-ship firm, partnership firm, LLP or Company as the case may be?

As proposed earlier, no individual / group of individuals should not be encouraged to operate as MSOs. The same procedure / rules of verification applicable to broadcasters for verifying their net-worth should be made applicable to the MSOs.

5. Should the net worth requirements for entrant MSO be based on its proposed area of operation? Give your comments with justification.

Yes, there could be ground with categorization / fixing net worth requirements on the basis of area of operation. The proposed net worth is as below;

- District level MSO- Minimum net-worth 50 lakh
- State level MSO- Minimum net-worth 2 Crore
- National level MSO – minimum net worth – 10 crore

TRAI may kindly lay down that any MSO present in more than 1 state will be considered a national MSO. Similarly, any MSO having operations in more than 1 district of a state will be considered a state level MSO.

6. If yes, what could be different classification of entrant MSOs based on area of operation? Give your comments with justification.

As above

7. What should be the entry level net worth for each of the categories of MSOs if any classification is made on the basis of area of operation? Give your comments with justification.

As above

8. In case, license area of MSO's is classified on the basis of area of operation, what should be the mechanism and criteria to classify existing MSOs? Please comment with proposed process to reclassify.

As above



- 9. Should the minimum net worth required in case of MSOs operating in North east and/or J&K be relaxed compared to other regions? Please provide suitable justification.**

Any net-worth requirement of MSOs, as prescribed above ought to be standardized and applied uniformly for all MSOs to ensure level-playing field.

- 10. If yes, by how much should the entry level net worth criteria be relaxed? Please give your comments with justification.**

Not applicable

- 11. What are the components of the fixed costs incurred by an entrant MSO? Give your comments with justification.**

No comments

- 12. What are the components of the variable costs incurred by an entrant MSO?**

No comments

- 13. How do the fixed costs and the variable costs depend upon the scale of the operation that is for the small, medium and large operators?**

No comments

- 14. Should the minimum net worth required be based upon the average fixed cost incurred by an entrant? If yes, what should be the appropriate criterion? Please explain**

No, the minimum net-worth should not be based upon the average fixed cost incurred by an entrant. The criteria proposed by us in Item 5 ought to be considered.

- 15. Discuss if there could be some other criteria in context of costs incurred such as a combination of average fixed and variable costs.**

No

- 16. What is the average cost incurred in establishing a minimum capacity of 100/200/300/500 channels? Should the minimum net worth depend upon the proposed channel carrying capacity of the entrant? Please justify.**

No comments

- 17. If the answer to question 16 is in affirmative, what should be the minimum net worth requirement for an entrant MSO willing to provide just the basic service tier of channels? Further, how should the minimum net worth requirement vary with increase in proposed capacity tier?**

NA

- 18. Should the minimum net worth depend upon the proposed number of subscribers that an applicant MSO would cater to? Please justify**



NO comments

19. If the answer to question 18 is in affirmative, what should be the proposed number of subscribers and the relevant net worth for the same?

NO comments

20. Discuss if any other criterion could be used to determine the entry level net worth of the MSOs?

Costs is not a good reference point for determining net-worth requirement. The criteria proposed by us in Item 5 should be taken into consideration.

21. Should necessary modifications be made in Cable TV rules in case of individual applicants so as to ascertain his/her net worth more prudently compared to the existing regime?

Necessary modifications need to be made in the Cable TV rules to disallow registering individuals as MSOs.

22. Should the individual be permitted to seek MSO registration? If he/she is permitted, what should be the method for calculating and verifying his/her net worth?

No individuals should not be allowed.

23. Which documents need to be furnished at the time of registration in order to justify the given net worth requirements for all other 3 cases, i.e., body of individual, partnership firms, companies?

As specified in item 4

24. Comments on the contents of proforma on the basis of which net worth for the new entities is to be calculated?

As specified in item 4