**CONSULTATION PAPER ON "ENTRY LEVEL REQUIREMENT OF MULTI-SYSTEM OPERATORS IN CABLE TV SERVICES" ISSUED BY THE TELECOM REGULATORY AUTHORITY OF INDIA DATED APRIL 09, 2019**

**TO**
**THE TELECOM REGULATORY AUTHORITY OF INDIA**

**COMMENTS OF**
**INDIAN BROADCASTING FOUNDATION**

**Dated: May 15, 2019**

## INTRODUCTION

Exponential growth in the number of channels to over 906 and the number of television households is closer to 200 million obviously needs to have regulations in place to ensure that the quality of services provided by MSOs and the obligations cast on them are at par with other service providers in the industry being, HITS operators, DTH operators and broadcasters.

We feel that the cable television industry is highly fragmented and existing regulatory framework is inadequate in certain aspects such as proper maintenance of records, lack of effective control mechanism and provisions of penalties for defaulters. TRAI, in 2008, had 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. The Ministry of Information and Broadcasting (MIB) however prescribed an entry fee of just Rs. 1 lakh for MSO registration for operating on pan-India basis/parts thereof. In the absence of robust financial entry criterion, dubious players entered the fray. Their unethical and non-transparent business practices include non-submission of subscriber reports/submission of doctored subscriber reports / under-declaration, non-maintenance of adequate books of accounts, non-maintenance of appropriate systems (including conditional access and subscriber management systems), signal piracy, not allowing audit by broadcasters, non-payment of license fee to broadcasters, absence of adequate level of infrastructure, poor quality of consumer services, high-handedness, absence of consumer redressal system, etc.

The present consultation paper on entry level net-worth requirement of MSOs in Cable TV services **("CP")** issued by TRAI is therefore appropriately timed. One of the ways of achieving the objective of orderly growth of the broadcasting and cable service sector is by fostering competition and by ensuring level-playing field inter-alia between distribution platform operators ("DPOs") when it comes to obtaining license for commencement of service.

Considering the CapEx and OpEx required to establish and operate digital headends compliant with digital addressable system requirements, it is important to introduce uniform net worth / pecuniary entry level requirements, which acts as a filter to ensure that fly by night and unscrupulous operators do not enter the system and only the serious players provide competent and competitiv services in the best interests of the public and the sector. These stipulations will also ensure the eradication of unethical and non-professional players from the ambit of MSOs. Post digitization and with enhanced focus on consumers/end-users being adequately serviced, the importance of MSOs being financially stable to effectively fulfil their responsibilities and duties cannot be over-emphasized.

We have provided our specific inputs on each of the issues raised for consultation herein below.

## ISSUES

**Query 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?**

**Response 1:**

Digitisation, the tremendous growth in the number of satellite television channels and the demands of the new MRP Tariff regime, requires a far higher level of sophistication and technical expertise from cable operators than in the past. This, in turn, means access to funding as well as managerial and financial capability at a much greater level. Therefore, in view of the new regime, the domain of entry of MSO's needs to be examined in fresh light.

In order to re-transmit signals of broadcasters' channels and to ensure adherence to the requisite quality parameters, MSOs are required to make substantial investment in infrastructure and its constant upgradation. Additionally, as mentioned in the CP, MSOs also need to invest in marketing, sales and value-added-services to gain new customers and retain existing customers. They are also facing stiff competition with quality services being provided by DTH operators, OTT and other service providers. Hence, 'net-worth' becomes the key for determining the financial standing of MSOs and their capability to provide continued services at par with the other service providers in the industry. Moreover, setting up of a benchmark for an entity to become eligible to register itself as a MSO with the MIB will also pave the way for providing level-playing field amongst various DPOs (*i.e., DTH and HITS platforms)*, since, barring MSOs, the above identified DPOs have to invest huge sums of money to even become eligible to apply for license to make its platform operational.

Under the extant Cable Television Networks Rules 1994 (as amended) ("CTN Rules"), an applicant seeking license to operate as an MSO either in the nature of an individual, an association of individuals or body of individuals, whether incorporated or not or a company, that meets the eligibility criteria specified in Rule 11 (B) of the CTN Rules, is permitted to operate.

Further as per MSO registration procedure followed by MIB, in case of individuals, the eligibility criterion in terms of net worth states that he/she should have a positive net worth. In case of association of individuals or body of individuals or a company, there is no criterion in terms of net worth requirements. Further, the entry-fee of Rs. 1,00,000/- as specified by MIB, is grossly under-valued.

Persons / entities are neither required to show if they have the financial capability to invest huge sums of money required towards setting up and operationalizing their digital addressable cable system ("DACS"), nor are they required to show if they can sustain in the longer run. Resultantly, most of the DACS platforms are plagued with inter-alia the following problems:

- There is no proper implementation of the various statutory requirements under the Quality of Service Regulations of the TRAI;
- No trained manpower is available with majority of these MSOs and hence, most of their employees are semi-skilled and unskilled, which results in poor consumer interface and time-consuming resolution of issues;
- due to lack of funds, majority of DACS platforms do not have backup / redundancy equipment and systems, which results in unavailability of channels for long durations in case of equipment failures, etc.

Presently, in order to ensure that only serious players apply for a television broadcast permission and to ensure that the level of technology deployed is as per international standards, following costs have been imposed on broadcasters:

A. Separate net-worth requirements are imposed on broadcasters for downlinking/uplinking of television channels as follows:

| Type | Item | Required Net Worth |
|---|---|---|
| Non-news and current affairs channels | First television channel | Rs. 5 Crore |
| | Each additional television channel | Rs. 2.50 Crore |
| News and current affairs channels | First News and Current Affairs television channel | Rs. 20 Crore |
| | Each additional television channel | Rs. 5 Crore |

B. For downlinking of satellite channels, uplinked from foreign countries, an amount of Rs. 10 lakhs is required to be paid at the time of grant of permission. In addition to this, license fee of Rs. 15 lakhs is also required to be paid per channel per annum for downlinking of television channels uplinked from abroad. In case of channels uplinked from India, while the entry fee has been presently kept nil, license fee of Rs. 2 lakhs per annum per channel is required to be paid. For downlinking of such channels uplinked from India, an amount of Rs. 5 lakhs per annum per channel is also required to be paid.

C. In addition to the aforementioned fees, there is also a requirement for furnishing Performance Bank Guarantee ("**PBG")** of Rs. 1 crore in case of Non-News and Current Affairs Channels and Rs. 2 crore PBG for News and Current Affairs Channels for operationalization of new channels.

D. Further, vide order dated December 13, 2017 passed by the MIB [1404/15(T)/2015-TV(I)], the following processing fees per channel per day for temporary uplinking of a live event have been levied:

| Type of channel | Processing Fee (in INR) |
|---|---|
| National channels | 100,000/- |
| Regional channels | 50,000/- |

While the cost burden on broadcasters are sufficiently high, the qualitative transmission benefits of broadcast channels are not being passed down to end consumers on account of lack of capital/infrastructure on part of MSOs. Whether MSOs have the bandwidth for making a large number of channels available to the consumers is the primary question that needs to be looked into with all seriousness.

With the advent of the new MRP regime, the broadcasters' revenues have become concomitantly dependent on the subscriber reports of the MSOs, which to our knowledge is fairly dismal. MSOs have not been able to upgrade their existing technologies to ensure that their Subscriber Management Systems (SMSs) and Conditional Access Systems (CASs) are generated in line with the Regulations. Our member broadcasters have indicated that in most cases, they still have to deal with receipt of manual subscriber reports from MSOs, significant under-declaration of subscriber bases, incorrect subscriber reports, etc. It is also perplexing that service providers who have the requisite technological expertise are not keen to provide services to such MSOs apprehending non-payment. The lack of financial support is a direct consequence of not having an adequate net worth requirement that would ensure financial stability for the

MSO. Further, in the absence of net-worth requirement, MSOs especially – at individual/proprietorship and partnership level are not in the position to have infrastructure in the form of customer care centres, establishment of websites, supply of customer premise-equipment, etc. in place. TRAI's repeated directions in this regard to various MSOs to comply with the MRP Regime has also miserably failed. It is evident that CaPex and OpEx required to be incurred by an MSO for effective provisioning of channel distribution service through its DACS platform runs into lakhs, if not crores, of Rupees. Unless an entity applying for an MSO license is financially stable, it is hard to imagine how such entity will incur such huge financial expenses unless it resorts to unfair means.

We therefore propose the corporatisation of MSOs and higher entry-level net-worth.

Since the cable industry is very competitive and growth oriented, it has often been observed that due of paucity of funds, many MSOs fail to sustain their business. There have also been instances where DPOs after procuring signals from broadcasters do not commercially launch their operations. All this has an adverse impact on the entire value chain since, shutting down business by such MSOs directly impacts their Subscribers who are deprived of their favourite television channels even after paying for equipment and applicable subscription fee in advance. It has also been observed that at the time of shutting down their operations, such MSO have huge outstanding subscription amounts payable to multiple broadcasters. Further, failure to commercial launch services by MSOs, despite obtaining signals from broadcasters, results in potential risk of misuse / piracy of signals of channels.

Steady flow of money to broadcasters from MSOs ensures that broadcasters get to invest more money in creating / procuring quality content, which in turn results in Subscribers getting to view content that match-up with international standards. Not only that, non-payment of dues also impacts the public exchequer since applicable taxes also remain unpaid. The longevity and stability of the industry depends on the financial and technical capabilities of the MSOs and it is in this regard that we submit that having check on net-worth of an MSO may help to a great extent in addressing the above mentioned adverse impacts as only financially sound players will be allowed to enter the market who can stand the competition and cater to their Subscribers with quality service and value for money.

**Query 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.**

**Response 2:**

In addition to the submissions made above in favour of having implementing net-worth requirement for an MSO, we are of the view that MSOs especially at individual, proprietorship and partnership levels do not have the basic comprehension of the MRP Regime and are largely non-compliant. Neither do they have the wherewithal to employ persons with the requisite expertise. This coupled with lack of adequate financial strength while operating in a technology dependant, capital-intensive, dynamic sector, has resulted in a proliferation of small ill equipped cable operators.

If an individual proprietor or a partnership applies for an MSO license, the absence of a corporate structure means there is no way to confirm his/her actual net worth because an individual is not required to make any statutory submissions to any public authority that specifies the net-worth. Similarly, issues will arise in case of the group of individuals. Hence, corporatization of MSOs is the best way forward for MSOs in terms of compliance and from transparency perspective. This will ensure that all MSOs are treated at par as regards to maintenance of proper records which are easily accessible, effective control mechanism, penalties for defaulters (as envisaged under the Companies Act, 2013) being made applicable to the cable TV industry. Further, this would also complement the non-discriminatory vision of TRAI since broadcasters, DTH operators and HITS operators are mandated to be registered as companies.

In light of the above, corporatisation in the television distribution sector should be immediately implemented in a uniform manner. Statutory compliances under the Companies Act, 2013 would ensure transparency and enhance credibility for the sector.

Be that as it may, it is submitted that irrespective of the nature / legal status of the entity applying for the MSO license, the net-worth requirement should remain the same for each such entity since, the parameters and necessity for setting up, operationalizing and continuing operation of a DACS platform remain the same.

**Query 3:**

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

**Response 3:**

The evaluation of investments made by other stakeholders in the ecosystem are too huge and prescribed except for MSOs.

(i) Broadcasters have to make huge investments and have and are required to maintain net-worth levels
(ii) HITS operators are required to have entry-level minimum net-worth of Rs. 10 crores;
(iii) As regards DTH operators, an entry-fee of Rs. 10 crores has been prescribed to eliminate non-serious players.

Despite TRAI having recommended the following minimum net worth earlier of MSOs in the year 2008, MIB did not implement the net worth criteria for MSOs, and it continues to register MSOs for a fee of Rs. 1 lakh only.

| Sl. No. | Area of operation | Recommended Net-Worth |
|---|---|---|
| 1 | District level | Rs. 5 lakhs |
| 2 | State level | Rs. 10 lakhs |
| 3 | Country Level | Rs. 25 lakhs |

We propose that entry-level net-worth requirement for MSOs be implemented in the manner proposed by TRAI (i.e. District, State and Country wise) however, with revised threshold as follows:

| Sl. No. | Area of operation | Recommended Net-Worth |
|---|---|---|
| 1 | District level (i.e., MSOs proposing to operate in one or more Districts within the same State) | Rs. 50 lakhs |
| 2 | State level (i.e., MSOs proposing to operate in more than one State) | Rs. 2 crores |
| 3 | Country/National Level (i.e., MSOs operating / proposing to operate Pan-India) | Rs. 10 crores* |

** <u>Note</u>: To ensure level playing field between DPOs wanting to operate at pan-India level, either minimum net worth requirement of Rs.10 Crores should be prescribed (e.g., as is the case for HITS operators), or in the alternative, an entry fee of Rs.10 Crores should be prescribed (as is the case for DTH operators).*

The aforementioned recommendation on net-worth requirement of MSOs would entail issuance of district / state / country level license for MSOs. Hence, MIB needs to revisit the eligibility of functioning and operational areas of MSOs. Licenses would have to be granted district and state wise and nationally to the various categories of MSOs.

The minimum net-worth requirement could be the only solution to ensure that the technology / infrastructure deployed by MSOs are at par with that of DTH and HITS operators since, the objective of orderly growth of the broadcasting and cable service sector can be achieved by fostering competition by creating a level-playing field for all DPOs when it comes to obtaining license for commencement of service. As per the CP, only 77% of the MSOs granted licenses by the MIB are current operational reflecting the non-serious players making foray into the field.

The equipment (SMSs & CASs) also requires continuous technology up-gradation in addition to expenditure on marketing, sales and value-added services to gain new consumers and to retain existing customers.

The counter-argument in the CP that a free market economy, no stipulations are laid down by the government and if so, it holds true for all service providers in the industry and not just MSOs. In that case, the criteria of net worth requirement should be eliminated equally across the board for all stakeholders and for all practical purposes.

IBF does not subscribe to the viewpoint that the services in remote and far-flung areas would be affected if smaller MSOs are subjected to net worth criteria.

As far as local channels are concerned, the greatest challenge that is faced by broadcasters is when the LCOs affiliated to MSOs use their local video channel frequencies to re-transmit demodulated unencrypted signals to their subscribers to ensure that they remain untraceable and thereby do not get netted in the monthly subscriber numbers, which in turn leads the operator to believe that demand for a particular channel is low and ask for deactivation of such channel. Even though there are regulations in place discouraging such practices, on account of lack of corporatization ensuring greater transparency and absence of net-worth level requirements, malpractices enumerated in the foregoing remain in place which is detrimental to the longer term growth of the industry.

Further LCOs associated with the MSOs should have appropriate registration with MIB and data preserved either with the nodal ministry or the regulator. As an Industry, we do not know the exact number of LCOs in existence.

In fact, once the entry-level net-worth has been finalized, then the same should be made applicable on existing MSO license holders as well and in this regard, a window for existing MSO license holders may be provided so as to enable them to obtain re-registration.

**Query 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?**

**Response 4:**

The broadcaster's net worth before granting of licenses is verified by MIB's empanelled group of auditors. In addition, each of the applications are also referred to Ministry of Corporate Affairs (MCA). Further all corporates file their audited financial statements with their respective Registrar of Companies annually. The empanelled auditors of MIB and MCA cross-verify the Balance Sheets and Audited Account Statements certified by the statutory auditors of the concerned broadcaster companies. This mechanism could work for the MSOs as well. Nonetheless, for determining the net-worth of an entity, audited Balance Sheet and Profit & Loss statement can be an authentic source of verification. However, to add layers of verification, income tax returns for last three (3) years, certified net-worth certificate issued by a practicing chartered accountant, copy of bank statement duly attested by the relevant Bank too should be prescribed. Further, it should be mandatory for MSOs to maintain the prescribed net worth during subsistence of their license and in case of any reduction in net worth from the prescribed standards, the same should be intimated to the concerned authorities as well as broadcasters (as to enable broadcasters to protect their interests). In this regard, it is important to consider that the reasons for prescribing minimum entry-level net worth would hold good at the time of filing of application for license as well as during the sustenance of license.

TRAI in its Recommendations on issues pertaining to uplinking and downlinking of television channels in India had recommended doing away with the examination of net worth and ownership pattern and replacing it with a self-declaration. However, that still remains to see the light of the day. If the government does away with the current provisions and replacing it with self- declaration the same should also be applicable to all MSOs.

Further, in light of corporatization being proposed by us, the question of validating the net-worth of other entities (like individuals) become redundant.

**Query 5:**

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

**Response 5:**

IBF has already responded to the above question in its comments above.

**Query 6:**

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

**Response 6:**

We have already provided our response on this above.

**Query 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.**

**Response 7:**

We have already provided our response on this above.

**Query 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 re-classify.**

**Response 8:**

For existing MSOs, who have pan-India licenses, these licenses will have to be revoked and fresh licenses needs to be issued depending upon their choice of area of operation subject to meeting the net-worth requirement. The introduction of net-worth requirement would result in the elimination of non- serious players. Further, it is necessary that the classification (at district level, state level and national level) is applied uniformly for all MSOs to ensure level-playing field.

In any event, it is important to note that majority of MSOs having pan-India license do not actually operate on pan-India basis. The actual area of operation of these MSOs is restricted and as such, no prejudice will be caused if area of operation under fresh license is based on actual area of operation. In any event, it will be permissible for MSOs to seek additional area of operations, in case they have any plans for expansion in future, as long as they have qualifying net worth.

For the purposes of classification of MSOs on the basis of area of operation, it is proposed that MSOs can be instructed to provide declaration with respect to their: (a) current / actual area of operation, and (b) Category *(from amongst the 3 categories suggested above)* in which such MSOs are to be classified. Additionally, documents in support of relevant tier of minimum net worth requirement may also be provided. Conditional license may be granted to MSOs on the basis of information and documents furnished by them however, the information and documents must be subsequently cross verified.

**Query 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.**

**Response 9:**

It should be uniform in all areas with no relaxation whatsoever so as to adhere to the basic principle of non-discrimination.

**Query 10:**

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

**Response 10:**

IBF response to the previous question makes this answer redundant.

**Query 11:**

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

**Response 11:**

We believe fixed costs for MSOs would include costs towards head-end establishment, premises, CAS & SMS installation, having an efficient ERP/IT enabled systems and a competent team of IT professionals, customer response centre, internet connectivity, generator / UPS cost, air-conditioning cost and laying down cable.

For MSOs, depending on the combination of standard definition and high definition channels, the average headend cost varies between ~ ₹20 Lakhs to ~ ₹35 Lakhs using mix of indigenous and low cost imported equipment (for 200-250 odd channels). To set up a decent industry headend with professional grade equipment of international standards (Ericson / Harmonic / Cisco), the cost is ~ ₹2.5 Crores to ~ ₹3.5 Crores.

**Query 12:**

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

**Response 12:**

The costs are likely to be manpower, rent, utilities, working capital, repairs and maintenance, rental of fibre optic cable, costs towards procurement and deployment of STBs, support for headend equipment and STBs, support for CAS and SMS, call centre / communication costs, expenses pertaining to operational overheads, costs towards upgradation of software, costs towards marketing and promotion, etc.

**Query 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?**

**Response 13:**

While IBF is not in a position to comment on this however, we believe that area of operation and the related subscriber base for such area of operation of an MSO is directly proportional to the CapEx and OpEx required to be incurred by such MSO. An MSO operating on Pan-India basis will require to invest more on infrastructure to build and maintain high-end digital network in order to cater to subscribers across the country, while the amount of money required to be invested in such regard by an MSO operating only in some towns / limited number districts will be substantially less. Accordingly, net-worth of an entity should be a determining factor while deciding area(s) of operation to be mentioned in the MSO license. Grant of area of operation to an MSO on the basis of its net-worth will also be fair to the Subscribers of such MSO since, the

MSO will be able to cater to them in a focused manner and will also ensure level playing field between other category of DPOs. This will also ensure that broadcaster's signals are not misused and that only serious player enter the market.

**Query 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.**

**Response 14:**

Costs are not a good reference point for determining net-worth requirement. Since cost incurred depends upon, inter alia, the ability of an entity/ its management to control its expenses, for similarly sized DPOs there could be huge differences and the criteria could lend to much subjectivity. We therefore recommend that minimum net-worth requirements should be implemented in the manner proposed by us in our responses above.

**Query 15:**

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

**Response 15:**

We reiterate our submission as above. All service providers in the sector incur significant costs and face sufficient challenges to be able to render services. Hence, no special treatment should be accorded upon MSOs. Benefits if any, should be applied uniformly for other service providers operating in the industry as well.

**Query 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.**

**Response 16:**

We believe that average cost for capacity building by MSOs on the basis of number of channels is as under:

(a) For a 100 channels system, the average cost would be ~ ₹16 Lakhs.
(b) For a 200 channels system, the average cost would be ~ ₹25 Lakhs.
(c) For a 300 channels system, the average cost would be ~ ₹35 Lakhs.
(d) For a 500 channels system, the average cost would be ~ ₹60 Lakhs.

IBF is of the opinion that the minimum net-worth of an MSO should not depend upon channel carrying capacity. The implementation of net-worth requirement as proposed by us would result in operationalisation of MSOs with sufficient channel carrying capacity only.

**Query 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?**

**Response 17:**

Not applicable.

**Query 18:**

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

**Response 18:**

We have proposed uniform implementation of net worth of MSOs which should be agnostic of their subscriber bases. Since no preferential treatment is to be given to larger MSOs with large subscriber bases, IBF believes that no such leeway should be allowed for the other service providers operating in the industry.

The minimum net worth should not depend upon the proposed number of subscribers that an applicant MSO would cater to, as the same is a variable number and the subscriber numbers may keep changing. The number of subscribers may also be affected with the active/de-active subscribers, subscribers who have temporarily opted out etc., thereby making it a weak foundation for determination of minimum net worth.

**Query 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?**

**Response 19:**

Not applicable

**Query 20:**

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

**Response 20:**

Criteria to determine net worth and/or minimum funds / reserves to be maintained by MSOs can be prescribed on the basis of area of operation (as explained above) and additionally on the basis of CapEx and OpEx of MSOs. It is necessary to prescribe a robust net worth requirement since, it may be inter-alia helpful in ensuring that MSOs do not default in payments to broadcasters, MSOs do not default in payments to CAS / SMS vendors (which may diminish their system capabilities), MSOs are able to invest and maintain call centres, websites, etc. as may be required QOS Regulations, and MSOs are able to service the consumers choice and the imperatives of the Framework..

**Query 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?**

**Response 21:**

We reiterate our response on corporatisation as set out above. Demutualization is a good indicator of maturity in any sector and cable and satellite broadcast should be no exception to it. The registration requirements contained in the Cable TV Act and Rules for MSOs should be modified to encourage corporatization. This may take shape of requiring the DPOs to at least be a single person registered company as per the provisions of Companies Act, 2013. The Transparency, hygiene and consumer interest ensured by the level of scrutiny that an incorporated entity faces due to filing requirements with Registrar of Companies is higher than for any self-proprietorship or partnership and this helps ensure better quality of operations in the sector. Moreover, corporate form of business organization opens gates to raising capital from multiple sources, including public markets, in the later life of the business.

**Query 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?**

**Response 22:**

In view of corporatisation of MSOs proposed by us, this query becomes redundant.

**Query 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?**

**Response 23:**

Audited balance sheets and statement of profit/loss accounts may be furnished by the MSO companies at the time of registration in order to evaluate the net-worth of the company. In this regard, we would like to reiterate our submission towards Question No. 4 of the Consultation Paper.

**Query 24**

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

**Response 24:**

Not applicable in light of our responses above.

**CONCLUSION:**

A total of approximately 1,471 MSOs are registered with the MIB as per the MIB data in March 2018. Due to various benefits granted to MSOs thus far, in the nature of no net-worth requirement, entry fee of Rs. 1,00,000/- only, lack of corporatization, the television industry does not have a level playing field. Broadcasters have been adversely impacted the most since significant portion of their revenues depend on the MSOs. From a consumer standpoint they have been at the receiving end as they are bereft of quality customer-care services due to lack of infrastructure and manpower. IBF believes the way forward is corporatization and net-worth level requirements proposed by us in the best manner possible. Not only will services improve but it will also lead to the diminishing of malpractices/corruption rampant in the industry.

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