



17.12.2013

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Subject: DB Corp. Ltd's comments on the consultation paper No.: 12/2013


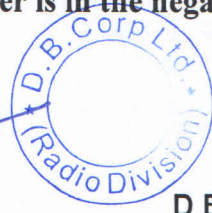
Q 1. What should be the date of migration for FM Radio operators to migrate from Phase-II to Phase-III?

We propose that the migration to the new regulations governing Phase III i.e. signing of Grant of Permission Authority (GOPA) should be 30th May 2014 or even earlier based upon completion of GOPA formalities. However, the new 15 year license period and migration fees payment thereof should be from the specific end date of the individual FM licenses for each city. The existing Phase II operators can provide an undertaking that the appropriate migration fees will be paid upon the expiry of the ten year license period. Along with the new GOPA, the operators can be asked to provide a bank guarantee for the amount as agreed in Question No 3. This bank guarantee can become an integral part of the new GOPA which shall be effective from the date of license expiry. Since all operators have paid in advance a sum of money for a ten year license, it is only fair that the entire ten year period is completed before new fees are paid.

Some of our licenses are expiring as late as in 2018, so it is apparent that migration fees should be paid after the completion of license period.

The TRAI consultation paper has stated an option that migration date be decided after fresh auctions. Even after nearly 2 years of the announcement of phase III auctions in President of India's address to Parliament dated 12th March 2012, there is no confirmation of the date of auction. we strongly urge that the migration should happen at the earliest in the interest of the stakeholders and the survival of the industry.

Q2. Do you agree that period of permission of the existing Phase-II operators, on their migration from Phase-II to Phase-III, should be 15 years from the date of migration? In case the answer is in the negative, please suggest the alternative period of permission?

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We totally agree that the period of permission should be 15 years from the date of expiry of 10 year license under phase II. This will also be consistent with the period of Phase-III licenses.

Q3. Do you agree with the methodology of charging migration fee, as NOTEF minus the residual value of Phase-II license, from the existing Phase-II operators on their migration from Phase-II to Phase-III? In casethe answer is in the negative, please suggest the alternat methodology tocharge the migration fee.

No, we do not agree with the methodology indicated in the consultation paper for the following reasons:

- a) As per the MIB's plans, the reserve price in some of the cities is exorbitantly high and the auction may not be a starter in these cities.
- b) There are several cities like Kolkata, Bhopal, Indore and others where no Phase-III auctions are taking place. How will the migration fee in these cities be determined then?
- c) Like mentioned earlier, there is no certainty about the timing of the Phase-III auctions.

Proposed Methodology

Therefore we propose that the formula for migration should be:

The fees for migration, along with extension for 15 years from the date of migration, should be equal to the Average or at the maximum highest of the Phase 2 bids in each city .”

Justification

1. FM Phase 3 policy has already fixed minimum price for phase 3 auctions for 15 years as maximum bid for a city in phase 2.
2. In phase 2 reserve price was 25% of maximum bid. . It may be noted that almost 25% of phase 2 frequencies put up for auctions were not successfully bid for at the reserve price and are lying vacant. It may be noted that under auction policy of Phase 3, the price determined will be a common minimum price acceptable when bidders equal frequencies put up for bid, subject to a minimum reserve price. There

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will no average or highest, just the same accepted price. Therefore the only way to equate the two auctions is to take minimum as a base.

3. The amendment to reserve price (phase 3 vs phase2) makes reserve price in Phase 3, four times higher as compared to phase 2. This far more than covers for inflation and increase in time period
4. Therefore the Average Bid or at the maximum the highest bid for a city in phase 2, is the maximum price that should be payable by Radio Operators for a 15 year license extension.
5. This is also the minimum price at which government under FM Phase 3 policy will auction a frequency.

Best Regards,

A handwritten signature in blue ink, appearing to read 'Vijay Garg', is written over a horizontal line.



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