

Date : 15th May 2019

CP on MSO Network

2.13

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

We do not see any need to review the present eligibility and network norms since-

The Business has run successfully for over 3 decades without any such framework

Introducing the Norms belatedly will unsettle the established, self-funded business model adopted by most Independent MSOs

Large, multi- State MSOs follow a different Business Model altogether and hence no comparison or standardization will work

b) 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.

Not applicable

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

As stated above No

Business has been and will be self-funded with a mix of BYOD (Bring i.e. Buy your own Device) at Subscriber Level and Equipment Finance schemes offered for NOC Level

d) 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 network as claimed by business entities like proprietor-ship firm, partnership firm, LLP or Company as the case may be?

Not applicable

2.20

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

No. In any case, the proposed Area Norms overlook population density, demographic composition and hence will not create Level playing fields

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

Not applicable

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

Hypothetically speaking if area-wise Norms are considered, the Areas should be defined on SEC basis and potential Market size and not as currently proposed

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

Hypothetically speaking, the License Area should be measured on the basis of Homes Passed

2.24

a) Should the minimum net worth required in case of MSOs operating in Northeast and/or J&K be relaxed compared to other regions? Please provide suitable justification.

In one country one tariff scheme, distinction between Areas is undesirable. However, one has to be alive to Population Density and Topography challenges

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

Hypothetically speaking, 50% minimum relaxation would be desired since most MSOs would operate in limited areas and sink considerable amount in Infra creation or rentals

2.30

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

The fixed costs incurred by a MSO are Sunk costs on Head-end and the Head-end Management costs
Both these costs can vary dramatically based on Head-end capacity, quality of equipments deployed, level of Business Process Automation and Employee strength engaged

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

Variable costs include LMO connectivity, Drop and Carry Signals and Customer Care apart from Business Promotion on B2B Basis

Some MSOs are known to subsidize CPE at B2B or B2C levels for initial phase

c) 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?

Most Players have pre-set Market identified and hence plan outlays commensurate with it. This being game of numbers, larger the scale of operations, lower the effective sunk and variable costs

d) 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

As stated hereinbefore, we are not inclined towards stipulation of any Minimum Network

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

Not practicable since the Customer addition (STB deployment) is an ongoing process

f) 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

As we understand, minimum Channels to be powered by a Head-end stand at 250 and hence are confining to the same

The costs reportedly range from as low as Re.20.00Lac to as high as Re.2.00Cr or Re.8000/- to Re.80000/- per Channel

Stipulating Network without any norms for allocation of Resources to specific purpose will be counter-productive and hence not desirable

g) If the answer to question (f) 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?

Not applicable

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

The Subscriber numbers are not assured in any case nor is the contract period predefined. Linking forecasts with Subscriber numbers envisaged will either stop new entrants or disqualify existing Players hence not desirable to link the two

i) If the answer to question (h) is in affirmative, what should be the proposed number of subscribers and the relevant network for the same?

Not applicable

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

Not applicable unless the MSO Business itself is reviewed in entirety in terms of Business Case, Business Model, Pricing Norms, ICA terms for MSO-LCO and Customer Services

2.37

a) 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?

Ease of doing business for an individual applicant should be enhanced to facilitate LMO to upgrade self to MSO and hence no norms be prescribed

b) 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?

Yes to permissibility and No to rest

c) 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?

Not applicable however, hypothetically speaking, a Certificate from Chartered Accountant should suffice

d) Comments on the contents of proforma on the basis of which net worth for the new entities is to be calculate

Since the Proposition to prescribe is not acceptable, we may please be excused from commenting on the Proforma