

23 February 2022

By Email/By Hand

The Advisor (B&CS)
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan (next to Zakir Hussain College)
Jawaharlal Nehru Marg, New Delhi- 110002

Kind Attn: Shri Anil Kumar Bhardwaj, Advisor (B&CS)

Subject: Tata Play's comments on TRAI's Consultation Paper Dated 22 December 2021 on 'Promoting of Local Manufacturing in Television Broadcasting Sector'

Dear Sir,

We thank you for the opportunity to express our views on the above captioned Consultation Paper. Tata Play's revised response to the same is enclosed. You are requested to kindly take the attached response on record.

Thanking you.

Yours sincerely



Harit Nagpal
Managing Director and CEO

Enclosed: As above

TATA PLAY'S COMMENTS DATED 23 FEBRUARY 2022 TO TRAI'S CONSULTATION PAPER DATED 22 DECEMBER 2021 ON 'PROMOTING LOCAL MANUFACTURING IN THE TELEVISION BROADCASTING SECTOR'

Q1. What is your assessment in respect of local manufacturing in the television broadcast sector of India? Is there requirement for a focused action in promoting local manufacturing in the television broadcast sector? Please elaborate.

Tata Play Comments:

- Tata Play fully supports government's initiative of 'Aatma Nirbhar Bharat' and 'Make in India'.
- We have made great progress in shifting manufacturing of equipment for DTH sector to India.
- As you are aware, there are four major components for the DTH industry - Outdoor Unit (ODU), Set Top Box (STB), Headend equipment and Conditional Access System (CAS), we are providing the details with respect to all four.

A. ODU

- For ODU which consists of Dish, Cable, LNBF, and Installation material, around 90% of installation production has already moved to Make in India for all DTH operators including Tata Play.

B. STB

➤ **Reason for shift to overseas:**

- Initially, when Tata Play started operations, hundred percent of its STBs were manufactured in India.
- However, since the local manufacturers could not meet our requirements especially with respect to the quality, delivery, acceptable failure rate, innovations, incorporation of latest technology features including costs, we had to shift the procurement to overseas manufacturers.

➤ **Current status:**

- As of now all DTH operators are already manufacturing the boxes in India including Tata Play. Tata Play is continuously working with its partners to move manufacturing of STBs to India.
- The first batch of India made STBs were manufactured locally in August 2021 and more than a million STBs have been manufactured so far.
- We are also in the process of rolling out India made high end Tata Play Binge+ STBs by Q1 of 2022.
- We are confident of being able to meet and possibly exceed the MIB specification of manufacturing more than 50% STBs in India by the end of FY22.

- **Cost of Manufacturing:** It is a known fact, that the cost of manufacturing STBs in India is much higher as compared to South-East Asia. It would take us a while before we can build the chassis and the PCB in India, thus reducing the import to the chip alone.

C. Headend equipment

- Headend is totally dependent on imports and India currently lacks the ability to design and produce these components in India.

D. CAS

- It is important for CAS to be extremely secure. Indian CAS are not globally acceptable from security perspective as they do not meet the global standards.
- Indian CAS has to be more innovative to keep up with the constant changes with respect to latest technological trends.
- **Tata Play Recommendations:** There is therefore a need to have focused actions to promote local manufacturing for DTH industry. We consider, the following actions may be of help.

- **Assembly of equipment:** To begin with, start assembly of equipment in India (this is already being done)
- **Government support on development:** Government to support development of components in India to reduce dependency on imports of components from other countries
- **Encourage Indian design houses:** Encouragement to Indian design house to come up to speed with global competitor
- **Production Linked Incentive:** It is also recommended to add STBs in the category of Production Linked Incentive and also in the CPE category of Telecom Production Linked Incentive to help make the assemblers/manufacturers of boxes competitive versus their international counterparts.
- **Global Investment:** Government must also invite large global Original Design Manufacturer (ODMs), Original Equipment Manufacturers (OEMs) and Electronic Manufacturing Services (EMS) companies to invest in India and look into issues faced by them while investing in India. Considering only Indian ODMs, OEMs and EMS for local manufacturing in India is not only myopic, it will also restrict flow of global capital and technology into India, without which India can never become a global manufacturing powerhouse.

Q2. Do you think there is an adequate opportunity, market, and/or demand for the manufacturing of television broadcasting (headend, back haul transmission, CPE and others) equipment in India? Please provide your comments with supporting inputs and data. What are specific requirements of special interfaces and features needed in transmission equipment used in Television broadcasting sector? Elaborate with respect to specific equipment like headend interface equipment and CPE/STB.

Tata Play Comments:

- **Scale an issue:** CPE and related capabilities need to be built in India. However, since not many new operators enter the industry and upgrades required by existing providers are not large enough in scale, headend equipment, and CAS requirements for DTH are not as high to put up manufacturing capabilities in India.

Q3(a). Do Indian manufacturers have adequate capabilities to meet the broadcasting (headend, transmission, CPE and others) equipment demand of the Indian cable television sector?

Tata Play Comments:

- **Headend:** Indian manufacturers are yet not in a position to supply headend equipment.
- **CPE:** For CPE manufacturing, Indian manufacturers are yet to develop capabilities and scale to meet quality and cost requirements of industry.
- **Quality a barrier:** In a subscription-based model, DPOs are responsible for all equipment working in field for several years without malfunctioning. Manufacturers have to invest in latest state-of-the-world equipment and quality processes in their manufacturing setups.
- **Innovation :** Local suppliers also lag in innovation and fail to catch up with changing technology trends.

Q3(b). If yes, then what new measures, if any, are required for the local manufacturing sector to capture a greater market share?

Tata Play Comments:

- As stated above, the Indian manufacturers do not have adequate capabilities to meet industry requirements.

Q3(c). If your answer to Q3(a) is negative, then please comment what measures can enable local Industry to consider manufacturing of equipment for broadcasting (headend, transmission, CPE and others) segment? Please provide supporting inputs with relevant details.

Tata Play Comments:

- **Need to be price competitive:** Our current scale is suboptimal to support local manufacture, and this would need some time to build. Till then, the partners would need some support to become price competitive. It is also likely that once their prices are competitive, manufacturing for Africa and South America, which use boxes like ours, shifts to India too, as we are closer to the destination.
- **Production Linked Incentive:** We therefore request the government may kindly recommend the Ministry of Finance, Government of India to add Set Top Boxes in the category of Production Linked Incentive and also in the CPE category of Telecom Production Linked Incentive to help make the assemblers/manufacturers of boxes competitive versus their international counterparts.
- **Made in India:** At this moment, it is important that we bring manufacturing to India, irrespective of where the manufacturer is originally based out of. Manufacturing of mobile handsets is an example. Today India is one of largest manufacturer of Samsung and Apple phones. More of these are manufactured in India than for Indian brands like Micromax, Lava, Intex etc.
- **Global Practice:** The goal should be to bring in large scale and quality manufacturing to India whoever the manufacturer is. Once India becomes a manufacturing hub, testing and R&D will follow automatically. This is how manufacturing and R&D has developed across all countries whether be Japan or Taiwan or Southeast Asia or China.

Q4. What are the reasons for the limited market share of local STBs? Do the local manufacturers face any entry/exit barriers such as, but not limited to cost competitiveness, and/or technology-related issues? Please elaborate with supporting inputs.

and

Q5. What measures do you suggest for improving the competitiveness of local manufacturers? Please elaborate your comments with supporting inputs and data.

Tata Play Comments:

- **Futuristic Product:** Local manufacturers do not spend enough money to futuristic products. A lot of work is required in terms of technology, quality, cost and scale.
- **Investment in R&D:** Investment is required in their R&D and strike partnerships with SoC and CAS/MW vendors.
- **Robust strategies:** They need to build robust strategies for their existence in the market and also need to be resilient to changes of market.
- **Technical capabilities:** Technical capabilities need to be built to ensure long terms support and service (provide long term warranties, upgrades and updates) for the products already made available in the market in future as well.
- **Consistency:** Above all consistency is required in their quality, cost, technology parameters and scale.

Q6. What other measures can be taken to encourage the adoption/usage of domestically produced STBs and other Consumer Premises Equipment among the distribution platform operators?

Tata Play Comments:

- **Incentive linked schemes:** Some incentive linked schemes can be rolled out to support Indian manufacturers. These schemes will only work after suppliers come on track of delivering quality, cost and futuristic products on a sustainable basis.

Q7. MeitY supported development of local CAS, which has been available for more than two years. What further measures, if any, should be undertaken to enable increase the market share of local STBs, that are designed in India, running on Indian CAS and made in India? Please elaborate with reasoning.

Tata Play Comments:

- **Unique and tailored:** CAS is a highly specialized area. Each implementation of CAS is unique and tailored for every DPO.
- **Integrated system:** CAS does not work in isolation as it has to be tightly and securely integrated with Middleware, SoC and Applications. Standalone CAS cannot fulfill requirements of a running a DPO platform.
- **Non-acceptance by Broadcasters:** Further, local CAS has no or very little acceptance amongst broadcasters. DPOs cannot use a CAS which is not widely accepted by broadcasters otherwise they cannot get desired content. Also, CAS vendors must provide security guarantees to DPOs and should be held liable for any security breaches and hacks.
- **Cost and Security:** While cost is important, security robustness, security guarantees and tight integration with SoC, Middleware and Applications are even more important.
- **Benefit for DPOs:** Running Simulcrypt adds lot of complexity to the platform and there should be tangible benefits for DPOs to be able to add another CAS to their system. Just because a CAS is available does not mean it meets all our requirements or is usable or desirable. They need to invest and adapt on latest technology trends with frequent updates and upgrades.

Q8(a). As per the estimates, yearly broadcasting imports in India amount to more than USD 20 billion. Do you think this market size reflects high potential for local manufacturers for broadcast equipment?

Tata Play Comments:

- **Moved Partner Manufacturing to India:** Under the 'Make in India' initiative, many operators like us have already started manufacturing STBs and ODUs in India over the past one year. It is therefore expected that import of STBs would reduce substantially in future.
- **Assembling for Headend and CAS:** However, there is no near solution for headend and CAS. More and more indigenous components can be added in CPE part. To begin with, we can start assembling headend in India.

Q8(b) If yes, why the television broadcast sector is still dependent on imports for deployment in networks? Please elaborate.

Tata Play Comments:

- **Fundamental Issues:** There are numerous fundamental issues that needs to be addressed – cost, quality, scale and reliability, roadmap, future proofing, adaption of latest technology and trends, warranty support, support with upgrades and updates for existing products, services and quick turnaround time with respect to change requests etc.

Q9(a). Looking beyond local markets, can Indian industry gear itself to export television broadcast equipment for export markets?

Tata Play Comments:

- **Policies and Incentives:** Yes, with proper government policies and incentives and investment by private industry in state-of-the-art equipment and quality processes. Slowly we can start to cater to countries which are similar to ours like Africa and neighbouring countries where similar technology is still being used, before going global.

Q9(b). If yes, what specific measures may be required to enable local manufacturers to compete in global market for television broadcast equipment? Please elaborate with relevant figures and inputs.

Tata Play Comments:

- **Measures required:** To truly enable local manufacturers to compete in global market, government policies need to be aligned, incentives need to be given to the manufacturers, large investments are required by private industry in state-of-the-art equipment and quality processes and lastly adaption of latest technology and trends.

Q10. Is there potential for promoting local manufacturing of all types of broadcasting equipment, more specific to television broadcasting equipment e.g., head-end, transmission, CPE etc. or at this stage the industry should focus on specific segment like Customer Premises Equipment / Set-Top Box? Please specify the segment (if any) and support your answer with relevant market size in terms of value and volume.

Q11(a). Do the existing policy measures and fiscal initiatives adequately address the needs of the Indian Television Broadcast manufacturing sector?

Tata Play Comments:

- **Ineffective Policies:** No, existing policies do not help DTH players to take advantage of any scheme since it is difficult to fulfil all conditions laid down for availing the benefits.

Q11(b). If yes, please provide supporting note(s) to your answer.

Tata Play Comments:

- The existing policies do not help DTH players to take advantage of any scheme

Q11(c). If the answer to Q11(a) is negative, what policy measures are required to boost local electronics manufacturing in the television broadcasting equipment sector? Please provide details in terms of short-term and long-term objectives.

Tata Play Comments:

- PLI scheme needs to be modified keeping our industry in mind
- Tax and tariff concession to be extending to local manufacturing. Making imports costlier is not the way
- Availability of funds to be made available at concessional rates to Indian manufacturers
- Incentive for adaption of latest Technology trends.
- Imports concession for components and parts required to start manufacturing in India till we build local capabilities and reduce imports.

Q12. Should the government extend the PLI scheme to the television broadcasting sector? Which equipment deployed in the television broadcast network should be covered under the PLI scheme? Please elaborate with supporting note(s).

Tata Play Comments:

- **PLI scheme for STBs:** Yes, since we are ready with manufacturing of STBs, PLI scheme should be made available based on maturity levels of industry. It is required in order to promote components manufacturing.
- **Headend and CAS:** They may be included for headend and CAS, once we are in a position to manufacture them.

Q13. There is a need to have a standard understanding of the scope of 'local manufacturing' amongst all the stakeholders to bring uniformity in the consultation. What should be the scope and definition of 'local manufacturing' in the lines of manufacturing vis-à-vis assemblage of the television broadcasting equipment and their core components?

Tata Play Comments:

- **Assemble First:** There is a natural path of industries shifting their locations to any specific country. It always starts with assemble first and then as the industry matures its components manufacturing starts in surrounding area of industry. This is the natural trend of any industry we should follow the same path.
- **Benefits and Concessions:** And we should try same for all elements of TV and broadcast sector. Government needs to handhold and support the industry with various benefits and concessions, including reduced import duties for components not available in India till local manufacturers build the capabilities and capacities.

Q14. Will a stronger R&D ecosystem enable the growth of local broadcast manufacturing sector? If yes, please suggest steps to promote and incentivize R&D undertaken in India to build domestic capability in television broadcast equipment manufacturing.

Tata Play Comments:

- **Incentives to ODMs and OEMs:** Yes, there is a strong need for a robust and efficient R&D ecosystem for this industry to become sustainable and hence it is recommended to pass on incentives to ODMs and OEMs to setup R&D facilities in India along with incentives for setting up manufacturing facilities.

Q15. In view of the concerns raised about Free Trade Agreements (FTAs) affecting the cost competitiveness of the local products, what policy measures do you suggest to address this issue? Please elaborate with supporting note(s).

Tata Play Comments:

- **Concession on duties and taxes:** Tax benefits can be extended to local manufacturers in parallel to FTA, to even out the difference in the pricing. This should be valid till the local manufacturers develop capabilities and capacities including leveraging scale. Government support is required with lower custom duties and tariffs on all components and accessories, till all components are locally manufactured.
- **Ineffective FTA benefit:** Customs have issued and implemented a notification related to FTA benefit on 21 September 2020 which has forced all the importers to submit multiple documents along with country-of-origin certificate to prove Regional Value Content percentage contribution in manufacturing is greater than equal to 35%. Even after complying to all the requirements for each shipment, customs authorities have never allowed any shipment to get customs cleared without submission of bank guarantee (BG) without any expiry date for the similar value of duty benefit availed. Importers have also been asked to provisionally assess all bill of entries submitting Provisional Deposit

Bond worth the value of each shipment. Even after completing all formalities, multiple shipments have gone under document scrutiny and incurred huge detention, demurrage and late bill of entry filing charges which is a big loss to the importers. In nutshell, post 21 September 2020, FTA benefit has remained just as a namesake and creates huge financial exposure and procedural delays.

Q16(a). Do you think that there is a cost disparity due to additional expense on infrastructure vis-à-vis competing nations that adds to disadvantage for local manufacturers?

Tata Play Comments:

- **Financial benefits:** Yes, competing countries extend lot of support in terms of financial benefits, tax, duties structures and payment terms to manufacturers which make them more cost competitive as compared to Indian manufacturers.
- **Infrastructure for production:** Also competing countries have already installed infrastructure for production and have large scale global operations, which helps them even out their costs.
- **Capex and Opex cost:** We have to install fresh equipment for production which add to capex and opex cost. Whereas other countries have already recouped their capex investment over a period of time it would be fresh in India and there would be a gestation period here, during which time government needs to extend duties and tax concessions and support.

Q16(b). If yes, please elaborate along with supporting inputs and item-wise comparison, such as with reference to availability of power, labour, land, strong supply chain and logistics, etc.

Tata Play Comments:

- Our response is as explained above.

Q 17: Please list (item-wise) the cost disadvantages that an Indian manufacturer faces vis-à-vis its international competitors. Please quantify such disadvantages in percentage terms to enable broad estimation.

Tata Play Comments:

- Numerous cost disadvantages are faced by Indian manufacturers as opposed to their international counterparts. To name a few, there is lack of duty concession, lack of financial incentives, scale of operations, lack of R&D facilities and there is a dire need for long term support for products and services.

Q18. Any other issue you may like to raise relevant to the present consultation?

Tata Play Comments:

- **Suggested CAS System:** In the past, use of CAS systems like iCAS and C-DOT has been suggested. It is reiterated that CAS is not stand alone and is tightly integrated with the eco-system and platform. For a CAS to be considered, must fulfil at least following most important criteria (not an exhaustive list):
 - Security certified from independent 3rd party labs like Riscure and/or Farncombe
 - Integration with wide range of SoCs
 - Integration with wide range of Middleware
 - Integration with and acceptance amongst STB ODMs
 - Security Guarantees
 - Robust roadmap as security means remaining ahead of Pirates & Hackers
 - Piracy monitoring services

➤ **Shortcomings of suggested CAS System:**

- More often than not, these conditions are lacking in above mentioned CAS systems.
- A lengthy, expensive, and operationally challenging to on board a new CAS on a platform.
- Potential of breaking down system for existing millions of subscribers.
- Unless there is a very compelling reason, CAS is not a thing DPOs move around easily.