

VANITA KOHLI-KHANDEKAR
Pune, 15 November

Vishal Vijayrao Khodke is unhappy. The 38-year-old owner of RCN Digital in Amravati, Maharashtra, had 14,000 homes on his cable TV network in 2015. That is when the region began digitising. People who did not want to spend on set-top boxes dropped out, leaving him with 11,500 homes. In 2019 came the New Tariff Order that complicated channel choices and increased prices, pushing him down to 8,000 homes. Khodke's average revenue per user, or ARPU, from cable is now ₹118 a month, down from ₹150. He has had to reduce his staff from 130 to 60.

“Broadcasters repackaged popular programming from pay channels into free-to-air ones and put them on DD Freedish (the state-owned free DTH service). Why would a customer pay ₹250 a month for cable? He has a lot of alternatives — OTT (over-the-top), mobile, Freedish,” says Khodke. The pandemic brought some good news: growth in television viewership and a rise in homes seeking cable internet. Khodke now has 450 homes that use the cable to get Google, MX Player etc and pay upwards of ₹400 per month for it.

Khodke's story is one of India's once-thriving cable TV business.

"Cable is dying," says Jagjit Kohli, CEO of Digicable. He was among the thousands of young men who slung the first few wires across Mumbai in the mid-eighties to create the world's second largest television market by TV homes after China. Star, Zee, Sony and Sun were among the hundreds of broadcasters that fuelled TV's growth along with cable for almost three decades. Now, "cable as a standalone video service is on a structural decline (see box)," says Mihir Shah, vice president, Media Partners Asia.

For years it has been evident that fibre and DTH would give tough competition to cable in India where regulatory overload has mutilated an already warped industry structure. OTT added fuel to the fire. Cable's survival lay in it becoming a provider of broadband internet. This also pushes up ARPU by two times or more, reckons Manoj Madhavan, editor, *Satellite & Cable TV Magazine*.

The \$104-billion Comcast, a cable company, is one of the largest broadband providers in the US. It is on a Comcast connection that a majority of Americans watch Netflix or Amazon Prime Video, among other apps. In India, Akshaya Diginet in Chennai and Seven Star in Mumbai are among the healthier multi-system operators (MSOs). They are profitable and growing because a rising proportion of their homes now buy internet-enabled cable. These are but local, standalone exceptions.



► Broadcast Audience Research Council data shows TV homes rose from 183 mn in 2016 to over 210 mn in 2020, pushing up the TV business from ₹59,400 crore to ₹68,500 crore. Much of this rise has, however, gone to other distribution technologies (DTH, DD Free Dish or to broadband providers such as Airtel and Jio).

▶ The number of cable homes fell from 115 mn to under 100 mn; analysts put the figure closer to 70 mn. From ₹27,000 crore in 2010, cable's share of subscription revenues is now estimated at ₹13,000 crore.

The number of cable homes with broadband is estimated at 21 million; that is about 80-90 million people. This is split among dozens of small MSOs. In a market with 750 million broadband consumers, not a single cable company is an internet provider on a national scale.

It all begins and ends with last-mile access, says Shah. MSOs reach over 95 per cent of homes through local cable operators like Khodke. The strength of the 155,000-plus cable operators lies in their access to consumer homes. But many of them have barely 1,000 homes.

For decades their business model depended on negotiating with broadcasters and MSOs. If an operator had 1,000 homes, he would pay for, say, 500 one year. The number would increase every year based on negotiation. What he paid had little to do with how many homes he reached or what channels were watched. Everyone was guilty of perpetuating a structural defect — the lack of an addressable, transparent last mile. This, now, has come to bite the business.

A large part of the blame lies with broadcasters who kept insisting on a minimum guarantee or fixed fee instead of pushing for actual numbers. "Broadcasters just wanted subscription revenue growth every year; they didn't care whether there was

Covid or digitisation,” says Kohli.

MSOs were happy to go with the flow as long as they did not have to invest and get a share of revenues. Local operators made their money from the taxes they saved by under-declaring their actual reach. "Everybody just looked at how much they could take out of the business; nobody really invested in it," says Tony D'Silva, former head of Sun's DTH business and also head of Star's distribution for many years. The Telecom Regulatory Authority of India (TRAI) added to this by introducing price-control, on what is clearly not an essential commodity, early on in 2004. This further incentivised the whole "let me get my share mentality".

Digitisation, mandated in 2011, forced some transparency, but in larger cities. In small towns and rural India, either people fell off the cable grid or millions of boxes lay inactive. Neither the MSO nor the operator had the wherewithal to service these with software and call centres.

Then came the New Tariff Order in 2019. “Until 2018, commercial arrangements between most MSOs and LCOs (local cable operators) were on a post-paid and fixed-fee basis. With the tariff order, the entire value chain shifted to a pre-paid system,” says Shah. The pain of collecting money in advance from subscribers and sharing with MSOs and broadcasters meant you couldn’t hide people falling off the grid easily.

DTH did not lose too many consumers because it runs on a prepaid, digital, set-top box and call centre-enabled model. In all, DTH operators have spent close to ₹1,000 crore or so on capex. Most started making money only in the seventh year of operation.

“With the New Tariff Order, customers are paying more but margins for operators have dropped to the point where they are not making anything worthwhile. Many want to sell, but who’s investing,” says cable business veteran Rohinton Dadyburjor. The lack of clarity on who owns a home — the MSO or local operator — meant that nobody wanted to invest in cable. It also explains why no foreign investor has entered the sector though 100 per cent ownership is allowed.

The ones who ventured into internet access were stopped in their tracks by a 2010 Supreme Court ruling on licence fees. "If a company made 90 per cent from cable TV and 10 per cent from the internet, it had to pay 8 per cent on the total," says Vynsley Fernandes, CEO, NXT Digital. This deterred investment. In October 2021, this was changed via a notification. Fernandes reckons it could help ease the way for foreign investment. "Five years from now cable will metamorphosise. Its biggest advantage is that it has wire into homes," he says. The question is: who owns this wire?

**SACHIN P MAMPATTA
& KRISHNA KANT**
Mumbai, 15 November

Many key weekly indicators of economic activity trended upwards after the Diwali holidays in the first week of November.

The growth in the quantity of goods that the Indian Railways carried was 6.1 per cent for the latest week, compared to 4 per cent growth seen previously. The growth in revenue that the Indian Railways earned from carrying goods rose to 17.7 per cent, compared to 13.4 per cent seen in the previous week. The government puts out year-on-year weekly growth figures for both (see chart 1).

Power generation showed a small uptick last week (based on reporting day data) after the post-Diwali slump in the week before. The power utilities across the country generated 3,458 million units (MUs) of electricity on average per day during the week ended November 14, 2021, up 5 per cent from 3,293 MUs a week ago. It was 1.6 per cent higher than the corresponding week in 2020 and 8.5 per cent higher than the generation in the corresponding week in 2019 (*see chart 2*).

Mumbai traffic was down 40 per cent in the latest week compared to 2019 levels, shows data from global location technology firm TomTom International. It was down 44 per cent in the previous week. New Delhi traffic was down 24 per cent compared to 34 per cent previously (*see chart 3*).

Business Standard also tracks emissions of nitrogen dioxide. It comes from

industrial activity and vehicles. A drop can be indicative of lower activity and a surge might point to the reverse. Delhi emissions were 17.6 per cent above 2019 levels. This is similar to levels seen in the previous week. Mumbai emissions were

muted (see charts 4, 5).

Workplace visits fell, according to anonymised location data that search engine Google uses to track people's visits to various categories of places. Workplace visits are now around 20 per cent below

Freight
revenue
(value)

Note: For seven days ending Sunday, November 14, 2021
Source: Indian Railways

- Residential
- Grocery and pharmacy
- Workplaces
- Transit stations
- Retail and recreation
- Parks

Note: Latest update is as of November 11, based on location data as pressed by the company. The percentage change is compared to a baseline value for the same day of the week, calculated on a median basis during the 5-week period Jan 3–Feb 6, 2020. The chart shows a seven-day rolling average of visits to each category. Residential data refers to change in time spent at home.
Source: Google LLC “Google COVID-19 Community Mobility Reports”, Our World In Data

Year	January 2020	January 2021
2019	3,419.3	3,419.3
2020	3,474.7	3,458
2021	3,579.3	3,579.3

Note: Power generation based on reporting day data (million units, seven-day rolling average)
Source: National Load Despatch Centre

Mumbai (Bandra) NO₂

Legend: 2019 NO₂ Level (Blue), 2020 NO₂ Level (Red), 2021 NO₂ Level (Green)

Year	NO ₂ Level
2019	0.9
2020	34.0
2021	66.1

Note: Based on average NO2 levels across stations where data available. Entries which say none are marked as zero. Levels are measured in micrograms per cubic metre of air. Chart title refer to change in seven-day rolling average terms.
Source: Central Pollution Control Board, associated agencies

Note: Shows change based on weighted averages derived from hourly data. Each week starts on Monday and ends on Sunday.
Source: TomTom International

2019 NO₂ Level 2020 NO₂ Level 2021 NO₂ Level

Date	2019 NO ₂ Level (ppb)	2020 NO ₂ Level (ppb)	2021 NO ₂ Level (ppb)
Jan 1	75.9	64.2	70.7
Nov 14	85.0	77.4	65.6

Note: Based on average NO₂ levels across stations where data available. Entries which say none are marked as zero. Levels are measured in micrograms per cubic metre of air. Chart title refers to change in seven-day rolling average terms.
Source: Central Pollution Control Board, associated agencies

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NAME OF THE SHAREHOLDER	Folio No.	Certificate No.	Distinctive Nos.	Shares
SMITABEN BACHUBHAI SHAH	S04070	26470	4641011 – 4641110	100



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For ESAB India Limited
S. Venkatarishnan,
Company Secretary

Place : Chennai

Date : 15 November, 2021

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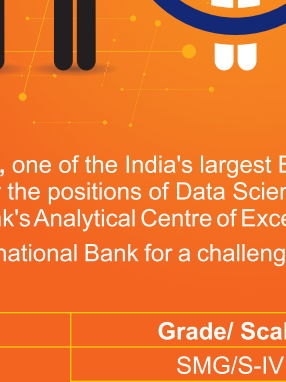
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