E-auction of Second Batch of Private FM Radio Phase-III Channels

Query & Response
To
Notice Inviting Applications
June 20, 2016

No. N-38014/41/2016-FM

MINISTRY OF INFORMATION & BROADCASTING
GOVERNMENT OF INDIA
SHASTRI BHAWAN
NEW DELHI
July 26, 2016

S.no.	Pre Bid Query	Reply
1	**Reserve Prices**: The reason for splitting Phase-3 up into a number of batches was that the radio industry was extremely unhappy with the Reserve Prices (RP) for new towns. This is why Batch-1 comprised only older, Phase-2 cities, where RP was not a problem. We were told that the government would reconsider the RP formula that TRAI had suggested for new towns. It is so disappointing that the government has in fact not considered anything, and has simply gone ahead with the formula as is. As per our estimates, most cities are unviable. Most of the Southern cities come with RPs of Rs 7.02 crores which makes absolutely no sense. Likewise, cities like Dehradun, Saharanpur, Shahjahanpur and Muzaffarnagar come with RPs of Rs 15.61 crores. These cities are completely unviable. **The radio industry believes that ¾th of the frequencies are unviable because of high RPs.**	No change
2	**National and City-level caps:** These caps are completely unnecessary considering that a Competition Law already exists in the country. These caps severely reduced the bidding activities of several broadcasters in batch-1 auctions. A national cap of 52 (not including border towns) resulted in these broadcasters being unable to bid in many towns of their interest. Almost 35 channels could not be auctioned in batch-1, partly because of the national cap. Likewise, the city-cap (40%, rounded off to the lower integer) makes it impossible for any broadcaster to have more than one channel in any city except for A+ and A category cities. This is hindering M&A activity in the industry. It is also denying people of these cities a good chance of getting a wider programming variety, since it is well known that a second frequency would usually offer a different programming format.	Not accepted
3	**3-year lock-in**: The industry has repeatedly petitioned the MIB to remove the lock-in for those broadcasters who have already served the lock-in during Phase-2. These broadcasters have already shown their sincerity to the radio business, and don't need to show it again.	Not accepted
4	**FDI**: The government had already agreed to 49% FDI in radio, although many AROI members were seeking 100%. It is thus surprising that the NIA still mentions 26% as the FDI limit.	The FDI Cap of 26%, prescribed under FM Radio Phase III Policy guidelines dated 25.07.2011 is increased to 49% vide MIB order no. N-38013/1/2016-FM dated 21.07.2016.

5	**Auction flaws:** While the batch 1 auctions were hailed as being transparent and successful, the radio industry experienced several flaws during batch 1. It gave several suggestions to MIB to resolve these flaws. These are – (a) Exact Aggregate Demand (AD)/Excess Demand (ED) not to be announced at end of each round. Same to be announced only in wide bands (b) 80% and 90% AAR rounds to be limited to only a few rounds to curb "parking" of EPs and artificial raising of bids (c) Earnest Money Deposit (EMD)to be raised to more than 25% of RP so that broadcasters only bid for towns that they are interested in, and not in other towns to make it more costly for others (d) Eligibility Points (EP)/EMD information at the beginning of the auctions not to be announced.	a) Not accepted. b) Minimum 3 rounds have to happen before AAR is raised to 100%. Moreover, increase to next AAR level will be done on the basis of bidding activity level in a particular round. AAR is prerogative of Auction Administrator as per clause 6.6.5.5 c) Not accepted. d) Not accepted.
6	**Deferred payment plan:** Considering the huge OTEF that are payable, and the fact that it takes more than 12 months to set up operations, the industry wanted the government to take only 25% in the 1st year. The remaining should be collected after a 3-year moratorium, over the 5th to 7th years. A similar practice exists in telecom also. Even the first year collection should only be made when the station is operationalised and not at the time of winning. Broadcasters have no control over how much time BECIL takes to set up operations; why should broadcasters pay upfront and then lose even the interest on OTEF?	Not accepted
7	**News and current affairs:** The radio industry strongly complained that it was singled out for such restrictions (sourcing news content only from AIR, and airing exactly in the same format as AIR). Many radio broadcasters have their own news gathering services and would like to use those for airing news. The government's worry that broadcasters would air content not allowed under the policy is unfounded because i) the government anyway has a system of serving notices in case of violations or complaints ii) it has the OTEF collected in advance, so holds huge power over broadcasters and iii) because it anyway monitors all/many stations itself and via the "logger" installed in each station. The radio industry is also very concerned that even "sports commentaries" were not allowed when there was absolutely no logical reason for the same.	Not accepted
8	**Freedom to Choose Vendors / Land** : The provisions that make use of Prasar Bharati (for compulsory renting of their land) should be removed for the forthcoming batch auctions for smaller towns. In most of these towns Prasar Bharati does not have land plus they anyway charge rentals multiple times the market rates. These make operating radio stations in small towns completely unviable and hence the provision should be removed. Also the provision for co-location of stations should be removed for small towns as it	Bidders have freedom for LTI provider and System Integrator subject to clauses 4.12.4, 4.12.5 and 4.12.6 of NIA.

	unnecessarily adds to the cost of setting up the infrastructure.	
9	**DAVP rates revision** While the government rates for print and television have been revised upwards twice in last few years, the rate increase for radio is pending over a decade. This should be addressed immediately.	Is not relevant to NIA dated 20.06.2016.
10	**Removal of countervailing duty on Transmitters etc.** India has the highest custom duty rates in the world, almost 10 times the world average. There is also a high CVD which is unreasonable for equipment that is not manufactured in India. We have represented several times for its removal and were promised by Finance Ministry last year that this will be done. We request that this may also be addressed for smaller towns to make radio competitive. Print media gets many duty concessions and radio will be competing mainly with Print in these towns	Is not relevant to NIA dated 20.06.2016.
11	**15% national cap:** As highlighted during the conference, the national cap being imposed at a batch level is a major area of discontentment within the industry. We feel that MIB has misinterpreted the Phase-3 policy. In our opinion, the 15% cap is applicable at a composite Phase-3 level and not batch by batch. As a result of this flaw, big players were severely constrained in the 1st batch and will again be so. The cap will force them to curtail participation in the smaller towns. This will possibly lead to auctions failing in these towns. Even if auctions don't fail in some towns, the cap will lower the bidding intensity by keeping the big players out. This will lead to a sub-optimal determination of bid prices. We thus urge you to waive off 15% cap at batch level and apply it only at end of all Phase-3 auctions.	Same as query no. 2 above
12	**Reduction in Reserve Prices OR Change in Auction Design to UP/DOWN type:** The radio Industry has in the past requested MIB to rationalize Reserve Prices. Reserve Prices for many of the new cities in the second batch are unreasonably high and make bidding unviable. The radio industry feels that more than 2/3rds and possibly even up to 3/4ths of the frequencies could fail to attract any bidding interest. To avoid this situation, MIB should immediately consider significantly lowering Reserve Prices. In case, MIB is unable to reduce Reserve Prices for any reason, it should modify the e-auction design to allow for an UP/DOWN auction format. In this format, the Clock Round Price (CRP) would reduce below Reserve Price in case of negative demand in first round. The CRP would keep reducing till the demand for frequencies becomes equal to the number of frequencies available. If the Reserve Price is too high, then the negative demand will force the CRP to reduce. At the end of the auctions, the fair market price would thus be determined. In case the Reserve Price is perceived to be alright, the CRP will rise till a fair market price is determined. This auction design would ensure right price discovery and successful	Only ascending e-auction process prescribed under FM Phase-III. No Change

	auction of all the frequencies offered by the MIB. We would be happy to meet and explain the proposed auction design at a time convenient to you.	
13	**Remove gaming possibilities from auctions**: "Rogue" broadcasters – those who are not really interested in acquiring a city but join the auction only to raise the bid values for others – Gaming causes problems for all – cause serious damage to the auction process and should be stopped immediately. Serious broadcasters end up suffering the most. So also does the government for whom a key objective is to ensure "fair" determination of market prices. Winners cut back on job creation, programming variety and marketing spends, affecting the growth of the medium. To remove gaming, MIB must: (a)Revert to MIB's own proposal to announce Excess Demand (ED) and Aggregate Demand (AD) in "broad bands", rather than in exact numbers. The only change we seek from MIB's earlier proposal is to make the bands wide – say 1-5, 6-10 etc. (b)Not announce initial EMDs and EPs because this makes bidding strategies of all bidders known to the rogue bidders. (c)Make Earnest Money Deposits (EMDs) 100% of Reserve Price, not 25% as at present. Also, collect this in form of Demand Drafts, not Bank Guarantees. (d)As bidding progresses, EMDs should be constantly "topped up". This topping up may be in the form of BGs, if DDs are logistically difficult. (e) Auction Activity Rules (AAR) should move to 100% in 1-2 rounds, so that points cannot be held back by rogue bidders to play games.	(a) Not accepted (b) Not accepted (c) Not accepted (d) Not accepted. NIA is self-explanatory. (e) Minimum 3 rounds have to happen before AAR is raised to 100%. Moreover, increase to next AAR level will be done on the basis of bidding activity level in a particular round.
14	As considerable delays have been seen in the operationalization of Phase III, Batch – 1 stations, it is suggested that MIB should form a committee to monitor and review the project execution on a periodic basis with the Integrator. The committee should be represented by members from MIB, AIR, Doordarshan, BECIL and AROI.	Apart from ensuring timeline compliance on its part, MIB would take up the concerns of the bidders with the concerned authorities.
15	As the broadcasters have faced considerable delays in obtaining Licenses from Government Agencies in Phase III - Batch 1, it is suggested that MIB explore a "Single Window Interface" for facilitating government clearance/s. This initiative would increase efficiency, timeliness and avoid duplication of documentation.	Same as query no. 14 above
16	As per Clause 3.4.4.1 of the NIA, the applicant company is required to submit a limited review report for the quarter ended June 30, 2016 or a later date as part of its Application to be submitted by August 1, 2016.	Please see **Amendment 1 to NIA dated 20.06.2016**

<table>
<tr><td></td><td>Limited review by the statutory auditors is mandatory as per the SEBI regulations for all the listed companies. Normal timeline for submission of the limited review report for the quarter ended June 30, 2016 to the stock exchanges is August 15, 2016. In the current year, SEBI vide its Circular dated July 5, 2016 has extended the timeline to September 14, 2016 for all listed entities to whom Ind-AS rules (new accounting standards) apply. Ind -AS rules apply to us and a few other listed radio broadcasters.
Considering the above, it is not possible to submit the limited review report for the quarter ended June 30, 2016 by August 1, 2016. MIB should either waive the requirement for submission of the limited review report or extend the timeline for submission of the Applications to any date after September 14, 2016.</td><td></td></tr>
<tr><td>17</td><td>As per Item (4) of the “List of Supporting Documents to Attached” on Page 95 of the NIA, an applicant company is required to submit copies of income tax returns for last 3 years. As per the Income Tax Act, 1961 and applicable rules, an Indian company is required to file its income tax return for the year ended March 31, 2016 only by September 30, 2016. Accordingly, the applicant company should be required to file income tax returns for the financial year ended March 31, 2013, March 31, 2014 and March 31, 2015, but not for the year ending March 31, 2016. Please clarify if our understanding is correct.</td><td>ITR for last three years is to be submitted including ITR for Assessment year 2015-16</td></tr>
<tr><td>18</td><td>As per Item (6) of the “List of Supporting Documents to Attached” on Page 95 of the NIA, an applicant company is required to submit a Certificate regarding the total foreign shareholding in the company from the Statutory Auditors. Process of shareholding registration and transfer of shares for a listed entity is managed by independent Registrar & Share Transfer Agents (R&TA). Considering the time and cost involved in obtaining the shareholding certificate from the statutory auditors, MIB should allow applicant companies to submit details of foreign shareholding in the company certified by the Registrar & Share Transfer Agents of the Company, and not insist on certification by statutory auditors. Stock exchanges and SEBI also rely on the information accessed from RTAs.</td><td>Not accepted.</td></tr>
<tr><td>19</td><td><u>Clarification on computation of 15% nationwide limit</u>

According to our understanding, the present national cap after considering the frequencies available in Second Batch of Private FM Radio Phase III Channels will be as follows:

Maximum Number of Channels an entity can hold post Second Batch under Phase III
<table>
<tr><td>Total Channels under Phase II</td><td>243</td></tr>
<tr><td>Channels auctioned under Phase III First Batch</td><td>135</td></tr>
<tr><td>Channel auctioned under Phase III Second Batch</td><td>266</td></tr>
<tr><td>Less Vacant Channels (Unsold) of Phase III First</td><td>(39)</td></tr>
</table></td><td>For Bidders participating in Batch II FM Ph-III auctions, the total of their existing permissions and the winning channels under Batch II of FM Ph-III shall not exceed 81 excluding channels located in J&K, NE and Island Territories.</td></tr>
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<tr><td>Batch auctioned in Phase III Second Batch</td><td></td></tr>
<tr><td>Less Channels in North East, Jammu and Kashmir and Island Territories</td><td>(62)</td></tr>
<tr><td>Total Channels for calculation of National limit</td><td>543</td></tr>
<tr><td>15% of Total Channels (rounded down)</td><td>81</td></tr>
</table>
The aforesaid national cap shall be excluding the Channels an entity can hold in North East, Jammu and Kashmir and Island Territories.
We request MIB to confirm our above understanding of computation of National Cap per permission holder.
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Restriction on Ownership of Licenses

Current Policy Regulation:

15% nationwide limits –No entity shall hold permission for more than 15% of all channels allotted in the Country excluding channels located in Jammu and Kashmir, North Eastern States and island territories.

40% city capping - A permission holder cannot run more than 40% of the total channels in a city subject to three different operators in the city.

While such policy restriction may have been designed to address concern around creating monopoly and promoting competition, such policy restriction is actually prohibiting the industry players to leverage economies of scale and holding them back from making greater investment in technology and content. There may have been sufficient rationale for such restriction when the Radio Industry was in infancy stage. However, as the Industry has matured, it is right time that such regressive regulations can be removed to allow the Industry players to scale up their operations and technologies. The Industry bonafide believes that there are sufficient regulations and regulatory bodies such as Competition Commission of India (CCI) which can address the concern of creating monopolistic market or other unfair trade practices. In view of the above, it is humbly submitted that the government should reconsider its current policy and allow consolidation of Radio Industry.
Recommendation:

It is recommended that the cap on ownership be removed such that national players and strong regional player can emerge that can consolidate operations, bring in economies of scale to the industry, reach grass root level and acquire more frequency.
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<td>Same as query no. 2 above</td>
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<u>Clarification on Financial Competence</u>

As per Clause 3.4 of NIA, the financial eligibility of each applicant company shall be assessed on the basis of the following criteria:
Minimum Net Worth required as per City Category in each region:
<table>
<tr><th>Sr.No.</th><th>Categories</th><th>Net Worth (in Rs.)</th></tr>
<tr><td>1</td><td>D Category Cities and cities with population up to 1 Lakh</td><td>50 Lakhs</td></tr>
<tr><td>2</td><td>C Category Cities</td><td>1 Crore</td></tr>
<tr><td>3</td><td>B Category Cities</td><td>2 Crore</td></tr>
<tr><td>4</td><td>A Category Cities</td><td>3 Crore</td></tr>
<tr><td>5</td><td>All categories of Cities in all regions</td><td>10 Crore</td></tr>
</table>
In consideration of above we understand that an applicant with a Net- worth of Rs.4 Crore will be able to apply for frequencies available in all cities in Category B, C and D under the Second Batch subject to the overall National and Citywide limits applicable to the applicant.
To elaborate more only two regions are available in B Category City under Second Batch which require the applicant to have a minimum Net-worth of Rs. 2 Crore per region and in aggregate it should be Rs. 4 Crore. Similarly for applying under all the four regions for C Category cities, the applicant should have a minimum Net-worth of Rs. 4 Crore (Rs.1 Crore per Region) and for applying under D Category Cities for all regions the minimum Net-worth requirement is Rs. 2 Crore (Rs.50 lakhs) per region.

Hence an applicant with a Net-worth of Rs. 4 Crore will be able to apply across all available regions under Category B, C and D Cities subject to its national and citywide limits.

We request MIB to confirm our understanding in respect to the Net-worth requirement as detailed above.
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<td>In that case minimum Net worth requirement is Rs 10 Cr. NIA clause 3.4 read with Illustration is self – explanatory.</td>
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Foreign Direct Investment

<u>Current FDI Policy- </u>We refer to the Press Note No. 12 (2015 Series) and Consolidated FDI Policy (effective from June 7, 2016) issued by the Government of India, whereby the Government has revised the Sectoral cap of FDI in FM Radio Broadcasting sector from 26% to 49% under the government approval route. A copy of the said Press Note is attached herewith as Annexure A for your kind reference.

However in the NIA, the FDI limits both direct and indirect including portfolio investment has been mentioned as 26% at the time of application and during the currency of license.

We request MIB to revise the said limits in conformity with the recent changes in the FDI regime as mentioned herein.

Recommendation for increasing the FDI limits
</td>
<td>Same as query no. 4 above</td>
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	The Foreign Direct Investment (FDI) for radio broadcasting is currently capped at 49%. It is pertinent to note that similar placed industry i.e. Television is currently allowed to have up to 100 % FDI through automatic route in the non-news broadcasting channels. <u>Recommendation</u> We would request that there should be parity in FDI policy between various media platforms and hence the FDI limit should be raised from 49% to: 100% for stations broadcasting non-news and current affairs, and 74% for stations broadcasting news and current affairs.	
23	**Three Year Lock-in Period** <u>Current Provision</u> The Current Policy Guidelines on Phase III dated July 25, 2011, mandates that the shareholding of the largest Indian shareholder in a Radio Broadcasting Company cannot be reduced below 51% till a period of 3 years from the date on which all the Channels allotted to the permission holder stand operationalised. We would like to bring it to the Notice of MIB that the existing Radio Broadcasters have already served a lock-in period in previous regime of Phase I and/ or Phase II. Further, Phase III First Batch imposes a fresh lock-in from the date of operationalisation of all the channels. Hence existing Radio Broadcasters have served the lock-in period that too three times. <u>Recommendation-</u>It is recommended that the said condition of three year lock-in period shall be waived for the exiting permission holders under Phase III as they have already served the lock-in period earlier. The condition of lock-in shall only be applicable to new entrants under Phase III who have not served the Lock-in earlier.	Same as query no. 3 above
24	**Reserve price for new cities** In the Second Batch of Phase III 227 channels in 69 fresh cities will be undergoing auctions for the first time and 39 channels in 23 existing cities.MIB has calculated the reserve price for these cities based on the following methodology: For new channels in existing FM Phase II cities: Highest bid price received for that city under Phase II. For cities being taken up afresh: Highest bid price received during FM Phase II for that category of cities in that region. New cities in border areas: In case of benchmark from Phase II for a particular region is not available, then the lowest of the highest bid	Same as query no. 1 above

	received in other regions for that category of cities may be taken as the reserve price. However TRAI has recommended a following methodology for determining the reserve price for fresh cities in Phase III: It is suggested that the Reserve Price shall be calculated by taking the average bid price in same category across 3 different buckets: Based on Gross State Domestic Product Based on listenership (average of no. of household possessing radio, mobile handsets with inbuilt radio and no of passenger vehicles with inbuilt radio) Based on gross revenue Multiplication Factor: The Reserve Price so calculated shall be multiplied with the multiplication factor of 1.5 for proportionate increase in the period of permission from 10 years to 15 years. Inflation Factor: This further multiplied by 1.798 for inflation. Discounting Factor: The value so arrived at shall be further discounted to 80% to arrive at the final reserve price. The Reserve Price so arrived would be starting point for an ascending price auction and will enable price discovery. <u>Recommendation</u> A high reserved fee for fresh cities as provided by MIB in the NIA will make majority of the cities unviable and will lead to a reduced uptake of license in such cities. E-auction provides transparent way of price discovery for the new cities which are open for undergoing auctions. Hence, it is recommended to keep the Reserve price at a nominal level and let e-auction help in price discovery.	
25	**Payment Methodology**: As per NIA, successful bidders of the auction were required to make the payment for all the winning stations within 15 calendar days of the close of the Auction and notification of successful bidder by MIB. It is pertinent to bring to your attention that while the applicant did pay for the Channels within the prescribed timelines, but not even a single channel has become operationalised thereby causing grave cash flow issues to the permission holder. In spite of making the upfront payment, till date none of the channels allotted to us under Phase III have been operationalised, even though frequencies allotted to us belongs to the existing cities. Under Second Batch of Phase III since it involves frequencies in the fresh cities also, operationalisation of the Channels might take a	Same as query no. 6 above

	much longer time. Hence it will create undue hardships for the permission holder and badly affect its cash flows and the Internal Rate of Return from the investor point of view. Recommendation It is therefore recommended that the payment fee/NOTEF for auctioned frequencies shall be directly linked to the operationalisation date of the respective stations.	
26	**Auction Rules :** **Auction Activity Requirement (AAR**) In the first Clock Round, the AAR has been set at 80%. Subsequently, the AAR will be increased in two steps as the Auction progresses, which is from 80% to 90% and then to 100%. In First Batch of Phase III, the AAR went to 80 -90% after many rounds and then arbitrarily to 90-100% after many rounds which led to gaming, parking and artificial rate increase. Recommendation It is recommended that the increase in AAR should be in accelerated manner in this Second Batch of Phase III . <u>Length of the Clock Rounds and Extension Periods</u> Current Auction Rules: • A clock round is for a minimum time of 60 minutes. • The minimum time gap between the ending of one clock round and the start of the next clock round will be 60 mins. • Each bidder is subject to 4 extensions of 15 mins in a day. Consequently, bidders are restricted to a maximum of 4 clock rounds in a day which restricts the efficiency and effectiveness of the auction by making it time consuming. <u>Recommendation</u>: It is recommended that duration of clock round and the gap between the two clock rounds should be reduced to 45 minutes.	Same as query no. 13(e) above
27	**RESERVE PRICES** The Reserve price indicated in the NIA for Batch2 of Phase III are too high for many cities. Like 17 cities of Madhya Pradesh Reserve price of 1.71 Crore has been taken as blanket. These cities are very small and non- active. How an operator could become viable on such prices! When Govt. , like a businessman wants to collect more and more money by auction, at the same time it should fair to keep some breathing space for the Operator as well. Otherwise operators will fail. For example, in Phase-iii batch1, Kota city fetched the price of1.00	Same as query no. 1 above

	crore whereas for a smaller town like Ujjain reserve price has been kept as Rs. 3.51 crore, which as too smaller than Kota . Ujjain is a pilgrimage centre, but success of a FM station depends upon stable residents. So the Reserve Price in this round should be reconsidered and be kept in line with Batch 2 of Phase III only.	
28	**ELIGIBILITY POINTS AND DEPOSITS (NIA CLAUSE 6.6.4)** The Bidder should be allowed to increase the EMD during the E-Auction process. It will increase the possibility of selling more channels. Suppose at a point a price of particular city are too high, so beyond the reach of the applicant, but he would like to go for other cities. So he may be requiring more EMD.	Not accepted. NIA is self-explanatory.
29	**REQUIREMENT OF AUDITED BALANCE SHEET FOR YEAR ENDED ON 31ST MARCH, 2016 (NIA CLAUSE 3.4.4.1 & CLAUSE 11 OF ANNEXURE 10.4)** The Applicants have to submit the Audited B/S as on 31st March, 2016 with an Audit Limited review for 1st Quarter ending as on 30th June, 2016 for the current FY 2016 for the purpose of ascertaining the Net Worth. Since the Applicability for participation in the channels for Batch 2 of Phase III is to be submitted by 1st August, 2016, it would be very difficult to get prepared the Audited B/S as on 31st March, 2016 for FY 2015-2016 as per clause no. 3.4.4.1 & Clause 11 of Annexure 10.4 by 1st August, 2016. As per Companies Act,2013, the all Companies (Except listed Companies) can prepare the B/S by 30th September. Similarly, the Limited review as on 30th June, 2016 for the first quarter of the FY 2016-2017 is also to be submitted. It is also a time consuming process. So, it is requested to please either extend the date of Application up to 1st September or allow to submit provisional B/S certified by the Auditors.	Same as query no. 16 above
30	**OTHER ISSUES** **(i)** The End of Day Daily Public Report must be for all the Completed Clock Rounds (Round-wise) with excess demand etc. instead of for the Last Completed Clock Round so that a summary of activity level for each Clock Round is available. (ii) Due to very high music royalty being charged by the private music companies, It is an urgent necessity to set up copy right board so that make the rationalise royalty for all.	(I) Already provided vide clause 6.6.10.2 of the NIA, Activity and demand details are published at the end of each Clock Round. (II) Same as query no. 9 above
31	• **High Reserve Price:** The reserve price as mentioned in the tender documents is exorbitant and unviable. o We feel that the Trend and experience of the batch 1 auctions should have been used while fixing the Reserve Price. The Major trends observed were:	Same as query no. 1 above

	▪ While some metro cities had seen active bidding, most of the Category C and D cities had the lukewarm response. ▪ Just to give an example, Stations Like Nanded, Dhule etc. could not find a second bidder at Rs 30 lac or so and now the Reserve price for same category nearby cities like Malegaon and Amravati has been fixed at Rs 351 lac i.e about 11 times for the similar population city in the same state and that too for the Virgin market for FM. ○ On the contrary, we had observed in the auction that if the city has the potential, the broadcasters had not hesitated to go beyond the reserve price also, like the cities of Varanasi, Bhubaneswar, Jodhpur, Guwahati etc went up to 8-9 times of the reserve price. ○ We request that the Reserve price should be kept at the lowest OTEF for the category of Batch 1 and let the market forces explore the best price based upon the potential of the city.	
32	• **Co Locate at Prasar Bharti Sites should not be mandatory**: The cities in Batch 2 are very small cities, and in some places only 1 or maximum 2 successful bidders may appear. In such a case, Co location should not be mandatory, as it results in huge infrastructure cost. Similarly, the mandate to locate the Transmitter at Prasar Bharati site should not be compulsory and it should be given as an option to Broadcaster to locate at Prasar Bharati or any other place, based upon the commercial viability. Presently Prasar Bharati has been charging exorbitant rentals for the co-location sites. We request that, Co location should not be mandatory for less than three successful bidders in a city and in case of Co-location, use of Prasar Bharati Land should not be mandatory.	Same as query no. 8 above
33	The 15% national cap and 40% city wise cap should be removed since that inhibits broadcasters from applying for more frequencies. There seems no logical reasoning for this cap since this works against the large Broadcasters who would like to bid for as many frequencies as possible. We saw this very clearly in our case in Batch- 1 of Phase- 3 wherein we wanted to bid for more frequencies but were constrained by the 15% national cap.	Same as query no. 2 above
34	The lock in period of 3 years should be removed. Broadcasters have already been subject to a 5 years lock is in Phase – 2 and how having another lock in of 3 years does not make sense.	Same as query no. 3 above
35	News should be allowed without the stipulation of purchasing it from All India Radio. Most of the broadcasters are also major media houses and already have news- gathering mechanisms in place and hence should be allowed news freely. To allay the fear of the Government of misuse by the broadcasters, like in TV, the Broadcasters can form a self – regulatory authority, which can monitor the content and ensure it adheres to all guidelines.	Same as query no. 7 above
36	Since most of the cities are very small, it is suggested if the reserve price could be kept at a bare minimum amount. There is a huge anomaly between cities. The prime example being Muzaffarnagar in	Same as query no. 1 above

	UP or Shahjahanpur in UP both of which have a price of Rs.15.61 crores. Similarly, except for 3, all the other "D" category cities have a reserve price of Rs.1.17 crores!!! This makes most of the "D" category cities unviable. Broadcasters may not be willing to bid at such high prices.	
37	Prasar Bharati rentals need to be rationalized in all cities since that is one of the major costs. Broadcasters should have the option to set up their own infrastructure on a co-location basis.	Same as query no. 8 above
38	The payment mechanism of the NOTEF needs to be relooked at Right now the entire payment is taken upfront whereas operationalized of a particular city may happen 1-2 years later. We suggest that the cash be also linked to the operationalization of the stations sot that the cash flow of the broadcasters could be eased out. This would lead to an increase in IRR for the channels and make the stations commercially viable.	Same as query no. 6 above
39	As far as determination of Net Worth is concerned, the Ministry should accept the audited results of 31st March 2016 and not insist on Limited Review as on June 30th 2016, due to time constraints.	Same as query no. 16 above
40	<u>Suggestions/ Comments regarding the auction process</u>:- i)Related entities should be allowed to participate as a "single entity" in a single login. This will bring fairness in auction process. This concept exists in the telecom auctions on which these auctions are based. This will ensure that various entities are able to bid for various cities freely as also there is no bias in case of a tie and the total points are taken into account for determining rank number one. ii)If the provisional winner is willing to pay a higher price to improve his rank in subsequent rounds he should be allowed to do so. This is not allowed currently. iii)The end of round result should be available in excel file of numeric data for bidders to analyze.	(i) Not Accepted (ii) Already available in EAS. (iii) End of round result will be provided in Excel format
41	The 15% national cap and 40% city wise cap can be removed since this creates a bottleneck for the broadcasters from applying for more frequencies. This cap shall be creating hindrance for the large broadcasters who would like to bid for as many frequencies as possible. This was clearly visible in our case in Batch – 1 of Phase – 3 wherein we wanted to bid for more frequencies but were constrained by the 15% national cap.	Same as query no. 2 above
42	The lock in period of 3 years again needs to re-looked into. Broadcasters have already been subject to a 5 year lock in in Phase-2 and now having another lock in of 3 years will be a burden.	Same as query no. 3 above
43	News can be allowed without the stipulation of purchasing it from	Same as query no. 7 above

	All India Radio. Most of the broadcasters are also major media houses and already have news- gathering mechanisms in place and hence should be allowed freely. To allay the fear of the Government of misuse by the broadcasters, like in TV, the Broadcasters can form a self- regulatory authority, which can monitor the content and ensure it adheres to all guidelines.	
44	Since most of the cities are very small in size, it is suggested if the reserve price could be kept at a bare a minimum amount. There is a huge anomaly between cities. The prime example being Kakinada in AP or Belgaum in Karnataka both of which have a price of Rs.7.02 Crores. Similarly, except for 3, all the other "D" category cities have a reserve price of Rs. 1.71 Crores. This makes most of the "D" category cities unviable. Broadcasters may not be willing to bid at such high prices.	Same as query no. 1 above
45	Prasar Bharati rentals need to be rationalized in all cities since that is one of the major costs. Broadcasters should have the option to set up their own infrastructure on a co-location basis.	Same as query no. 8 above
46	The payment mechanism of the NOTEF needs to be a revisit. Presently the entire payment is taken upfront whereas operationalisation of a particular city may happen 1-2 years down the line. Hence it is suggested that the payment can be linked to the operationalisation of the stations so that the cash flow burden of the broadcasters could be eased out. This would lead to an increase in IRR for the channels and make the stations commercially viable.	Same as query no. 6 above
47	For determination of Net Worth, the Ministry should accept the audited financial results as of 31st March 2016 and not to insist on Limited Review as on June 30th 2016, since this time taking exercise.	Same as query no.16 above
48	It may be noted that audited balance sheet for 2015-16 shall be available by September 2016 only. Therefore, we may be permitted to submit provisional balance sheet for 2015-16.	Same as query no.16 above
49	There are a number of cities where Prasar Bharati infrastructure is not available. It is therefore requested that, in all such cities, we may be permitted to set up independent transmission infrastructure.	Same as query no. 8 above
50	It has also been observed in NIA document that the Reserve price in 'D' cities are more than Reserve price in 'C' cities. It is also not understood as to how these reserve price in various cities have been arrived at. For example, the reserve price in Amravati is Rs. 3,50,00,000/- whereas in Akola, where, we were the successful bidder in Batch –I , it is only Rs. 29,59,000/- although both the cities fall under "C" category. It appears that financial viability of the venture has not been taken into consideration while deciding the	Same as query no. 1 above

	reserve price. Due to high reserve price we have to restrict ourselves.	
51	**Inclusion of vacant places of Phase-II in second batch** Following cities having Prasar Bharati LTI were part of FM Phase-II auction in 2006 but they remained vacant; as such no CTI was created in these cities. These cities form batch part of phase-III policy, but these have not been included for E-Auction process either in Batch-1 or in Batch-2 of Phase-III. 1) Sagar – cat-D, Madhya Pradesh (4 Channels) 2) Imphal – cat-D, Manipur Under Border Area of NE 3) Kohima – cat-D, Nagaland , under Border Area of NE 4) Port – Blair- cat-D, A & N Islands If these cities are included in Batch – 2, there will be 4+3x3=13 more channels available for e-auction.	These cities will be included in subsequent batches of e-auction
52	**Clear demarcation of Places with existing CTI, with PB LTI but no CTI and No LTI** For a clear view of the prospective broadcasters as well the prospective System Integrators, all the places may be democrated/categorized as (a) cities existing CTI, (b) cities with PB LTI but No CTI and (c) cities with no PB LTI. With this categorization out of list of 92 places (without addition of Sagar, Imphal, Kohima & Port Blair) under batch-II scheme, 23 places fall under category (a), 29 places under category (b) and 40 places under category (c) as per the information with us. The break up is attached as Annexure-1. **N.B.** With the addition of Sagar, Imphal, Kohima & Port Blair there will be 33 places under category (b).	The details of PB LTI in the new cities is given at Annexure A on the last page.
53	**Anomaly in Times schedule for creation of CTI** As defined under Para 7.7.3, the time period for creation of CTI where PB LTI is available is 12 months. Whereas for places where suitable LTI other than PB is available it is 18 months. In our experience where there is no existing CTI, it does not make any difference in the time scheduled for creation of CTI whether suitable LTI it is of PB or anyother agency. As such it is submitted that the time period for completion of CTI for both categories may be kept same as 18 months.	No change in NIA
54	Pre-Qualification (Clause 3.4.4.1), we are required to furnished annual reports and audited accounts for the last three years. Having various divisions, our company is in the process of preparing the annual reports based on the Government of India's time line of 30th September and hence requires more time to submit the reports for 2015-16, i.e. till 30th September 2016. Since the last date for application submissions is 1st August 2016, we request you to clarify if we could submit the Provisional Financial Report for 215-16.	Same as query no.16 above

55	The application for pre-qualification states that the Audited financials for the last 3 years up to March 31, 2016 needs to be submitted along with a Limited Review report until June 30, 2016. We are a private limited company and the due date for submission of our audited financials is September 30 of every year. We believe most private limited companies will be in a similar situation.	Same as query no.16 above
56	What are the benefits offered by Phase-III batch 2 auctions to the stations in North-East?	For benefits to channels located in NE & JK states please see clause 4.3.1 (b), 4.24.5 and 6.4 of NIA dated 20.06.2016
57	What is the plan for the other North-Eastern cities such as Kohima, Dimapur, Imphal, etc.	These cities will be included in subsequent batches of e-auction
58	We request you to bench-mark the current DAVP rates to the market rates. The current DAVP rates were set a long time ago.	Same as in query no. 9 above.
59	**Clause 3.4 Pg 13 of 125 Ref: 6.6.1(d) :-** As per NIA the Financial eligibility will be assessed on the no. of cities in which a bidder is interested. Here, we requested to honorable ministry to consider the switching of cities across region also as mentioned in clause 6.6.1 (d) where NIA says a bidder can switch limitation to AAR and Eligibility points. E.g. We have 1 Cr of net worth and want to participate in C Category. We started our bid of Alappuzha (Alleppey) in Kerela which is in south region with reserve price 70,200,100. Result One Region One City of C Category. In due course of auction we feel that we will go for Amravati which is in Maharashtra with reserve price 35,100,000. A “C” category city in west region with nearly half reserve price. Result:- One city in same category within the limit of AAR and Eligibility point. Hence it is requested that please allow switching within the region subject to the condition of AAR, Eligibility point and other auction rules.	A bidder having net worth of Rs 10 crore can take part in any or all categories of cities in all the regions. Otherwise, net worth requirement for participation is on per city category per region basis.
60	**Clause 6.6.6.2 (D) Pg 58 of 125 :-** Tie Rule III support the statement “Might is Right”. As per this tie rule whoever has submitted the highest bid in terms of value will be given the higher rank.	Since Bidder B has participated in channels of value 2.6 Cr which is less than value of channels bid by Bidder A i.e. 4 Cr. As such as per Tie rule 3, bidder A will be ranked higher.

	e.g. Bidder A- EMD-INR 1Cr. Bidder B-EMD – INR 80 Cr. Bidder A can only participate in the channels valued 4 Cr. Max and Bidder B can participate in the valued 3.20 Cr. Let us suppose that AAR is at 80% and Bidder A has participated in Channels valued 4 Cr. and Bidder B has participated in the channels valued 2.6 Cr. If there is a tie in Bidder A and Bidder B and Tie rule III gets applied then Bidder B will be ranked higher. Though the fact is Bidder A has participated in his 100% capacity and Bidder B has participated in his nearly 81% capacity. Hence we request the Honourable ministry to reconsider this Tie Rule So that there will be a equal level playing field for small bidders too. Suggestion:- Rank may be decided on prorate basis of the participation.	
61	Since the lock in period of 3 years under Ph III was announced in the policy prior to the batch 1 auction, it should be maintained consistently for the next 3 years period. Any acquisition approval request applied under Ph II and seeking benefits of Ph III (dual frequency in same city) should continue to be prohibited. Similarly, other conditions like channels spacing of 800 Mhz should also be maintained intact in Ph III.	Same as query no. 3 above
62	News should be allowed without any condition to procuring the news capsules from AIR	Same as query no. 7 above
63	Advance payment of NOTEF should be waived off, it should be over the period of license	Same as query no. 6 above
64	RP for batch II should be set at 0 to determine the ideal price as any formula driven mechanism will not be able to determine the benchmark reserve price. TRAI recommendation for setting up reserve price will be detrimental in creating demand for new frequencies in batch 2 for smaller cities.	Not Accepted
65	Custom duty should be waived off on transmission and studio equipment for Radio as the development of this industry is for economical means of communication to masses and entertainment.	Same as query no. 10 above
66	Single window clearance for all regulatory approvals and agreements required to be signed with various departments like BECIL, Prasar Bharati, MCIT etc.	Same as query no. 14 above
67	On format of e-auction, there can be 6 rounds of bidding on a single day instead of 4 rounds per day by reducing the time gap between 2 rounds. Also MIS post each round should be available in excel instead of PDF to facilitate quicker round analysis.	No change in number of rounds of bidding per day. For MIS report same as query no. 40 (iii)

Annexure-A

List of new cities where Prasar Bharati LTI is available for Second Batch of Private FM Radio Phase-III Channels

S.No.	Name of the City	Site belongs to AIR/DD	State	Region	No. of Channels for Auction
Category-C					
1	Amravati	AIR	Maharashtra	W	4
2	Bellary	AIR	Karnataka	S	4
3	Dehradun	AIR/DD	Uttrakhand	N	4
4	Dharwad(Hubli)	AIR/DD	Karnataka	S	4
5	Kurnool	AIR	Andhra Pradesh	S	4
6	Ujjain	AIR	Madhya Pradesh	W	4
Category-D					
7	Belonia	AIR	Tripura	E	3
8	Chhatarpur	AIR/DD	Madhya Pradesh	W	3
9	Chhindwada	AIR	Madhya Pradesh	W	3
10	Dubhri	AIR	Assam	E	3
11	Godhra	AIR	Gujarat	W	3
12	Guna*	AIR	Madhya Pradesh	W	3
13	Haflong	AIR	Assam	E	3
14	Jowai	AIR	Meghalaya	E	3
15	Junagarh	AIR	Gujarat	W	3
16	Kathua	AIR	J&K	N	3
17	Khandwa	AIR	Madhya Pradesh	W	3
18	Leh	AIR	J&K	N	3
19	Lung-lei	AIR	Mizoram	E	3
20	Poonch	AIR	J&K	N	3
21	Raigarh	AIR	Chhatisgarh	W	3
22	Shivpuri	AIR	Madhya Pradesh	W	3
23	Vellore #	DD	Tamil Naidu	S	3
24	Yavatmal	AIR	Maharashtra	W	3

*** No open space available, vertical extension is to be explored.**

 # LPT SS Tower of 45 meter existing and maximum weight of antenna restricted to 150 KG including mounting arrangement.