

All You Want to Know About CAS AND SET-TOP BOXES

Which set-top box (STB) should I go for, analogue or digital? From where can I get it? Will the STB come through imports or made locally? And what are the companies that will be providing STBs? Find answers to many such questions in this article

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From July 15, TV viewing will change for good in Delhi, Mumbai, Kolkata and Chennai—the metros where conditional access system (CAS) is to be introduced. Under CAS, pay channels like Star Plus and Sony have to be compulsorily routed through a set-top box (STB), which is likely to cost Rs 2000 for analogue and Rs 2750 for digital. Consumers will have to pay around Rs 72 plus taxes a month to receive a minimum of 70 free-to-air (FTA) channels. The free-to-air bouquet is a good mix of entertainment, sports, news, and films and it can be received without the STB. The box is required only if the consumer wants to see any pay channel.

If you don't want to purchase the STB, you can avail it on rent from your service provider. For instance, INCableNet has announced an introductory scheme of making digital STBs available to the customers at a refundable deposit of Rs 999 plus a nominal daily rent of Re 1. Siti Cable and Hathway too are making available STBs on similar lines of a refundable deposit and payment of nominal daily rental charges. Siti Cable consumers may have to pay a rent of Rs 1.50 per day.

Sourcing the set-top box

How will the consumers get the boxes and from whom? You cannot pick up a box from the market like one does for a

mobile phone or a PC. Your local cableman will provide the STB. And he will play a key role in supplying the box. In other words, you will have much of an option in selection of the box.

There will be options, however, in terms of financing the box: be it outright purchase or monthly rentals, as leading financial services firms, like ICICI, have expressed their interest in funding the boxes. Interestingly, the global trend is that consumers get the STB on rent from the service provider.

There are around 40 million cable viewers in India, out of which 6.4 million are in the four metros. When CAS becomes operational, Delhi alone will require 600,000 to 800,000 boxes.

For the time being, cable operators are depending solely on imports to meet the initial demand for about two million STBs. Deals with around six manufacturers are under way. Humax Digital and Hyundai Digital from South Korea, Shezhen Electronics, Coship, and Shanghai Thakral from China, and Nagravision from Switzerland are the major STB providers.

Most of these are well-known elec-

tronics goods manufacturers. For example, Shanghai Thakral is a Singapore-based company promoted by NRI Kartar Singh Thakral. Its Orion brand is popular in Europe. Says Kamal Sachar, head of India operations of the Thakral Group, "We have tied up with a Chinese manufacturer and set up a unit in Shanghai for the boxes. We are supplying to Siti Cable and talking with others for supplies." Siti Cable is also buying from Hyundai Digital.

Similarly, Hathway Cable has placed orders with Humax Digital. Humax, a leading STB manufacturer, will provide \$6 million worth of STBs by July. It has also agreed with Hathway to supply the communication equipment for the next two years. The STBs to be shipped are ND-1000Cs embedded with CAS.

Explains Ravi Gupta, a Delhi-based distributor of Hathway Cables, "There is a demand for 600,000 to 700,000 boxes in the first six months. Humax will provide 200,000 boxes by July 14. More shipments will come every 15 days."

RPG Netcom, the largest multi-service operator (MSO) in Kolkata with a subscriber base of around 800,000, has tied

up with Dalvi Technology of the UK to supply analogue STBs to its customers. It expects to sell about 400,000 sets by November.

The Hinduja-promoted IndusInd Media & Communications has selected Taiwan-based Wistron, part of the Acer group, and Germany-based



National Semiconductor's set-top box powered by Geode processor

Techno-Trend as its digital STB suppliers. IndusInd decided on two STB vendors because it wanted to ensure that there was no shortfall in supply. "We selected on



Humax ND-1000C set-top box

these foreign-based suppliers as we felt they could ramp up supply. Cost and quality were also important factors," said K.V. Seshasayee, president of Hinduja TMT.

Initially, the boxes will be imported but later on the two vendors will utilise the manufacturing facilities in India. "Our international vendors will have an agreement with the manufacturing units in India to make their designed boxes," said Mr Seshasayee.

IndusInd plans to install 165,000 boxes by July 14. INCableNet, an MSO from the Hinduja stable, has around 1.7 to 2 million subscriber homes in Mumbai and Delhi.

Analogue or digital?

There are two options: digital or analogue. But it's not in your hands. If there are more than one operator in an area, consumers will have the choice to decide on the service platform.

Service providers like Siti Cable, Hathway, and INCableNet have decided to go the digital way, while Catvision and many independent cable operators have chosen analogue service.

While an analogue box enables a customer to pick and pay for channels he would like to watch, the digital units provide value-added services—pay per view and, in the future, Internet connections. Also, an analogue box cannot be upgraded, while digital boxes can be upgraded through simple downloads.

In the case of a digital STB, the cable operator can know who is watching what at any given point of time from the data recorded by the STB. So to stay anonymous, it's better to buy analogue STB that cannot record.

One box will not work for all the TV sets in your home. For the second TV, you'll have to buy another box. You could, however, watch free-to-air channels on one TV and pay channels on the other.

Setback for domestic manufacturers

Domestic manufacturers of analogue STBs will lose over Rs 1 billion as a result of the duty cut on imported STBs from 50.8

per cent to 5 per cent. The companies that have already been affected include Chennai-based C-Net Communication, Chandigarh-based Deltron, and Noida's Catvision. The local manufacturers had initial orders for 200,000 to 250,000 analogue sets, while another 150,000 to 200,000 digital sets were to be imported or assembled.

The orders for analogue boxes are valued at Rs 500 to 600 million, for components at Rs 200 million, and for head-end equipment—boxes used at the cable operator's end—Rs 300 million.

Substantial investments made by domestic consumer electronics manufacturers in plant and machinery are also under threat.

"Prior to the reduction in import duty, prices of local STBs were 15 to 20 per cent lower than the imported ones. However, after the cut, they are 15-20 per cent dearer. We do not see any reason for investing in manufacturing lines," said Anoop Singh, chairman of the Consumer Electronics & TV Manufacturers Association's (CETMA) committee on the CAS.

If the government had reduced the excise duty from 8 per cent to 4 per cent and sales taxes from 8 per cent or 12 per cent, the local analogue sets would have cost around Rs 2000 and the digital ones Rs 3500 to 5000, an executive of a Noida-based STB manufacturer said.

Mr Singh said several other local companies like Bharti Teletech and multinationals such as Philips were setting up new lines and hoping to start manufacturing.

But their plans would be stalled till the duty differential was wiped out, he said, adding that otherwise, the multinationals would only resort to imports. Around a dozen firms in the country have set up new lines for manufacturing analogue sets.

According to CETMA, these companies had orders for 200,000 analogue sets worth Rs 500 million from several multi-system operators in the country like RPG, Hathway, Siticable, or INCableNet.

The association is planning to take up the issue with the government and seek duty rationalisation to protect the interest of domestic manufacturers. □

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