



“GTPL Hathway Limited Q3 FY20 Earnings Conference Call”

January 10, 2020



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MODERATOR: **MR. VIKRAM RAMALINGAM – MAY BANK KIM ENG
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Moderator: Ladies and gentlemen, good day and welcome to the GTPL Hathway Q3 FY20 Earnings Conference Call hosted by May Bank Kim Eng Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikram Ramalingam from May Bank Kim Eng Securities Private Limited. Thank you and over to you sir.

Vikram Ramalingam: Thank you, Lizann. Good afternoon ladies and gentlemen. May Bank Kim Eng Securities is pleased to host the 3Q FY20 earnings conference call of GTPL Hathway. From the management side, we have with us Mr. Anirudhsinh Jadeja - Promoter and Managing Director; Mr. Rajan Gupta - the Chairman and Non-Executive Director; Mr. Piyush Pankaj - Head, Cable TV Business and Chief Strategy Officer and Mr. Anil Bothra, Chief Financial Officer. I will hand over the call to Anirudhsinhji for opening remarks. Over to you sir.

Anirudhsinh Jadeja: Thank you, Vikram. Good evening everyone. On behalf of the management of the company, I extend warm welcome to all of you at the conference call of GTPL Hathway Limited to discuss quarter 3 results of financial 2019-2020.

We continued to deliver strong business and financial performance during the 9 months ended FY20. Our ex-EPC consolidated revenue and EBITDA grew by 37% and 34%, respectively. Our consolidated profit after tax for the first 9 months of the year excluding EPC business stood at Rs. 66 crore up by 41%. During the quarter, we seeded around 150k set top box and added around 100k digital paying subscribers. Our subscription revenue grew by 44% Y-o-Y basis. We added 240k new home passes, 20k net broadband subscriber and 10k FTTX subscriber during the quarter.

Further, in EPC project, we have connected nearly 2,200 gram panchayats of the total 3600 gram panchayats to be connected. During the quarter, we have completed approximately 12,000 kms of fiber line of total 17,000 kms. Our strong cash flow generation is helping us not only to meet our CAPEX requirement but also helping in reducing the debt during quarter 3. We further reduced our debt by Rs. 47 crores and with this, our net debt as of December 31st, 2019 stood at Rs. 186 crores. Now, I would hand over to Mr. Piyush Pankaj, who can take you through the business and financial aspects of the company.

Piyush Pankaj: Thank you Mr. Jadeja. Good evening everyone. I will be taking you through the business and financial performance of the company. To begin with the Cable TV business, during quarter 3 FY20, GTPL seeded 1,50,000 STBs taking the total seeded box to 10.05 million. As on December 31, 2019, digital paying subscribers stood at 7.35 million, increased by 1,00,000. Phase wise contribution: As on December 31, 2019 for Phase 1, Phase 2, Phase 3, and Phase 4, the numbers stood at 11%, 20%, 33% and 36%, respectively. During the quarter, we made an

entry into Tamil Nadu and have some good progress, but it is too early to talk about; we will have something more significant to share after quarter 4.

Coming to our broadband business, during the Q3FY20, GTPPL created 2,40,000 new home passes and taking a total home passes as on December 31st, 2019 to 3.16 million. FTTH connection contributes approximately 50% of the total home pass. During the quarter, GTPPL added 20,000 net broadband subscribers, of which 10,000 are FTTH subscribers, thereby taking the total subscribers as on December 2019 to 3,75,000, of which 85,000 are FTTH subscribers. The data consumption stood at 126 GB per month this quarter up by 33% Y-o-Y. The broadband ARPU for Q3FY20 stood at Rs. 415 per month.

Let us now move to our financial performance. On our consolidated business excluding EPC contract during Q3FY20, GTPPL's consolidated revenue increased by 41% Y-o-Y to Rs. 4,499 million. This was primarily driven by a rise in CATV subscription revenue by 44% Y-o-Y to Rs. 2,581 million. The broadband revenue for the quarter grew by 17% Y-o-Y to Rs. 422 million led by a rise in subscribers. EBITDA for the quarter surged by 43% Y-o-Y to Rs. 1,188 million with a margin of 26.4%. Profit after tax for the quarter increased by 11% Y-o-Y to Rs. 205 million.

On our consolidated business, including EPC contract during Q3FY20, GTPPL's consolidated revenue increased by 115% Y-o-Y to Rs. 6,875 million. EBITDA for the quarter increased by 62% Y-o-Y to Rs. 1,352 million with a margin of 19.7%. Profit after tax for the quarter grew by 77% Y-o-Y to Rs. 329 million. Our EPC contract reported the revenue, EBITDA and profit after tax of Rs. 2,377 million, Rs. 165 million and Rs. 123 million, respectively.

On our standalone business excluding EPC contract during Q3FY20, the company reported revenue of Rs. 3,197 million, which grew by 54% Y-o-Y. This was mainly contributed by 52% Y-o-Y increase in subscription revenue at Rs. 1,784 million. The company reported an EBITDA of Rs. 788 million with an EBITDA margin of 24.6%. The company's profit after tax increased by 66% Y-o-Y to Rs. 225 million. That is all from my side. Thank you, everyone, for your attention. We can now begin with the question and answer session.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Deepak Agrawal from Impetus Advisors. Please go ahead.

Deepak Agrawal: I have a question on EPC business, what is the revenue pending on the revenue work and when will it get concluded?

Anirudhsinh Jadeja: So, I think in Q4FY20, 95% EPC project will get over. It can get delayed going forward by about 5% to 6%. From the Government side it is called GP, gram panchayat, where the delivery is pending. Otherwise, in Q4FY20, 95% of EPC project will get completed. So, the total project of this EPC contract is now valued at Rs. 1,050 crores. We have booked around Rs. 470 crores of the EPC contract, hence a lot of revenues are yet to be booked in the coming quarters.

- Deepak Agrawal:** Sir, 95% completion that means around Rs. 950 crores of which, I think Rs. 550 crores of revenue from EPC business in Q4?
- Anirudhsinh Jadeja:** No, because some revenues which we can book at the time of the total delivery of the project.
- Piyush Pankaj:** We will complete about 95% of the EPC project by Q4FY20. Additionally, some revenue will come in Q1FY21.
- Moderator:** Thank you. The next question is from the line of Sanjay Chawla from JM Financial. Please go ahead.
- Sanjay Chawla:** I have got three questions. First is, can you indicate CAPEX incurred in this quarter and also the breakdown to various segments? And secondly, what was the receivable level at the end of December, overall receivable level and how does it break into various segments? And third question, if you can give a sense of NTO 2.0, if it is implemented or if it gets implemented in the current form, how it is going to impact your business in terms of topline and EBITDA?
- Piyush Pankaj:** So, first on the CAPEX side, the total CAPEX for this quarter stands at Rs. 36 crores. For the total 9 months, it stands at Rs. 122 crores. For this quarter Rs. 36 crores, the breakup is Rs. 13 crores have gone into the broadband and Rs. 23 crores have gone into the CATV business. The total Rs. 122 crores for the 9 months, Rs. 43 crores have been incurred for the broadband and Rs. 79 crores have been incurred for CATV. As we mentioned that our budget is to do Rs. 160 - 165 crores of the CAPEX, so we are left with somewhere around Rs. 40 crores of CAPEX which will happen in Q4FY20. The second question is on receivables, so the receivables for the subscription businesses have gone down by almost around Rs. 25 crores. However, there is an increase in our carriage, placement and marketing debtors by around Rs. 10 crores, so net-net effect is coming around Rs. 15 crores, which has gone down in the trade receivables.
- Sanjay Chawla:** Anything on the EPC front in terms of receivable?
- Piyush Pankaj:** On the EPC front, the receivables are at the same level at Rs. 154 crores.
- Sanjay Chawla:** So out of the Rs. 470 odd crores or Rs. 4.7 billion revenues you have booked, Rs. 1.54 billion is receivables?
- Piyush Pankaj:** That is right.
- Sanjay Chawla:** And what kind of impact you expect of this NTO 2.0 on the business and financials?
- Piyush Pankaj:** I think Rajan will explain that.
- Rajan Gupta:** As far as NTO 2.0 is concerned, I think it is an extension of NTO 1.0. There are minor changes that have been made. We see more or less stability in the business model. I mean, there is NCF for Rs. 160 in the new NTO and there is NCF Rs. 130 in the earlier NTO plus we could charge

additional Rs. 20 for every additional 25 channels, so broadly speaking, from a short-term perspective, they are more or less similar kind of thing. So, NCF has a big portion of earning. That is something which is more or less protected while one can debate on what kind of future impact it will have after 3 years, after 5 years, but from a short-term perspective that is protected. In fact, we have ability to charge Rs. 30 more in case market forces allow us to charge and GTPL being high market share in many territories, they should have the ability to charge higher and we are happy about the consumer. I think consumers will have more choices. DPOs with higher market share like GTPL should be able to make many more relevant bouquets for consumers, for example, genre level bouquet, currently bouquets are limited to 5-6, which is more based on the ARPU slabs but probably there is need also to have very micro bouquets based on the genre, etc., so lot of that work with NTO 2.0, the kind of flexibility is there for DPO that should happen. I mean, this is not full assessment on NTO, but overall, based on the initial assessment of the management of GTPL it seems to be, we should see a lot of stability in earnings and cash flow and other things continuing from here onwards.

Sanjay Chawla: Do you expect the percentage of customers taking a-la-carte going up and also because and bouquet prices coming down because of the MRP on channel prices being brought down to Rs 12 because you do earn a share of the pay channel revenues generated by the customers?

Rajan Gupta: Frankly, it is too early to say about for all these things. We must see how it plays out. It is too early to comment.

Sanjay Chawla: So, you won't expect any negative impact on your business if this gets implemented in the current form?

Rajan Gupta: No, now also we have seen a-la-carte percentage varies from region to region. I mean there are regions where a-la-carte is 10%, there are regions where a-la-carte is 60% for GTPL and many other DPOs. Frankly, we haven't seen any major change in regional profitability based on a-la-carte versus bouquet. Piyush or Anu bhai, maybe you can add to it, but that is my understanding. For example, each of the region has a much higher a-la-carte for every DPO but profitability for that region remains quite intact. In fact, in many cases, the results are published, so that itself indicates that.

Moderator: Thank you. The next question is from the line of Charles Cartledge from Sloane Robinson. Please go ahead.

Charles Cartledge: Subscription revenue grew a lot, could you break that down into the number of subscribers and the ARPU and share with us your expectations of ARPU on a carry forward basis notwithstanding NTO 2.0?

Piyush Pankaj: Charles, it is too early to speak about how the ARPU will happen in NTO 2.0. In NTO 1.0, if you see this quarter, our ARPU has stood at around Rs. 118 and we are expecting that it will go up in quarter 4. We have gone down by Rs. 1-Rs. 1.50 because of the festive offer given by the

broadcasters. We are expecting that in quarter 4, it will go up as the festive offer is over. Right now, we have to wait to see what new bouquets, new channel prices come from the broadcasters in NTO 2.0 and only after the assessment, we can comment on NTO 2.0 ARPU.

Charles Cartledge: So, if we just ignore NTO 2.0 for the time being, what are the structural drivers for the ARPU going forward? Because you have in prior calls guided to modest increases in ARPU over the next few years and again just to clarify on the subscription revenues up 44%, how much is for price and how much is from the number of subscribers?

Piyush Pankaj: See Charles, we have explained that in the earlier call, how the customer revenues are shared between us and the operators. For our revenue margin, there is margin left, which we can increase at the operator level and that is going to give us the ARPU increase, so right now the opportunity that where we have to increase our margin towards the operator. You will see that our ARPU will increase on that traction.

Charles Cartledge: Could I ask you to be a bit more specific, I think, and may be you can remind me, what is the share with the revenue part is between the MSO and the LCO and if you would normalize that share, what would that mean for ARPU?

Piyush Pankaj: Charles, according to the tariff, the MSO can charge network capacity fee of up to 55% and LCO can be at 45%. You see, right now, if we take our average, it is somewhere at around 30%, so we have the room for 25% to increase our revenue overall in the next course of, you can say, 2 to 3 years and come to at the 55% which is allowing by the law, so there you can see that our ARPU will increase in the next 2 to 3 years.

Charles Cartledge: And how do the LCOs feel about that if you were to implement that. They wouldn't be happy, that you need a rising ARPU environment at the customer level to keep the LCO payments at least flat and then you take the excess?

Piyush Pankaj: It depends on how you will do it. A lot of strategies are there to do it. How are you going to attract customers to increase their ARPU? We are working on a lot of strategies, so it will happen simultaneously to grow from the customer side. We are leaving on the table right now, but we are going to take that from the table.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Sir, I have one question, let us say if I am your consumer and let us say if I am paying Rs. 250 monthly, out of that Rs. 250, Rs. 130 is the NCF, which I pay to you where MSO and LCO, both of you share, so we record only our share in the revenue or we record the full Rs. 130 and then pay to LCO?

Anirudhsinh Jadeja: No, we record only our share in the revenue.

- Dixit Doshi:** So after that Rs. 130, we also get Rs. 120 from the consumer, so I think that is towards the pay channel, so that we don't share anything with LCO. That is shared between MSO and broadcasters only?
- Anirudhsinh Jadeja:** The revenue sharing, whether it is NCF or whether it is a broadcaster margin, as per the regulations, the revenue sharing is 55:45, DPO takes 55%. LCO accounts for the rest, but for now, our revenue sharing, whether it is NCF, broadcaster commission margin revenue sharing as per the same understanding, right now we are charging 30% from LCO for revenue sharing.
- Dixit Doshi:** Just to understand in simple terms, like what you have told Rs. 130 from NCF.
- Anirudhsinh Jadeja:** Let me split that. As there is Rs. 250 ARPU for consumer, if you remove GST from that, then it is close to around Rs. 40 or remaining is Rs. 210. So in that Rs. 210, Rs. 130 is NCF, from which right now we are charging Rs. 35 to Rs. 40 to the LCO or from broadcasters, which is allowed, 20%-35% commission margin, that we are getting completely.
- Dixit Doshi:** Secondly sir, what is the breakup in terms of carriage and placement fee? How much is the carriage fees and how much is the placement fee we are getting?
- Piyush Pankaj:** Carriage fee and placement breakup, I will give you offline.
- Dixit Doshi:** And sir, in terms of our interest cost, so we were assuming that after the auto dunning the interest cost should come down gradually every quarter but it was almost similar to the previous quarter, so if you can just explain?
- Anil Bothra:** So what happened, we are restructuring our loans and we are in the phase of reducing the interest rates, so automatically the interest charge will come down in quarter 4. This year actually, we have provided some additional charge on the interest, which is around Rs. 45 lacs on some GST related queries, so those things have been provided. That is why you can look at the interest numbers which are in line with the Q2, it is flat and in Q4 actually, we are expecting it will come down.
- Dixit Doshi:** Sir, last question, I want to understand basically, let us say, when a new customer is acquired and we give them the set top box, so let us say Rs. 1500 is the cost of set top box, do we take entire Rs. 1500 from the customer or we don't take and secondly, let us say if we take the entire Rs. 1500 from the customer, then why we take the set top box into the fixed assets and depreciate it over the years?
- Piyush Pankaj:** So first thing, on the set top box side, it is the capital expenditure for us. We give it to the customer and there are activation and installation which we take it from the customer. It is two separate things, so that is the set top box is our property, which is in our books. What we take it from the customer is for activation and installation.
- Dixit Doshi:** And over how many years, we depreciate the cost of set top box?

- Piyush Pankaj:** As per the industry standards, it is for 8 years.
- Moderator:** Thank you. The next question is from the line of Siddharth Mehta, an individual investor. Please go ahead.
- Siddharth Mehta:** I wanted to ask you about having some sort of presentation to clarify this, see the reason is most of the companies that we look at, they have a product and they sell the product, so we can understand how the company works and how the financial works? Where the profit is generated? What the costs are? But in your case, there are so many complications. To understand your business model also, I think you could give us a presentation that will help you understand what is the revenue, how it is split, what is the regulation, there are so many terminologies, MSO, LCO and all these other terminologies that even though you have described it, it remains piece meal answers to various participants today, so we need something comprehensive and complete with some diagrams or some visuals to understand from where the money is coming, where it flows and how it moves forward, so what would be your thoughts on that?
- Piyush Pankaj:** Yes, sure, we will share that. You can get in touch with me directly and I will share that with you.
- Siddharth Mehta:** That could be useful for everybody. Whenever you publish sort of presentation or powerpoint that will help us understand because your business is more complicated for us to understand first and until we understand this, we are sort of in a foggy perception of what is going on.
- Piyush Pankaj:** Sure, I will start including that in our presentation also going forward.
- Siddharth Mehta:** I have similar questions that a lot of people have and with this NTO 2.0 everybody has this concern that since there will be less revenue coming from the customer, there would be less profits for our company also but you are saying that at this moment we are not sure about this, let it all work out and so, if there is less money flowing in, is there any reason why you see that our profit will not be impacted?
- Piyush Pankaj:** See, less money flowing in, we are not sure right now because it depends what type of bouquets and a-la-carte price the broadcasters will come through. There is price stability in the market right now in the last one year and we believe that price stability will continue. It might be possible that the services will increase of that price but there will be price stability in the market. That is what we believe as management.
- Siddharth Mehta:** So what you are saying is that, for example, if the maximum drops from Rs. 19 down, even the subscriber might opt for further channels, is that what you are saying?
- Piyush Pankaj:** Yes. That is what I am saying that the price stability will be there; the services will increase. They will watch more.

- Siddharth Mehta:** And so when do you think we would have some clarity on this issue, may be in a month or two months or?
- Piyush Pankaj:** Yes, it all depends once the broadcaster's bouquet and the a-la-carte price will come up and after that, around 2 weeks more, so more clarity will be there of that how the market is reacting and then we can give you more assessment on that.
- Siddharth Mehta:** And in the absence of that, the growth that we have had in the past say 3-4-5 years, do you see that same rate of growth continuing, although our EBITDA and sales and PAT and all that we have shown vast improvements. But if we just look at the number of subscribers and the revenue coming in, it has its own gradual way of growing.
- Piyush Pankaj:** See, if you see the CAGR of last 4 years then our revenues are growing at the rate of around 21%-22% and EBITDA is growing at the rate of around 23%-24%. We are very confident that we will maintain our CAGR in the coming next 3 years also.
- Siddharth Mehta:** Alright. In the next coming 3 years, you feel confident in maintaining this CAGR, okay.
- Piyush Pankaj:** That is right.
- Siddharth Mehta:** Do you have any special schemes where if somebody is your data customer, he can at better cost opt to get cable TV from you and vice versa?
- Piyush Pankaj:** Yeah. That we are doing offline, you can say it is not a concentrated business, but we are doing it offline. We have identified around 220k subscribers who are using both our services and we are giving them as a special service, special assistance and everything is going on. But right now, the two businesses are distinct.
- Siddharth Mehta:** So my suggestion there would be if you can see customers from one side and suggest to them that they can get data and if you can see your data customers and suggest to them that they can get cable at a discounted price. Because if they are buying both services from you, maybe you can give them some sort of incentive. 220k seems like a small number compared to your total customers.
- Piyush Pankaj:** Yeah. I understand because our broadband subscriber is at around 375k, out of 220k is the common subscribers. So we are doing those efforts and that is the action plan as you can say the future which is in place.
- Moderator:** Thank you. The next question is from the line of Harish Kumar Gupta, an Individual Investor. Please go ahead.
- Harish Kumar Gupta:** Sir, I have a couple of questions. The first one is whether this EPC business will continue with your broadband and other services, or it is temporary only? And the second question is in the

areas where Jio has started the fiber connections, how much competition we are facing, or it is getting difficult for you?

Piyush Pankaj: See, we have gone into this EPC project as a strategic mode. First, in Gujarat where we have a 4 million subscriber base and we are expanding our broadband business where this EPC project is going to help. It is a one-off project right now, which will get completed once we will complete all the gram panchayats in laying the fiber of 17,000 km. But also, we are getting for the next 3 years plus 4 years for maintaining this. So the maintenance will be operational, and maintenance of this whole network will continue. It has given us a very good experience and capabilities which we have shown. We will look forward that if we get any new projects in our strategic market, we will opt for that.

Harish Kumar Gupta: Okay. Thanks. And what about the other question?

Piyush Pankaj: Other question, can you repeat? Sorry Mr. Gupta.

Harish Kumar Gupta: The question is, like in the areas where Jio has started its services, how much is your business getting affected because of competition?

Anirudhsinh Jadeja: So, it is our privilege now Jio is also our partner. There is no competition in the market and wherever we are in common, we are complementing each other. And after Jio partnership, there is a lot of synergies happening in network infrastructures also, where our business is becoming stable because of mutual support.

Harish Kumar Gupta: Okay. Thank you. And one more question, in this quarter, basically we have gone more than 30%. So, like you are saying that in the next 3 years you can expect 20% CAGR, is there any reason for targeting lesser than what we are drawing right now?

Piyush Pankaj: It is not the target because this year and the last year as the NTO has come in this year so that you have seen high growths and all. If you look after our CAGR, it is at 20%-22% which we are committed to maintain.

Moderator: Thank you. The next question is from the line of Deepak Agarwal from Impetus Advisors. Please go ahead.

Deepak Agarwal: In the cable TV business, the Rs. 22 crores CAPEX that we did in the quarter, how much is for STBs?

Piyush Pankaj: See, we have seeded around 150k STBs. So, around Rs. 16 crores are incurred for STBs, rest has gone in cable and backend integration.

Deepak Agarwal: Okay. And the broadband CAPEX, how much is for the Customer Premises Equipment (CPEs) in that?

- Piyush Pankaj:** Out of Rs. 13 crores, we can take that 50% has gone into the subscriber acquisition and 50% has got in network upgradation.
- Deepak Agarwal:** So how about equipment that provides to the customers, that must also be CAPEX, right?
- Piyush Pankaj:** Yeah. The CPEs which we are providing for customer acquisition that is accounted for in CAPEX. So, around 50% of the total, which is 13 crores is utilized for CPE. The balance 50% has gone in for network upgradation.
- Deepak Agarwal:** And currently, what is the activation fee for cable TV per subscriber?
- Piyush Pankaj:** Yeah. The activation fee is Rs. 100 plus taxes.
- Moderator:** Thank you. The next question is from the line of Charles Cartledge from Sloane Robinson. Please go ahead.
- Charles Cartledge:** Thank you. You generated good cash flow in the course and you are paying down your debt. What plans do you have for the dividend for the final and what kind of dividend payout ratio might we expect for a full year basis?
- Piyush Pankaj:** Charles, this quarter also we have recommended some dividend with the Board. However, owing to the new amendment and the tariff order, the board is doing the impact analysis of the same. Hence, nothing has been announced. The Board has asked us to come back with the recommendation in the next quarter 4 and we are hopeful that the recommendation will be higher than what we are used to give it and so that is the thing. You can say the dividend ratio will be good and we are hopeful that once we recommend as the management, the Board should accept that.
- Charles Cartledge:** Can you give me a number? I mean, what is good? Is it a 20% payout or a 50% payout?
- Piyush Pankaj:** Charles, the number I can't give without the Board's approval. We are recommending it at a higher level during the quarter 4 and we are hopeful that it should be satisfying for everyone.
- Moderator:** Thank you. The next question is from the line of Sanjay Chawla from JM Financials. Please go ahead.
- Sanjay Chawla:** Coming back to your cable TV business, we have been discussing that ARPU based on the pricing that we are seeing the market and realization ARPU, cable subscription ARPU should be Rs. 125-Rs. 130 but this quarter, we were below Rs. 120. So, do you realistically expect ARPUs to go up to Rs. 125- Rs. 130 level or because of the competition in discounts and promotions, the ARPU is not going to go to those levels and it probably hang around Rs. 120 odd level?

- Piyush Pankaj:** Sanjay, if you remember in quarter 1, we have given that we can go up to between Rs. 130 to 135 and in quarter 2. I have given the reason that because from quarter 2, we have started providing recommended packages at lower MRP, which is at below Rs. 200.
- Anirudhsinh Jadeja:** Sanjayji, Anu bhai here. The ARPU will increase from here on. It will not go down because the margin we are charging from LCOs, that is between 25%-30%. So we plan to rise it higher as per the market scenario and understanding. So, this is minimum ARPU and it will increase from here on. It will not reduce.
- Sanjay Chawla:** But actually, in commentary, it was also mentioned earlier that we have a very good market share in the key markets that we operate. So your bargaining power or position vis-à-vis LCO should be stronger. So, it is a bit surprising that you are taking the lowest revenue share from LCO whether as some of their competitors MSOs are obviously extracting a higher share of the NCF.
- Anirudhsinh Jadeja:** Sanjay, what you are saying is true. Our partners are also charging more revenue, but initially, we have decided that in between two quarters, the new NTO which was roll out that would get stable, after that, we have planned that ARPU at least down the line at consumer level complete packing and all at satisfactorily level, that has completed almost. So, yes, we are planning to increase in next few quarters.
- Sanjay Chawla:** Okay. You expect any further ARPU increase from here to come primarily because of you taking a higher share of the LCO.
- Anirudhsinh Jadeja:** Yes, absolutely.
- Sanjay Chawla:** Okay. And also, you take a share of the pay channel cost, so I have a question on your net content cost per customer, which was around Rs. 50, you know per customer per month in 3Q. Again, I think the discussion has been around Rs. 55 – Rs. 60 kind of a cost, so do you expect your net content cost per customer per sub to go to those kinds of level over the coming quarter, Rs. 55 or Rs. 60?
- Piyush Pankaj:** No. It will remain at this level. If you see our content cost has gone up by 7% and our placement has just gone up by 4% this quarter because we have left some marketing and placement for quarter 4, which I said moved into quarter 4 as per the negotiations and all. So, we are expecting that we will maintain this content cost.
- Sanjay Chawla:** So around Rs. 50 per customer per sub, you expect?
- Piyush Pankaj:** Yes.
- Sanjay Chawla:** Okay. Has the carriage on placement revenue stabilized at around Rs. 101 billion per quarter kind of level, Rs. 100 crores?

- Piyush Pankaj:** Yes. It is stabilized. We are expecting that it will go up more by 3% to 4%.
- Sanjay Chawla:** And what would be the driver for 3% to 4% quarter-on-quarter, but what is going to drive that?
- Piyush Pankaj:** As I said that some of the negotiations that have happened in quarter 3, the revenue will get pushed in quarter 4.
- Sanjay Chawla:** Okay, so this is the last bit that is left in terms of increase. But beyond that, I mean, this number should be stable, once you get this 3%-4% increase?
- Piyush Pankaj:** Yes, you are right on that.
- Moderator:** Thank you. The next question is from the line Dixit Doshi from Whitestone Financial Advisors. Please go ahead.
- Dixit Doshi:** Sir, there was a regulation in terms of if a consumer has two connections, that on a second home, we can charge only Rs. 40 or Rs. 50 NCF. So how can it impact us? How much of the customers would be using to set top boxes?
- Rajan Gupta:** There is a published report available on this of E&Y and FICCI last year. In urban areas, around 5% of the households are second TV, third TV and in rural areas or phase 3-phase 4, around 3% of the households have second TV. Frankly, there is a published data we have, we never really tracked it earlier so much. But if you ask Piyush, if you ask a lot of operation team in GTPL Hathway, what I understand is there is a lot of scope to gain that this second TV, third TV homes which currently are not using TV, so we can reactivate those homes, so overall it is a positive thing. But that is the data which we have that is available. We have to see how it plays out once we start implementing this from 1st March.
- Piyush Pankaj:** So from quarter 4 to quarter 1 last year, if you see from quarter 4 last year, when the NTO was partly implemented and the quarter 1, if you see our subscriber base because of NTO 1.0 effect has come down by around half a million. Out of that half of million, I will say that some around 75% to 80% is somewhere around second TV homes, which is on overall basis it is coming to around 3% which is the lower figure right now, that 3% of customers have second TV homes. There you can gain back those customers. So we are hoping that it will be incremental to our business.
- Moderator:** Thank you. The next question is from the line of Deepak Agarwal from Impetus Advisors. Please go ahead.
- Deepak Agarwal:** Sir, the activation fee is Rs. 27 crores in the quarter, and we have 150,000 subscribers. So that works out to Rs. 1800 per subscriber.
- Piyush Pankaj:** Yeah. Activation fee, as well as Ind-AS has implemented and that is before NTO. So, you have to split the revenue over 5 years, according to the Ind-AS aligning with the life of the customers.

So, there is a 5 years space. So all the revenues are also coming into that. In the new regime, the activation is Rs. 100 and installation is Rs. 350, which you are seeing there.

Deepak Agarwal: So, bulk of this I think is old revenue?

Piyush Pankaj: Yes. Some of old revenue.

Deepak Agarwal: Only one and a half year activation fee would have come from the subscribers added during the quarter?

Piyush Pankaj: Yeah, you are right. For that Rs. 100 each.

Deepak Agarwal: Rs. 26 crores is the older revenue which you have in the balance sheet that you booked as revenue.

Piyush Pankaj: That is right. Those are the deferred revenues which are there.

Deepak Agarwal: So how much of the deferred revenue is still there on the balance sheet?

Piyush Pankaj: In the balance sheet, it is around Rs. 53 crores.

Deepak Agarwal: And that will come on what period?

Piyush Pankaj: This will come in next 3 years' time.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Vikram Ramalingam for his closing comments.

Vikram Ramalingam: Thank you everyone for joining the call.

Moderator: Ladies and gentlemen, on behalf of Maybank Kim Eng Securities that concludes this conference call. Thank you for joining us and you may now disconnect your line. Thank you.