



“GTPL Hathway 3QFY21 Earnings Conference Call”

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MODERATORS: **MR. VIVEKANAND – AMBIT CAPITAL**
MR. NISHANT VAKIL – AMBIT CAPITAL

Moderator: Ladies and gentlemen, good day and welcome to the GTPL Hathway's 3QFY21 Earnings Conference Call hosted by Ambit Capital. 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 the 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. Vivekanand from Ambit Capital. Thank you and over to you, sir.

Vivekanand: Good afternoon everyone. Welcome to the 3QFY21 Results Conference Call of GTPL Hathway Limited. We, at Ambit Capital, would like to thank the management for giving us the opportunity to host this call. The GTPL Hathway management will be represented by Mr. Anirudhsinh Jadeja - Promoter and Managing Director; Mr. Rajan Gupta - Chairman and Non-executive Director; Mr. Piyush Pankaj - Business Head (CATV) and Chief Strategy Officer and Mr. Anil Bothra - Chief Financial Officer. We will start the call with a brief comment from the management and then move into the Q&A. Thank you and over to Mr. Jadeja for the opening remarks.

Anirudhsinh Jadeja: Thank you, Vivekanand. Good evening everyone, a warm welcome to all of you to the conference call of GTPL Hathway Limited to discuss the financial and operational performance of Q3 and 9 months ended to December 31st 2020. GTPL Hathway continues to deliver on key KPIs. Despite lockdown and restriction in 9MFY21, the key performance highlights are improvement in subscription revenue of both broadband and CATV business, strong profitability, debt reduction, geographical expansion and robust operational performance. We have reduced our net debt by 887 million in 9MFY21.

Our broadband business picked up the pace resulting in additional 1,85,000 broadband subscribers during the first 9 months of FY21. We are looking forward to close FY21 on a high note coupled with our plan to launch new products and services in Q4 FY21 along with expanding GTPL's footprint in the existing and new markets. With that, I hand over to Mr. Piyush Pankaj who can take you through the business and financial aspect of the company.

Piyush Pankaj: Thank you, Mr. Jadeja. Good evening everyone. I hope all of you are safe and healthy. GTPL Hathway is one of the few consistently profit-making cable TV and broadband company in India. Our business model is quite robust and can explore multiple growth opportunities that this sector has the potential to offer. In the last 4 years, our CATV active subscriber base has grown sharply by 1.8x to 7.9 million. Additionally, our broadband subscriber base has mirrored a significant growth of 2.3x to 0.6 million. We have been consistently generating free cash flows and have managed to reduce net debt by Rs. 3,511 million in the last 4 years and have returned money to shareholders in the form of regular dividends. The net debt stands at Rs. 392 million as on 31st December 2020.

As on December 31, 2020, our total seeded STBs stood at 10.61 million and active subscribers stood at 7.9 million. GTPL's digital CATV services reaches 800 plus towns and a spread across 13 states of India with Tripura being the latest addition during

9MFY21. Our CATV business expansion will gain momentum with organic and inorganic growth in the coming quarters.

The Indian wireline broadband sector is a sunrise industry with huge untapped growth potential. It accounts for meager 6% penetration of the total households in India; as against 80% penetration in Japan, 70% penetration in the Eurozone region and 55% penetration in China. The world is moving towards wireline broadband being more stable and on-demand of high-speed connectivity. This represents a humongous opportunity for a player like GTPL Hathway who is prepared to scale up rapidly. Even on the cable TV front, the TV penetration level is just at 55% of households in India. Here, the scope of expansion for us is immense. GTPL has not just resources systems and processes in place to take the advantage of the opportunity but also has a robust financial fundamental to manage the growth.

In the broadband segment, we added 4,70,000 new home-pass in 9MFY21 and taking the total home-pass as on December 31, 2020 to 3.80 million. During the quarter, GTPL added 55,000 net broadband subscribers taking the total net broadband subscribers as on December 31, 2020 to 5,90,000. The data consumption as on December 2020 stood at 205 GB per month up by 63% Y-o-Y. The broadband ARPU for Q3 FY21 grew by 7% Y-o-Y to Rs. 445 per month. GTPL looks forward to expanding its broadband business by leveraging its existing base of 10.6 million CATV subscribers and attracting new broadband subscribers through business partners.

Let us now move to our financial performance. On our consolidated business, excluding EPC contract during Q3 FY21, GTPL's consolidated revenue grew by 21% Y-o-Y to Rs. 5,530 million. The CATV subscription revenue grew by 5% Y-o-Y to Rs. 2,718 million. The broadband revenue for the quarter grew by 84% Y-o-Y to 778 million, led by a rise in subscribers. EBITDA for the quarter surged by 20% Y-o-Y to Rs. 1,421 million with a margin of 25.7%.

On our consolidated business including EPC contracts during Q3 FY21, GTPL's consolidated revenue stood at Rs. 6,556 million. EBITDA for the quarter increased by 11% Y-o-Y to Rs. 1,495 million with a margin of 22.8%. PAT for the quarter surged by 38% Y-o-Y to Rs. 452 million.

Our EPC contract during Q3 FY21 reported the revenue EBITDA and profit before tax of Rs. 1,026 million, Rs. 74 million and Rs. 72 million respectively.

On our standalone business excluding EPC contract during Q3 FY21, the company's revenue grew by 9% Y-o-Y to Rs. 3,495 million. The company reported EBITDA of Rs. 763 million with an EBITDA margin of 21.8%.

On our standalone business including EPC contract during Q3 FY21, the company reported revenue of Rs. 4,521 million, EBITDA stood at Rs. 837 million with an EBITDA margin of

18.5%. PAT for the quarter stood at Rs. 297 million. This is all from my side. Thank you everyone for your attention. We can now begin with the question and answer session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Sir, the first question was regarding the dividend policy, so we met you a year back and you said that going forward, we will continuously increase the dividend, if I see FY20 performance, we did around Rs. 7 EPS and paid around Rs. 3 dividend and this year we might end up doing the EPS of almost Rs. 16, so can we expect a similar kind of dividend payout percentage?

Piyush Pankaj: I have said in our earlier calls that the management has recommended dividend policy to the board and the board has considered that, but due to the current situation of COVID, we have not implemented any dividend policy till date. Last time, we have given 30% dividend payout i.e. Rs. 3 per share. We are going to recommend at least the dividend which we have given last time and it may be more than that, so that is the way the management is going to recommend to the board.

Dixit Doshi: I understand the COVID problem, but our business was not impacted. So, I think we can give a good dividend in FY21 given that now our net debt is at Rs. 30-40 crores.

Piyush Pankaj: Yes, as communicated earlier, we are going to recommend it to the board to increase the dividend payout in FY21 and we will see how board takes it up.

Dixit Doshi: Secondly Sir, you mentioned that in Q4 FY21 we are planning to launch the Hybrid box. I understand that we are planning to give the OTT services to our customers, so have we done the tie-ups with the OTT platforms. Also just wanted to understand, so whatever cost we will be paying to OTT platforms, are we going to fully recover on some margin over that from the customers? How will this plan out?

Piyush Pankaj: Yes, the OTT agreements are under process. It is almost on the verge of closing with everyone. Some OTT have already been closed, some are getting closed so that services are already in. On the margin front, we are working in such a way with the partners that some margins should come to everyone. We are going forward in such a fashion that the pricing is going to be attractive for the consumers. We will bundle the product at an attractive price for the consumer and there is going to be a margin for everyone.

Dixit Doshi: Just to summarize, so basically whatever cost we will be paying to OTT platforms that will be fully recovered from the customers, we are not going to subsidize?

Piyush Pankaj: Yes, you are right. We are not going to subsidize on the OTT side. We will bundle our services ensuring that it would be EBITDA attractive for the company.

- Dixit Doshi:** And how these deals would be, I mean is it like a lump sum deal or is it like per customer kind of deal?
- Piyush Pankaj:** Mr. Dixit, We cannot disclose these things as we have signed a confidentiality agreement with all of them.
- Dixit Doshi:** Sure Sir and thirdly, if I see our EPC business, I suppose we are at the fag end of the EPC project, so how much more revenue recognition still remains in EPC segment. I believe we will be having some yearly AMC business on its completion from the next year, so what kind of revenue shall we see?
- Piyush Pankaj:** The EPC project was of Rs. 1,072 crores. On that last year in FY20, we have taken around Rs. 652 crores and FY21, it should come at around Rs. 420 crores. Out of that, if you see around Rs. 200 crores has been taken in 9M FY21. The revenue which has to come from the EPC project stands at Rs. 220 crores. As far as the O&M is concerned, it is the contract of Rs. 57 crores per annum which will continue for 3 years plus it can be further extended for the next 4 years. The O&M for the first three years is pegged at Rs. 57 crores. Additionally, it will increase a bit for the next 4 years.
- Dixit Doshi:** And I understand that in these Rs. 57 crores O&M revenue, the margins would be very high because the cost will be hardly anything?
- Piyush Pankaj:** Yes, the margin will be high.
- Dixit Doshi:** And these Rs. 200 crores of remaining EPC contract, this will be over in Q4 FY21 or it will spill over to next year?
- Piyush Pankaj:** We are expecting that around 95% will be over by Q4 FY21, some spill-over of around 5% to 7% may happen in Q1 FY22.
- Dixit Doshi:** And sir, in Q2 concall, you were mentioning that most of our write-offs have been done with and there may be some write backs, so has there any write back in Q3 result or anything expected going forward?
- Anil Bothra:** So, during 9M FY21, we have provided writebacks. The business team is following up with the receivables of our customers and trying to recover the money in Q4 FY21 also, so we are expecting some writebacks in Q4 FY21 also.
- Dixit Doshi:** How much was the writebacks in 9M FY21?
- Anil Bothra:** It was almost around 39 million.

Moderator: Thank you. The next question is from the line of Pratiksha Daftari from Aequitas Investment Consultancy. Please go ahead.

Pratiksha Daftari: My first question is for the cable division, the subscriber addition in this quarter seems to have gone down and in last quarter, we had mentioned that there are certain commercial customers were not yet joined. So, if you could just highlight if this issue persists and what is the expectation going ahead? When do we see the subscriber addition normalizing and also on the placement revenue, we have seen a substantial increase on year-on-year basis for the placement revenue this quarter, so what would that be attributable to?

Piyush Pankaj: So, first question Pratiksha on the corporate customer side, as you know that suddenly in the middle of November, again the things have gone bad on the COVID side and the lockdown has started happening in all over India, especially in Delhi, Gujarat, Maharashtra, Assam, etc. where we are doing the business. The corporates were slowly returning, however, due to the COVID related restrictions, we have seen that the corporate customers has gone back from the system. Hence, we have seeded around 200K STBs in this quarter, but we had around 50K subscribers on the net addition basis. We are still waiting for the corporate customers to again come back which we are seeing some trend in the January month. The customers have started coming back and there is an encouragement in the market due to vaccine announcements, so we are hopeful that we are going to gain those customers back in this quarter again. So that is the one. You are right that the placement and marketing revenues are going up and this is as per the trend seen from the last 4 quarters.

Pratiksha Daftari: And if you could elaborate a little bit about the user additions or subscriber additions that we are getting in our new markets, so excluding Gujarat and West Bengal, what is the cable TV subscriber addition that we are seeing and how are they, like what is the trend sequentially?

Piyush Pankaj: Pratiksha, if you talk about AP, Telangana and the new market, Tripura, these are the three markets which you can say we are expanding in the new territories. So out of that, gross adds if you talk about which we are looking that around 150K to 160K is coming from these 3 markets every quarter and that is the trend. So annually, we will be generating somewhere around 600 to 700K from the new markets as per the trend experienced in the last 2-3 years. Whenever we penetrate the market, we need to achieve a level of subscriber base, after that our pace grows. So, we are in that stage right now. We are hoping that FY22 will start contributing from our growth perspective.

Pratiksha Daftari: Sir, what is our target or aspiration on home-pass additions for FY22 and what kind of cost do we incur for, like is it possible to quantify that the cost or the CAPEX that you would incur for one home-pass on an average?

Piyush Pankaj: We incur around Rs. 500 for creating one home-pass. There is some slowdown in 9M FY21 in the home-pass as last year we did around 1.5 million new home-passes. This year there is a slowdown because of the COVID. However, we are going to pick up our home pass addition

drive as we are hoping that FY22 will be good for us where we are going to penetrate deeper into the market, connect the rural Gujarat which was on the agenda. So, we are hoping that somewhere the home-pass is going to be on the same trend as it was in the last year.

Pratiksha Daftari: Same as FY20?

Piyush Pankaj: Yes.

Pratiksha Daftari: And Sir, this EPC contract that we had that I think the idea earlier was that it gives us an advantage in our main business after we lay this cable for our broadband and cable business, so do we see that kind of benefits coming in now that we are closer to the end of the project?

Piyush Pankaj: Yes, that is the strategic decision or direction which we are taking right now. Already, the things are in motion and we are hopeful that FY22 is going to prove our strategy for connecting the rural Gujarat households.

Pratiksha Daftari: Last two questions, if you could elaborate a little bit more on the kind of product launches that we are seeing apart from the Hybrid box and secondly, the CAPEX plan for Q4 and FY22?

Piyush Pankaj: Right now, on the products, one is Hybrid box where we are going to bundle our CATV plus broadband plus OTT together. Second is the distribution where we are going to do broadband plus OTT, CATV plus OTT. The third is your broadband through partners. The concept which we have launched that apart from the other markets wherever we have the strong partners, we are going to go to the consumer through our partners who already have the requisite infrastructure. We just have to upgrade a bit and start providing the broadband services, so that we can spread quickly into all over India and start gaining the consumer base as the demands are high. Broadband has become an essential service for everyone. So that is the plan that we are also launching in Q4 FY21 plus we are looking forward for going with marketing and advertisement activities around these products and services. We are going to incur CAPEX around the new products and services as part of the our overall plan. We incurred around Rs. 237 crores of CAPEX during 9M FY21, where Rs. 110 crores have gone into the broadband and the rest Rs. 127 crores have gone into the CATV side. In the last call, I have said that we are going to do around Rs. 260 to 270 crores of the CAPEX, which we are going to increase. We are going up to around Rs. 300 crores of the CAPEX and mostly it is going to be in the broadband side where we are expanding very fast.

Pratiksha Daftari: And any inorganic acquisition plan?

Piyush Pankaj: The inorganic plan is under consideration right now. As you know that when you are going for any inorganic acquisition, you have to do the ground survey and all those activities. we have to do in the ground activities first to reassure that what you are getting is right. It is still a bit difficult in the COVID times. We are looking forward that the situations will be normalized for us to assess those networks and we will go ahead as per our plans.

- Moderator:** Thank you. The next question is from the line of Swechha Jain from ANS Wealth. Please go ahead.
- Swechha Jain:** Sir, I have a couple of questions, one was the follow-up regarding the Hybrid box which the previous participant has asked, I want to understand now, say if I am a customer and I decide to go ahead with your Hybrid box, now I already have an existing GTPPL cable connection and broadband, so the Hybrid box would replace my need of separate connection of cable TV and internet from you, is my understanding correct?
- Piyush Pankaj:** Yes, if you see in this hybrid box you will get broadband service, cable TV service plus you will get OTT as well. So, your existing box will get replaced.
- Swechha Jain:** Sir, the individual platforms which are there on OTT so I will have to again separately subscribe for those individual OTT platforms? Suppose, if I have bought hybrid box from you and if I take your maximum plan then I don't have to pay for the subscription of individual OTT or will I need that also separately?
- Piyush Pankaj:** It will all come into a bundle plan.
- Swechha Jain:** So, how competitive would be our Hybrid box as compared to what Jio is launching? As Jio is our partner directly, indirectly right. I just wanted to understand that with the launch of the Hybrid box, where do we stand vis-à-vis, like Jio or any other competitor?
- Piyush Pankaj:** Yes, with Jio synergy, we are coming with the same price formula. We are going to complement each other rather than competing each other.
- Swechha Jain:** Sir, my second question was with regard to the broadband business, if I look that the internet business today is a very small component of our overall revenue. It contributes approximately 10 to 11% and like you have mentioned in your presentation that overall internet penetration in India remains very low. So, from a strategy perspective where do we see or what do we envision for internet business for our company like how do you see, how much would it contribute to the revenue say next 3-4 years?
- Piyush Pankaj:** Rajan Sir, can you take this, please?
- Rajan Gupta:** Thanks, Piyush. Essentially if you see, Piyush already spoke about it. The kind of opportunities which are there in home-pass expansion. We have earlier in many calls discussed about the kind of opportunity Gujarat offers, The leading player BSNL is losing market share and GTPPL is continuously gaining market share. So, while, I don't have a specific number to talk about it, but I think the management will be pretty confident of maintaining the growth rate which you have seen this year, so you can expect great numbers based on that.

- Swechha Jain:** So can I safely assume that the internet business which contributes 10% to our revenue, this number, the contribution will significantly go up over the next 3-4 years or will it remain constant, I understand, absolute revenues will grow, but in terms of overall contribution to the revenue you think the internet business percentage would go up?
- Rajan Gupta:** No, we definitely see broadband growing much higher than cable TV business. .
- Swechha Jain:** And Sir, would you be able to share the EBITDA margins separately for the broadband and the CATV?
- Piyush Pankaj:** The EBITDA margin in broadband is at around 40% whereas, CATV EBITDA margin is at around 24-25%. Together, we are at around 26%-27% EBITDA margin.
- Swechha Jain:** So, blended 23% is what we do?
- Piyush Pankaj:** Blended, we are doing it around 26% -27% which includes the EPC project.
- Swechha Jain:** And Sir, for the cable TV, what kind of run rate can we expect for next few quarters in terms of the revenue?
- Piyush Pankaj:** I will just give you for the next 3 years, what is the goal for the GTPPL rather than the next 3 quarters. We are looking forward that we are going to grow our subscriber base by more than 50% in the next 3 years in the cable business with a 12 million subscriber base and in the broadband business, the growth rate is going to be higher. We are aiming for 100% to 120% growth rate in the broadband subscriber base during the next 3 years.
- Swechha Jain:** Sir, I will just ask one last question, few data points and then I will just join the queue again. If you could share the ARPU for the cable TV business, the cash and receivable position as on December 20?
- Piyush Pankaj:** The ARPU in the cable business is around Rs. 123 right now.
- Anil Bothra:** The receivable at the consolidated level stands at Rs. 3,372 million and the cash and cash equivalents stands at Rs. 523 million.
- Swechha Jain:** Sir, can you give a breakup of the receivables segment wise?
- Anil Bothra:** Yes, majorly the increase is appearing in the broadcaster, so placement and carriage receivables are at Rs. 1,376 million, the EPC project receivables are Rs. 1,473 million. The subscription for cable TV, ISP service providers and rest are very negligible.
- Swechha Jain:** So Sir, basically is the placement and carriage?

- Piyush Pankaj:** Yes, both the placement and carriage and the EPC project constitutes 50-50% of the total receivables.
- Swechha Jain:** And the placement and carriage, basically we have to receive it from our LCOs, right from our partners?
- Piyush Pankaj:** No, we have to receive it from our broadcasters.
- Moderator:** Thank you. The next question is from the line of Kshitij Goel, Individual Investor. Please go ahead.
- Kshitij Goel:** I have two questions, one is about the aging of the trade receivables, as on 31st of December, what part of your trade receivables is over 9 months old? Also, you said that we have been writing back some of the impairments that we took at the end of last financial year, do we expect any new impairments at the end of this financial year?
- Anil Bothra:** For the trade receivables, we are having the global provisioning policy and accordingly, providing the provisions. So far as the aging of more than one year, it is always subject to the provision and we are providing based on the metrics approved by the board. We are not anticipating any fresh provision on our receivable as a doubtful debt in Q4 FY21.
- Moderator:** Thank you. The next question is from the line of Gautami Desai from Chanakya Capital Services Private Limited. Please go ahead.
- Gautami Desai:** My question is for Rajan. Rajan, GTPPL now says that they have planned of going across India and doing broadband with their partners, so I believe that there would be places and they would come across places where even Hathway is serving there and even the GTPPL partner is present there, so what is the kind of agreement that you are looking at with them?
- Rajan Gupta:** I think we have already answered that, so the sense remains the same. We have been working out closely without affecting each other and the same thing will continue. We used to get this question earlier, but I think now everybody is very clear about that.
- Gautami Desai:** Sir, I am more curious that I just returned from my hometown, this is in Gujarat and there GTPPL was already present there in broadband and DEN has recently started. I believe DEN and Hathway both has the same promoter?
- Rajan Gupta:** You are talking about broadband or you are talking about CATV?
- Gautami Desai:** Yes, broadband sir?
- Rajan Gupta:** It was some old network that was acquired by DEN earlier, nothing new was established there.

- Moderator:** Thank you. The next question is a follow-up question from the line of Pratiksha Daftari from Aequitas Investment Consultancy. Please go ahead.
- Pratiksha Daftari:** Sir, a question is about ARPU for both our businesses, so we were sharing an agreement or arrangement with the LCO that we had planned to reduce their share steadily, so what is the current revenue sharing that we have with our LCOs. Where do we see our ARPU going ahead if we were to reduce their share? Secondly, the ARPU Rs. 445 is it sustainable, are we going to see growth or are we going to be able to sustain this ARPU going ahead in the broadband business?
- Piyush Pankaj:** Pratiksha, on the cable side, we have not changed anything on the pricing or packaging side right now. As the 9M FY21 was troublesome for everyone. Consumer spending has gone down. So, we have not changed anything with the LCOs. We are still the lowest in the industry as I said that will be the 70:30 ratio which is there with the operators and we are continuing that way. Going forward, we will see at the appropriate time then we will change these ratios. However, we will wait for NTO 2.0 to come. Either we will take that call once the situation improves and more consumer spending is happening. Second, on the broadband side, as you see we have not changed any pricing and all. The ARPU increase is happening because of the packages changed from lower to higher ones. People are moving to the FTTX package which is 100 Mbps and 60 Mbps, from the 50 Mbps to 40 Mbps and because of that movement, we have seen 7% growth in the broadband ARPU. We are making 40% margin in this business right now. We are looking forward that more ARPU growth will happen because of the shifting of the consumer from lower speed packages to higher speed packages.
- Pratiksha Daftari:** Sir, this kind of growth is something that you foresee will be possible going ahead?
- Piyush Pankaj:** Yes, we are seeing it is possible because consumers are whenever they are coming for the renewals, they are going for the higher speed packages and there you are seeing the growth in ARPU.
- Pratiksha Daftari:** And also with the launch of a Hybrid box, do we see any sort of self-cannibalization happening in our key markets right now where we might lose out our subscribers as the new subscribers in the hybrid box may be at the cost of our existing services?
- Piyush Pankaj:** No, it is not going to be, you can say that cannibalizing on the existing subscribers. The existing ones can convert into this where they are going to have a bundle product, where they are going to contribute more to us. That is the way we are going to work. It is not like our market is going to get cannibalized.
- Moderator:** Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

- Dixit Doshi:** Most of the questions have been answered, just one last question, any update regarding the AGR contingent liability?
- Piyush Pankaj:** On the AGR side, still as you see that some cases are going on in the TDSAT and the Supreme Court and we are monitoring it closely. As per the company, we are legally very strong that AGR should not come to us and we have given an updated note on that regard in our financials also.
- Moderator:** Thank you. The next question is from the line of Swechha Jain from ANS Wealth. Please go ahead.
- Swechha Jain:** A couple of follow-up questions, Sir, with respect to the broadband ARPU, you do see some more growth in the ARPU right, so where do you think the ARPU can settle down in the next 2, 3, 4 quarters, do you see that Rs. 445 per month in the ARPU that will be on a steady-state basis going ahead?
- Piyush Pankaj:** Right now, if you see, first quarter, we were at around Rs. 420. During the last two quarters, we have experienced an increase in ARPU as people have started changing the packages resulting in to rise in ARPU to Rs. 445. We are looking forward that in the coming quarters, this trend will go on as the customers coming for renewals will opt for higher packages. So, we are looking forward that again it is going to be increased of Rs. 10 to Rs. 15 during Q4 FY21.
- Swechha Jain:** Sir, where do you see this settling down like do you think people moving to higher speed packages is a sustainable thing and most of your subscribers would move to a higher package in 3 months or 6 months, just wanted to understand some sense that you can give that maximum what level can this ARPU reach?
- Piyush Pankaj:** We are offering our 100 Mbps plans at Rs. 650, 60 Mbps plan at Rs. 525 and 40 Mbps plan at Rs. 425. So, as most of the consumers had earlier opted for the lower packages around Rs. 375 and Rs. 350. We are seeing that people are moving towards 60 Mbps and 100 Mbps and that is why we have seen this movement happening. We are looking forward that the broadband ARPU will be stabilized at around Rs. 475 to 500.
- Swechha Jain:** Another question was, if you look at our Q3 numbers, I think activation revenue has marginally dropped, so can you just throw some light as to just a one-off kind or do we see this trend going ahead?
- Piyush Pankaj:** You are talking about consolidated or standalone numbers?
- Swechha Jain:** Consolidated basis, it is a marginal drop, but just from a trend perspective, I just wanted to know?
- Piyush Pankaj:** No, the trend perspective if you see, you are talking about from last year, yes, it has dropped.
- Swechha Jain:** Yes, Y-o-Y basis, right.

Piyush Pankaj: Yes Y-o-Y because last year that COVID was not there, so we were pushing more boxes on the ground. During the current financial year, we are pushing in the last quarter. We have seeded nearly 200K boxes and in the current quarter too, we are seeding around 200K boxes. So, it depends that how much seeding is happening on the ground and based on that the activation revenue goes up. So as the situation will be more favorable for us, we are going to seed more boxes and then we will see that activation revenue is going up. So, it depends on how many boxes you are putting on the ground. The ground seeding has been slowed down a bit because of the COVID situation. So we are looking forward that once the situation will be amenable, we are again going to be on the same level as FY20.

Swechha Jain: And Sir, even with respect to the employee cost, we do see a trend where employee cost had reduced on a Y-o-Y basis at a consolidated level, so going ahead, where do you see the employee cost?

Piyush Pankaj: Employee cost is going to be at the same level. There will be some increase because of the increments and new employees onboarding during Q3 FY21. The decrease which we have seen is because we have outsourced some of the ground functions based on the performance and increased output basis. So, we have outsourced some of the ground activities like on the technical and the FOS side. So that has resulted the drop from Rs. 36 crores to around Rs. 28 crores this quarter, last quarter it was 26 crores. The employee cost is going to be at the same level of quarter 3 going forward.

Moderator: Thank you. The next question is from the line of Brijesh Ved from BNP Paribas Asset Management. Please go ahead.

Brijesh Ved: I just wanted a clarification on the CAPEX number that you mentioned for FY22, did you say it would be around Rs. 350 crores, would that be the total CAPEX or this is for the broadband?

Piyush Pankaj: We have made around Rs. 237 crores of total CAPEX. Out of that, for the broadband, we have incurred Rs. 116 crores and for the CATV, it is Rs. 121 crores. If you remember in the last call, we have changed our CAPEX from Rs. 210 crores to somewhere between Rs. 260 to 270 crores. Again, saying that we are going to do around Rs. 300 to 310 crores of the total CAPEX, out of which in the quarter 4, the increase which is from Rs. 237 crores to Rs. 300 to 310 crores, mainly around 65% is going to be in the broadband side. CATV is just going to be 30 to 35%.

Brijesh Ved: Now, on the broadband side, where is this incremental CAPEX actually going because we have a lot of home-passes to be covered in terms of the conversions, etc., so where exactly is this CAPEX going?

Piyush Pankaj: It is going to connecting the customers for the connected customers where we are providing the last mile equipment, means the routers and we are doing the last mile connectivity. If you remember Brijesh, when I have given that there was around Rs. 4,000 to 4,500 CAPEX, out of that when you are doing the last mile connectivity for the connected customers, Rs. 2,000 to Rs.

2200 of CAPEX spend at that point of time. So, you are providing the FTTX ONU at that time plus you are doing, which we call it FAT which is putting the fiber at the customer's house. So that way it is around Rs. 2,000 to 2,200 CAPEX, you spend at that time. Rest is making the home-pass which is around Rs. 200.

Brijesh Ved: Just so that my understanding is clear, would that mean that the activation number would go up substantially in Q4 because that is when you will need to incur the CPE expense?

Piyush Pankaj: We are doing two activities there. As you know that as your consumption of data is increasing, so you have to increase the equipment in the backend also to meet that. Already, we are crossing around 0.6 million of subscriber base and if you have to build it for the future, then you have to do all activities in the back end also in this quarter to meet the growing demand by end of FY21. So you must do all those expenses in the IT side and in the NOC side. So out of this, if I talk about, this is for the customer acquisition plus enhancement of our backend. Both are included.

Brijesh Ved: And what kind of CAPEX are we looking at for FY22?

Piyush Pankaj: Right now, we are keeping it at the same level that we are going for Rs. 300 crores. We will be spending around Rs. 160 to 170 crores on the broadband side and rest Rs. 130 to 140 crores on the CATV side.

Brijesh Ved: My other question was with regards to the Hybrid boxes and the solutions around that, now what we have seen is with a lot of service providers like Jio, they have a bundle plan where a lot of these deals have been done with the OTT players, have we also done any such deals or do we need to do such deal so that there is an integrated play available from a customer's standpoint?

Piyush Pankaj: Yes, we are doing the deals. Already, I have explained earlier also that, some deals have been closed, some deals are on the verge of closing and these apps are going to be embedded in the boxes. So all the main apps are going to be embedded in the boxes and the Hybrid box is going to convert your Non-smart TV into Smart TV.

Brijesh Ved: And sir, one more question, in terms of geographical area, we had a kind of, basically scaled up pretty much in Gujarat, West Bengal and then we entered a couple of other markets. How are we looking at this at a broader level now in terms of our approach has been quite clustered and we basically scaled up quite a bit wherever we have gone and we have kind of established market leadership, so how are we looking at this because we also have some presence in Maharashtra and some other regions in the Southern states?

Piyush Pankaj: Brijesh, right now we are at 13 states and if we talk about our strategy as we had said earlier also that cable business is density business. Whichever city areas we are going, we will have to be number 1, number 2 to make money in that market and dominate that market. That is what we did in Gujarat, West Bengal and now we are doing it in Maharashtra, where we have around 1.3 - 1.4 million subscriber base. We are one of the major leading CATV players in Maharashtra.

The same we are doing in AP and Telangana, where we are crossing 1 million subscribers and going to be a major leader over there. We are progressing in aggressively the North East. We have already entered into Tripura and Mizoram now, the new states which we will announce later. Mizoram we have entered, we are looking forward for Nagaland and Meghalaya, already we are starting now, so it is more of like out of 7 states, we are going to be in the 5 states in the North East and expanding very fast, becoming leaders in those markets. Bihar and Jharkhand if we talk about city specific either Patna or Dhanbad, we are already leader over there, so that is the way GTPL works that you have to be number one, number two player in this market. We are looking forward for the other opportunities in other states and at the right time, we were going to take those decisions. This year is as you know a bit washout due to COVID that you cannot expand very fast, but still, we have started connecting the North East side mainly and started expanding in Tamil Nadu with which we entered in somewhere December 2019 and we are not able to expand there because of COVID, however, now we are expanding. So on that strategy, we are going ahead somewhere as I said that the three years' time we wanted to achieve 50% jump in our subscriber base and we are working towards that as we have the strategy in place. If the COVID situation improves, we are going to implement our strategy very aggressively.

Moderator: Thank you. The next question is from the line of Kshitij Goel, Individual Investor. Please go ahead.

Kshitij Goel: My question is about the Hybrid box implementation, in your existing markets, what proportion of your existing customers can migrate to the Hybrid box once they have offered this facility, what is the expected ARPU that you expect at this stage from the Hybrid boxes?

Piyush Pankaj: Kshitij, the hybrid box plans and all, we have already in place. Strategically, we have the data which you are asking for, but I will say that let it be right now. As we are going to be ready for launch and we are going to do the marketing activities and all. I think at that point of time, if we give you the figures and all, that will be better rather than disclosing all the figures right now, so that is the request.

Kshitij Goel: And what about the migration point of view, like can your broadband and cable TV subscribers straight away migrate to Hybrid box from a technology point of view at this point?

Piyush Pankaj: Technology point of view, they can migrate very easily, yes we have to see that consumer wants to migrate straight away or they want to wait and go for that. All those things are there. We already have the dual customer's data and we are servicing them in a special way. Those are the potential customers for the Hybrid and already we are contacting them, taking you can say the market survey and all is happening on our own customers through our call center and through our ground team. We already have gathered the potential customers for the Hybrid and all and we are waiting for that. At the time of launch we will come up with the plans and all and then we aggressively approach those customers and do it.

- Participant:** So if there is good demand for these Hybrid boxes, how scalable is this as informed supplying the box point of view to your customers?
- Piyush Pankaj:** The survey which is going on is for the interest of the customers, the price point and what period they want to subscribe and all those things those surveys are going on, so I will say wait for some time as we come closer to the launch, we will give those numbers.
- Moderator:** Thank you. The next question is from the line of Swechha Jain from ANS Wealth. Please go ahead.
- Swechha Jain:** Sir, I just wanted to reconfirm the receivable numbers, sir you said it is Rs. 3,372 million?
- Piyush Pankaj:** Yes, Rs. 3,372 million, that is right.
- Swechha Jain:** So then out of which you said Rs. 1,036 million is for placement and Rs. 1,473 is for EPC, right?
- Piyush Pankaj:** So, it is like carriage is Rs. 1,376 million and EPC is Rs. 1,473 million.
- Swechha Jain:** I think I got the carriage number wrong, Sir and just one last question, I don't know if it is possible, can we have the blended ARPU number for us, the reason I am asking this is because going back to my previous question on the Hybrid box, so if I am a cable TV subscriber and I am also a broadband subscriber, so if I migrate to Hybrid, I would not need these two connection separately, right, so from a company perspective if my internet ARPU is close to say Rs. 445 and cable TV ARPU currently is at Rs. 123, so from a company perspective, I wanted to understand that Hybrid, moving like migrating customers to hybrid would be beneficial if my ARPU would be higher than the blended ARPU of both these businesses, right?
- Piyush Pankaj:** We are going to give some benefits to the consumer, but that is why I have said that the survey is happening for the period like what period we have to be in 3 months, 6 months, 12 months which is to be there, so based on that if you see and second is the stickiness of the customers, so you have to see that the customer who is going to come into the Hybrid boxes and all, they are going to be very sticky, so all those benefits we have to see. Based on that, we have to do it, but yes, I will just say that the Hybrid boxes business is going to be EBITDA attractive.
- Swechha Jain:** And by when do we see this rolling out in the market like Q4 or you think next year, like Q1 or Q2 of next year?
- Piyush Pankaj:** No, we are planning to do it in the Q4, some boxes have come, some boxes have got delayed in the mid November, mid December, the COVID had re-surfaced in India and there were delays in receiving the boxes. So, the management is gearing to launch it in quarter 4, hopefully. We are ready with all those things, we just have to launch.

Moderator: Thank you. The next question is from the line of Vivekanand from Ambit Capital. Please go ahead.

Vivekanand: Sir, I will ask the closing question. On the cable TV side, I would just like to understand your vision for this business, say 3 years, 5 years down the line, we see that one family runs business both cable MSO and DTH, the family's shareholding is sharply declining, right because of the excessive debt. So when we enter into new states like Andhra Pradesh and Telangana, Maharashtra, is it that we are capitalizing on the MSO or that MSO which was earlier providing service to the LCOs in these areas and now those LCOs are shifting to us or are we largely gaining at the cost of the DTH entity and as a related question, I just wanted to understand how do you think about the market as far as the number of players in the cable MSO business in your sense because you are expanding here rather?

Piyush Pankaj: I said earlier also that there is a push strategy and there is a pull strategy. Till date, as MSOs, we were doing the push strategy that we are giving the schemes, we are giving all those benefits to the LCOs, our partners and asking them to bring the customer back from the DTH, from the ground, everywhere. The second is the pull strategy where you can go directly to the consumer and through the advertisements, TVCs, hoardings, radio, everywhere and you start to do the schemes for the consumer directly where you can start getting the lead from the consumer side and whom you want to convert from DTH to the cable business side. So this is on the two-pronged strategy, we are working on both the strategies as I said that we have started the "Chhatri Hataao GTPPL Lagao" campaign just before the COVID and after COVID came down, we had again started it in the month of August and the response was very good, but we have to stop it by October because again the COVID had gone up, so we have to stop deploying STBs; but this two-pronged strategy we are going to keep everywhere. Wherever we are going in the market as we launched this Festival Dhamaka as I said that we are expanding right now in the North East, we have already launched that in the North East, the "Chhatri Hataao GTPPL Lagao", the responses are very good and slowly we are going to launch this in all over India level as the situation improves. As I said that there are 60 million independent cable subscribers base whom we must target plus there are 60 million DTH base for the whole industry which we have to target. So, there are 120 million base which must be targeted by the organized players. The organized players have just 35 million to 40 million subscriber base in their kitty. So there is a lot of opportunity there, 60 million independent cable, 60 million DTH plus there are 130 million non-TV households in India also. So the opportunities are huge on the CATV side and as I said on the broadband side also the opportunities are very huge as only 20 million households have wired broadband right now and 280 million don't have any wired broadband, so opportunities are very high on that side. Somewhere you have to start combining both the business together to attract and to have more sticky customers and to put the pinch of OTT as it adds up the strategy on which you have to go to bring more and more sticky customers, where the customers will be also happy to get all the services all together. At a later stage, you have to start layering more services and make those customers stickier and happier. So that is the strategy on which we have

to work and that is the way in which we are making our strategy, keeping all these things in perspective.

Vivekanand: This was very helpful, the other one that I had was with respect to your conversion rate of the homes home-passed to the paying broadband subscriber. We are seeing that steadily go up over the last few quarters, so is it because some of the markets where we had broadband reach before, let us say before FY20 or FY19 where we already had broadband reach, there we saw demand from the ground because of the COVID or are we becoming a lot more efficient in identifying micro markets where we should increase home-pass and therefore large proportions of the new home-pass they are getting much better conversion rate?

Piyush Pankaj: First if you talk about the home-pass creation, as I said that this year is a bit of a washout for the GTPPL as we did very high home-passes last year, but because of COVID, we are not able to add those home-passes. So, it is more of the extraction from the current home-passes and we have got those benefit because, as you said, that both situations are there, we are becoming more and more efficient plus there is that high demand because of the COVID, you are going to reap those benefits as you are ready with the new home-passes which we did in the last 2 years to 3 years' time. That is the way GTPPL has got benefited. We are looking forward to be more efficient. Additionally, our FOS sales are increasing which we are seeing the same on the installation side, as per the installer group, the number of installations is increasing. Those are the efficient side which we are seeing that we are progressing. The demands are high due to COVID and we are meeting them efficiently.

Vivekanand: This was very helpful. I think there are no more questions in the queue, so do you want to make any closing comments.

Piyush Pankaj: Thanks everyone for joining the earnings call. We look forward for good Q4 FY21 and again we will meet after the Q4 and FY21 results. Be safe and healthy. Thanks a lot.

Moderator: Thank you. Ladies and gentlemen, on behalf of Ambit Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.