



“GTPL Hathway Limited Q1 FY18 Earnings Conference Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the GTPL Hathway Limited Q1 FY18 Earnings Conference Call hosted by BNP Paribas Securities. 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kunal Vora from BNP Paribas Securities. Thank you and over to you, Mr. Vora.

Kunal Vora: Thanks Janis. Good Evening everyone. On behalf of BNP Paribas Securities, I would like to welcome you all to the first earnings call of GTPL Hathway Limited. We have with us the senior management team of GTPL Hathway including Mr. Anirudhsinh Jadeja, Managing Director, Mr. Rajan Gupta, Chairman and Non-Executive Director; and Mr. Piyush Pankaj, Head, Investor Relations. I will hand over the call to Mr. Jadeja for opening remarks. Thank you.

Anirudhsinh Jadeja: Good Evening everyone, first of all I would like to Welcome all of you on our first earnings call. We will take you through the results of Quarter-1 FY18 and annual results of FY17. This is exciting time for our industry as digitalization is nearing completion and now the CATV industry can focus enhancing customer service, increase revenue from our additional opportunities for monetization. Broadband service is a big opportunity for MSOs and we at GTPL are completely geared up to implement GPON FTTH technology, which will enable us to provide high-speed broadband services to our customers. I am happy to say that Board of GTPL has recommended dividend of 10% to our current shareholders. I would like to share briefly an overview of GTPL.

We are number one in Gujarat, almost 67% market share, we have seeded more than 4 million set-top boxes in Gujarat. We are number two in Kolkata and Howrah with 24% market share, we seeded over 1.5 million set-top boxes in West Bengal. Even in Maharashtra, we have now significant market share, rest of Maharashtra ex-Mumbai, we seeded more than 1 million set-top boxes. Total, we seeded close to around 8 million set-top boxes whereas 7 million is our active digital subscriber. In broadband side, 1.1 million is our home pass whereas 250 K active customers.

During last fiscal year based on INd-AS consolidated account, our revenue stands at 942 crores, EBITDA was at 240 crores, and PAT was at 40 crores. We own close to 5400 kilometers of our own fiber whereas the 600 kilometers is underground fiber. We recently deployed next-generation headend of Harmonics, USA, which enables us to offer up to 650 TV channels and 50 OTT channels. We are going to implement OTT service offering to our customers. The upgradation of network to GPON fiber to the home technology has commenced which enable us to provide high-speed broadband. In June, we launched GPON FTTH service in Ahmedabad area called Bopal and Gandhinagar in Gujarat. We see immediate growth opportunities in CATV towards enhancing monetization of Phase-3 and Phase-4 and also through conversion of our SD to HD services. We have recently enhanced our HD services. Now, I hand over to Piyush to share the financial results.

Piyush Pankaj: Thank you Mr. Jadeja. Good Evening everyone and again I welcome you all on the call. First, I would like to share the key KPIs of the business. If we talk about the Cable TV, CATV business,

on the consolidated basis, the current STB seeded stands at 7.76 million, in the last quarter it was 6.90 million. We have seeded around 0.86 million STBs in this quarter. Last one year, in FY17, we have seeded 1.48 million STBs and this quarter we have seeded 0.86 million STBs. Our active STBs stands at 6.69 million, last quarter it was at 5.98, we have increased 0.71 million active STBs in this quarter. On phase wise, mainly STB seeding happened in Phase-4 which has increased from 1.46 million last quarter to 2.28 million and phase wise ARPU stands at Phase-1 it is at Rs. 100 which is net of taxes, Phase-2 is Rs. 95, Phase-3 is Rs. 54, and Phase-4 is Rs. 41.

On broadband, the key KPIs, the home pass stands at 1.11 million at the end of Quarter-1 FY18 and subscriber base is at 250 K sub-base and ARPU has increased by Rs. 6 to Rs. 486 at the end of Quarter-1 from Rs. 480 last quarter.

On financial results, we have included the financials of three companies, the first is GTPPL Hathway Limited which is the listed company, the standalone GTPPL Hathway Limited, the second is GTPPL Broadband Private Limited which provides the broadband services and is 100% subsidiary of the listed company, and third is GTPPL Kolkata Cable and Broadband Pariseva Limited (KCBPL), which is the subsidiary of listed company, 51% owned by listed company and it gives the Cable TV operations in West Bengal market.

The above three companies contributed around 90% of revenue in consolidated accounts of Financial Year 2016-2017. If you talk about the performance in first quarter, the main focus was to complete the seeding in the Phase-4 and to grab the market there. We have seeded close to 1 million boxes. We have implemented the new technology, new digital headend which has increased the number of channels offering to 650. HD channels we have increased to 64 now. We have launched the GTPPL Saathi which is the portal for LCOs to manage their customers and we have upgraded My GTPPL app for the customers where they can manage their account of cable and broadband both.

On performance, first the standalone financials for Quarter-1 '18, if you see year-to-year in comparison to corresponding quarter last year, our total revenue has grown at 25%, EBITDA growth is at 29%, and PAT growth is at 86%. EBITDA stands at INR 570 million which is at the margin of 32% and PAT stands at INR 148 million. If I talk about the broadband company, the revenue growth for the Quarter-1 FY18 corresponding to the last year quarter is at 25%, EBITDA has grown at 65%, and PAT has grown at 95%. The EBITDA margin stands at 26% for this company. If we talk about the Kolkata operations, KCBPL, the total revenue has grown at 12% from last corresponding quarter of the last year and the CATV revenue has grown at 15%. The EBITDA stands at 63 million and EBITDA margin is at 19% for this company.

I just wanted to share the annual results FY 2017 for which we have given the results on August 2nd. If we compare on the consolidated basis FY16 and FY 2017 results, our revenue has grown at 27% to 942 crores and our EBITDA has grown at 51% to 240 crores, and our PAT has grown at 31% to 40 crores, and on that the CATV subscription revenue has grown at 33% and broadband revenue has grown at 77%. The Board of company has recommended the dividend for 10% for all

the existing shareholders. Just to give the performance of Quarter-1 2018 the summary, if you see the revenue of GTPL Hathway standalone, it is at 178 crores, broadband it is at 32 crores, and the KCBPL, the Kolkata operations, is at 32 crores and these three companies represents the 90% of the company's revenue last year,. We are open for the question and answers now.

- Moderator:** Thank you. Ladies and Gentlemen, we will now begin with the question and answer session. We take the first question from the line of Sanjay Chawala from JM Financial. Please go ahead.
- Sanjay Chawala:** I have a few questions, first is what is the total cable universe that you have, in the sense you reported the STB seeded, but what is the number of analog subs that you still need to convert to digital, and can you give the subscriber breakdown in terms of the active subscriber phase wise, June end?
- Anirudhsinh Jadeja:** We already seeded close to 8 million set-top boxes.
- Sanjay Chawala:** How many more to be digitized?
- Anirudhsinh Jadeja:** Another close to 1 million.
- Sanjay Chawala:** You have 1 million analog customers approximately as of June end?
- Piyush Pankaj:** The digitization as per the government is over on March 31, 2017, and thus analog signals are not available, but we have the opportunity in the Phase-4 to add more of 1 million subscriber base which we are going to do in next two-three quarters.
- Sanjay Chawala:** What is the STB inventory as of March and also at the end of June?
- Anirudhsinh Jadeja:** If you look at it from an inventory point of view, we have ordered it as per our requirement, so on month on month we are receiving close to around 200 K boxes.
- Sanjay Chawala:** In the sense, how many STBs were on your books on the balance sheet in March end and June end?
- Anirudhsinh Jadeja:** March end, the total number of STBs is given on the consolidated basis, June end we have not given the consolidated so I cannot comment on that, we have a standalone figure. On the consolidated basis in the March end, it is 6.9 million was the number of seeded boxes, in Quarter-1 the seeding happens in Kolkata market and Gujarat market and some of Maharashtra market.
- Sanjay Chawala:** I mean the STB inventory on your balance sheet?
- Anirudhsinh Jadeja:** STB inventory it was 200 K at the March end and currently it is at around 150 K which is lying over. We are giving the order to the vendor in a fashion to receive the boxes month on month so that the inventory should not be high in our books at any point of time, it should be between 100 k to 200k.

- Sanjay Chawala:** Which would lead to approximately purchase 1 million boxes right in terms of CAPEX that is what we should be looking at?
- Anirudhsinh Jadeja:** That is right, already the orders has been given, already it is on the pipeline, but at any point of time we are not maintaining more than 100 to 200 K of inventory in our books, as it comes it goes into the market.
- Sanjay Chawala:** Can you give the breakdown of the active digital customer base at the end of June phase wise?
- Piyush Pankaj:** Phase wise, the Phase-1, active is 0.58 mn, Phase-2 is 1.73 mn, Phase-3 is 2.27,mn and Phase-4 is 2.11 mn, total is 6.69 million active subs.
- Sanjay Chawala:** We have not seen any increase in the exit ARPUs, I believe the ARPUs that you are sharing phase wise, these are the ARPUs in the exit month, right?
- Anirudhsinh Jadeja:** Yes, it is the exit month.
- Sanjay Chawala:** We have not seen any increase from March to June, so what exactly?
- Piyush Pankaj:** March to June, we have not increased our ARPU, generally the company increase the ARPU in Quarter-2 and Quarter-4, so once we will go in to the next quarter call, you might see some of the increase.
- Sanjay Chawala:** Just couple of more questions if I may, what is the activation revenue as per Indian GAAP in Fiscal '17 and also in the first quarter?
- Piyush Pankaj:** Fiscal '17 it is 137 crores the activation revenue was we have an IGAAP, we have given that in the presentation which we have shared on August 2nd. We have not taken the IGAAP accounts for Quarter-1 so we cannot share that in the public right now.
- Sanjay Chawala:** My question is basically how much you are collecting now when you are seeding the box, you seeded 0.86 million boxes you said, so on an average how much are you able to collect from the customers?
- Piyush Pankaj:** Depending on the market on the different schemes between Rs. 800 to Rs. 1000 which we are collecting from markets. There are different schemes in markets like in Kolkata market there is a different scheme, Gujarat market there is a different scheme, so between Rs. 800-Rs. 1000 we are collecting from the customer as activation.
- Sanjay Chawala:** This is inclusive of the taxes, GST?
- Piyush Pankaj:** Yes, inclusive of the taxes.

- Sanjay Chawala:** Just last question here, what is the CAPEX that you have incurred in the first quarter in terms of the balance sheet addition and what is the target?
- Piyush Pankaj:** The first quarter the total CAPEX on consolidated basis, if we take the Kolkata company also into the account, we have did around 88 crores of CAPEX in the first quarter.
- Sanjay Chawala:** That is the consolidated CAPEX number including broadband?
- Piyush Pankaj:** Broadband it is just 8 crore in the first quarter, mainly the CATV has happened. It is consolidated, includes 8 crore of broadband.
- Sanjay Chawala:** What is the expectation for Fiscal 18, full-year on the CAPEX side?
- Piyush Pankaj:** Fiscal 18 we cannot share those figures in this call, but as we have given the indication that we are going to seed more 1 million boxes and on broadband side we are going to implement GPON fiber to the home where the main CAPEX will go on backhaul and the last mile, so the CAPEX is going to be higher side in the next three quarters.
- Moderator:** Thank you. We take the next question from the line of Rahul Bhangadia from Lucky Investment. Please go ahead.
- Rahul Bhangadia:** Sir, just one question, on a YOY basis, the paid channel cost seemed to have gone up more than the subscription revenue itself which is one of the major reasons why we have not seen a kind of major flow through to the EBITDA level, any sense that you can give us on the direction of this pay channel cost?
- Piyush Pankaj:** You are right on the standalone basis, it has gone up around 28% if you talk about on the YOY and if you talk about FY16 to FY17, it has gone up at around 19% on standalone accounts. If you talk on the Consol basis, consol FY16 and FY17, the pay channel cost has gone up by 17%. If you see from FY16 to FY17 on the consolidated, our subscription revenue has grown by 33% and our pay channel cost has grown by 17%. From the last corresponding quarter, which is showing around 28% increase in paychannel from 62 crores it has gone to around 79.8 crores, this is as the Quarter-1 in the last year some of the paychannels negotiations were going on, an the pay channel cost has not booked totally in that quarter, but over the years if you see it is only 17% increase in the pay channels cost on consolidated basis.
- Rahul Bhangadia:** For FY18, 17%-18% is a good number to go by on an overall basis?
- Piyush Pankaj:** No, it will be lesser than that because in FY16 there are some pay channel cost which was of prior period which has come into the account.
- Anirudhsinh Jadeja:** If you see the last quarter of FY17, in comparison of 1st Quarter FY 18 there is minus 2% increase in paychannel cost, it is due to closure of negotiation with the broadcaster at the end of the last year, your major mergers and subs increase due to that during the last year has already been

considered and the booking of cost happens in the last quarter. That is why from the last quarter of FY 17 to the first quarter FY 18 you will see the content cost has come down by 2%.

Piyush Pankaj: Overall here if you talk about from FY17 to FY18 on the yearly basis it will be lesser than 17%.

Rahul Bhangadia: On the CATV subscription revenue size what is your expectation, what is the growth number that we are penciling in here, first quarter standalone was 19%?

Piyush Pankaj: First quarter standalone was 19% if we go on the same rate. Already the Phase-4 monetization at some places is still to start which we are expecting to start in Quarter-3 and Quarter-4 which is going to give us some increase. In July month, as I was answering to Sanjay that the usual practice is to increase the price in Quarter-2 and Quarter-4, so Quarter-2 prices have little bit implemented which you will see the effect in the next quarter on those and we are expecting that the growth rate which was last year i.e 33%, we are going to have a good growth rate on that scenario, it is 19% showing right now, we are expecting it more.

Anirudhsinh Jadeja: Every time when our price subscription be it Phase-1, be it Phase-2, be it Phase-3 and 4, we will do ARPU increase either in July or in January.

Rahul Bhangadia: This year what is your expectation, how much hike are you going to take in general across your subscriber base on an average or what have you taken in July already?

Anirudhsinh Jadeja: On an average if you see in Phase-3 and Phase-4, you will get more revenue growth in terms of price wise. In Phase-1 and Phase-2 on an average our growth will be in the vicinity of 10%, but yes, in Phase-3 and Phase-4 because our monetization has started now, where our ARPU already in Phase-4 is close to around Rs. 42 in that vicinity and in Phase-3 it is in the vicinity of Rs. 53, there our ARPU growth is expected at around 15%.

Rahul Bhangadia: Okay, 10% for Phase-1, Phase-2, and 15% plus for 3 and 4.

Anirudhsinh Jadeja: Yes, you can say that. We will actually come to know in this coming quarter, where we already implemented ARPU increase.

Moderator: Thank you. We take the next question from the line of Gautami Desai from Chanakaya Capital. Please go ahead.

Gautami Desai: I have a couple of questions, one is I would like to know the pace of broadband that you are planning which towers and number of home passes, some clarity on that? My second question is that your average Cable TV ARPU, I am just calculating the subscription income divided by your active boxes, so when I see the average, your old '17 seems to be much lower than 16 and Q1 FY18 seems to be much lower than FY17, so how do we look at that and also when I do the weighted average like phase wise if I multiply by the phase-wise ARPU and then I divide by the denominator also I am not able to understand and like I am getting Rs. 47 as your average cable TV ARPU's for the Quarter-1, so I wanted to understand how do we see that and how will it go

up? My last question is that your net content cost per box seems to be like Rs. 11 and everything I am dividing by an active number of boxes, so 2016 seems to be Rs. 11, '17 it is Rs. 20, and the last Q1 is Rs. 19, so am I looking at it in the right way is what I want to understand?

Piyush Pankaj: First for the broadband side when we are doing the road shows before the IPO at that time we were giving that we are going to be very aggressive on the broadband side, but the fundraising and all happened in the month of July, we had got listed in the month of July and the company got the money in July, so already we have lost one quarter on the broadband side, but we are trying to catch those pace of one quarter and we are hopeful that after losing also one quarter whatever numbers we have given you, the investors, on the broadband side that we should at least achieve close to those numbers.

The broadband from the third quarter you will start seeing the progress on that side because once the money has come into the company and that has been getting paid and all, the orders for GPON FTTH and all has started for the implementation on cell site. We are looking forward that for implementing at some of the prominent areas and where we can do some marketing and all, it will take at least 3 to 4 months. After that, we are ready to go for the full services on those areas, so we will see that some results in Quarter-3 on the broadband side. Whatever growth we are doing right now, we will keep doing it as on basis, but the higher growth side and higher on the FTTH GPON mainly you will start finding on Quarter-3.

Gautami Desai: Average cable TV ARPU seems to be going down?

Piyush Pankaj: Average cable TV ARPU if you talk about the last quarter and this quarter, the last quarter the average cable TV ARPU was at Rs. 71 and this quarter it has come down Rs. 68 on average size, not 46. You have to consider that the Phase-4...

Gautami Desai: Sorry to interrupt, how do you calculate the 68?

Piyush Pankaj: Yes, 68 is happening on the digital billed subscribers rather than the active subscribers.

Anirudhsinh Jadeja: You are deriving yours on the average active subscriber base, but we have been seeing active subscriber going forward whose billing will get implemented in the second quarter, whose billing is going to get implemented in third quarter.

Piyush Pankaj: It is calculated based on the digital billed subscriber rather than active subscriber. Digital billed subscriber if I can define the seeding has happened, the customer has become active and it has started getting the digital billing from the company side and we calculate based on that, that way it is standing at Rs. 68, but you will find that this will go up with the time as we are adding more in the Phase-4 and still the billing has to start for some of the customers.

Gautami Desai: If you can throw some light on the content cost per box?

- Piyush Pankaj:** Content cost per box you are calculating in the right way, it was Rs. 20 last year, it is standing at the same right now.
- Gautami Desai:** How do you see it going forward?
- Piyush Pankaj:** Going forward we are seeing that it will go up a bit.
- Gautami Desai:** Net content cost?
- Piyush Pankaj:** Yes, net content cost.
- Gautami Desai:** How much should be average of coming here?
- Piyush Pankaj:** It is more of like if you talk about the placement revenue we are looking forward that it will be grow by 5 to 7% the placement revenue will grow and your pay channel cost is going to grow between somewhere 12 to 15%, so the difference between that will come into the net content cost.
- Moderator:** Thank you. We take the next question from the line of Brijesh Ved from BNP Paribas Securities. Please go ahead.
- Brijesh Ved:** Sir, my question was primarily on your HD penetration in terms of your existing customer base, if you can just give some sense of an average ARPU that you on from a customer who is HD enabled and also how do you see this penetration picking up in Financial Year 2017-18?
- Piyush Pankaj:** As informed in the road show that we have around 150 K HD subscribers and by this Quarter-1 we have already seeded 250 K more HD boxes, so we have right now 400 K HD subscribers. The monetization of HD have not started on those boxes which will start in Quarter-2 and Quarter-3 somewhere, right now we are providing the HD services as a promotional activity, so currently in this quarter, I will not say we have gained any incremental HD revenues, but we are implementing, throughout we are seeding the HD boxes to the customer households and giving them the promotional activities and we will start monetizing them at the appropriate time in this year.
- Brijesh Ved:** Moving on to the broadband, essentially I wanted to understand the competitive landscape in the markets that you are operating in currently specifically in terms of the availability of speed, the average speed which is available to customers and is this going to be kind of a large step up for customers when you actually start implementing GPON, so how does the entire scenario look in terms of the alternates available to customers currently?
- Rajan Gupta:** Ladies and Gentlemen, Good Evening, this is Rajan Gupta here, I will spend around five minutes on broadband, I will cover 3-4 points which will answer this question and probably many more queries surrounding that. First of all, I think it is good to remember that GTPPL has a really working broadband model, we have around 23% penetration. As all of us know in broadband, on 20% penetration to home pass, the ROE comes so we have around 2,50,000 consumers and 1.11 million home pass which is around 23% penetration. Current EBITDA is a 26%, so I believe this is the

one of the best working model in the country, so that is a great news. Second, we have more than 7 million home pass available where up to some extent either up to the building or to the area, the fiber is already come, we keep on saying GTPPL network is a deep fiber network and when we visit these areas, we do consumer surveys, we realize that every speed in most of the areas is not more than currently 2 to 3 MBPS going up to 5 MBPS for industry. GTPPL within 1.1 million home pass is giving an average speed of 10 MBPS, but this industry is primarily dominated by DSL players, the copper players in GTPPL areas. The average speed is anything between from 2 MBPS to 5 MBPS, so that is a great, great opportunity.

Third, as Piyush also mentioned we kind of started doing pilots, in June month small pilot was done and now what we have taken an objective, we are taking 5 square kilometer area in Ahmedabad city and we are making their picture of success, now what does it mean. It means that all current consumers will be upgrading minimum to 40 MBPS to 50 MBPS, going up to 100 MBPS and we will give them data limit as the highest 200 GB at mass pricing. That is a bigger model we always spoke about, that is the picture of success, that is the future for GTPPL broadband and we will implement the same thing in 5 square kilometer kind of area in Ahmedabad city in next few months, very big order for equipment has already gone to top two kind of equipment providers for GPON in the worldwide and as we all understand it takes around 2 to 3 months time to come and then implementation will start which is as Piyush said, by Q3 we should be able to give very good news on that. Essentially, the speeds which are currently 2 to 5 MBPS for market, for GTPPL around 10 MBPS, they will upgrade it to minimum 40 to 50 MBPS going up to 100 MBPS, that is an exponential jump for consumer experience, GB is available to consumer which is today around 25 GB that will go up to 200 GB and without much change in pricing, maybe another 20%, I do not want to give a forward-looking statement, but essentially the bigger point I am saying is we will go for mass pricing. It is going to be really major experience change for consumer both on speed and the GB quotas available. We are working on a 5 square kilometer area to show all of us a picture of success for that, so these are three points essentially which kind of give us the direction way forward for GTPPL Broadband.

Brijesh Ved:

Just in terms of your overall debt level, could you just give us a sense in terms of what do you expect this to be in the exit quarter of March 2018?

Piyush Pankaj:

Quarter 18 March I will just give you the indications as you have seen that our total secured debt has gone down by 20 crores in this quarter plus the money which the company has received in the IPO proceeds around 229 crores is going to use to reduce the secured debts and that will come down, but as we have to do the capital expansion in the cable side also plus in the broadband side in a heavy way, the company is going to take the debt. We are looking forward that the secured debt will go down a bit, but the net debt will be lower but the total gross debt, it will be almost at par or a bit lower but it is not going to increase.

Moderator:

Thank you. We take the next question from the line of Deepesh Mehta from SBICAP Securities. Please go ahead.

- Deepesh Mehta:** Sir, just wanted to get a sense about phase wise you already have provided data about active subscribers base, can you just repeat it because I missed the number and in that also is it possible to provide digital bill subscriber also phase wise?
- Piyush Pankaj:** Phase wise active sub is in Quarter-1 '18, Phase-1 is 0.58 million, Phase-2 is 1.73 million, Phase-3 is 2.27 million, Phase-4 is 2.11 million, active STB is at 6.69 million. Total paying digital subscriber, I have just the total figure right now not the Phase-1, the total figure stands at somewhere around 5.7 million, so 1 million is still to be digitally billed which is going to happen in Quarter-2 and Quarter-3.
- Deepesh Mehta:** It will be right to assume it would be largely from Phase-4 and maybe to some extent Phase-3?
- Anirudhsinh Jadeja:** That is right, mainly from Phase-3 and Phase-4 where the seeding happened in the last quarter and this quarter.
- Deepesh Mehta:** Last thing is about broadband, now we intend to have GPON services and we intend to roll out full-fledged from Q3 onwards, so what would be I think Rajan eluded to some extent, but just wanted to understand pricing related thing, how you expect it to be price kind of product whether it would be aggressive pricing-led approach or how you expect because some of the competitor has much higher ARPU for similar kind of services if you can provide some color?
- Rajan Gupta:** If you see currently our ARPUs are INR 486 plus taxes as per latest kind of press release which are given, that is for an average speed of around 10 MBPS average data limits are around 30 to 40 GB, while I spoke about exponential jump in speed from average of 10 to going to 50 similarly data limits going up to 200 GB, the same product in market can be priced actually double of what currently our ARPUs are, the same product essentially can be priced around Rs. 900, but we have mentioned several times earlier, we will be very aggressively pricing. Our whole model is based on keep on increasing penetration so we will aim for much higher home pass penetration in GTPL and our pricing will remain mass pricing. We will be the best in terms of value for money to consumer.
- Moderator:** Thank you. The next question is from the line of Kunal Vora from BNP Paribas Securities. Please go ahead.
- Kunal Vora:** Sir, how do you see the threat from Reliance Jio on your business, they have recently announced that they will provide TV services using their 4G network, they have also have fixed broadband plans, how do you see their presence on the ground, how are you looking to compete with them, your advantages if any over them?
- Anirudhsinh Jadeja:** From cable TV side there is no announcement from them, there are just discussing the new feature phone, so you can connect your mobile to your television, but that can connect today also, any smart phone can connect if you use that converter, you can connect your mobile, so I am not saying that issue and even yes, let us take example because the ARPU is also they are showing is Rs. 309,

with that you require for the data also, so I am not seeing any issues on cable TV side from any telecom company.

Piyush Pankaj:

Kunal, I will just add on Mr. Anirudh's explanation, Rs. 309 they have talked about through their mobile and they will require more data on that, the data cost they have not given because if it is streaming through their mobile the data cost will come. If you take the hypothetical that they want to come in to the CATV through laying the cables and all which will and the broadband side also, coming into the cable business and the broadband business you require the whole infrastructure to be laid out, the fiber has to be laid out, your backhauls has to be there and then the most important is the last mile where you require the RWAs and the Society permissions and all, and it takes time. If you talk about us being a very good presence in Gujarat and Kolkata, it has taken us around three years to come to 1.1 million of creating the whole home pass in the year. It takes time to come, the first thing is that. Secondly, as Mr. Anirudh says that now digitization is getting over and the focus for MSO is coming towards the customer services, the more services, HD services.

Anirudhsinh Jadeja:

Whatever our focus is in the future that we have to seed over 1 million set top boxes in CATV side. Close to around 4 million subscribers we seeded in Gujarat, so major focus is like Gujarat we completed our existing digital subscriber to convert into home pass, and yes, Piyush has also said that if you want to roll out the broadband services, it requires ROW, let us say they have ROW also, but it is huge time taking process, so we have already have fiber to society, fiber to colony, fiber to buildings, fiber to curve, so we just require to change backhaul side and consumer premises side. Rajan will explain more in detail.

Rajan Gupta:

Essentially if you see as I mentioned the current universe of more than 7 million home pass available to us, I mentioned already the average speed is around 2 MBPS to 5 MBPS and currently there is not a single last mile sanction taken by any additional competitor in GTPPL operating area, it could be Gujarat, it could be West Bengal or few other Maharashtra area. I mean the work has not even started actually, so absolutely there is no point in worrying about that. The fact of the matter is consumers are currently waiting for a high-speed broadband player to come and the kind of offering I spoke about at a mass pricing starting at 50 MBPS going to 100 MBPS, 200 GB data of mass pricing, so we believe there is a lot of demand for that and we do not see any sign of competition and as Mr. Ani said it takes years to buildup and no work has started, absolutely zero work has started. We are pretty much on ground always, we do not see any work in at least GTPPL home pass area.

Kunal Vora:

Second question Sir, on GPON rollout, how quickly that can happen, how many cities are you looking to cover in next say one or two years?

Rajan Gupta:

Our immediate plan for the next six months is the four main cities, we are in Gujarat, we are already present in a big way which is Ahmedabad and when we say Ahmedabad surrounding included, so similarly Baroda, Surat, and Rajkot. There itself on the current MEN consumers where they are getting average speed of 10 MBPS we would upgrade to 50 and when we do that upgradation that itself will throw additional home pass of around 500,000, when we upgrade

because this home pass was then quite some time back, lot of new buildings have come, lot of new areas have come so that itself will throw a big part of the home pass, so obviously the first objective is upgrade all current consumers and go deep inside these four cities, so that is what is going to take a lot of time in next six months. As we mentioned, equipment has been ordered, it takes around two months to come because most of it is coming outside India and then around three months to implement, but essentially our objective is when we come for the next conference call with all of you we should be able to share picture of success in the 5 square kilometer area in Ahmedabad and after that it is going to take lot of effort month by month replicating the picture of success across the GTPL operating area.

Kunal Vora: My last question Sir, on the TRAI tariff order how do you see that impacting the business if at all it gets implemented?

Anirudhsinh Jadeja: TRAI order, we are DPOs, it is a good model for us as the pay channel cost can be pass through in the whole scenario and there is a definitive revenue source which is given as a network fee and if there is a dispute between MSO and LCOs, there is a mechanism to solve those, the industry is also saying it is good for the DPOs, MSOs, and we are looking forward for the tariff order to get implemented in the short time.

Moderator: Thank you. We take the next question from the line of Rahul Bhangadia from Lucky Investment Managers. Please go ahead.

Rahul Bhangadia: Sir, just from an understanding point of view if I look at the numbers of KCBPL, the Kolkata subsidiary, would it be fair to say that that is a far more stabilized kind of business where the ARPUs and everything are stabilized or there also we are seeing a ramp up?

Anirudhsinh Jadeja: If you see in KCBPL, the monetization that has happened till now it is only in Phase-1 and some part of Phase-3 where major seeding has happened in KCBPL of Phase-4 of which monetization will going to be implemented in Quarter-3 and Quarter-4.

Rahul Bhangadia: Sir, it is 1.5 million boxes right?

Anirudhsinh Jadeja: In 1.5 million boxes if you see Phase-1 in Kolkata cable is close to around 0.6 million whose revenue is already in progress. This Phase-3 is close to around 200 K subscribers which just we recently implemented billing and in Phase-4 we are going to implement in September.

Rahul Bhangadia: I am assuming you are incurring all those cost?

Anirudhsinh Jadeja: Costs are all covered, but close to of around 0.7 million set-top boxes revenue, you can say monetization will be implemented in September.

Piyush Pankaj: Already the asset investment has happened, the depreciation has started coming, other cost is also, content is already included in the content cost, but monetization on those boxes are still to be started.

- Rahul Bhangadia:** Sir, on a brief broad basis, suppose let us take hypothetically Kolkata only once you start monetizing Phase-3, Phase-4 and you are near to stable levels from where your ARPU goes up by 8 to 10% per annum, you are stabilized, what is the kind of EBITDA margins that business can generate, I mean what is your sense of how much the pay channel cost will kind of rationalize and where will you sit on a stabilized EBITDA margin?
- Anirudhsinh Jadeja:** I cannot say a forward-looking statement, but I can give a little bit of details that as we have explained you that our Phase-1 which is close to around 0.6 million and Phase-3 is close to around 200 K. Our Phase-1 monetization that is there, it is happening from last three years; Phase-3, we have started recently, so you will see that from out of 1.5 million the 0.7 million monetization is actually getting implemented in vicinity of September. If you see our average ARPU of Phase-4 of Rs. 42 to Rs. 43, from that range if you do your calculation on the revenue side, and yes, content cost that Piyush mentioned that year-on-year our growth is from 12% to 15% in which we have already included in the deal.
- Moderator:** Thank you. We take the next question from the line of Sanjay Chawala from JM Financial. Please go ahead.
- Sanjay Chawala:** I just wanted to clarify, Piyush, the 5.7 million billed customer numbers which is at a consolidated level that is the basis on which you have given the exit ARPUs, are they all based on billed customer numbers?
- Piyush Pankaj:** Exit ARPUs are on the billed customers, the billing where we have started. We have to start 1 million of billing which you can say the revenue of those subscribers has come on ad hoc basis or the old basis which was in the analog regime or where the deal is happening on the network basis not on the subscriber basis.
- Sanjay Chawala:** For the technically unbilled customers, how much are we still getting?
- Piyush Pankaj:** Right now you can say it is not unbilled, right now it is fixed billed customers, fixed revenue not on the per subscriber basis, it is based on the network basis.
- Sanjay Chawala:** If you have to derive it on a per customer basis, how much would that be?
- Piyush Pankaj:** That varies between area to area between Rs. 8 to Rs. 15.
- Sanjay Chawala:** You mentioned there will be significant broadband investments coming up, so what kind of a broadband CAPEX we should look at for the Fiscal Year 18?
- Piyush Pankaj:** We have given the some of the CAPEX guidelines in our road show presentation that we are going to have somewhere of Rs. 8000 per active subscriber in the broadband for GPON FTTH, still we are considering that Rs. 8000, we are negotiating hard to bring it down which we should see the results in some time, but that is the case where it is going to be, Sanjay I am unable to talk right now what is going to be the subscriber and all but that is the case.

- Sanjay Chawala:** I mean in the rupees million, how much one should expect this year in broadband?
- Anirudhsinh Jadeja:** We cannot give forward-looking statement, but you might have seen that our target was actually in April but because of the IPO proceeds it got delayed and got implemented in the second quarter. The target that we mentioned to you in the road show we are trying to add year-on-year of 1 million home pass, so let us say we have close to around we seeded 8 million standard definition set-top box and we will try to convert. Our target to aim is 1 million year-on-year to add home pass, so if you see the conversion ratio is coming 20% as industry ratio, so we will try to make those 200 K broadband subscriber.
- Piyush Pankaj:** For this year already I think Rajan has given the new home pass which is 500 K to 600 K will come this year and based on that you can calculate that what is going to be the CAPEX.
- Sanjay Chawala:** Just one final thing, we are getting standalone numbers and the subsidiary numbers in the quarter, can we look forward to consolidate results in the quarter going forward?
- Piyush Pankaj:** Our intention is to give as much information going forward. According to the SEBI that whatever you started from the Quarter-1 you have to maintain for one year and on IND-AS we were more comfortable on these three accounts where we can do the limited review and give the accurate figure.
- Sanjay Chawala:** I am saying from an analysis purpose obviously it is annual consolidated number?
- Piyush Pankaj:** When we are going to meet with the investors and all, we are going to provide the whole consolidated indications at least.
- Sanjay Chawala:** So would you be putting up any consolidated numbers for the first quarter on your website or in filing in the coming few days or weeks?
- Piyush Pankaj:** We cannot right now because we have already filed, as per the statutory whatever we have filed we have to remain with that.
- Sanjay Chawala:** Why I am saying is that because most of your metrics that you are sharing, KPIs are all consolidated level, so you could look at it from next fiscal if not this year?
- Piyush Pankaj:** We have already given that indication that these three companies are contributing around 90% of the revenue in last year, so that indication we have already given in our presentation.
- Moderator:** Thank you. We take the next question from the line of Miten Lathia from HDFC Mutual Fund. Please go ahead.
- Miten Lathia:** Sir, just one question on the monetization phase wise, let us say a year out FY19 or FY20 whichever you are more comfortable with, where can all the phases settle down given where

competition in the form of DTH is pricing itself, where do you think each of the phases will finally settle down.

Anirudhsinh Jadeja: If you see in Phase-1 is already settle down, Phase-2 is already settle down, even though Phase-3 is also almost, completely I can say, 99% is monetized already started, but yes, Phase-4 trend which we are seeing that it will take around 3 to 4 quarters more to get that.

Miten Lathia: I was not talking about when you will start charging for Phase-4, but I was asking that what is your Phase-1 aspiration, do you think you have maximized your Phase-1 collection because you said that 1 and 2 will also go up by 10% this year, so what I was trying to refer to is where can that go and get settled?

Anirudhsinh Jadeja: I cannot give you forward-looking statement, but you might have seen the trend like Phase-1 has started, Phase-2 is started in 2012 and 13 and whereas the ARPU at the time it was Rs. 65 and today we have reached around Rs. 100, and our Phase-2 is Rs. 95, so we will try to maintain same growth rate ratio in coming three years.

Piyush Pankaj: If you talk about Phase-1 and 2 it has not totally settled, still the growth is going to be there on Phase-1 and Phase-2 market also and Phase-3 and Phase-4 market will grow faster.

Miten Lathia: For argument sake are we suggesting that in two or three years' time the Phase-3 and Phase-4 ARPU can reach where Phase-1 and 2 are today, is that what we are trying to?

Anirudhsinh Jadeja: Yes, close to because as good as if you see like in Phase-1 and 2 in 2012 and 13, it was started like Rs. 50-Rs. 60 and today we have reached Rs. 100 or Rs. 95, the same started in Phase-3 and Phase-4 also today we started Rs. 40-Rs. 50, so same journey will take on the Phase-3 and Phase-4, but I am not saying that the match is like Phase-1, they will make price for Phase-1 and Phase-2, but close to, you can say, Phase-1 and Phase-2.

Miten Lathia: Whatever subscriber level ARPU is there in that Phase-1 and Phase-2 there will be some a gap in that, so ...?

Anirudhsinh Jadeja: That is what, I am not saying that entire Phase-1 ARPU will become or as much as Phase-2, but yes, close to Phase-1 and Phase-2 ARPU we will reach.

Moderator: Thank you. That was the last question. I now hand the floor over to Mr. Piyush Pankaj for his closing comments, over to you, Sir.

Piyush Pankaj: Thanks for joining us on the first earning call and taking out your time and talking to us. My details are given there, my number and my email ID, if you have any queries, I am available to solve it on a personal one-to-one basis. Thanks everyone.

Moderator: Thank you. Ladies and Gentlemen, on behalf of BNP Paribas Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.