



# “GTPL Hathway Limited Q1 FY2019 Results Conference Call”

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**Moderator:** Ladies and gentlemen good day and welcome to the GTPL Hathway Limited Q1 FY2019 Results conference call. 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 “\*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikram Ramalingam from MayBank Kim Eng Securities. Thank you and over to you Vikram!

**Vikram Ramalingam:** Thank you Keith. Good afternoon ladies and gentlemen. Maybank Kim Eng Securities is pleased to host the management team of GTPL Hathway to discuss the first quarter and FY2019 results. We have with us from the management Mr. Aniruddhasinhji Jadeja, Promoter and MD and Mr. Rajan Gupta, Chairman and Non-Executive Director, Mr. Piyush Pankaj, Chief Strategy Officer and Mr. Viren Thakkar, Chief Financial Officer. Mr. Jadeja will give us a brief overview of the results on the business. Thank you and over to you Sir!

**Aniruddhasinhji Jadeja:** Thank you Vikram. Good evening everyone. On behalf of Board of Directors and Management of Company, we extend very warm welcome to all of you to the earning call of GTPL Hathway Limited to discuss first quarter results of financial year 2018-2019.

The march of the Television in India is unstoppable. Though the consumption of video on digital platforms is on the rise in the country, good old television continues to score in terms of penetration and has large headroom to fill. As per the latest Broadcast India survey 2018, country now has 197 million homes up by steady 7.6% and number of individual with access to television has gone up to 835 million. As per the survey TV viewing will continue to grow in India.

During the quarter we added 200,000 active subscribers and reported 30% increase in subscription revenue with 2% & 4% increase in phase 3 and Phase 4 ARPU. We added 230,000 home pass and added 10,000 new broadband subscribers. Our operating margins during the quarter remained healthy at 27.7%. GTPL is uniquely placed to offer a high-speed broadband in combination with Digital cable TV as a single package at an attractive price point to convert current customers and sign up new ones. We enjoy a vast cable subscriber base and will continue to mine them for technologically superior broadband service.

Now Piyush will take you through the business and financial aspect. Piyush please.

**Piyush Pankaj:** Thank you Mr. Jadeja. Good evening everyone. I will be taking you through business and financial highlights for the quarter. Beginning with cable TV business, GTPL seeded

200000 STBs during the Q1 taking total seeded box as on June 30, 2018 to 8.9 million and we have added 200000 digital active subscribers in Q1 taking total active digital subscriber as on June 30, 2018 to 7.6 million. We have increased our digital paying subscriber by 110000 in Q1 FY2019 and during this quarter we have increased ARPU in phase three and phase four by 1.6% and 3.8% respectively. Average CATV ARPU as on June 2018 stand at Rs.103, Rs.102, Rs.63, and Rs.57 from phase one to phase four respectively.

Coming to broadband business during the Q1, GTPL created 230000 new home passes taking the total home pass to 1.53 million and added 10000 new broadband subscribers taking the total subscribers to 290000. Data consumption as on June 2018 stands at 71 GB per month per customer increasing from 62 GB in March 2018. ARPU for Q1 FY2019 stands at Rs.465 per month.

Let us move to financial performance. I will walk you through consolidated performance first. In Q1 FY2019 GTPL consolidated revenue increased by 16% Y-o-Y to Rs.3035 million from Rs.2624 million in Q1 FY2018, primarily driven by increasing the CATV subscription revenue by 30% Y-o-Y to Rs.1680 million. Broadband revenue for the quarter marginally improved by 3% Y-o-Y to Rs.359 million.

EBITDA for Q1 increased by 19% Y-o-Y to Rs.841 million and EBITDA margin for the quarter stands at 27.7% versus 26.9% in the corresponding previous quarter, a increase by 80 basis points. Company's finance cost for the quarter stood at Rs.161 million increased by 57% Y-o-Y primarily due to loss on foreign exchange of Rs.99 million. Interest expense in Q1 stood at Rs.63 million declined by 36%.

Due to loss on foreign exchange company reported this flat PAT on Q1 FY2019 of Rs.126 million compared to the previous Rs.127 million in Q1 FY2018.

Now I am taking you to the standalone financials. Our GTPL Hathway Limited reported the Q1 revenue of Rs.1991 million increased by 12% Y-o-Y primarily driven by increased in subscription revenue by 25% Y-o-Y to Rs.1128 million from Rs.903 million in Q1 FY2018. Company reported the Q1 FY2019 EBITDA of Rs.571 million. Q-o-Q and Y-o-Y EBITDA for the quarter remains flat. EBITDA margin for the Q1 stood at 28.7% improved by 70 basis point Q-o-Q.

Company's finance cost for the quarter stood at Rs.135 million increased by 60% Y-o-Y primarily due to loss and foreign exchange of Rs.87 million. Interest expenses for the quarter stood at Rs.48 million declined by 41% from Rs.81 million in Q1 FY2018. Company reported PAT of Rs.95 million in Q1 FY2019.

Over to you Keith, we are ready for the question and answers.

**Moderator:** Thank you very much, Ladies and Gentlemen, we will now begin with the question and answer session. We have the first question, from the line of Sanjay Chawla from JM Financial. Please go ahead.

**Sanjay Chawla:** Good evening. Thank you for the opportunity. I have got few questions; first question is what will be the impact of Ind-AS 115 on the activation revenue, has there have been any change in the revenue recognition policy as far as the activation is concerned?

**Piyush Pankaj:** Sanjay, we have discussed this with our auditors and we have taken opinions from one of the consultants. We are going to take more opinion from other consultants because still it is not very clear that what impact has to come. According to one consultant, there should not been any impact on our financials, and we are awaiting the report from other consultants and after that our auditor will take a decision on that.

**Sanjay Chawla:** As of now the recognition policy remains over five-year period?

**Piyush Pankaj:** The activation revenue recognition remains same. There is no change in the policy.

**Sanjay Chawla:** My second question is on the content cost and I am looking with the consolidated numbers where we have seen an increase of almost 18% year-on-year in the content cost so my question are we looking at revising the guidance, you had indicated 14% to 15% growth for fiscal 2019, but first quarter itself we are almost 18% and also because of net content cost if I look at, is almost Rs.60 Crores in the first quarter whereas on a full-year basis you indicated probably want exceed more than Rs.240 Crores so are we looking at revising that content cost growth guidance upwards?

**Piyush Pankaj:** No Sanjay. The guidance is going to be the same. This year what we talked about, in the last call was also, that we have tied up with most of the big pay channels and all the costs are getting reflected in this quarter. Last year still there was one or two pay channels were left and that is why the Q1 FY2018 was a bit lower on that so the guidance which we have given for 14% to 15% jump in the overall pay channels which was Rs.441 Crores last year and this year we have given that it is going to be between Rs 500Cr to Rs.510 Crores, it's still stand.

**Sanjay Chawla:** But in the first quarter you got Rs.126 Crores and if you basically you are saying that this cost will not grow anymore in the coming quarters?

**Piyush Pankaj:** That is guidance we have given. That it will not grow for the normal business. If any acquisitions happens, which we have indicated in the last call also, which we are looking forward for some of the acquisitions, then this cost will go up, but respectively our revenue will go up also.

**Sanjay Chawla:** Normally your revisions or renewals of content deals they come in January or February?

**Piyush Pankaj:** For all this time, it has come in January, February, which we add up till March 31, 2019, earlier one or two broadcasters were till December 31, 2017 so that is why we will find that there is increase in the pay channel in-between the quarter last year. This year we had expecting that for the normal business the increase will not be there.

**Aniruddhasinhji Jadeja:** Sanjay that number will remain like we said last time also it will be on an average of 14% to 15%, but in the next quarter it will add up to 1% or 2% but average if you see last financial year it was Rs.441 Crores so this financial year will be not more than Rs.510 Crores or Rs.500 Crores.

**Sanjay Chawla:** Okay basically you are implying that we will not see any increase in the pay channel cost from Rs.126 Crores level in the coming quarters so that is what my question was basically saying that there are no renewals coming up in the fourth quarter because typically the fourth quarter?

**Piyush Pankaj:** All 100% content for existing business are signed.

**Sanjay Chawla:** Okay couple of more questions from the broadband side when do we start seeing broadband revenues starting to grow on a sequential basis that is first question and is related question is on the consumption side you have indicated the 71GB a month right as the exit rate for the broadband customer. What would this consumption number be for your GPON only customers the FTTB or FTTH?

**Piyush Pankaj:** FTTH, which is more than 100 GB right now, if I just take FTTH customers it is coming to around 120GB per month on that side as we have lower customer base also that is why the average is coming to 71GB. On the broadband revenue side, Sanjay we said in the earlier call also that our strategy is to make 40 Mbps as a mass product right now and we have taken down the cost, per month cost for 40 Mbps is from Rs.388 to Rs.450, the ARPU is Rs.388 to Rs.450 per month and we are pushing this for mass, so we are looking forward that the numbers will start coming from this quarter and next quarter, we will see surge in the number, but ARPU is where we are trying to maintain right now. To see this time ARPU has come down because we have taken ARPU down for 40 Mbps and so we have to

try to maintain the ARPU, but in ARPU guidance and I will say that if we have to lower the ARPU to get more our customers we are ready to do that.

**Sanjay Chawla:** Do we still see I mean because you are targeting more customer growth on net basis should be still expect any increase in the revenues and broadband side sequentially from the second quarter or third quarter?

**Piyush Pankaj:** It will be as we have given the guidance that somewhere between Rs.160 Crores and Rs.170 Crores. We are trying to maintain that guidance right now, the more clarity will come on the next call by the next quarter that where we are moving in the broadband side, we are going to lower or higher the guidance at that time.

**Sanjay Chawla:** Can we share capex for this quarter and also what it was Y-o-Y and Q-o-Q basis previous quarter and same quarter last year?

**Piyush Pankaj:** If I talk about this quarter it will be a total up Rs.45 Crores and CATV it is Rs.24 Crores and the broadband it is Rs.21 Crores, last year in the Q1 if we did around Rs.78 Crores of capex out of that Rs.70 Crores was CATV capex and Rs.8 Crores was the broadband capex?

**Sanjay Chawla:** Okay and what was in the previous quarter last quarter?

**Piyush Pankaj:** Last quarter we did Rs.61 Crores around out of that Rs.26 Crores was of broadband and rest was of CATV as I remember. I will give you that figure and confirm you again on that.

**Sanjay Chawla:** Thank you so much.

**Moderator:** Thank you very much. We have the next question is from the line of Mr. Charles Cartledge from Sloane Robinson. Please go ahead.

**Charles Cartledge:** Thank you very much for the call. I just wanted to ask I think certainly Hathway and I know in its call guided in the past to broadband penetration rate of 20%, 25% so I am curious to ask more about the apparent discrepancy between the big increase in home pass 230000 and a quite of small increase in what I presumed is subs add to of 10000, so I appreciate this may well be timing difference, so may be if you could elaborate on that, that is my first question. I would like a roadmap if you can give on growth of subscriber and then especially when we talk about cable TV and you are talking already about increased pricing on a couple of phases. Could you give us an update as to what the current pricing might indicate for subsequent courses in the event you have taken price hikes and then thirdly is a quite strain for all about you and me and everyone to see weak share price, which I think

now prices have soften up a low single digit, EBITDA share certainly for 2020 and perhaps for the current in the fiscal so may be could talk about broad level and the initiatives you might have to take for appropriate signals to the market and I am thinking probably not share by that given the great fall in the shares, but certainly for dividends and payments given that you are free cash flow positive. Thank you.

**Piyush Pankaj:**

Thanks Charles so three questions Charles, first on the broadband as you know in earlier calls also we had given that in GPON, first year have to create the home pass and thus you will see the conversion is going down and then you get the customers so firstly we have to create the supply and then the demand has to be made and it was more of demand and supply goes spiral so here in this quarter if you see our FTTH implementation on the ground for the home pass is at around 65% to 70% completed and then you see the home pass is increased, we are making the home pass and sell sides will come later on and you will see that the penetration go up again. Right now the penetration has come down from 22% to somewhere 19.5% and I have given that it will come down to 17% and again will be go up in earlier guidance. We are trying that the conversion rate again go up. We are going to have strategy to go ahead and do the sell in these areas. This quarter we have added around 25K gross subscribers, the new subscribers, but the churn is still higher mainly churn is happening on lower speed customers where we are providing 5 Mbps or 8 Mbps and the wireless competition is there for a while and that is why we wanted to make 40 Mbps as mass product, we can transfer all our potential customers into 40mbps, into high speeds and high volume side, so that the churn can be in control. The second question is on the number of subscribers in the Next Year, we had given the guidance that we are going to add around 100k net subscribers this year and we are still maintaining on those guidance. We hope that quarter and the next quarter we will see the improvements on that, so we are still on the guidance of 100k subscribers this year and that third question on the stock exchange, I cannot comment much Charles, as you know, in this forum. We can have a separate discussion on that what feedback we are getting from the market from other investors and all, but I cannot speak much on this.

**Charles Cartledge:**

Can you talk about the cable TV ARPU and price increases please?

**Piyush Pankaj:**

Cable TV ARPU we have taken the increase in this quarter. Last quarter in phase three and phase four, a small increase was there. This, as we have guided earlier that Q2 we always take increase for phase three and phase four and in the Q4, we take the increase for phase one and phase two, so we have already taken the increase for phase three and phase four from July onwards and you will see the results in this quarter results.

**Charles Cartledge:**

What was the increase in the percentage terms please?

**Piyush Pankaj:** In the percentage terms we have taken between 8% and 10%, but this averages out, because you have to implement that. We are hoping that the increase of 5% to 6% will materialize in this quarter and some 2% to 3% will materialize in the next quarter.

**Aniruddhasinhji Jadeja:** Charles the average percentage in the phase three and phase four ARPU will be 10% around, but just as Piyush said like phase one and phase two ARPU we are taking in the last quarter so in this financial you can say that three and four absolutely you will get 10%.

**Charles Cartledge:** Right. Surely there will be a follow on. You will see the full impact in your phase one and phase two price increase in the current quarter because you may have seen only partial impact in the last quarter and you will see part of the impact the 10% ARPU increase in the current quarter and see it fully in Q3 is that correct?

**Piyush Pankaj:** Yes phase three and phase four you will see this quarter and next quarter and phase one and phase two you will see in the last quarter Q4, which is January to March 2019.

**Charles Cartledge:** I think I can understand. Thanks.

**Moderator:** Thank you very much. We have the next question from the line of Ishpreet Kaur from Karma Capital. Please go ahead.

**Ishpreet Kaur:** Just to followup on the previous question only of the ARPU high so you are saying phase one and phase two 10% hike will be from the current ARPUs of Q1 FY2019?

**Piyush Pankaj:** To split phases, phase two we are going to take the hike in Q4 of FY2019. Phase three and phase four we have already taken the hike in Q2 that is from July onwards.

**Ishpreet Kaur:** That 10% you are saying are on the current Q1 ARPUs increment that we could see in?

**Piyush Pankaj:** Current Q1 ARPU we will see the 10% jump for the phase three and phase four, but you will see the full 10% increase in two quarters time in Q2 and Q3.

**Ishpreet Kaur:** Phase one also would be taking somewhere around 10% of the hike you mentioned?

**Piyush Pankaj:** Between 7% and 10% we will take.

**Ishpreet Kaur:** 7% to 10% and if I look at the current quarter numbers, so the delta in the increase in subscription income in the consolidated is higher than the standalone, so is it that we could take probably a higher amount of increase may be in the Kolkata subscribers where we have



that subsidiary and lower probably in the Gujarat area if you could throw some light on that?

**Piyush Pankaj:** You are absolutely right Ishpreet. The subscription revenue in Kolkata has increased this quarter. Last quarter it was at Rs.33 Crores. Now it is at Rs. 36 Crores so at KCBPL, some of the monetization, which was not happening for the subscribers had started in this quarter so from the monetization side it was at 1.7 million. Now it has reached around 2 million monetization in Kolkata, so Kolkata is a big contributor in this.

**Ishpreet Kaur:** That is probably just increase in the paying service and not the ARPU in the Kolkata?

**Piyush Pankaj:** That is correct. The paying subs increase happen there.

**Ishpreet Kaur:** Incrementally any bigger change that we are expecting in the paying subs from the active subs that we have may be in the next one or two quarters in this quarter?

**Piyush Pankaj:** Still the seeding is happening, so we are keeping the difference as same in guidance.

**Ishpreet Kaur:** From the existing seeded base I am check and not the additional boxes that we would be seeding?

**Piyush Pankaj:** You see that the gap got narrowed down compared to last year. Right now we are seeing that whatever seeding is happening we are seeing that gap is getting narrowed down with the time. Next quarter the gap should go down to the active and the digital paying.

**Ishpreet Kaur:** How much for the active in Kolkata now, which you say, paying has increased to now 2 million so the total subscribers would be?

**Piyush Pankaj:** Yes. It is 2.1 million is there.

**Ishpreet Kaur:** 2.1 million so it is just 0.1 more or less to touch paying?

**Piyush Pankaj:** Yes.

**Ishpreet Kaur:** If you could also share the broadband operating profits?

**Piyush Pankaj:** Broadband operating profits the EBITDA is at around 90 million or Rs.9 Crores this quarter.

**Ishpreet Kaur:** Rs.9 Crores, it was Rs.12 Crores in Q4 I think?

- Piyush Pankaj:** Yes Rs.12 Crores in the Q4 and the last Q1 it was Rs.8.4 Crores.
- Ishpreet Kaur:** It is almost flat YoY and it has come down quarter-on-quarter, so is this the margin, which is more sustainable you think or is there any one off in it?
- Piyush Pankaj:** No, it is one off. 27% is the EBITDA margin right now. It is because of increase in the employee cost, which has happened from 100 billion to 130 billion.
- Ishpreet Kaur:** On this ARPU, this is the margin, which is probably sustainable and there is no one off in it?
- Piyush Pankaj:** Yes. We have increased our employees mainly the ground employee.
- Ishpreet Kaur:** Right because of the expansion that is going on?
- Piyush Pankaj:** Yes, so now we have got more home passes, so we have recruited more guys in the ground to go and sell for it, which we will see the results in Q2 and Q3.
- Ishpreet Kaur:** Correct. Sure thanks.
- Moderator:** Thank you very much. We have the next question from the line of Ashay Jain who is an Individual Investor. Please go ahead.
- Ashay Jain:** Good evening. Just wanted to know that as we all know that Reliance Jio has been tapping the broadband markets, so just wanted to know what is the competition in Ahmedabad City and the rest of Gujarat from Reliance Jio?
- Aniruddhasinhji Jadeja:** If we see, like in Gujarat market our ARPU is already on Rs.465. If you see the wireline broadband in India, it is still just only 17 million to 18 million, so it is very good to know that big players are coming in the market, but in Gujarat side I think we already created our home pass and we are doing month-on-month. I think we are creating almost per month every month it will be 9000 new home passes, so in ARPU side we are already in the lower side so we are not seeing much threat in this market. I think Rajan will give you the details.
- Rajan Gupta:** Gentlemen two perspectives here. One about overall market, not only Gujarat but pan India. So if 18 million is the overall wireline in broadband market size, which is obviously not growing for the last around couple of years and out of which high speed broadband, which are defined as minimum 40Mbps that is around 5 million. That is growing double digit, but on a very, very low base of 5 million. Essentially what we see with entry of other large players this 5 million expanding big time, so for example in normal course with the current

run rate, the 5 million becoming 18 million so the entire 18 million becoming high speed broadband probably would have taken 10 years, so the entry of other large players this 5 million very soon will become 18 million. Obviously it will again take time as all of us to understand that wireline broadband requires going to each and every lane, each and every building, taking sanctions, doing actual physical work, but we guess with effort of everybody it will become 18 million from the current 5 million, which is obviously the relevant market size. Every geography there will be three to four key players, which will gain that is, so we really see in Gujarat market the GTPL in ARPU is already low and technology wise GTPL has hugely invested in the last 12 months in terms of giving 40Mbps to everybody and being ready for 100Mbps and more, so in this growing market when this 5 million becomes 18 million GTPL obviously can play a pivotal role in the Gujarat market in terms of monetizing the infrastructure, which has already put.

**Ashay Jain:** Sir just a followup question to it how many subscribers do we have in Ahmedabad City and the rest of Gujarat for the broadband vertical?

**Piyush Pankaj:** In Ahmedabad we have almost close to around 40% market share in Ahmedabad itself.

**Ashay Jain:** Fine. Do we have a count of that number?

**Aniruddhasinhji Jadeja:** Out of 290K around 100k itself is in Ahmedabad.

**Ashay Jain:** Great. That is all from side.

**Moderator:** Thank you very much. We have the next question from the line of Renuka Jadav from Individual Investor. Please go ahead.

**Renuka Jadav:** Good evening Sir. Can you just elaborate on the four additional in-house channels? Is there any cost impact? And my second question is the content is quite similar to existing channels, so what is the competitor edge?

**Piyush Pankaj:** Already we have the libraries and all, so there is no major cost starting these channels in-house. Right now if you see earlier we had just one GTPL movie channel and we have segregated that into different contents.

**Aniruddhasinhji Jadeja:** We have right of the content, we have defined the character, and also we have defined blockbuster movies, retro movies, songs so because of this we have segregated all defined contents into channels. All copyrights, contract, all content rights in terms of cinema, songs we have to create in-house and build in-house channels.

- Renuka Jadav:** Thank you.
- Moderator:** Thank you very much. We have the next question from the line of Kunal Vora from BNP Paribas. Please go ahead.
- Kunal Vora:** Thanks for the opportunity Sir. A question on the broadband side you already discussed little bit, but what I want to understand was Sir if pricing by Jio on the FTTH side is very, very low? In that case would you consider scaling down the broadband investment like if the ROI does not make sense is it possible that you cut down the capex and may be increase the dividend payout that is first if you can answer that I will come to the next one?
- Piyush Pankaj:** Kunal, as we have given the guidance that this year we are going to invest around Rs.50 Crores to Rs.60 Crores in the broadband. Right now we are keeping the same guidance, as other players have not come into the market. Still we are waiting. Once they will come in the market with the price and all as you know our ARPU is the lowest in the country right now and very competitive ARPU we have right now and so we will see at that point of time whether we have to cut our capex or increase our capex and all, but right now the guidance remains the same that we are going to invest around Rs.50 Crores to Rs.60 Crores in the broadband.
- Aniruddhasinhji Jadeja:** In Q3 we will review it.
- Kunal Vora:** The concern was that like even right now if the conversion ratio is 18% to 19% then there is a new player well capitalized and aggressive player comes in and if the conversion ratio goes on from 18% to 19% right now to 16% because there customer fragmentation and in that case return on investment might just not make them, so what you are saying you will review it in the next couple of quarters once you see the launch through right?
- Piyush Pankaj:** Yes but on conversion ratio because month-on-month we are creating new home pass, so obviously that run rate you will not match straight within a quarter or two quarters through sales so that is why this conversion ratio as you said will be around 18% to 19% or will go to 17% also.
- Rajan Gupta:** This is Rajan here. I just wanted to intervene. The decision like investment in a broadband cannot be based on one quarter pricing of any particular player. In fact, we just told our viewpoint. We expect the market to expand considerable. Currently GTPL has a huge fiber available in Gujarat up country. If you want to rollout fiber to home or fiber to building operation in any part of Gujarat we can launch in a very short time-frame and with much lower investment. The only reason we are not launching today there because of demand. Obviously demand ecosystem is developing. There is a very limited demand for 100mbps

and 40mbps in those markets. With large players coming in investing there and that is where is the whole demand will buildup and GTPL already has a huge infra, so pricing is one play, but more than pricing it is about revenue from a particular area and the overall size of the pie. Frankly, there are multiple factors needs to be evaluated, which will be clearer over the next two to three quarters.

**Kunal Vora:** That is helpful Sir. Second question you also mentioned that they are opened to working directly with LCO, are you hearing any talk, which you had in the market of connecting with LCOs directly and how do we stop any Exodus of the LCO if at all?

**Piyush Pankaj:** Kunal this end of August we are coming with dual-play offer like combo offer with our LCO because LCOs are more interested to give consumer video and data service and they are very much interested to do it jointly with GTPL, so we are coming with very attractive package and with very good price offering to our LCO for consumer dual play or combo offer.

**Kunal Vora:** Jio is talking about four play. Anything incremental which you are looking to do in terms of content or to increase the stickiness?

**Aniruddhasinhji Jadeja:** Content side, the regional side, quarter-on-quarter and year-on-year we are working on it, so we are working in regional part content like Gujarati's content, like Marathi content, like Bangla content, so we are working on it, so yes short time you can hear news for two or three more channels.

**Kunal Vora:** Sure and lastly on what is the set-top-box acquisition cost and any subsidiary, which are being given right now in, set top box or you are recovering the entire?

**Piyush Pankaj:** No zero subsidies. We are recovering completely the entire payment. There is no subsidy now.

**Kunal Vora:** On government contracts any update, is it still in equal revenue contributor or any new contract, which you won like you, had some municipality and police contracts of yours?

**Piyush Pankaj:** Kunal, there are two contracts, which we won that has got delivered to the government and now the revenues are going to start coming for those. We are looking forward that revenue will come in the Q2 and that has already been begun.

**Aniruddhasinhji Jadeja:** We completed and we handed over to the government.

- Piyush Pankaj:** Mr. Vijay Rupani, Chief Minister of Gujarat, had inaugurated that in the month of July when we have handed over and we are bidding for some of the government projects, which we look forward, but those are still to come.
- Kunal Vora:** How large can be the revenue contribution be for these projects? Are they going to be meaningful and better for the broadband business?
- Piyush Pankaj:** You look into this way that the total contract was of around Rs.48 Crores for these two for five years and so you will see that quarterly it has come to around Rs.2 Crores to Rs.2.5 Crores, so that is going to be the contribution.
- Kunal Vora:** Okay, great. That's it from my side. Thank you Sir.
- Moderator:** Thank you very much. We have the next question from the line of Amit Kumar from Investec Capital. Please go ahead.
- Amit Kumar:** Thank you so much for the opportunity Sir. Just very quickly I wanted an update on the tie-up that we have done with this operator in Mumbai, I am sorry it is not come to my mind. You have done a very recently about a couple of months back you done a tie-up in Mumbai market, Maharashtra market if you can just talk about that please.
- Piyush Pankaj:** Amit we can discuss it separately.
- Amit Kumar:** Okay, you do not want to give any sort of public update on?
- Piyush Pankaj:** There is nothing such. You can speak to me separately and we can give you more details.
- Amit Kumar:** The second one was very clearly this particular quarter seems to have been driven more by the West Bengal subsidiary that you have, what kind of opportunity I mean one of your peers especially Manthan is facing little bit of a challenge in terms of their own balance sheet and you know couple of broadcasters have switched off their channels to Manthan in that particular market, what kind of opportunities is that generating for you in that particular market and is that sort of specific reason for performance that we have seen in this particular quarter and how do you sort of expect that thing to play out the rest of the year please?
- Aniruddhasinhji Jadeja:** Amit, if you see the overall cable TV side, there are 100 million Homes and out of that 100 million, top five or six MSOs has 60 million, and the rest of 40 million there is an opportunity, less than half a million and the small LCO's, where there is an opportunity and going forward we will have opportunities being converted. We will have an opportunity that

is created from the organic or inorganic side, so gradually we will get that benefit, not only GTPL, but overall industry, about five to six MSOs. The business which you have seen that was only organic growth and as per that we have got 2.1 million numbers and in future, if we get opportunities we will not waste it and we will convert it into addition or in consolidation.

**Amit Kumar:** Sir just one sort of quick follow up, this 1.7 million to 2 million that you talked about specific to the West Bengal market?

**Piyush Pankaj:** West Bengal, GTPL KCBPL.

**Amit Kumar:** I am sorry this is quarter-on-quarter or this is year-on-year change?

**Piyush Pankaj:** No, this is from the last two quarters change has happened, December it was at 1.7 gradually it has started increasing price on phase 3 and phase 1 and now it is raised to 2.1 million in six months' time.

**Amit Kumar:** Okay, understood. That's it from my end. Thank you.

**Moderator:** Thank you very much. We have the next question from the line of Avinash Kumar from Moon Capital. Please go ahead.

**Avinash Kumar:** I just had couple of quick questions from my side. We have discussed about the ARPU increases in the call earlier, can you just help me with what ARPU you are looking at your exit ARPU as of FY2019 end your blended ARPU can you help with the number what number do you have in the mind as you exit FY2019?

**Piyush Pankaj:** If we talk about the average ARPU Avinash, we are standing at around Rs.73 something Rs.74 and we look forward that it will go up by Rs.78-Rs.79 somewhere by the end of this financial year.

**Avinash Kumar:** So average 10% ARPU jump will come average?

**Piyush Pankaj:** For this financial year if we talked about on March we are sitting around Rs.72 on that we are looking forward it will go up by Rs.7.

**Avinash Kumar:** Okay, perfect and even some of your peers reported have talked about ARPU increases so I mean are we seeing price sanity returning eventually in this MSO industry because earlier under price big value differ for the overall industry, so now can we expect some price sanity to happen and sustainable ARPU increase going forward?

**Aniruddhasinhji Jadeja:** I think Rajan can give you more details, Rajan.

**Rajan Gupta:** I think what Anu bhai has been guiding, if you see it is mentioned phase 3, phase 4 around 10%, phase 1, phase 2 7 to 10% and based on their individual market and how was the last year performance, some of the players are guiding around 10% to 15%, so essentially that kind of growth rate we seen across the industry, so nutshell 7% to 15% increase in ARPU based on pace and based on geography you are talking about that will come, but industry obviously has to do much more to fully monetize the potential of the segment. As Anu bhai mentioned there are plans around the combo broadband and cable which can help us further monetize, but as far as basic ARPU is concerned, it will increase 7% to 15% and all other initiatives had to sit on top of that.

**Avinash Kumar:** I got your point. Based on your investor discussion, is there any further update on the TRAI order, given that start of high density out in the market apart from that do you see any further hiccups, legal hiccups coming in the limitation of TRAI order? What was the general market view amongst the industry based on your description?

**Rajan Gupta:** We cannot talk about legal hiccups on this call, but what we can say most of the MSO who are closely working with broadcasters in terms of rightly coming with workable solution that obviously work-in-progress, so we cannot share detail on that, but a lot of meetings are happening, lot of discussion is happening in terms of working out model which can help everybody focus on execution and can be win-win for all stakeholders. Let that model come and we will share with you.

**Avinash Kumar:** Right, okay. That is all from my side. Thank you.

**Moderator:** We have the final question from the line of Sanjay Chawla from JM Financial. Please go ahead.

**Sanjay Chawla:** Thank you for the opportunity again. What was the HD set-top-box base at the end of the quarter and where are we on the monetization of there in the sense how many of them given as incremental HD ARPU?

**Piyush Pankaj:** Sanjay, the HD set-top-boxes same as last quarter is 650K we have seeded, the schemes is going on some of as we have given in the last quarter call, they are going to within Q2 and Q3, so though the schemes are still going on, we have increased the monetization as we have given 150K in last call, it has come up to around 150K to 185-190K, so 35K to 40K subscribers we have started the monetising in this quarter and we will look forward in this whole year we are going to monetise those. HD boxes remained same 650K and we will look forward that in the further quarter more HD box get seeded.



- Sanjay Chawla:** Can you talk about the level of receivable at the end of June 2018?
- Piyush Pankaj:** June 2018 if you see we were at Rs.326 Crores on March 2018, now we have reached to around Rs.375 Crores in this quarter, this is mainly because of carriage income. As you know the carriage income and this industry for the last year trend also and last to last year trend also, that June it goes up, it will come down a bit by September and by March again it will come down to a prudent level, so this quarter as because of the carriage income it has gone up by around Rs.50 Crores.
- Sanjay Chawla:** This also happens in tandem with trade payables right on the content cost side, right?
- Piyush Pankaj:** Even trade payable increases in tandem to trade receivables increase.
- Sanjay Chawla:** So my question is how do you explain the increase in your net debt, which has gone by Rs.30 Crores on a quarter-on-quarter basis, because if I look at a cash profit what you generate from the P&L that was Rs.54 Crores and capex that you mentioned was Rs.45 Crores, so you are actually running Rs.9 Crores free cash positive for the quarter whereas the net debt has gone up by Rs.30 Crores, so can you explain that please?
- Piyush Pankaj:** That is right. Some of the capex creditors, which we were pending there in March, which we have pay, so if you see our cash have come down on that way. If you see Rs.18 Crores of new debt has come into company which is more of getting for the repayment which is coming quarters, so we took Rs.18 Crores of fresh debt in our books and around Rs.13 Crores of cash has been utilized from the cash side so cash component has come down that Rs.13 Crores are declined on capex creditors.
- Sanjay Chawla:** How much of decline in capex creditor?
- Piyush Pankaj:** Capex creditor has declined by around Rs.9 Crores in CATV. And some has been utilized for the broadband capex, which we incur.
- Sanjay Chawla:** What is the impact of foreign exchange obviously this Rs.9 Crores capex creditor pay down does not explain increase the net debt is there any assets turnover?
- Piyush Pankaj:** Creditors are different, this Rs.9 Crores is because of the buyers-credit which is Rs.156 Crores in standalone and some buyers-credit is there in the KCBPL, so because of that exchange loss that has incurred.
- Sanjay Chawla:** How much impact of this FX rupee depreciation on the debt translation?

- Piyush Pankaj:** Rupee depreciation you talked about this Rs.9.9 Crores for the consolidated basis, which has happened for the foreign exchange loss, and the rupee has declined from Rs.66 to Rs.69 somewhere Rs.68 something.
- Sanjay Chawla:** What is the increase in rupee net debt on balance sheet is on account of foreign exchange change, change in foreign, the rupee depreciation and how much of that is due to decrease in capex trader?
- Piyush Pankaj:** You can say out of this Rs.9.9 Crores exchange loss, the loss due buyers credit loan is by Rs.6.6 Crores on that front and rest is for the capex creditor.
- Sanjay Chawla:** May be I will take that offline. Just one moment on the fact that churn rate has been zero in this quarter when you have added 200000 boxes and the increase in your active customer base is also similar, so what is exactly did we not see any churn overall in this quarter?
- Piyush Pankaj:** We do not have to see on that way on the saving on the churn, it is more of if you see the last quarter, March quarter we have seeded around 250K boxes at that time, so those has become active this quarter a lot and this 200K has added into the overall.
- Sanjay Chawla:** Okay and just a bit from my side, we were expecting tax rate to be lower this year, but in the first quarter tax rate is fairly high at 37%?
- Piyush Pankaj:** Yes, if I give you the numbers Sanjay, last time we have guided that activation as per I-GAAP is going to be lower and this quarter the activation as per I-GAAP is Rs.18.9 Crores and on the consolidated basis if you see our activation revenue is Rs. 23 Crores as per IND - AS so there is a gap of Rs. 5 Crores, this quarter auditor has taken more provisions on the tax side, they are keeping at the same level and they will take the exact thing in the next quarter in September once we have to give the balance sheet. So we will see in the September that the tax rate has come down.
- Sanjay Chawla:** Because activation income as per I-GAAP is lower, the tax should have been lower because tax has been paid according to I-GAAP in the sense that activation income number right, so that should have been lower by what you are expecting?
- Piyush Pankaj:** That is right. This time auditor has taken the more provisions by stating that they will consider this in the September quarter. From September quarter we will see that once they will do the exact tax and all.

**Sanjay Chawla:** You will see the cumulative impact of all this in the second quarter like first quarter as well as second quarter, both quarters impact what we should expect in the second quarter reporting?

**Piyush Pankaj:** Absolutely, right Sanjay.

**Sanjay Chawla:** Thank you so much and all the very best.

**Moderator:** Thank you very much. We have the final followup question from the line of Ishpreet Kaur from Karma Capital. Please go ahead.

**Ishpreet Kaur:** I just wanted to follow up on the ARPU that you were talking about, so there was a perception that the gap between the ARPUs that is there in the phase three and phase four will start narrowing down, but with the kind of ARPU guidance that you are giving of 10% increase in the phase three and phase four. The gap does not seem to narrow down going forward at least in FY2019 in a larger way?

**Piyush Pankaj:** You are right Ishpreet, the gap will not narrow down for phase three and phase four as the seeding is still happening in the phase four if you see, so that is why you will find the average of phase.

**Piyush Pankaj:** March 2019 exit I think that phase three and phase four gaps will be around Rs.3 to Rs.4 not more than that.

**Ishpreet Kaur:** Now if you compare it to a phase two which we eventually thought should probably narrow down even with the phase two. Not, of course, in this or the next year may be three, four years down the line, so the ARPU increment at least in the phase three, phase four should have been a little higher, so with the kind of guidance you are giving it looks phase four will close at probably sub 60 level or 59, 60 level for the year which ideally I think should have been a little higher, so is there what is that we could look at may be number?

**Aniruddhasinhji Jadeja:** As Piyush is saying we are taking this is a conservative side, yes may be as Rajan said, the ratio will be 7% to 15%, we are saying as conservative side 10% it crossed may be 12% also, 13% also.

**Ishpreet Kaur:** Thank you.

**Moderator:** Thank you very much. As there are no further questions, I now hand over the floor to Mr. Vikram for any closing comments.



GTPL Hathway Limited  
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**Vikram Ramalingam:** Thanks Keith and special thanks to the management for giving us this opportunity and thank you everyone for attending the call.

**Piyush Pankaj:** Thanks Vikram. Thanks.

**Moderator:** On behalf of GTPL Hathway that concludes this conference. Thank you for joining us. You may now disconnect your lines.