

**Q1 FY20 Earnings Call of GTPL Hathway Limited**  
**Conference Call**  
**(July 11, 2019)**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY20 earnings call of GTPL Hathway Limited hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. If you need assistance during the conference call, please signal an operator by pressing "\*" and "0" on your phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Yogesh Kirve. Thank you and over to you sir.

**Yogesh Kirve:** Good afternoon to all the participants and thank you for joining in. We at Batlivala & Karani Securities are pleased to host this earnings call for GTPL Hathway Limited. To discuss the results and the business outlook, we have the senior management of the company represented by Mr. Anirudhsinhji Jadeja - Promoter and Managing Director, Mr. Viren Thakkar - Chief Financial Officer, and Mr. Piyush Pankaj - Head of Video Business & Chief Strategy Officer. I would now hand over the call to Mr. Jadeja for opening remarks which would be followed by a question & answer session. Over to you sir.

**Anirudhsinh Jadeja:** Good evening everyone. On behalf of the board of directors and management of the company, we extend a very warm welcome to all of you to the earnings call of GTPL Hathway Limited to discuss quarter 1 results of financial year '19-20.

Indian media and telecommunication industry continued to be shaped up by diverse factors like major regulatory changes, new technology, market consolidation, rapidly changing customer preferences, and continuing convergence of broadband and traditional pay TV distribution technology and will provide multiple opportunities in the industry. With new tariff order in place, GTPL reported strong performance with revenue and EBITDA growth of 50% and 38% respectively. Our focus will be on increased CATV subscribers in our coverage market as well as new market through expansion and acquisition. Simultaneously, to increase the penetration of FTTH to convert current CATV customers along with adding new customers in broadband which will help us to converge linear TV viewing with broadband usage.

We will further increase the pace of growth and momentum towards CATV and broadband business in FY19-20. Now, Piyush Pankaj can take you through the business and financial aspects of the company.

**Piyush Pankaj:** Good evening everyone. I will be taking you through business and financial performance of the company. To begin with the CATV business, during quarter 1 FY20, GTPL seeded 2 lakh STBs taking the total seeded boxes to 9.7 million. As on June 30, 2019, digital paying subscribers stood at 7.1 million, increased by 3 lakhs. Phase-wise digital paying subscribers stood at 0.75 million, 1.44 million, 2.29 million, and 2.61 million from phase 1 to phase IV.

Coming to our broadband business, during the quarter 4, GTPL created 2,40,000 new home passes taking the total home passes as on June 30, 2019, to 2.66 million, approximately 50% of the home passes available for FTTH connection. During quarter 1, GTPL added 15,000 net broadband subscribers of which 10,000 are FTTH subscribers taking total subscribers as on June 30, 2019, to 3,40,000 of which 64,000 are FTTH subscribers.

Data consumption as on June 2019 stands at 120 GB per month. From 38 GB per month in March 2017, it increased by 3x over 2 years' period. Broadband ARPU for quarter 1 FY19 stood at Rs. 420 per month.

Let us now move to our financial performance. Kindly note the following numbers are excluding the EPC contract unless it is mentioned. During quarter 1, GTPL's consolidated revenue increased by 29% to Rs. 3,911 million from Rs. 3,036 million. This was primarily driven by increasing the CATV subscription revenue by 47% to Rs. 2,472 million. Broadband revenue for the quarter increased by 9% to Rs. 393 million lead by increase in subscribers. EBITDA for the quarter increased by 32% to Rs. 1,103 million with a margin of 28.2%. EBITDA margin improved by 50 basis points mainly on account of growth in subscription revenue and stable operating expenses. Our finance cost for the quarter declined by 25% to Rs. 117 million due to Rs. 99 million foreign currency loss in quarter 1 FY19. Profit after tax for the quarter increased by 100% to Rs. 266 million.

On our standalone business, during quarter 1, the company reported a revenue of Rs. 2,538 million which increased by 27%. This was primarily driven by an increase in subscription revenue by 45% to Rs. 1,631 million. The company reported an EBITDA of Rs. 745 million with an industry leading margin of 29.4%. EBITDA in margin improved by 90 basis points on account of decline in admin and other operating expenses. The company reported a profit after tax of Rs. 223 million, increased by 135%.

Our EPC contract reported the revenue, EBITDA, and profit after tax of Rs. 632 million, Rs. 52 million, and Rs. 29 million respectively.

Thank you for your attention. We can now take questions.

**Moderator:** We will now begin the question & answer session. Participants using speakerphones are requested to use the handset when asking questions. To enter the question & answer queue, please press "\*" and "1" on your phone now. If you would like to withdraw your question and exit the queue, press "\*" and 1 again.

We have the first question from Mr. Arun Mehra from VEC Investments. Please go ahead, sir.

**Arun Mehra:** I wanted to check one particular aspect. When I look at the breakup of your revenues, especially on the cables side, you have added about incrementally year-over-year Rs 80 crores in revenue and the incremental flow-through is about Rs 20 crores from Rs 10 to Rs 30. That is obviously a very big jump. Is that primarily driven by the ARPU increase or is there anything else exceptional or one-off and should we take that as something that will continue going into the next couple of quarters and going forward?

**Piyush Pankaj:** This is mainly due to increase in the ARPU. As the new tariff order came into the place, the ARPU has increased and because of that, you are seeing this change.

**Arun Mehra:** So, this EBIT of Rs 30 crores on a revenue base of Rs 344 crores, that is about close to 8.5% to 9% EBIT margin. Is that something that will continue this year and going forward?

**Piyush Pankaj:** If you are talking about quarter 4 to quarter 1, yes.

**Arun Mehra:** No, I am talking about Q1 year-over-year. I am talking about Q1 fiscal '20 over Q1 fiscal '19. If you look at your cable revenue, it has gone from Rs 260 odd crores to about Rs 340 odd crores and in terms of profitability - I think it is EBIT has gone from Rs 10 crores to Rs 30 crores. So, there is an incremental flow-through of Rs 20 crores for an incremental revenue of about Rs 80 crores. Is that something will continue that this Rs 30 crores on a revenue base of Rs 344, that is about an EBIT margin of about 8.5% to 9%. Will that continue in the next couple of quarters going forward?

**Piyush Pankaj:** Yeah, this will continue at least for this year.

**Arun Mehra:** And there is no one-off or exceptional in that?

**Piyush Pankaj:** No, there is no one-off or exceptional in that.

**Arun Mehra:** So, incremental accretion on EBIT is about Rs 80 crores, i.e., Rs 20 crores a quarter, is it?

**Piyush Pankaj:** Yes.

**Arun Mehra:** And why do you say it will only continue for this year, why not next year?

**Piyush Pankaj:** As we come close to the next year, then we will see that how much box we have to seed, what is the plan at that time, and then we will confirm.

**Moderator:** We have a question from Mr. Charles from Sloane Robinson. Please go ahead.

**Charles Cartledge:** I have 2 questions. First, in your statement, you say overall our first quarter performance was in line with our expectations and we see our next 3 quarters equally exciting. So, I would like you to elaborate if you will on why you find the next 3 quarters exciting and how they may or may not be different from the first quarter. The second question relates to your broadband business. I think if we look back since your IPO, it is fair to say that the broadband business has been disappointing versus your initial expectations in large part because of RJio which you have seen low-usage customers, price pressure, and churning off your network. Perhaps you could address on a go-forward basis how you expect that to turn out because it is clear that you have increased the home passes, but we are yet to see the benefit on the P&L. So, I would like to hear what you have to say on that.

**Piyush Pankaj:** Charles, first I will take on the CATV side. As you see, the NTO has come in full effect in this quarter but still a lot of aspects of NTO are pending which are going to happen in the next 3 quarters. The margin which you are seeing right now, that will continue to be there for the next 3 quarters which we are anticipating. That is why the statement is there that in the next 3 quarters, there is going to be excitement on the CATV business side. We will continue to grow, and we will continue to give that level of margin.

On broadband business, as I explained earlier also in the last call that we are implementing FTTH technology. Out of 2.6 million home passes, we have 1.4 million FTTH home pass but still there are customers in MEN technology, who have the appetite for low payment and lower bandwidth which we are slowly flushing it out from the system and bringing more and more FTTx customers who are sticky. We will continue to have the same strategy this year also, as we have said in the last call in April that we are looking forward to increasing the subscriber base between 20% to 25%, somewhere 1 lakh, and that strategy is still going on. This quarter if you see, we added 15,000 new subscribers. Out of that, around 10,000 subscribers are in FTTx plus we are seeing that the subscribers who are coming for the renewal, they are opting for the FTTH plans as those plans are attractive, especially in the 4 cities in Gujarat. So, we are continuing with that strategy and we are hopeful that whatever target we are keeping for this financial year, we will achieve that.

**Charles Cartledge:** Remind us what are those targets please.

**Piyush Pankaj:** The target is around 3.5 to 4 million home passes. Out of that, around 2 million home passes for FTTH, increase our subscriber base of around 25% this year and reach to between 400 to 425K we need to maintain the ARPU at this level at least. We have the ARPU at Rs 420. We had announced that in the last quarter in March, it was at Rs 413. So, we are maintaining our ARPU. To maintain the level of ARPU and to increase the subscriber base by around 80-100K this year.

**Charles Cartledge:** Sorry, you said increased 25%. Did you mean penetration would be 25% or no?

**Piyush Pankaj:** No, we are talking about subscriber base. We were at 325K at the end of last financial year and we are looking forward to increasing our subscriber base by 25%, reach between 400K to 425K.

**Charles Cartledge:** So, what about we did talk about it from the prior call on the prior results, the potential or you said over a period of time I think that you could reach, or you hope to reach 20% penetration. So, if at the end of this full year you reach 4 million home passes, we are talking about 1 million subscribers over a period of time. I think you said it might take 18 months or something. Is that correct?

**Piyush Pankaj:** Yeah, last time also I said that to reach 20%, you would require minimum 18 months as it starts with 2%, 3%, and by 1 year, it will reach to 12% to 14%, and then you achieve your 20% penetration between 18 to 24 months. That's the target on which we are going on. We are going to reach somewhere between 3.5 to 4 million home passes, on that basis, within 2 years, we should be somewhere between 600 to 700K subscribers. But we are talking about this financial year, we are crossing 400K subscribers and in the next 2 financial years after that means 3 years, we are talking about somewhere around 700K subscribers.

**Moderator:** We have a question from Mr. Kaustav Bubna from Rare Enterprises. Please go ahead, sir.

**Kaustav Bubna:** I just wanted to understand, after new TRAI order has been implemented, the actual components or the variables behind margin increase in the cable TV business. As I see your pay channel costs as a percentage to your CATV subscriber revenues decreased, the margin has improved. What is leading to this margin improvement? Is it just the ARPU increase? Also, the revenue share that you give to the LCO, has that come down after TRAI order and how much is it expected to come down if not come down yet?

**Piyush Pankaj:** On the CATV if you talk about the margin, margin increase is due to the ARPU increase which we are billing to the operators. If you talk about the placement and pay channel side, it has increased at lower rate than ARPU has increased. Placement and pay channel increased but not at the growth rate in ARPU. That is why margin has increased in overall business.

**Anirudhsinh Jadeja:** Absolutely right sir. Even DPO revenue sharing has also increased compared to LCO.

**Kaustav Bubna:** How much is it now and what is the scope of improvement because that would have a direct impact on our profitability? I don't know if I am even right about this, if you could clarify on this, the TRAI order gave a limit to how much an LCO can...

**Anirudhsinh Jadeja:** If you see the margin being charged to the LCO by the GTPL, that is coming around 25% to 30%. So, still opportunity is there because as per the SIA of the TRAI regulations, it is coming 55 and 45. 55 in DPO's side and 45 in LCO's side revenue sharing. But right now, we are charging close to around 25% to 30%. So, yes, scope is there. In the coming 2 years or 3 years, we will achieve that target.

**Moderator:** We have the next question from Mr. Deepak Poddar from Sapphire Capital. Please go ahead, sir.

**Deepak Poddar:** Sir, I missed a portion of the call. I just wanted to understand have you given any kind of guidance or outlook for this FY20 in terms of revenue and margin?

**Piyush Pankaj:** No, we have not given. If you ask, we will give you.

**Deepak Poddar:** Yeah, any kind of guidance will help.

**Piyush Pankaj:** Revenue guidance is, last year we did around close to Rs. 1,300 crores. This year, we are looking forward that we are going to be close to Rs. 1,600 crores without EPC project. The EBITDA margin last year was around Rs 362 crores. So, we are looking forward that we will close around Rs 420 to Rs 430 crores in the EBITDA margin at least.

**Deepak Poddar:** Any kind of debt reduction plan we have?

**Viren Thakkar:** We have a plan to reduce our debt around Rs. 100 crores during the current year. So, our total debt will go down to Rs. 210 crores at the end of the year.

**Piyush Pankaj:** Currently, this quarter, we reduced almost Rs. 25 crores.

**Deepak Poddar:** So, we would be at close to Rs 330 crores as of now at the gross level?

**Viren Thakkar:** Yeah.

**Deepak Poddar:** So, we are targeting close to about Rs 250 crores by FY20?

**Viren Thakkar:** Yeah, consolidated level.

**Deepak Poddar:** My query on revenue what you have mentioned Rs 1600 crores, now this first quarter excluding EPC, we are already at about close to Rs 400 crores, right?

**Piyush Pankaj:** Yeah, we have Rs 391 crores.

**Deepak Poddar:** So, basically that means you are not expecting any kind of sequential growth over the next 2 to 3 quarters or 4 quarters?

**Piyush Pankaj:** Conservatively, we are taking at Rs. 1,600 crores. We are hoping that we will cross Rs. 1,700 crores.

**Moderator:** We have a question from Mr. Darpan Thakkar from HSBC. Please go ahead, sir.

**Darpan Thakkar:** I joined the call a little late, so I might have missed this. Have you discussed the ARPU number? If you have given phase-wise ARPU, that would be helpful.

**Piyush Pankaj:** Darpan, phase-wise ARPU is not relevant now because in phase III and phase IV also, there are affluent families and all, they are taking the higher packages. It is not a fixed range which was in earlier regime, that you are charging in phase IV Rs. 200 and phase III you are charging Rs. 250. So, phase-wise ARPU is not relevant.

ARPU last quarter was at Rs. 116. Right now, it has increased to around Rs. 125 in this quarter.

**Darpan Thakkar:** Exit ARPU or overall quarter ARPU you are saying?

**Piyush Pankaj:** Average ARPU is Rs. 125 and hopefully it will grow in the next quarter.

**Darpan Thakkar:** Will it grow incrementally? What will drive this ARPU higher other than HD probably?

**Piyush Pankaj:** No, it is more of people are moving to higher packs. Consumers had taken lower packs in the beginning just to see the services. Now, they are moving to the higher packs. That trend we have already seen.

**Anirudhsinh Jadeja:** Basically, in this quarter, the new tariff order is settled. Until now customers in the process of migration, even the LCOs were also busy in the migration side. Now, we have also given very good incentive scheme to the consumer to increase our ARPU. So, yes, we are hoping that in the coming quarter, ARPU will increase.

**Darpan Thakkar:** Again, on this phase-wise ARPU, is it fair to assume that the difference between phase I and phase IV is maybe maximum 10% to 20% which earlier used to be more than 40% or 50% kind of number?

**Piyush Pankaj:** Absolutely. It is based on the packages. So, yes, you are absolutely right.

**Moderator:** We have a question from Mr. Brijesh Ved from BNP Paribas. Please go ahead, sir.

**Brijesh Ved:** My question is on the placement fee which has been Rs. 70 crores for this quarter. What is the sustainable number that we are looking at for the full year?

**Anirudhsinh Jadeja:** I think this number is sustainable.

**Brijesh Ved:** So, we can do around Rs 270 – Rs 280 crores?

**Anirudhsinh Jadeja:** Yeah.

**Brijesh Ved:** My second question is on the EPC part of the business where we have now an asset base of around Rs. 277 crores generating a revenue of Rs. 62 crores this quarter. How does this ramp up over a period of time and if you could just explain the entire business model out there and what kind of profitability contribution can it give?

**Anirudhsinh Jadeja:** Brijesh, if you see, the earlier target was 31st March 2020. But we will close the project before 15th of February, that is the timeline. For EBITDA, my CFO will explain much better.

**Viren Thakkar:** The total revenue what we have booked in current quarter is around Rs. 62 crores. By the end of the year, we will book total revenue in this particular project around Rs. **1,070** and our EBITDA would be around Rs. 75 crores in this particular whole project.

**Brijesh Ved:** So, this will be for the full year, 75 crores?

**Viren Thakkar:** Full year.

**Brijesh Ved:** The other question, coming back to our core business, is also on the receivables side where in Q4 in particular after the NTO implementation, there were some write-offs that we have taken. What is the current scenario? And are there any other possible write-offs that you would need to take in the balance?

**Viren Thakkar:** In totality, we are anticipating 7-8 Cr in every quarters. If you look at last year's results also, there was a write-off of about Rs 7 to Rs 8 crores per year. So, I think it is going to be in that line. So, we will remain the same. The total write-off would be around Rs 30 crores for full year.

**Piyush Pankaj:** That provision for bad debts will be Rs 30 crores. That's the trend which is there for the last 4-5 years which will remain the same. So, no new thing will be added on that which we did last quarter. If you talk about the receivables of main businesses, it has come down or you can say it has not increased at all. Yeah, some of the receivables which are still there for the placement and carriage. As you see, it gets ballooned until September and after September it goes down. That trend is still continuing.

**Moderator:** We have a question from Mr. Sangam Iyer from Consilium. Please go ahead.

**Sangameshwar Iyer:** Sir, in your initial remarks, you did mention that there were still a lot of tailwinds left from the tariff order that excites you going forward in the coming quarters to drive the growth. Could you elaborate a bit more on those tailwinds that are still left from the tariff order? And connected to that, how could this help us in expanding the ARPU going forward? Could you just elaborate on that as well?

**Piyush Pankaj:** The new tariff order if you see, it is getting settled in quarter 1. Still in the lot of places, it has to get settled which will happen in quarter 2. So, you can say the implementation has happened, but the stabilization of the whole market is still happening. So, there you will be get the opportunity for quarter 2 and quarter 3 also. Second, the focus on taking the customers into higher packs by giving incentives and by giving schemes and all which has just started in June and right now we are looking forward that we will reap the benefits in the next 3 quarters on that. So, a lot of customers which we are analyzing that they have come into the lowest pack in the beginning and then they are moving into the higher packs. The trend is showing that. We have to give a lot of schemes and all those things to move them into higher packs and we are confident that this will help us in increasing the ARPU.

**Sangameshwar Iyer:** Thirdly, in terms of when we look at the channels, given the new tariff order, the reality of many channels would come into the front in terms of the number of viewership that they actually attract. Shouldn't this actually be a big opportunity for us in terms of improving our placement charges from the current run rate of Rs 70 crores? Because a lot of these channels actually the reality will dawn upon as against when they are in the package format.

**Anirudhsinh Jadeja:** Yes, but actually broadcasters also are now getting settled because they are still changing their MRP. Some broadcasters are creating small packs also. So, absolutely right but it will take another 1 or 2 quarter.

**Piyush Pankaj:** You are right on that. There is an opportunity to increase the placement also, but we have to see that how it happens because still broadcasters are getting settled. So, quarter 2 and quarter 3 will tell us more stories that how the whole industry is shaping and how we can increase. That is why I am giving conservative figures right now. By the end of quarter 2, we will give you a totally different picture on the aggressive side.

**Sangameshwar Iyer:** Sir, I will not hold you for a number but in terms of ARPU expanding from Rs 125 in Q1, given the tailwinds that you have inside and also the possibilities of other scope of revenue enhancement from the customer end, where do you see possibly as exiting this year in terms of ARPU?

**Anirudhsinh Jadeja:** This ARPU what we are sharing is between DPO and LCO. As gradually the LCO consumers migrate to higher packs, ARPU also will keep increasing but today also the revenue sharing between DPO and LCO what we told in the initial stage. Now we are giving at a discounted price in the market compared to the other DPO. So yes, we have opportunity like as I said earlier that if you see as per the TRAI regulation, SIA revenue sharing is coming 55% on the DPO side and 45% is the LCO side. But still we are charging around 25% to 30% revenue sharing. So, you can increase the ARPU in 2 ways. One is you are converting your consumer to higher ARPU and you are changing your revenue sharing between DPO and LCO.

**Sangameshwar Iyer:** But given that this is the first year, would you be doing the mix change between DPO and LCO or would you want to be more from the customer end in terms of migrating to higher and better ARPU?

**Piyush Pankaj:** It depends on the opportunity. It depends on the market. We are going to do both the things. One is given that subscribers' ARPU that converting the lower ARPU subscribers into

higher subscribers ARPU, and second, for changing between the sharing between DPOs and LCOs, we will drive on the basis of markets, but yeah, that is on the agenda.

**Sangameshwar Iyer:** Finally, a regulatory question. Do you think that there will be further revision in this tariff order in terms of before it takes a final shape, or do you think that this is the final shape for the tariff order?

**Anirudhsinh Jadeja:** We are seeing something or the further changes forthcoming.

**Sangameshwar Iyer:** Sir, the broadcaster's price to you and DTH platform will all be the same or is it different?

**Anirudhsinh Jadeja:** It is the same, there is no different. Pricing and MRP is nondiscriminatory.

**Moderator:** We have a question from Mr. Sanjay Chawla from JM Financial. Mr. Chawla, please go ahead.

**Sanjay Chawla:** I want to start with the ARPU question. I am trying to figure out what is this Rs. 125 number. Is this the ARPU for the quarter based on billed customers or is it the exit ARPU?

**Piyush Pankaj:** No, it is the average ARPU for the quarter, based on the billed numbers.

**Sanjay Chawla:** But that number I am getting at Rs. 119 approximately based on the revenue.

**Anirudhsinh Jadeja:** Because Sanjayji, the number that you may be calculating is active paid subscribers like say it is 7.1 million. Basically, close to around 200s numbers that have gotten added, that have been added after the 10th of June. So, the impact of that may not have come in the last 2 months.

**Sanjay Chawla:** So, you are saying one should basically calculate the ARPU on the March numbers, 6.8 million or thereabout? 6.9 maybe?

**Anirudhsinh Jadeja:** Yeah.

**Sanjay Chawla:** And then one would get Rs. 125?

**Anirudhsinh Jadeja:** Yeah.

**Sanjay Chawla:** So, Is that the current now when you look at the mix of packs which are active for the billed customers which have been taken up the DPO packs or the a la carte selection, based on the current mix of customers, what kind of an ARPU you are realizing? Is it similar to 125 or you think there is some gap between what you got in the first quarter and what is likely? Let us put it this way, based on the mix that you are seeing.

**Piyush Pankaj:** The mix is in the favor of the company.

**Sanjay Chawla:** Basically, in the month of June whatever mix you had I mean what I am trying to understand is what is the exit ARPU in June that you got on the basis the mix of customers?

**Piyush Pankaj:** Exit ARPU in June is already touching around Rs. 130, that is why we are saying that the next quarter is going to be more exciting and all. So, June exit is Rs. 130.

**Sanjay Chawla:** But at the same time, you talked about the risk of TRAI intervention again in terms of revisions to NTO. If TRAI is going to drive a lot more a la carte selection, how does it impact our ARPU? Would it not get diluted? Would it not come down?



**Anirudhsinh Jadeja:** I think this ARPU that is being discussed with you, that ARPU is between DPO and LCO. I don't think there would be much of an impact in that ARPU.

**Sanjay Chawla:** Can you remind us what is the ARPU that you are seeing generally for customers who have gone a la carte who have selected their own packs?

**Anirudhsinh Jadeja:** Minimum ARPU that the consumers are selecting if you see is close to around Rs. 250.

**Sanjay Chawla:** The Rs. 250, obviously that is excluding tax, right? You are saying up to Rs. 120 people are willing to pay for the pay channels based on a la carte selection?

**Anirudhsinh Jadeja:** Yeah, you can say that.

**Sanjay Chawla:** So, would it not get impacted or do you see some legal battle again and this could get pushed out by 1 or 2 years?

**Piyush Pankaj:** No, I don't think there is any kind of legal battle but whatever will come, it will come with consultation only. I don't see any further legal battle will come in that. 15% or something will come that you can say that is not going to impact the ARPU at the consumer level or at the DPO level. That is going to impact broadcaster side to change their packages and somewhere you can say the problem will be with the broadcasters on that side, not on the DPO side.

**Sanjay Chawla:** I understand that your ARPU is primarily coming from the Rs. 130 split and also a certain portion of the pay channel cost, but at the same time, pay channel cost is incurred by the customer excluding the Rs. 130. That may get impacted if the gap is reduced between MRP and the bouquet price.

**Piyush Pankaj:** If I talk about that any subscriber is taking Rs. 100 of broadcaster channel, DPOs and LCOs getting is just Rs. 20.

**Anirudhsinh Jadeja:** Yeah, that revenue sharing is between 20% and 35%. So, Rs. 5, Rs. 10, or Rs. 20 will not make much difference in that. And still our revenue sharing between DPO and LCO, we are just charging only 25% to 30%. So, we still have opportunity to increase our ARPU. As per the TRAI regulations, I can go up to 55%.

**Sanjay Chawla:** Coming to the carriage and placement, you have seen a pretty strong increase in this quarter which you are saying is sustainable. Can you indicate what is the breakdown of the carriage and placement ARPU in terms of FTA collection and what you are getting on the marketing side from pay channels?

**Anirudhsinh Jadeja:** Percentage is close to around 30% to 35% is coming around FTA and other is like as placement, you can consider as 15% incentive also which we are getting.

**Sanjay Chawla:** So, what has driven the increase on a QOQ basis, the total carriage and placement marketing revenue, what has driven that?

**Anirudhsinh Jadeja:** It is maintained. As I said, because the placement plus you can say 15% incentive. That also is part of the marketing fees. So, yes, that wherever we are targeting, we are getting it.

**Sanjay Chawla:** Is this incentive the driver of the increase in your carriage and placement revenue quarter-on-quarter?

**Piyush Pankaj:** Incentive we are talking about 20% plus 15%, Sanjay. That 15% has come into play this quarter. Last quarter, it was just 2 months. The penetration was still happening. There was migration and all.

**Anirudhsinh Jadeja:** So, from 90% broadcasters we are eligible, and we are getting it.

**Piyush Pankaj:** Earlier, it was not that case. So, that 15% increase is giving the boost over there.

**Sanjay Chawla:** Coming on the CAPEX side, can you just remind of the CAPEX guidance for fiscal '20 and how much was spent in 1Q?

**Piyush Pankaj:** The total CAPEX we are looking forward for Rs. 160 crores that we did last year also. In the first quarter, the CAPEX is at Rs 31 crores. About Rs 15 crores has gone into the broadband and Rs 16 crores in the CATV.

**Sanjay Chawla:** Lastly, I am just trying to reconcile and understand the change in the net debt which you have reported based on the cash flows. On the reported basis - I am looking at the net debt here - it has gone up by almost Rs. 300 million quarter-on-quarter. How much of that is due to the Ind-AS impact the lease liability?

**Viren Thakkar:** Due to lease liability, it has gone up by Rs. 32 crores.

**Sanjay Chawla:** So, without the lease liability, it would have gone down by 20 million?

**Viren Thakkar:** Yes.

**Sanjay Chawla:** So, like-for-like basis, net debt is actually down by Rs. 20 million, right?

**Viren Thakkar:** Yes, you are right.

**Sanjay Chawla:** So, how do we reconcile that? Because your EBITDA is almost Rs 107 – Rs 110 crores; in the finance cost, there is a cash profit that you are getting, Rs 84 – Rs 85 crores; and your CAPEX is you mentioned Rs 31 crores. So, if I do the cash profit minus CAPEX, I am getting Rs 53 crores of surplus free cash flow. What has happened? Has there been a significant increase in the working capital? Can you break it down for us in the core business and also in the EPC business, basically the receivables, what is the increase quarter-on-quarter?

**Viren Thakkar:** The net debt position what you are looking at it at the moment is with EPC contract. We were having fixed deposit with the bank available as on 31st March, was on higher side. That fixed deposit was nothing but advance what we had received from the government. That FD we have utilized. So, I think instead of comparing net debt position, if you will compare gross debt situation, we will have a clear picture, and I think Piyush will send you complete reconciliation in cash flow based on the profit because we have already prepared. Piyush will send it to you on mail.

**Sanjay Chawla:** I would really appreciate that if you can share .

**Piyush Pankaj:** The gross debt has come down by Rs 25 crores this quarter. Net debt has increased. There was Rs 70 crores FD for the GFNL project and that has been got utilized in the execution of the project, that is why the cash portion has come down and our net debt has increased and the second is because of AS116.

**Sanjay Chawla:** So, this Rs 70 crores is basically the working capital that you are putting in the EPC project, right?

**Piyush Pankaj:** That's right.

**Sanjay Chawla:** Actually, it is drawn down in the cash balance?

**Piyush Pankaj:** Yes.

**Sanjay Chawla:** Basically, my question is, can you separate it for us how much of this change in the net debt is due to the EPC business?

**Piyush Pankaj:** Sanjay, I will send you the details. I will discuss with you over another call on this.

**Sanjay Chawla:** Just the last question. What is the level of receivables as of June '19 on the balance sheet and how much is from the EPC business?

**Piyush Pankaj:** From the March, the receivables have increased by around Rs 90 crores majorly on carriage, marketing and second is in the GFNL. There is no increase or there is a decrease in the subscription of both broadband and CATV. Increase is due to the carriage which always is ballooned until September and then started coming down and there is some increase because of GFNL project.

**Sanjay Chawla:** How much is from the Bharat Net Project of this Rs 90-crore increase?

**Piyush Pankaj:** Out of that, Rs 40 crores is of GFNL and Rs 50 crores is because of the carriage and marketing.

**Sanjay Chawla:** I was under the impression that the core business - the subscription and the CATV business - this number overall would come down because subscription is becoming more of a prepaid model, alright? I know carriage and placement is something which will keep rising but the other part should have come down, should have offset that.

**Anirudhsinh Jadeja:** Yes, Sanjayji, that has decreased only.

**Moderator:** We have a question from Mr. (Parag) from Morgan Stanley. Please go ahead.

**Parag:** My first question is you talked about your guidance for fiscal '20 where you were talking about revenue of about Rs 1600 crores and EBITDA of about Rs 420 to Rs 430 crores. That roughly works out to under 25% EBITDA margin, and in this quarter, your margin has been roughly around 27%-28%. Is there any reason why your margin should come off especially when ARPUs are also moving up?

**Piyush Pankaj:** These numbers I am giving are on the conservative side. As we will go in 2 more quarter and we will see that NTO gets totally stabilized, at that time, I will give you the aggressive figures. If you ask me, yeah, we are right now sitting in the June. We are looking forward that we should cross Rs. 1,700 crores, but those figures with confidence we can give you in the next quarter, and EBITDA will also be maintained at this margin.

**Parag:** My other question is, in the March quarter, the NTO implementation was probably still underway and a lot of broadcasters were talking about viewership shares not necessarily being stable and normalized, can you now say that the NTO implementation is more or less done and to that extent, viewership shares available for broadcasters would now be a clear representation or do you still think this will take a few more months to settle down?

**Anirudhsinh Jadeja:** I think it will take another 1 quarter and more because NTO still is just settling down. There are a lot of hicks. Earlier it was in backend side that were all settled.

**Parag:** My final question is, can you give us some sense on consumer trends with respect to packs? How many of them are going for best-fit packs, how many are going for a la carte, how many for anything else? If you could just give us some sense on how that is trending?

**Anirudhsinh Jadeja:** As I mentioned in last quarter, almost more than 75% of GTPL's penetration is on package-wise and only 25% of customers are on a-la-carte.

**Parag:** So, you are basically saying that this likely seems to be the levels going forward as well while 75% remain on your pack and 25% would be a la carte? You don't see that changing dramatically let us say over the next 12 months?

**Anirudhsinh Jadeja:** No, I think package penetration will increase. But yes, you can say it is a 75:25, 75% package penetration will remain and 25 will be around a-la-carte.

**Moderator:** We have the next question from Mr. Kunal Vora from BNP Paribas. Please go ahead, sir.

**Kunal Vora:** Can you talk about the state of the MSO industry right now? Like you have done well. Is it across the players or others are struggling and are you seeing any acquisition opportunities?

**Anirudhsinh Jadeja:** It is not that only just GTPL has changed. All other MSOs also have done well, and I am sure you can see that result also. So, this is over the industry I am saying it is changing. It is the industry growth.

**Kunal Vora:** Are you looking at any acquisition opportunities or you are happy with the way things are?

**Anirudhsinh Jadeja:** Yes, as and when any opportunity is there, we are looking at it.

**Kunal Vora:** Regarding broadband business, have you had any interaction with Jio on who will deploy network in which areas? There are news reports that Jio has lowered deposit which they were charging from Rs. 4,500 to Rs. 2,000-2,500. Are they deploying in your areas or how is it going to happen between you and Jio?

**Anirudhsinh Jadeja:** These synergies we are discussing, and it is under progress. It will still take another 1 or 2 quarters because right now we are working with Jio, so it will take another 2 quarters. But yes, the synergy we will use that.

**Kunal Vora:** But who will be owning the customer? It will be Jio FTTH customer or it will be GTPL broadband customer? Any discussions on how the customer acquisition will happen?

**Anirudhsinh Jadeja:** It depends on on the territory-wise who is doing well. The division is under progress. I am not committing right now but it will take another 2 quarters.

**Kunal Vora:** Lastly, your thoughts on dividend. Debt levels are not very high, and you are talking about significant reduction in debt levels this year. Can you share your thoughts on dividend?

**Piyush Pankaj:** Kunal, last quarter also the thought was, as I had said that we proposed to the board for Rs. 2 but because of the hit which we had to take for exceptional items and all, board has just approved for Re. 1. The management has committed that they will go back to the board for the higher dividend and we will try to do that again in the September quarter also. If we can give some interim dividend or not, and if the board agrees, then we will see that.

**Moderator:** We have a question from Mr. Rahul Agarwal from VEC Investments. Please go ahead, sir.

**Rahul Agarwal:** First question essentially is to carry forward from the last question. On the Jio side, essentially what is the broad thought process like 3- to 5-year plan? Could you elaborate a bit? Essentially, I don't want the exact answer, but broadly speaking, how will it work between you

and Jio that the broadband service eventually gets marketed under the Jio brand and everything goes under Jio as FTTH connection? How does that really happen? Is there a scale in mind? Is there a number of subscribers in mind like home pass in mind or how do you work right now with Jio?

**Anirudhsinh Jadeja:** Basically, GTPL broadband is doing its own and Jio is doing its own, but yes, it is our privilege that Jio is our partner. So, for synergies we both are working on it and the work is under progress.

**Rahul Agarwal:** Second question is on this EPC order. I read in your press release that Polycab India Private Limited is a consortium partner. Just wanted to know the scope of work for them in the order and what is your scope of work in the order?

**Anirudhsinh Jadeja:** Basically, Polycab majorly is consortium partner. The good part is that Polycab have own fibers. We almost need close to around 17,000 km fiber. You may be knowing that there were considerable variations in the fiber price and the glass price in the past. We had quite a lot of support from them in the backend even in the other products like fiber duct or other fiber products. Yes, that way, it is supporting, but on the ground side, in the entire Gujarat we are completely distributing the cable or broadband. So, ground side, GTPL is doing.

**Rahul Agarwal:** So, Polycab essentially supplies the fiber and you execute the order?

**Anirudhsinh Jadeja:** You can say that.

**Rahul Agarwal:** And there is no equity investment happened from both of you into this project, right? It is just purely an EPC order, like you are just executing the order - buying stuff and laying whatever fiber is said and that is how you complete the work, right?

**Anirudhsinh Jadeja:** Yes, perfect. Absolutely right.

**Moderator:** We have a question from Ishpreet Kaur from Karma Capital. Please go ahead.

**Ishpreet Kaur:** Just to understand this a little better. Earlier our content cost as a percentage of the subscription revenue used to be somewhere around 75%. It has come down to around 73% now. Is this the ratio that we should likely assume going forward or is that to stay or is that likely to reduce any further?

**Piyush Pankaj:** I will say conservatively that it will remain the same. We are looking forward that it will reduce in the future but conservatively yes, it will stay at this level.

**Ishpreet Kaur:** At 73% to 74%?

**Piyush Pankaj:** That's right.

**Ishpreet Kaur:** Also, like you mentioned earlier that now we get around 25% to 30% of the share from the LCOs, if you look at the Rs 116 ARPU that we have for this quarter which is Rs 125 as per you, that comes to somewhere around Rs. 400 of average ARPU that we have on a Rs. 125. That seems to be quite on a higher side.

**Anirudhsinh Jadeja:** It is wrong calculation because this ARPU includes content cost also. So, you have to divide between.... NCF of Rs. 130 is different and content cost is different. As Piyush said, Rs. 120 includes content cost also.

**Ishpreet Kaur:** So, 30% is our share which is Rs. 116, right? Including the content cost?

**Piyush Pankaj:** No, Ishpreet, you have to take it in this way that if customer is paying Rs. 250, out of that, we are charging the content cost plus our share of NCF.

**Anirudhsinh Jadeja:** Our share will be between DPO and LCO put together.

**Piyush Pankaj:** Because content cost we have to pay to broadcaster, so we are charging content cost plus our share of NCF to the LCOs.

**Ishpreet Kaur:** And the guidance of Rs. 1,600 crores that you have mentioned, is that on the basis of the 7.5 million subscribers that we have or are we assuming any further additions?

**Piyush Pankaj:** We have given the target that we are going to seed 1 million boxes in this financial year. Already 200K has gone, 800K we are going to go more. So, from 7.1, we are looking forward that we should go up somewhere close to 8 million this year. And the guidance right now we are just giving it based on this quarter result. As quarter 2 will come, we are going to give you more guidance. As I said that I am looking forward that we will cross Rs. 1,700 crores, not committing on that right now because we want to see the stabilization of whole NTO in quarter 2. But yeah, we should cross Rs. 1,700 crores. But we are giving Rs. 1,600 crores as the estimation right now.

**Moderator:** We have a question from Mr. Charles Cartledge from Sloane Robinson. Please go ahead, sir.

**Charles Cartledge:** I am sorry if I did not understand this correctly, but I think you told that at the moment, your take of ARPU is 25% to 30%, and under the TRAI regulation, you can go up to 55%. So, that's a doubling in your take. Over what period do you think you might be able to implement that in the space?

**Piyush Pankaj :** Charles, it depends on the market forces and all that how much we can increase. As we have given that due to NTO, somewhere the structure of the earlier regime has changed. This is the new regime and we have to stabilize it with the time and then push for increase. So, yes, 55% is on the paper that you can go up to 55%. We have to see according to market forces and quarter-to-quarter how much we can push and go up. Yeah, that is on the agenda, to increase our ARPU, to come closer to that as soon as possible, and as the market gives opportunity.

**Charles Cartledge:** Yeah, it is on that point. So, I am thinking the easiest way of implementing that increased share is to wait for ARPU to rise and take the incremental rise in ARPU such that your partners don't suffer and ask little of that revenue. Is that correct?

**Piyush Pankaj :** Yeah, that's correct, Charles. If you remember, in the earlier regime, we used to give that in phase I market we have revenue up to Rs 100 , but next year we are looking forward that it will go up to Rs 110. So, we are increasing it by 7% to 8%, somewhere there. The same thing will happen here that you have to push with the time. From 25% to 30%, you have to go up and up and you have the ceiling until 55% from the regulators.

**Moderator:** We have a question from Mr. Sanjay Chawla from JM Financial. Please go ahead, sir.

**Sanjay Chawla:** What are the thoughts on the net content cost? It was around Rs. 47 per customer per month in the last quarter as per my calculations. Where do you think this was in June and where do you think it is headed the rest of the year?

**Piyush Pankaj :** Sanjay, I will say that somewhere it is getting stabilized. So, you will see whatever it is in this quarter, it will be at that level what we are anticipating or say that on our calculation, we are taking it in that way.

**Sanjay Chawla:** Because I recall in some of our earlier discussions, we were looking at a net content cost of Rs. 60 or so, but this quarter, it has turned out to be Rs 47 only, obviously thanks

to the carriage and placement increase, but is that the steady state kind of a situation or do you think it could slightly worsen from here?

**Anirudhsinh Jadeja:** This number is steady state.

**Sanjay Chawla:** So, expecting around Rs. 47 to Rs. 48 rest of the year?

**Anirudhsinh Jadeja:** Yes, you can say expected. I just wanted to see the exact calculation whether it is a Rs. 47 or Rs. 50, but yes, this number is steady state percentage wise.

**Piyush Pankaj:** Sanjay, how are you calculating that? Rs 180 minus Rs 70 is Rs 110 crores. Rs 110 crores divided by 3 is somewhere around Rs 37 crores per month.

**Sanjay Chawla:** I am sorry, I am dividing it by the active customer base, not the billed customers? Are you doing it on billed?

**Piyush Pankaj:** That's why I thought that how you are saying Rs 47 because according to my calculation, it is above Rs. 50 right now.

**Sanjay Chawla:** So, you are saying as a percentage of net content cost to subscription revenues, that was around 44% last quarter. That you think is a steady state number from a modeling point of view?

**Piyush Pankaj :** Yeah, from a modeling point of view, I will say that take quarter 1 number which will give you a fair idea.

**Moderator:** There are no questions in the queue. Any closing comments, sir?

**Piyush Pankaj:** Thanks all for joining us. We look forward to see you next quarter.

**Moderator:** Ladies and gentlemen, this concludes your conference for today. We thank you for your participation and for using iJunction conference service. You may please disconnect your lines now. Thank you and have a great evening.