



“GTPL Hathway Limited Q1 and FY-22 Earnings
Conference Call”

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MODERATOR: **MR. NAVAL SETH – EMKAY GLOBAL FINANCIAL
SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY22 Earnings Conference Call of GTPPL Hathway Limited hosted by Emkay Global Financial Services Limited. We have with us today Mr. Anirudhsinh Jadeja – Promoter and Managing Director, Mr. Rajan Gupta – Chairman and Non-Executive Director, Mr. Piyush Pankaj – Business Head (CATV) and Chief Strategy Officer and Mr. Anil Bothra – Chief Financial Officer.

As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Naval Seth of Emkay Global. Thank you and over to you Sir.

Naval Seth: Thank you. Good evening, everyone. I would like to welcome the management and thank them for this opportunity. I shall now hand over the call to the management for their opening remark, over to you Sir.

Anirudhsinh Jadeja: Thank you Naval. Good evening everyone. A warm welcome to all of you to the conference call of GTPPL Hathway Limited to discuss financial and operational performance of Q1 FY22. GTPPL Hathway continues to deliver on key KPIs during Q1 FY22.

The highlights of the quarter were robust subscriber additions and subscription revenues for broadband business, strong profitability, and debt repayment. GTPPL has further reduced its debt by Rs. 168 million in Q1 FY22. GTPPL will continue to march forward on its strategic roadmap by coming up with interesting and new products and services, enhancing customer experience, strengthening its digital infrastructure and capability, and accelerating its footprint in the existing & new markets.

With that, I hand over to Mr. Piyush Pankaj who can take you through the business and financial aspects of the company.

Piyush Pankaj: Thank you, Mr. Jadeja. Good evening everyone. I hope all of you are safe and healthy. GTPPL Hathway is one of the few consistently profit-making cable TV and broadband company in India. Our business model is quite robust and then can explore multiple growth opportunity that the sector has the potential to offer. In the last five years, our CATV subscriber base has grown sharply by 2x to 7.3 million. Additionally, our broadband subscriber base has mirrored and significant growth of 3.6x to reach 0.7 million.

We have been consistently generating healthy free cash flow and have managed to reduce our gross debt by Rs. 420 crores in the last five years and have returned the money to shareholders in the form of regular dividends. I am happy to share with you that GTPPL Limited has been recognized as one of “India's Top 500 Companies” by Dun and Bradstreet ranked 401 on turnover in the listing published for 2021. Additionally, during Q1 FY22, we have launched

GTPL Interactive Virtual Assistant (GIVA), a WhatsApp based chatbot for 24x7 customer support for CATV and broadband businesses.

Let me now share the performance highlights for the quarter. As on June 30, 2021, our CATV active TV subscribers stood at 8 million. GTPL's digital CATV services reach 1,000 plus towns spread across 15 states in India. The Company is expanding aggressively in Maharashtra, Andhra Pradesh, Telangana, Tamil Nadu and Northeast states. GTPL's CATV platform services own and operate 48 channels across over 6 genres. The CATV industry offers an underlying growth opportunity for an organized and seasoned player like GTPL Hathway. Our CATV business expansion will gain momentum with organic and inorganic growth in the coming quarters.

The Indian Wireline broadband sector is a sunrise industry with huge untapped growth potential. It accounts for meager 6% penetration of the total households in India as against 80% in Japan, 70% in the Euro Zone and 55% in China. This represents a huge growth opportunity for GTPL Hathway.

In the broadband segment, we added 230,000 new home-pass in Q1 FY22, taking the total home-pass as on June 30, 2021, to 4.10 million. During the quarter GTPL added 55,000 net broadband subscribers taking the total net broadband subscribers as of June 30, 2022, to 6,90,000. The broadband ARPU for Q1 FY22 grew by 4% YoY to Rs. 440 per month. GTPL looks forward to expanding its broadband business by leveraging its existing base of 10 plus million CATV subscribers and attracting new broadband subscribers through business partners.

Let me now move to our financial performance. On our consolidated business, excluding EPC contract during Quarter 1 FY22, GTPL's consolidated revenue grew by 22% YoY to Rs. 5843 million. The CATV subscription revenue stood at Rs. 2,641 million. The broadband revenue for the quarter grew by 74% YoY to Rs. 918 million led by healthy subscriber additions. EBITDA for the quarter increased by 8% YoY to Rs.1,362 million with a margin of 23.3%. On our consolidated business, including EPC contract during Q1 FY22, GTPL's consolidated revenue grew by 22% to Rs. 6,106 million. EBITDA for the quarter increased by 7% YoY to Rs. 1,380 million with a margin of 22.6%. PAT for the quarter surged by 16% YoY at Rs. 475 million. The finance cost during the quarter was lower by 80% YoY and 62% QoQ. Our EPC contract during Quarter 1, FY22 reported the revenue EBITDA and profit before tax of Rs. 263 million and Rs. 18 million and Rs. 18 million, respectively.

On a standalone business, excluding EPC contract during Q1 FY22, the Company's revenue grew by 14% YoY to Rs. 3,740 million. The company reported EBITDA of Rs. 778 million with an EBITDA margin of 20.8%.

On our standalone business, including EPC contract during Q1 FY22, the Company's revenue surged by 14% YoY to Rs. 4,003 million. EBITDA stood at Rs. 796 million with an EBITDA margin of 19.9%. PAT during the quarter stood at Rs. 305 million. This is all from my side.

Thank you, everyone, for your attention. We can now begin with the question-and-answer session.

Moderator: Thank you very much. We will begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Pratiksha Daftari from Aequitas.

Pratiksha Daftari: My first question is what was the CATV ARPU in this quarter? And if you could explain the subscriber decline in Q1 FY22 and how do we see things currently?

Piyush Pankaj: Hi Pratiksha. The CATV ARPU is flat at Rs. 122 in Q1 FY22. During the beginning of the quarter, COVID-19 second wave was at its peak in April and May 2021. It was a difficult time for everyone, for every business. We faced that in our cable business. However, we tried to maintain our subscriber base. The main hit has come from the corporate subscribers which were returning to us after last year Covid hit, but again we got hit in April and May 2021. Some of them returned in June 2020. We are hopeful that as the situation will improve, we will get back our corporate subscriber base and again we will bounce back. Hence, our subscriber base is down by 2,00,000. We have witnessed some effects because of cyclone in Gujarat, Maharashtra and West Bengal markets. We are expecting some customers who were impacted by cyclones plus the corporate subscribers to rejoin our services in the coming quarters.

Pratiksha Daftari: So, did we have any, on non-corporate side and retail side, did we have any gross addition for this quarter?

Piyush Pankaj: We lost around 3,50,000-3,75,000 subscribers in the corporate side. The retail side has gone up by around 1,50,000 to 1,75,000 subscribers, thereby, arriving at the net figure of 2,00,000 subscribers.

Pratiksha Daftari: The pay channel cost as a percentage to our cable TV revenues have gone up substantially. So, is there any change in our commercial arrangement with the broadcasters?

Piyush Pankaj: Pratiksha, you have to see the pay channel cost in conjunction with our placement and marketing revenues. If you see that increase in placement and marketing revenues and increase in the pay channel costs is similar. There is no impact on the gross margin due to the increase in pay channel costs.

Pratiksha Daftari: On the broadband front, we've seen some decent growth on home-pass addition this time. So, do we expect like the trajectory to continue?

Piyush Pankaj: Yes. We are trying to continue this trajectory. This quarter was difficult for us on the ground, but still, we managed to build 2,30,000 home-passes, and we are going to continue the run-rate.

- Pratiksha Daftari:** On the subscriber addition front, do we see the growth rate increasing or how do we look at the subscriber addition in broadband for the remaining year?
- Piyush Pankaj:** As mentioned in the last call, we have projected that we are going to add between 50,000 to 60,000 subscribers every quarter. We have added 55,000 subscribers in Q1 FY22. So, going forward as mentioned earlier, we will maintain the run-rate.
- Pratiksha Daftari:** And any update on the litigation front?
- Piyush Pankaj:** There is no update on the AGR side. The court was not into the order, so, no hearing has happened on those fronts.
- Pratiksha Daftari:** When is our hearing schedule?
- Piyush Pankaj:** Rajan Sir do you have the update on that?
- Rajan Gupta:** Piyush no update as of now, we will update you as and when the developments happen.
- Pratiksha Daftari:** On the EPC, can we assume that the revenue recognition for the EPC contract excluding obviously the O&M is revenue recognized and expenses is done with?
- Piyush Pankaj:** Yes. Almost 98% is done.
- Pratiksha Daftari:** Couple of data points, if you could share the receivable position as on Q1 FY22 and the CAPEX plan for FY 22?
- Piyush Pankaj:** The receivables position is Rs. 352 crores, if you see Q4 FY21, we were at around Rs. 383 crores. Therefore, the receivables have declined by Rs. 30 crores QoQ. We did a CAPEX of Rs. 82 crores in Q1 FY22 of which Rs. 49 crores was towards the broadband and balance Rs. 33 crores of CAPEX in the CATV side.
- Pratiksha Daftari:** How much of the receivables would be from broadcasters? How much would it be for EPC?
- Piyush Pankaj:** Broadcaster is around Rs. 165 crores and EPC is around Rs. 120 crores.
- Pratiksha Daftari:** Are we facing any issues in receivables for the EPC contract?
- Piyush Pankaj:** No, we are not facing any issues. If you see last quarter, we had Rs. 226 crores of EPC project received receivables, now it has reduced to Rs. 120 crores.
- Pratiksha Daftari:** And Sir, CAPEX guidance remains the same for the full year?
- Piyush Pankaj:** As mentioned in our previous calls, the CAPEX guidance remains the same i.e., at between Rs. 350 crores to Rs. 400 crores for FY 22.

- Moderator:** The next question is on the line of Dixit Doshi from Whitestone Financial Advisors Pvt. Ltd.
- Dixit Doshi:** Some of my questions have been answered. Just a couple of things, firstly if I see the cable TV segment-wise result on a consolidated basis, year-on-year the revenue has gone up, even quarter-on-quarter it has gone up, but cable TV PBT has not gone up in that proportion. In fact, quarter-on-quarter, it has come down by almost 5% or 10%. So, what led to that? Is there any one-off or any cost increase?
- Piyush Pankaj:** So, one factor is the depreciation is rising as we are increasing our investments. The rise in topline is offset by higher depreciation. In fact, the consolidated PBT has increased, from Rs. 58 crores (including EPC) in Q1 FY21 to Rs. 75 crores (including EPC) in Q1 FY22, The PBT (excluding EPC) too has grown from Rs. 56 crores in Q1 FY21 to Rs. 73 crores in Q1 FY22.
- Dixit Doshi:** Yes. But predominantly this increase was due to the broadband business. I am talking just about the cable TV business. If I see, there was almost a 15%-17% jump in the cable TV revenue year-on-year. But PBT in cable TV business has gone up hardly anything, like a couple of crores and in fact quarter-on-quarter it has come down.
- Piyush Pankaj:** You have to see it in a different way, because the subscription of CATV is flat from last year. It was at Rs. 183 crores last year. This quarter also it is Rs. 183 crores, but still PBT has increased by around Rs. 6 crores from Rs. 36 crores in Q1 FY21 to Rs. 42 crores in Q1 FY22. The contribution of the PBT is happening, but the revenue side you talk about has gone from Rs. 327 crores to Rs. 370 crores but cost side also has gone up from Rs. 248 crores to Rs.296 crores. You have to see the business on the basis of clubbing placement & pay channel together and calculate the net margin increase. Hence to conclude, our subscription remains flat as compared to last year, but on PBT, we are getting around Rs. 6 crores of PBT. ~~So, PBT is increasing still the revenue is fair.~~
- Dixit Doshi:** In terms of cable TV subscribers, this year obviously due to the pandemic in Q1, it has come down, but over let's say next couple of years or three years, what kind of net cable TV subscriber addition we can expect annualized?
- Piyush Pankaj:** Our planning is for next three years to do close to around 3 million new customers. Each year we wanted to roll out 1 million, but yes, because of this pandemic, it's huge, but our projection is year-on-year it's 1 million every year.
- Dixit Doshi:** Last question from my side is, how much we did spend on appointing Boman Irani and this new campaign launch, how much we would have extra spent during this quarter?
- Piyush Pankaj:** It is hardly 0.5% of the revenue that has gone into that.
- Dixit Doshi:** Any update on the hybrid box launch?

- Piyush Pankaj:** Yes. The Hybrid box we are launching somewhere in August 2021. The Hybrid box is already with us. The shipment got delayed because of the pandemic. We got the shipment in mid of July 2021 and we are planning to launch in August-September 2021. We have completed everything, and the testing is going on.
- Moderator:** The next question is from the line of Saptarshee Chatterjee from Centrum PMS.
- Saptarshee Chatterjee:** My question is on the broadband side, most of the questions have been answered, on the broadband side ARPU has been Rs. 440, slightly around Rs. 5 lower than last quarter, whereas like we have expected trend to be higher because of people are upgrading the plan. If you can give some color on that front?
- Rajan Gupta:** Broadband, I think as far as ARPUs are concerned, I mean they have been pretty stable. We have been indicating that there is no plan to hike the prices. So ARPUs will remain broadly stable, increasing Rs. 5 or decreasing Rs. 5 based on pack mix change. I think on a broader side, GTPPL is in a very sweet spot, which we have been updating you for the last many quarters. In a state where only BSNL is a major competition and nobody has this kind of network, the amount of investment we have done in the network in terms of upgradation from MEN to GPON and the kind of service improvement which we could exhibit both in terms of speed, quality and overall network quality. We are kind of in a sweet spot, resulting in increase in revenue, subscriber numbers, EBITDAs, on a QoQ basis and without any disruption. This is primarily because of two reasons a) Consistent ARPUs and b) EBITDA levels are very healthy. The EBITDA level is upwards of 40% with this kind of ARPU. So, essentially that means that GTPPL can keep on expanding more and more in within Gujarat itself. It is a very large state, at a very affordable price point of Rs. 400 to Rs. 500 and keep on growing for many more quarters to come. Hence to sum up, on a QoQ basis yes, there will be an Rs. 5 variations here and there in the ARPU, however, there is no change in plans or dropping in price which has happened.
- Saptarshee Chatterjee:** In cable TV, like we have said that we are expecting around 1 million subscribers increase every year. Are we talking about expanding in market share out of this 170 million paying subscriber side, so from whom we are expecting to gain market shares and majorly in which states if we can classify?
- Piyush Pankaj:** We are expanding very fast in Maharashtra, Andhra Pradesh, Telangana, Tamil Nadu and Northeast plus we will add more states going forward.
- Saptarshee Chatterjee:** And this will come from majorly of which competitors it may be, in the like DTH or mostly our MSOs only?
- Piyush Pankaj:** It is going to be mix of that, as stated in our previous calls. We have started various programs through marketing, direct selling, etc. for tapping the DTH market and bring back them to the cable. This is already an on-going strategy. Plus, there is going to be the strategy of consolidating the market going forward in the cable TV.

Saptarshee Chatterjee: Is it possible to give any color on the hybrid box like what kind of ARPUs, margin anything on that part?

Piyush Pankaj: Yes, we are going to launch very soon. I will say that wait for two to three weeks more.

Moderator: The next question is from the line of Kush Gangal from Care PMS.

Kush Gangal: Most of my questions have been answered. With the current AGR case going on, recent I think yesterday there was some hearing regarding some mathematical errors. Does that impact us, if you can just highlight on that?

Piyush Pankaj: No, that is for telecom, not for us.

Rajan Gupta: It will not impact us.

Moderator: The next question is from the line of Nikhil Jain from Jayalakshmi International.

Nikhil Jain: One question, fundamentally our revenues from, if you look at YoY basis, our revenues have increased by more than 20%, however, our PBT has increased by only 7%. What would be the major reason for that? So, that was one and second, is there any kind of indication or guidance from the management for the rest of the year? Like what kind of EBITDA margins, we can manage. So, whatever we are having now, would they be sustained or can be a potential increase in the same given the benefit of operating leverage?

Piyush Pankaj: You're right that our total income has increased by 22% YoY, but the expenditure has increased by 28% YoY also and thus EBITDA has just increased by 8% YoY from Rs. 126 crores it has gone up to Rs.136 crores. That's why you are seeing that in the PBT it has increased by around 30%, from Rs. 56 crores to Rs. 73 crores YoY. These are the figures and it's a consistent one. As you see that EBITDA growth, which is happening YoY is between 8% to 10% and as we are reducing our finance costs substantially, we are getting the gain in the PBT. So, that is reflecting here that PBT has gone up by 30% YoY on this.

Nikhil Jain: But the point was that the finance cost is the limit, right. You have already reduced your debt significantly, so we are looking to reduce it and it will go down further. But the point was that if the EBITDA growth is going to be 8% to 10% the business which can be potentially is having good operating leverage. I just wanted to understand, is there any specific reason, are there activities that we are doing which are let's say taking or reducing our EBITDA growth as compared to the top line?

Piyush Pankaj: That's right. So, I will not go to the PBT level then. I will say that we are in the expanding mode in both the broadband business and in the cable business. When you are expanding, you have to do some extra expenses, which you have to take out and establish yourself in the market. You have to enter into the new markets and keep establishing. Your cost increases till you achieve

the substantial numbers, you gain from operating leverage. That is where, we have to go, and we are going aggressive in our new markets and bringing down because there is a fixed cost as the number of subscribers will grow you will get more contribution towards your EBITDA. We are proactively moving towards that direction. As far as the EBITDA margin is considered, we are at around 23% EBITDA margin and this will be maintained.

Moderator: The next question is from the line of Mehul Savia from RV Equities.

Mehul Savia: The question was basically that we are generating very good cash flow and we are now net cash flow positive, are you looking actively at any acquisitions especially on the cable side of business, since you said you are looking at consolidation in that market?

Piyush Pankaj: Yes, we are working on whether it is organic or inorganic way.

Moderator: The next question is from the line of Dixit Doshi from Whitestone Financial Advisors Pvt. Ltd.

Dixit Doshi: Just one question, one of our competitors NXT Digital, they have this HITS model adding to the satellite model. And, recently they have got the approval from the ministry that, they can give these services to others as well. And they were mentioning that it reduces the connectivity cost of the MSO, where the density of the population is very low, so they are targeting the interior. So, how does this can impact our business? We are also trying to expand by acquiring more and more MSOs.

Piyush Pankaj: Basically, we are not in HITS model but yes, as you said expansion in today's date and going forward, the fiber, lease costs and bandwidth costs are becoming so cheap that it will be better than the HITS model. Down the line, the lease costs are dropping so we're not going ahead with this HITS. Moreover, now everywhere, through Digital India - Bharat Net projects and all everywhere fiber is available. GTPPL's rural part also is well covered with lease circuits.

Rajan Gupta: I just want to add to it. Ladies and gentlemen first let's understand this is not a new technology. It is not the first year HITS has come. It has been existing for many years and in spite of that GTPPL is the only MSO which has doubled its space, as far as cable TV is concerned. Second as part of our business region, obviously we had this whole convergence as a part of the plan and with the kind of fiber we have in Gujarat and in many other states. It makes sense to keep on expanding broadband home-passes specifically in Gujarat and make sure consumers get both the services and because obviously future is convergence. While we keep on evaluating every technology and there is no permanent no to any technology, but as of now, we are fairly confident. We will keep on repeating the past market share gain and our focus will be more on convergence and keep on taking broadband to more and more homes in Gujarat and other states as well. And yes, it's a one-way technology.

Moderator: The next question is from the line of Tarun Kumar from OSPL.

Tarun Kumar: I wanted to ask about the satellite broadband that is coming in as new technology. Recently there has been some articles about the same and maybe Airtel is trying to do something in this space. Just wanted to have your understanding about this technology and the potential that it has and maybe we can tap into it.

Rajan Gupta: Again, satellite broadband, whatever information we have currently available in the public domain or otherwise, it's for a very niche kind of area. The areas where the regular fiber broadband is not easily reachable and because of the kind of economics today, fiber broadband has, as I keep on repeating, GTPL is able to give in a sub Rs. 500 rupees pricing per month, without any investment from consumer. The consumer has to literally invest zero rupee and the consumer can pay Rs 500 and get 100 Mbps unlimited broadband. As per our evaluation it's not possible through any other technology. So, satellite broadband is a niche, the kind of pilots also whichever happened across the world, they're happening more for niche areas, areas where fiber connectivity is not easily reachable and giving consumer access to high-speed broadband in those areas. We are quite certain that the kind of value for money, this whole fiber broadband or FTTH as technology offers, that's not replicable currently by any technology.

Tarun Kumar: Okay. So, basically, right now you're saying that what we have like the fiber broadband, on a cost basis is continuing to be superior than even the satellite broadband and they might be able to launch at the price difference. Right?

Rajan Gupta: Yeah, one is the recurring charges per month, second is the device charges. If you study, like, I don't want to waste the time of everybody on this call, that's a separate topic actually. We can spend a couple of hours understanding that the kind of consumer premises equipment satellite needs. It's not the equipment just like HITS technology earlier they mentioned. And here we are giving everyday thousands of connections without any installation charges or deposit anything from the consumer. He can pay Rs. 500 and get 100 Mbps, that's simply not possible. There you have to put a lot of equipment at the consumer place and there are lots of one-time charges, etc. Basically, that technology is not meant for mass markets, like India or whatever. Yes, there will be a lot of use cases which will come, but that will be for very niche areas. Our focus at GTPL is obviously on the mass market.

Tarun Kumar: So, whatever market we are targeting, it's going to be unlikely that satellite broadband competes itself, right?

Rajan Gupta: Absolutely.

Moderator: The next question is from the line of Nikhil Jain from Jayalakshmi International.

Nikhil Jain: A couple of questions, one was the organization is owned 37% by Hathway which in turn is owned by Reliance. Is there any kind of arrangement that we have, any kind of potential mutual collaboration that is there between us and the Reliance or we operate as completely different

entities altogether and competing the same markets and is there any benefits that are coming in from the shareholding or there is none? So, that was question one.

Piyush Pankaj:

GTPPL right now is going ahead on their own strategy and own brand, and we are privileged that Jio is our partner, Hathway is our partner throughout and the best part is, all the benefits GTPPL is getting whether it is vendor negotiations, content joint strategy, content, knowledge sharing and all, but yet GTPPL is working as independent on their own brand and own strategy. There is understanding on the ground that, we are a group company, we are going to complement each other in the market, and we maintain that.

Nikhil Jain:

Does that mean that let's say if there's some kind of arrangement on the ground, that okay we will not be competing or we will be competing as aggressively as we compete, let's say with Airtel or Dish TV subscribers and other business?

Piyush Pankaj:

No, we are competing in the market, but we are not disturbing each other. If we have to do some work on the ground, we will do in the joint strategy against the third player and we will help each other to grow. It is the market understanding on which we are working.

Nikhil Jain:

That was the first question. Secondly, let's say this it can be sent offline also, that is fine. What are the broadband customers and cable TV customers that we have on a state-wise basis because we're just looking at it and we have now presence in both cable TV and broadband in around 8 states and another 5-6 states where we are present either through broadband or through cable TV. Which let's say is covering the most popular 13-14 states of the country. So, I just wanted to understand has management thought that what is the strategy of expansion for the management? So, do we want to go into more number of states, or do we want to consolidate our presence? We want to be as a strong number 1, number 2, in many other states or we want to open more states, some strategy, some thoughts?

Piyush Pankaj:

One of the strategies or choosing the going to the market, GTPPL always believes that, whether it is cable or whether it is broadband, It's a market density. So, whichever city or whichever area you go, you have to do the dense subscriber base on those areas. See the cable you can go on the strategy basis of the whole state. You can go on the strategy basis on 5 cities, or you can go on the strategy of having 10 districts, but whichever way you go to, you should have the density and you should be the number one or number two player in those areas, districts in those state. So, the state comes the last, you have to understand that when you are entering into a new state, first you have to go for 2-3 districts and you will make yourself number one on those districts and then you expand in other districts and slowly you become number one, number two in the whole state, because cable or broadband is a local business you can say, it's not like global, that you have created one infrastructure and it is whole for the state. You have to incrementally create your infrastructure and go for the business. But yes, this is sure that wherever GTPPL is going, we go in the way that we should be number one, number two in the short period and we will start making money on those markets.

- Nikhil Jain:** It is the right thing which I also believe, because somewhere when I look at the number of popular and big states, I get a feeling that okay are we spreading ourselves too thin but thank you for the detailed clarification. Can I assume then that we are going in Andhra Pradesh, or we are going in Telangana or in Maharashtra or any new state, we are focusing on a district by district and trying to make money and trying to consolidate ourselves in that before expanding to the entire state, right?
- Piyush Pankaj:** Yes, that is right. Hence, every time we are stating that we are expanding very aggressively in Maharashtra, Telangana, Andhra Pradesh, Tamil Nadu and Northeast states as we have still to cover lots of districts in these states. Hence, we are expanding aggressively in those markets. If you talk about Gujarat, we are already in all the districts in Gujarat except one or two district, which we are going to expand. But if we talk about Maharashtra, Telangana, Andhra, Tamil Nadu and Northeast states, there is still a lot of districts where we can expand. Therefore, we state that GTPL is aggressively expanding these markets.
- Nikhil Jain:** Just one last question, pardon me if it is not so correct, but the point is that, should we not actually go one state by one state? Should we actually go consecutively together in five states or six states or maybe even more actually?
- Piyush Pankaj:** This is a strategic question. I think we should take it one to one. It depends on what company is taking the strategy.
- Moderator:** The next question is from the line of Riddhima Chandak from Roha Asset Managers.
- Riddhima Chandak:** My question is on the CATV side. What leads to the reduction in the CATV EBIT margins on a QoQ and YoY basis both even after an increase in revenue during Q1 FY22?
- Piyush Pankaj:** In CATV, we are down by around Rs. 1 crore at the EBITDA level, from the YoY basis and that is mainly because the subscription CATV is a bit down. The second is your activation revenue, that the deferred revenue of activation is reducing. That's why if you see there is Rs. 6 crores of impact on the activation revenue, but in EBITDA the impact is just Rs. 1 crore.
- Riddhima Chandak:** Is there any pressure on the pricing also?
- Piyush Pankaj:** No, there is no pressure on the pricing, as I stated that the ARPU is maintained and whenever the situation improves in the market then we are going to increase the ARPU.
- Moderator:** The next question is from the line of Miten Lathia from Fractal Capital Investments LLP.
- Miten Lathia:** Just wanted to understand that in terms of the incremental home-pass that we are doing now, where is the proportion of overlap on our cable business? So, I think you answered this last time, but are we deviating on that at all or no?

- Piyush Pankaj:** No, we are not deviating. Our stand is as it is clear from the beginning that, for doing the better ROI, we are riding on our cable businesses for giving it to be broadband services and we are expanding wherever our cable business is there, that to be in the broadband also.
- Miten Lathia:** And you don't see that changing for the next three years at least, I mean you will keep on doing overlap with your cable business?
- Piyush Pankaj:** Yes, we are going to do those overlaps. We are going to come with the broadband through partners, that strategy is already there, already pilot is over and we are going to launch that, but we are going to do it through partners on our cable network only.
- Miten Lathia:** Effectively, no green field area for broadband is being targeted?
- Piyush Pankaj:** We are targeting green field for the cable and broadband area, like a new building is coming, new areas are getting developed. It would be the same state, same district or same town.
- Miten Lathia:** You maybe in the process of also expanding the geographic area territory of your cable business, that's what you're trying to say?
- Piyush Pankaj:** That's right. We are already doing it in our current states and our new states.
- Miten Lathia:** And, if one were to understand the incremental profitability of broadband while looking at the numbers, we can get a fair sense. But, if we were to just simply look at incremental EBITDA margins for a new subscriber added on the existing home-pass that would be at what number sir?
- Piyush Pankaj:** If you talk about EBITDA, because it's not CAPEX, CAPEX is different. On EBITDA if you say it is around 42%, which is we are getting straight way incremental in our EBITDA.
- Miten Lathia:** That would be on the whole base per se, but on an incremental basis it will be higher than 42%.
- Piyush Pankaj:** Yeah, on an incremental basis if you talk about that, I'm adding subscriber base, where already I have subscriber base .
- Rajan Gupta:** Piyush, in existing markets essentially gross margin. So, gentlemen, if your question is in existing home-passes, we're already for example 15% penetration is there. If we add another 3% penetration, how much will be the addition to the margin. Because fixed cost is already there in those markets. It will be basically gross margin is what we'll go to the kind of profit line, obviously below EBITDA whatever lines are there depreciation, etc. that will come. Gross margin is what will get added to EBITDA and gross margin is typically most of the markets more than 70%. I mean, finally above gross margin your cost of only bandwidth and money which we pay to channel partners in terms of the distributor commission or partner commission.

- Miten Lathia:** So, 70 is the number. Thank you.
- Moderator:** The next question is from the line of Dhruv Shah from Ambika Fin cap.
- Dhruv Shah:** I have a couple of questions linked to one thing how many of our 4.1 home passes would be coming from Gujarat?
- Piyush Pankaj:** Home-pass is around 90% - 92% from the Gujarat.
- Dhruv Shah:** The reason why I'm asking that question, sir, is because apart from Gujarat, your plans for the broadband doesn't seem to be anywhere competing with other likes, because if you see your offering in Hyderabad, you are charging 100 Mbps for almost close to Rs. 850, whereas Jio is charging only 699. Apart from Gujarat why your offering is really not competitive?
- Piyush Pankaj:** Basically, majorly our focus on B2C is only on Gujarat, other states our plan is to go ahead with our business partners like our joint venture partners or our LCO partners. Hyderabad market is B2B as B2C subscribers are fewer. Still, we are working with our business partners and surely we will replicate what we are doing in Gujarat. So, that will happen.
- Dhruv Shah:** Even if you work with your business partners, but we don't have any say in the kind of offering we have, because if you see Nagpur our maximum offering is 50 mbps and that too it's a 15-month period and Rs. 480 per month.
- Rajan Gupta:** Gentlemen, some of our colleagues here in this call itself spoke about focus, right? So, if you see last the 12 quarters, what we have been talking about here in this call, that we have limited capital. We would like to use that capital in areas where we are getting maximum ROI. So, around 12 quarters back, we identified Gujarat as the market where we have dominant leadership in cables, where we have excellent trade relationship, where we saw a sweet spot that apart from BSNL no other large telco can do any substantial broadband business. We all agreed that right from during IPO times that this business makes only money, if you are number one or number two and below a particular volume threshold in a particular market. Hence, Gujarat has a huge amount of home-pass available. The way our unit economics work even at an average ARPU of Rs. 450, we make greater than 40% EBITDA, which is where and to offer 100 mbps, you have to first upgrade that from MEN to GPON FTTH and every quarter, like some of us spoke about additional depreciation etc. because every quarter we have been spending money on upgrading network as well as creating new home passes in Gujarat bootstrap market. We haven't even exhausted that. So, you're right. One can go to Nagpur and Hyderabad. The Hyderabad market is already developed with three players where no net additions at the market level are getting added. Hyderabad already has more than 11 lakhs, 12 lakhs, WAN line broadband consumers who are getting at a very affordable price, 100 mbps speed. Now identifying through a channel partner, some gaps, for example, outskirts Hyderabad or Warangal where quality broadband service is not available. Over a period, we can develop that franchise as Piyush is rightly mentioning. But frankly, our prime focus will be on markets where we can be the number one

player and where we are the first entering player. That's where you can make even at Rs. 450 prices by greater than 40% EBITDA. While some work here or there will keep on happening, but I think as a strategy itself, our focus is on Gujarat at least for next few quarters, where there itself lot of meat is available. So, we can go anywhere but it's more like management decided to kind of focus on areas where first we can be the market leader. We can be the one who creates a market and be a dominant leader there.

Dhruv Shah: So, apart from Gujarat, if you can just elaborate on that, which is the other state, which you're looking to expand apart from Gujarat?

Piyush Pankaj: Right now, our major focus is on Gujarat. We are present in Patna, Varanasi, Jaipur, Nagpur, Pune and Hyderabad. But these are the small operations. We are going to concentrate on these markets and develop this market as the CAPEX and all those things permit us. But yeah, these are the six-focus market right now where we have entered, and we are going to aggressively on that with the time.

Dhruv Shah: And my next question is there any inorganic opportunity in the broadband space, you have alluded to the fact that you are looking for an inorganic opportunity in cable TV, but are there any opportunities on the broadband space also which you will be looking at?

Piyush Pankaj: There is no one at a big level, whosoever is there are in small ISP I think it's 5,000 to 10,000 subscribers a little is there in Gujarat but rest there is no big opportunity.

Operator: Thank you. As there are no further questions, I would now like to hand the conference over to the Management for closing comments.

Rajan Gupta: Thanks everyone for joining the earnings call of Q1 FY22 of GTPPL Hathway Limited. Be safe and healthy. We will meet again on next quarter earnings call. Thanks a lot.

Moderator: Thank you. On behalf of Emkay Global Financial Services Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.