

**“GTPL Hathway Limited
Annual FY 2019 & Q4 FY2019 Results Conference Call”**

April 16, 2019



**ANALYST: MR. YOGESH KIRVE – BATLIVALA & KARANAI SECURITIES
PVT LTD**

**MANAGEMENT: MR. ANIRUDDHASINHJI JADEJA - PROMOTER AND
MANAGING DIRECTOR - GTPL HATHWAY LIMITED**

**MR. PIYUSH PANKAJ - BUSINESS HEAD-VIDEO & CHIEF
STRATEGY OFFICER - GTPL HATHWAY LIMITED**

**MR. VIREN THAKKAR - CHIEF FINANCIAL OFFICER - GTPL
HATHWAY LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the post results conference call of GTPL Hathway Limited hosted by Batlivala and Karani Securities India Pvt. Ltd. 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 * then 0 on your touchtone 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: Thank you. Good afternoon to all the participants and thank you for joining in. We at Batlivala & Karani Securities are pleased to host this earning 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. Piyush Pankaj, Head of Video Business and Chief Strategy Officer and Mr. Viren Thakkar, Chief Financial Officer. I would now handover call to Mr. Jadejaji for opening remarks, which would be followed by a question and answer session. Over to you sir.

Anirudhsinhji Jadeja: Thank you Yogesh. Good evening everyone. On behalf of the Board of Director and Management of the Company, we extend warm welcome to all of you to the earning call of GTPL Hathway Limited to discuss Q4 result financial year 2018-2019.

Despite uncertainty, GTPL Hathway turned another year of impressive operating performance with consolidated revenue of around Rs. 1,289 crores and EBITDA of Rs. 361 crores during FY19. The company reported EBITDA margin of 28% during FY19.

The GTPL Hathway successfully implemented new tariff order across India and migrated all subscribers to the new regime. The company is the first MSO in industry to offer versatile language wise regional packages providing true choice to customers. With the new tariff order in place, GTPL will now focus on increasing footprint in existing market through expansion and will venture into the new market through acquisition and consolidation.

Now Mr. Piyush Pankaj can take you through the financials and business.

Piyush Pankaj: Good evening everyone. Thank you, Mr. Jadeja. I will be taking you through business and financial performance of the company.

To begin with the cable TV business during financial year 2019, GTPL seeded 8 lakh STBs, taking the total seeded boxes to 9.5 million. As on March 31, 2019, digital paying subscribers stood at 6.8 million decline by 200K due to implementation of NTO and transformation of entire LCO base to auto-dunning model. Phase wise digital subscribers stood at 0.75 million, 1.42 million, 2.14 million and 2.49 million from phase I to phase IV respectively.

Coming to our broadband business, during the quarter 4 and full year FY19, GTPL created 2,70,000 and 1.1 million new home passes, taking total home passes as of March 31, 2019 to 2.42 million. Approximately 50% of home pass are available for FTTX connection. The company added 15,000 net broadband subscribers and 10,000 FTTX subscribers during quarter 4. Net subscribers added during FY19 were 45,000, taking total number of subscribers as on March 31, 2019 to 3,25,000 of which 54,000 are FTTX subscribers. Data consumption as on March 2019 stands at 105 GB per month per customer, from 38 GB per month in March 2017; it has increased 3x over two years' period. Broadband ARPU for FY19 stood at Rs. 440 per month.

Let us move to our financial performance now. During quarter 4, GTPL's consolidated revenue increased by 21% to Rs. 3,488 million from Rs. 2,880 million. This was primarily driven by increasing the CATV subscription revenue by 35% to Rs. 2,083 million reflecting an inherent strength of your company's offerings and quality customer service. Broadband revenue for the quarter remains stable at Rs. 364 million.

EBITDA for the quarter increased by 28% to Rs. 1,036 million with the margin of 29.7%. EBITDA margin improved by 160 basis points mainly on account of stable pay channel cost.

Our finance and interest cost for the quarter remain stable at Rs. 112 million and Rs. 77 million. The company reported the net loss of Rs. 197 million on account of impairment on trade receivables. The total impairment taken in the quarter 4 is around Rs. 850 million of which Rs. 160 million has been taken above EBITDA, Rs. 650 million has taken as exceptional item and around Rs. 40 million has taken in the deferred taxes.

GTPL's gross and net debt stands at Rs. 3,452 million and Rs. 2,064 million. Company reported this strong operating cash flow after tax of Rs. 2,296 million.

On our standalone business during quarter 4, the company reported a revenue of Rs. 2,304 million, which is increased by 16%. This was primarily driven by increase in subscription revenue by 43% to Rs. 1,504 million. The company reported an EBITDA of Rs. 796 million with a healthy margin of 34.6%. EBITDA margin improved by 730 basis points on account of marginal increase in pay channel cost by 6% and decline in other operating expense by 38%.

The company reported a net loss of Rs. 182 million on account of impairment of trade receivables in quarter 4 FY19.

That said, I now thank you for your attention. We can now take questions that you may have.

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

Moderator: We have first question from Mr. Parag Gupta from Morgan Stanley. Please go-ahead sir.

Parag Gupta: I have 3 questions. Firstly, as far as the new tariff order impact is concerned, Can you give us some understanding of how much of that has already come through in this quarter numbers and how much of that is still likely to flow through in Q1-Q2 of the next financial year.? I am just looking at your pay channel cost. Have they come down on a sequential basis. And how much more can this change in the next few quarters? Second question is related to cable television Can you give us a sense of how your ARPUs have moved in the different phases? And finally, on the broadband side, I just wanted to understand your broadband strategy going forward and given that you have Reliance to some extent as a partner now, how does your broadband strategy change or accelerate from here? Thank you.

Piyush Pankaj: Thanks Parag. So, the first question was in NTO. As you know the NTO implementation started from first week of February. All NTO related implementation completed somewhere by the last week of March. So, February and March was the implementation period. You cannot see the full effect of NTO in quarter 4 right now because it's only one and a half months effect plus this is not a full effect as the implementation was going on. Going forward you will see an increase in subscription revenue and in the pay channel cost. By quarter 1, you will see the full implementation and the full effect, which is going to come into the books. We are also still saying that because lot of customers which have churned out or who have not activated the service, we are getting them back. So, the full effect can be redeemed by May end or June, that's how the effect is going to be in our books. We are expecting that NTO is going to increase EBITDA and it is going to be positive for us as well as for the industry. The second question on the broadband, from last 6 months as the NTO implementation was going on, the focus was not totally on the broadband. We still added good number of customers and reached to 325K. We are back on our strategy now and our focus is full on broadband, on CAPEX side, on infrastructure building, on customer acquisition and geography and we are expecting that whatever we were not able to planned to achieve in last 6 months we are going to achieve that. Back on track in the next 6

months' time. Talking about Reliance Jio, we are privileged that they are our partner and somewhere we will see that what benefits can be taken on the synergies. But we are going ahead with our own strategy, which we have already given, that how GTPL is converting all the cable households into FTTX households and getting them as a broadband subscriber.

Parag Gupta: Great. Sir, would it be fair to say that the broadband strategy, the acceleration in subscriber addition will largely be because of your effort on marketing and just going deeper with customers, or do you think it will involve a lot more CAPEX and the penetration within home pass to that extent will remain low?

Piyush Pankaj: Parag, it is going to involve all those things which we have said. We have already launched our Giga HD in the third quarter of last year, but we have stopped that because of NTO. We are again going to launch our hybrid product and we are going to push for that. It requires marketing CAPEX or investments, we are ready to do that, and we have the cash flow capability. We have planned to implement it. So that strategy is on, which will provide the multiple services and push our product as a combined product, and also convert our cable and broadband business as one.

Parag Gupta: Okay, great. And finally, could you just give us the ARPUs for your phases in cable television?

Piyush Pankaj: ARPU in the new tariff order for phase wise has become irrelevant because in phase III and phase IV, there are affluent houses who are even going for HD boxes. It is not that the ARPU is established in the phases, but overall as I have given earlier that our ARPU was around Rs. 73 - Rs. 74 on average basis for all phases. That is coming to Rs. 116 and we are looking forward that it will improve in the coming quarters.

Moderator: Thank you Mr. Gupta. We have next question from Mr. Sanjay Chawla from JM Financial. Please go-ahead sir.

Sanjay Chawla: I will start with the customer base, which has come down quarter-on-quarter almost 8%-9% decline in the billed customer base. So, you also mentioned that, some of the customers to comeback. So how many do you expect to come back, who have churned and where have these customers gone? Second question is, how does the monthly pay TV cost change in the cable compared with the cost in DTH? So, if you can just give some assessment of your competitiveness versus DTH before and after NTO in phase III and phase IV? And a related question to question #1, has there been a LCO churn also, which has accompanied the end customer churn?

Piyush Pankaj: Thank you Sanjay. First, I will come on deactivated customers, it is not churned customers, it is deactivated customers. What we are observing is two things happening parallelly. First is the new tariff order where we have to take the choices from every customer, and the second, we have gone for 100% auto-dunning. As we have mentioned earlier, our 40% subscriber base was on the auto-dunning and 60% base was still on postpaid. The training for customer level, LCO level, team level and head office level, all has been imparted but as you know, it is only one and a half month and therefore some training or some issues remain. Because of that what we are seeing is the main deactivation, which happened in phase III and phase IV.

Anirudhsinhji Jadeja: So Sanjay, as Piyush mentioned 3% to 5% customer in auto-dunning will not come back, but those with second TV, third TV and some customers have not reactivated the service because of exam period. If you compare January exit numbers with March, it is 8% to 9% deactivation, of which 3% to 4% I do not expect to come back. But I am not saying those are churned customers, but they are with second TV, third TV, and they will take some time to come back. But another 3%-4% customers will come back before end of June.

Sanjay Chawla: So, by June realistically one could expect 7.1 million – 7.2 million kind of a customer base?

Anirudhsinhji Jadeja: Yes. Absolutely.

Sanjay Chawla: Okay. And have there been LCO exits also, which pertains to?

Anirudhsinhji Jadeja: LCO churn has not happened anywhere. Those who are with GTPL for 15-20 years are still there are. We are also expanding into other markets. And now because of NTO there is no area demarcations and we can enter all India. So we are planning to consolidate small players also as they are facing lot of issues because of the new NTO. It is good opportunity for us.

Sanjay Chawla: So where have these customers gone? You know, some of the permanent loss may have happened, where exactly? and you also attributed some of the loss to increase in pricing, right, in phase III-phase IV, where the pay TV pricing has been originally historically quite depressed. So where do you think this customer have gone, who are not in current pack?

Anirudhsinhji Jadeja: The 3%-4% customer we mentioned in auto-dunning has not gone anywhere. You will find that number to come back. Earlier only 40% market was for auto-dunning, now it is 100%. The 3% to 4% customers will not come back. We need to negotiate with LCO and need to do package selection, also there were exams in March. They are slowly coming back. Those with second TV and third TV are slowly reactivating the account.

Sanjay Chawla: So, are you suggesting that there is no permanent loss, I mean you are obviously hinting that auto-dunning being a factor, which has increased sort of the permanent...?

Anirudhsinhji Jadeja: No, so auto-dunning I told you, 3%-4% customers will not return.

Sanjay Chawla: My question again is where do you think these customers went? Did they go to your MSO competitors or is it DTH or is it free DTH, or paid DTH? Where do you think some of the customers would have gone?

Anirudhsinhji Jadeja: No. The customers are the same. LCO have not focused on the payment and collection. It was going on a relationship basis. Now in auto-dunning, they have to pay out. So, it was expected that these customers are not going to return.

Sanjay Chawla: Okay, fine. Regarding your pay TV cost, how does it compare to cable versus DTH now, before and after the NTO, in phase III and phase IV particularly?

Anirudhsinhji Jadeja: For pay channel cost, it is too early. Some broadcasters have changed the pricing in April. So, the cable TV pay channel cost will be able to be cleared only by 1st quarter. Effectively if you see the whole industry has rolled out NTO from 1st of February to 14 February. The cost will get cleared in the quarter and we will come to know where the pay channel cost is headed to in next quarter.

Sanjay Chawla: Sir, if we focus only let us say your business, you customer, your market, how has the entry level package changed in phase III and phase IV, with respect to the monthly price?

Anirudhsinhji Jadeja: The entry level package is the same and our packaging if you say we have announced 3 packages on standard definition and two packages in high definition and it is a recommended pack. So, it is Rs. 250 – Rs. 350 and Rs. 400. Earlier it was also same Rs. 250 – Rs. 350 – Rs. 400.

Sanjay Chawla: But you are not getting Rs. 250 in phase III-phase IV. So, I mean something that has seen any ride and you yourself mentioned that tariffs have gone up, therefore there is some churn has happened. So, I am trying to understand you know...?

Piyush Pankaj: Sorry Sanjay for barging. If you see, we are talking about Rs. 250 inclusive of taxes. The overall it is coming somewhere around Rs. 210 - Rs. 205. If we talked about phase III and phase IV combined, that was the cost in the market. Phase IV was somewhere Rs. 180 – Rs. 200 and phase III was somewhere Rs. 200 – Rs. 250. So the pricing is almost same on that basis plus the customer has options now that if they want to select lesser cost packages, they can do. They can take only 10 channels, 5 channels of their choice and they can do it. So, if more often the customers have the choice where they want to keep the pricing per individual houses. I hope I have clarified you in this.

Sanjay Chawla: Okay. And on the broadband side what kind of cooperation and synergies do you expect from the new co-promoter Reliance? What is the outlook on the broadband business because we haven't seen any major growth this year, I know you are in a phase of transition? But what kind of a growth one could expect in this new fiscal year on the broadband side?

Piyush Pankaj: So, on the broadband side, first thing I want to clear is that it is a privilege that Jio is our partner, where we can get lot of synergies from partnership. That will help us to propel and accelerate our business overall, especially on the broadband side. Our focus in FY20 is going to be on the broadband and we are at 325K subscribers right now, somewhere we should jump by 20% to 25% in the subscriber base this year and maintain our ARPU.

Sanjay Chawla: Sir on the broadband side I wanted to understand can you profile the nature of cooperation and synergies, which one could expect from the co-promoter of Reliance? Can you give us a sense of what kind of...?

Piyush Pankaj: Sanjay, overall it is like vendor negotiation, infrastructure sharing. So, this kind of synergies will be going to support us in future.

Sanjay Chawla: And what kind of a growth outlook one should now have for your broadband business? You know you haven't seen much...?

Piyush Pankaj: I had given that Sanjay, we are at 325K subscribers. We are looking forward for 20%-25% jump in the subscriber base this year and based on that target, we are working towards creating the home pass and infrastructure.

Sanjay Chawla: What kind of outlook one should have on the ARPUs because they are still declining, and can you also explain why the ARPUs have kept coming down? Now it is close to Rs. 400. Where do you think the ARPU bottom is because your product has upgraded but we haven't really seen the ARPU increase or ARPU upgrade that we were expecting at the middle of the project?

Piyush Pankaj: Yes Sanjay. As you know that our focus is to create FTTX infrastructure, now it is 1.2 million out of 2.42 million. But still we have you can say out of 325K we have around 54K FTTX subscribers right now, which is increasing every quarter. But still we have around 250K subscriber base in lower broadband, lower speed broadband where the pressure is more from the wireless, where the wireless prices has really crashed out and there we have to give discounts to retain our customers and that is why our ARPU is getting pulled down. Now we are trying to maintain our ARPU at this level at least and increase our FTTX subscribers aggressively by marketing.

Sanjay Chawla: Sir, what is the base ARPU in the non FTTH segment and what is the base ARPU in FTTH segment?

Piyush Pankaj: In FTTH if we talk about 40 Mbps, we are charging around Rs. 500 for 40 Mbps and for 100 Mbps it is varying from Rs. 650 to Rs. 750. For non FTTH, according to the market, prices are different, as we are giving discount. Like for Surat market prices is as low as Rs. 150

and in Ahmedabad market prices are as high as Rs. 450. But average ARPU is coming to somewhere around Rs. 440.

Sanjay Chawla: So why is the ARPU so low in Surat? I mean this is a fixed broadband product, I mean, mobile is priced at Rs. 145 for a month, should fixed broadband be priced at safe level and does it mean that the prices in higher ARPU areas like Ahmedabad on the non FTTH can actually there is a downside risk to those ARPUs?

Piyush Pankaj: Yeah. I am talking about the outskirts of Surat on that way. Surat is the last city where we did the upgradation in FTTH. So that is why you are seeing that in the outskirts of Surat the prices are as low as Rs. 150, but yeah, we are trying to improve that as we have started FTTH in aggressive way in Surat now. The implementation is happening over there and we are converting the households into FTTH. So that is why it is low currently.

Moderator: Thank you Mr. Chawla. We have next question from Mr. Akash Shah from AMS Securities. Please go-ahead sir.

Akash Shah: What was the CAPEX for FY19 and the budgeted CAPEX for FY20?

Piyush Pankaj: For FY19 as we have given that earlier estimation that it is going to be between Rs. 150 crores to Rs. 160 crores. The total CAPEX is coming at Rs. 155 crores out of which Rs. 51 crores have gone into the broadband and rest in CATV business. For next year, on the broadband side, we want to go for more aggressive. We are keeping that it is going to be the same as we did in the last year, around Rs. 160 crores. But by end of first quarter we are going to give you exact estimation of what we are going to spend in CAPEX in next one year. Right now, expectation is Rs. 160 crores.

Akash Shah: So, do we see any debt level rise or reduction in debt levels?

Piyush Pankaj: We are going to see the reduction in debt level. I will ask our CFO Viren to take this question.

Viren Thakkar: So, this year we are expecting debt reduction of around Rs. 135 crores and we will add outside debt of Rs. 85 crores. So, there would be net debt reduction of around Rs. 40 crores to Rs. 50 crores in this particular year...

Akash Shah: Yeah. What was the figure for net debt? The net debt addition will be around?

Piyush Pankaj: Net debt is Rs. 205 crores, which will reduce by Rs. 30 crores to Rs. 40 crores in next financial year.

Akash Shah: Okay. And my second question was regarding the status of the BharatNet project. Have the revenue started coming in or it will come in FY20?

Viren Thakkar: BharatNet project we have already started implementing within the last quarter of the financial year 2018-2019. But revenue generation will happen from current quarter. So, we will start generating invoices to GFGNL during current quarter.

Akash Shah: In quarter one or during the year?

Viren Thakkar: Yeah. It will be starting from quarter one.

Anirudhsinhji Jadeja: It will start with the quarter one and quarter-on-quarter it will increase. The project completion date is 31st March FY20.

Moderator: Thank you Mr. Shah. We have next question from Ms. Gautami Desai from Chanakya Capital. Please go-ahead ma'am.

Gautami Desai: My first question is that how much more should we expect from the write off, one is that. And then you said that your ARPU has increased from Rs. 73 - Rs. 74 to something. I missed that to what it was. And the third is, I am sorry but I don't know what is auto-dunning. Does that mean that because of auto-dunning your entire cable TV revenue is going to go prepaid?

Anirudhsinhji Jadeja: Yes. Gautami, absolutely right. Auto-dunning means it is 100% prepaid and it is every day, month-on-month it is an expiry liner or it is called an auto-dunning. It is 100% prepaid.

Gautami Desai: Sir prepaid means money comes at the beginning of the month?

Anirudhsinhji Jadeja: Yes. It is the beginning of the cycle and Earlier LCO was paying Rs. 72 – Rs. 75. So now the LCO outflow is jumped by almost 40%-50%. Earlier in the past the ARPU was Rs. 72, now we reach around 100, this quarter it is showing around Rs. 116.

Gautami Desai: Rs. 116 you are getting from the LCO side?

Anirudhsinhji Jadeja: Yes.

Gautami Desai: And your pay channel and the expenses will go from this?

Anirudhsinhji Jadeja: That is right.

Gautami Desai: And this is without tax?

Anirudhsinhji Jadeja: These are without tax.

Gautami Desai: Okay sir. And on the write off side can you throw some light for the future?

Piyush Pankaj: This impairment, which is a provision for trade receivable, it is not a write off and we are expecting that some of the provisions will come back, will write back as we are going to collect those money. But on conservative side, we have taken the provisions of Rs. 85 crores.

Anirudhsinhji Jadeja: Yes, so Gautami because of the new tariff order LCO pay out, earlier it was Rs. 72 and it had jumped by almost 50%. But there is no jump in the revenue outflow. Earlier they were paying Rs. 72 and now Rs. 116 to Rs. 120 and it might increase further. So, on a conservative side we have applied provision for this. Not all will be written off, some will be come back as collection.

Gautami Desai: But you still have some receivables left, right, what will happen for this receivable and will your receivable days come down now with this auto-dunning?

Viren Thakkar: Yeah, the receivable days will definitely come down, but right now there would be ECS from receivable because the provision what we have made in our books and account is for receivables, which is more or less more than one year. That is the policy we have adopted, but still we will have receivables between 6 months to one year and though the system is changed now to auto-dunning but yes we have some receivable in the system and those receivable will also be recovered in this current quarter or next quarter but yes, we are having some receivables, which is going to remain.

Gautami Desai: How do you expect your receivable days to move?

Piyush Pankaj: The receivable days will go down Gautami.

Gautami Desai: But will this be a drastic reduction because I think there should be a drastic reduction with this prepaid, right?

Viren Thakkar: Yeah. From now because it is just two months. So definitely it will.

Gautami Desai: And even your carriage receivable and all that you used to have, you won't have because mainly your carriage is substituted by something else, right? So, all that in fact having a huge change...?

Piyush Pankaj: Placement receivables will be there.

Anirudhsinhji Jadeja: See Gautami, there are majorly two parts to the provision that we have provided, one is the subscription side and other is the carriage side. So, there was dispute on carriage side for more than a year. We have provided conservative provisions for that. But I am sure money will come but conservatively, even carriage is provided.

Moderator: Thank you Ms. Desai. We have next question from Mr. Ashish Kacholia from The Lucky Investment. Please go-ahead sir.

Ashish Kacholia: First what is the target for broadband customer addition this year?

Anirudhsinhji Jadeja: Ashish bhai, broadband customer addition will happen just like how it was in the last year. Net addition will be around 100K but since we stuck into NTO roll out we were not able to achieve that target, But 100k will be the net addition in current financial year.

Ashish Kacholia: We ended at 54,000.

Anirudhsinhji Jadeja: The target was 100K but because 4-6 months we were totally focused on NTO roll out, we were not able to achieve the target. But this financial year net addition will be 100K.

Ashish Kacholia: Is that a less than ambitious target? It doesn't look very ambitious. I thought we have passed 1.2 million homes.

Anirudhsinhji Jadeja: It is a conservative target, it is minimum 100k net addition.

Moderator: Thank you Mr. Kacholia. We have next question from Mr. Akash Shah from AMS Securities. Please go ahead.

Akash Shah: Yeah. My question was regarding any particular market that we are looking after targeting Gujarat and West Bengal?

Anirudhsinhji Jadeja: In new tariff order, DPO has very good opportunities as they don't have an area restriction. So yes, where we see better opportunity specially like Maharashtra, Gujarat and West Bengal and where there need to have major penetration like AP, Telangana, Assam, Bihar, Jharkhand, so that will be the focus, Rajasthan also.

Moderator: Thank you Mr. Shah. We have a follow up question from Mr. Ashish Kacholia. Please go ahead.

Ashish Kacholia: Sir, these 1.2 million homes passes that we have, what is the target for home passes this year?

Piyush Pankaj: We have total 2.42 million, out of that 1.2 million is FTTH. We are looking forward that we will come close to around 3.2 million to 3.3 million.

Ashish Kacholia: ,What is the total home pass potential in the market that we are operating?

Piyush Pankaj: Right now, we are doing in the Gujarat, where it is around 5.5 million.

Ashish Kacholia: Which is the total potential of the market?

Anirudhsinhji Jadeja: Ashish bhai, our priority is we have digital cable TV customers. In Gujarat we have close to around more than 3 million digital cable customers. We have around 2 million home passes and close to around 1 million FTTH home pass and 1 million MEN. We have migrated 60% to 70% network to GPON. 30% MEN network is going on, we are going to upgrade them as well. We will create as many home pass as we have digital cable customers, which is around 3 million.

Ashish Kacholia: With FTTH?

Anirudhsinhji Jadeja: You can say 70% is FTTH, 30% will continue in MEN format because it is phase IV And phase III market, where it will continue.

Ashish Kacholia: Viability won't be there?

Anirudhsinhji Jadeja: Yeah.

Ashish Kacholia: Then what is the percentage of conversion that we have, you said how much in the FTTX market we want to get 1.7 or 2?

Anirudhsinhji Jadeja: No. 1.2 is already the customer network is upgraded in FTTX.

Ashish Kacholia: How much for this year, sir this 1.2 million to what?

Anirudhsinhji Jadeja: Another 800K close to around FTTH home passes.

Ashish Kacholia: So that will become 2 million.

Anirudhsinhji Jadeja: Yes, Then we will reach around 3 million home passes base or 3.2 million whereas close to around 2 million or 2.2 million will be GPON home passes.

Ashish Kacholia: 2 million GPON will be completed, we will end the year at say a 150,000 GPON customers?

Anirudhsinhji Jadeja: Yes. Last financial year FY18-19, we reached close to around 54K to 60K is FTTH customers, so yes approximately right. So, as you said we will close to around 130K or 140K will be FTTH.

Ashish Kacholia: Isn't this conversion ratio very low. Hathway has a conversion ratio of something like 17%, so if our conversion rate is not that much, how it is going to work? That addition of Hathway that has come is because of its broadband penetration, isn't that correct?

Anirudhsinhji Jadeja: The thing is that with the home pass that we created in the quarter 2 and quarter 3, the conversion rate will not get more than 17%. It will happen slowly. First, we will create the complete GPON home passes. It will get picked up in quarter 3 and quarter 4. Suppose you create major GPON home passes, the major addition will happen from next quarter onwards.

Ashish Kacholia: My disappointment is basically that Hathway is so far ahead of us.

Anirudhsinhji Jadeja: But the Hathway home passes is close to around 5.5 million or 6 million. They created these home pass in last 6 years and last year we were 1.2 to 1.5 million only and we reached around 2.2 million home passes. So, our journey is just started in last 2 years.

Ashish Kacholia: Is it a characteristic of our market that Gujju people don't require broadband. Is there any problem like that?

Anirudhsinhji Jadeja: No, nothing like that.

Ashish Kacholia: In Bangalore and Hyderabad, there are lot of techies who realize more broadband and all that. So is there a cultural problem with our market or it is a slow market. What is the reason, I thought once you put a broadband home pass people will be lining up outside the office asking for broadband, but it doesn't look like that?

Anirudhsinhji Jadeja: Ashish bhai if you see any DPO, especially like Hathway and other big broadband player their journey took 8-9 years in creating home pass, whereas yes earlier GTPL conversion ratio was 22% and we were in MEN technology, but now because the market is moving completely high speed broadband, so we are upgrading infra network to GPON. So almost 70% network is upgraded and that upgradation has happened last year only. So earlier, two out of three home passes were in MEN technology and it is all Metro Ethernet. So yes, we will maintain 20% conversion ratio, but it is not possible within the year to reach that number. So, it will take time to convert home pass to subscribers.

Moderator: Thank you Mr. Kacholia. We have next question from Mr. Charles Cartledge from Sloane Robinson. Please go ahead.

Charles Cartledge: I was a bit late on the call I am afraid. But could you just walk us through the economics of your investments and your return on investment for FTTH broadband? Thank you.

Piyush Pankaj: Hi Charles. On FTTH investments, as we have given you earlier that we are making around 35% of EBITDA on FTTH subscriber and the average price for 40 Mbps and 100 Mbps together, somewhere it is Rs. 550. On Rs. 550 if I take 35% EBITDA it is coming to around Rs. 190, The CAPEX investment is between Rs. 3,500 to Rs. 4,000, on that basis, we are recovering all our investments by 20 to 21 months. If you remember when we are presenting it at the time of IPO, we have given you the figures of 30 months, which has come down to now 20 to 21 months.

Charles Cartledge: Sorry. I didn't hear what you said on the CAPEX very well. Please say that again.

Piyush Pankaj: CAPEX is between Rs. 3,500 to Rs. 4,000 per subscriber.

Charles Cartledge: Okay, I got that. I mean it is kind of curious that we got this apparently quite high return business but it is not really performing the way that we hoped it would. As someone else mentioned already the penetration rate is quite low, it just seems that, this calculation as a payback sounds great. But they don't, it is contingent upon people taking it up and take up has been quite slow, someone else said that the penetration is lower. So, you think you might get through with these numbers, which you have just given. Is that predicated on 20% penetration or what kind of a penetration rate does that presume?

Piyush Pankaj: This has presumed at 20% penetration. You are right Charles. Right now, if you see we have been saying it in different calls that once you create the home pass for FTTH, it takes between 6 months to 9 months to bring the customer on that because that is a quite effort to convert those customers and to convert those buildings into our customers. In the last 6 months you will see that from somewhere 1.6 million home passes we have grown to 2.42 million home passes in last two quarters where the focus was more on infrastructure creation The whole focus of

management was on the new tariff order. So, we have created the infrastructure, but we have not taken the advantage of that for creating the customer or home connect. So that will happen in this FY and that is why we are saying that this year the focus is totally on broadband and we are hoping that net 100K customers will come into the picture and mainly in on all 100K it is going to be mainly the FTTH customer whom we are going to gain here.

Anirudhsinhji Jadeja: So, if you see quarter IV net addition is almost 15K customers. So earlier it was because we were completely upgrading our network and creating home pass, Last quarter is encouraging because out of 15K we have seen that around 11K is FTTH subscribers. Already we have reached on the addition say around 66%-70% is FTTH subscriber addition.

Charles Cartledge: Sorry 56% to 60%, is that what you meant?

Piyush Pankaj: Out of 15K addition in last quarter, around 11K have come into FTTH. So that is an encouraging trend that more FTTH subscribers of around 65% to 70% have started coming..

Charles Cartledge: And what is the contract term because you talk about net addition, so obviously the implication is that it is different numbers and gross additions, what is the churn rate? And why is the churn at all?

Anirudhsinhji Jadeja: So, the churn rate is average the overall industry average even though GTPL is also close to around 25%. But the contract term with the customers right now, GTPL stands on 9 months to 10 months.

Charles Cartledge: Okay. So, if I had 100 customers at the beginning, at the end I only got 75 because of 25% churn, assuming that I have no new great addition. So why do you think so many people are churning off the broadband business?

Piyush Pankaj: See, the main churn is happening from lower speed broadband customers. There the customers are churning and also pulling our ARPU down, where we have to give schemes to retain those customers. Those customers are shifting to wireless or some lower broadband. But in case of FTTH subscribers, the retention is very high. Overall what we have seen that Churn rate in the whole market is between 20%-25%, we are on the same range but mainly the churn is happening on the lower broadband subscriber.

Charles Cartledge: What is your FTTH churn?

Piyush Pankaj: For FTTH Churn, we have started just the last year, it is hardly 1% right now. As they are coming on 6 months and 12 months and 18 months period, so the churn rate is hardly 1%.

Charles Cartledge: Right. So, we don't know what it is going to be because we haven't gone through a cycle.

Piyush Pankaj: Yeah, we have to go through that cycle but we are hoping that churn will not be there as the services are good and they are getting what they choose for. Those are the sticky customers.

Moderator: Thank you Mr. Charles. We have followed up question from Mr. Gautami Desai from Chanakya Capital. Please go ahead.

Gautami Desai: Anu bhai, you have about 3 million digital cable TV customers concentrated in Gujarat. So, what do you think that how many home passes will be required to engulf this entire 3 million digital cable TV and in how many years can you achieve that?

Anirudhsinhji Jadeja: The 3 million customer is a GTPL existing cable TV digital customers whereas close to around 2 million customers of different DTH players. So potential is close to

around 5 million to 5.5 million. GTPL has already build up around 2 million home passes and in the same market we will create another one million in the next one year. But if you see potential, 3 million it is a GTPL cable TV digital customers whereas another 1.5 million same area there are different DTH player customers too. So overall potential home passes cable TV customers or DTH customers will be 5 to 5.5 million digital.

Gautami Desai: Yeah sir, for you the conversion should be much higher than 20% because you have such a high concentration of cable TV in that area where you are doing home passes, right, going forward?

Piyush Pankaj: Yes.

Gautami Desai: Yeah. So, to get out of this 3 million to convert let us say 50%, let us say on a conservative side we say we want 50% of this 3 million going to broadband, how many years you think that should take for you?

Piyush Pankaj: Gautami, already this 54,000 FTTX subscribers has come from these market only. And we are looking forward that we will start our Giga HD product again, where the cable and broadband is going to be together in the household.

Gautami Desai: Yeah, right. So, there is a huge potential.

Piyush Pankaj: That is a huge potential and that will convert our cable subscribers into broadband straightway as a bundle product and at a very good price and that is what we are going to target for converting our cable subscribers.

Gautami Desai: Yeah. So Piyush what I mean to say is that when you have the complete ocean why are you out there on a small boat. So actually, something that is holding you back, right? In cable TV you have been very aggressive and you been a visionary and whereas in broadband your growth plan and your target seems to be much lower than what you can do.

Anirudhsinhji Jadeja: After IPO listing majority of our customers were in MEN Technology. And we have now converted around 70% to GPON. We took some time in adding new home pass because we were upgrading our infrastructure. Last quarter we have added 15,000 customers. In the full year we have added 55,000 customers of which 15,000 were added only in the last quarter. Now the momentum has come back, we have converted almost 70% customers.

Gautami Desai: Okay. Just one last thing, so how is the competitive scenario in your area? What is the experience that you are getting when you are trying to convert a customer is it still those small ISPs or somebody...?

Anirudhsinhji Jadeja: There is no small ISP player in Gujarat. Majorly the big ISPs are only there in cities like Ahmedabad, Baroda, Rajkot, Surat like that. Rest of the cities do not have any other major players or small players. We can still hear names like Airtel, You Telecom, Reliance, but there are no other small providers in the market there.

Gautami Desai: Okay. So Jio has it penetrated like in a big way in those markets. It must be really small, right? They must be testing grounds.

Anirudhsinhji Jadeja: No, just started in those markets.

Gautami Desai: And Airtel and they will not have a product as powerful as yours, right?

Anirudhsinhji Jadeja: Yes, absolutely.

Gautami Desai: So, , which means that you don't even have much competition around.

Anirudhsinhji Jadeja j: That is correct.

Moderator: Thank you Ms. Desai. We have a follow up question from Mr. Charles from Sloane Robinson. Please go ahead.

Charles Cartledge: Apologize if you answered this question before as I said I was late. So perhaps the best part of your results will be after you own cable TV , which I think you said earlier went from something like 70 to over a 100. Does that in part reflect the fact that the auto-dunning has placed, your active subs went down or is that a like to like increase and can you tell me what led for that increase and why you are confident that it will increase further?

Piyush Pankaj: Charles, on the new tariff order if you see the choices has gone into the hand of customers to choose their channels. Earlier we used to bill LCOs on the basis of what is prevailing in that market. Now that has changed, the billing is happening according to the customer choice. So, the customer is choosing the channels, which are higher priced and the subscription has gone up.. The outflow of LCOs has gone up in the market and that is why our billing to LCO has gone up. So earlier when we were billing around averages Rs. 73 – Rs. 74, in quarter 4 we are going to see that average is coming to Rs. 116 – Rs. 117 and further on as February and March the implementation was going on and the customer were making the choices, so the April and May month is going to be where all the choices had been made by the customer and you will get somewhere stable revenues that will be the average revenue. We are expecting that it will be somewhere around Rs. 130 , which is going to be the stable in the market. So that is why we have given the statement that it will go up a bit as we see in the quarter one as the full effect has not come. What was your second question Charles, was it on the revenue side?

Charles Cartledge: And why you expect it to go up? I too have a follow up question. Is there any increasing cost unless your content cost to price stable Q-on-Q, so is this the incremental revenue, will there be any incremental cost associated with that or is that all profits?

Piyush Pankaj: The pay channel cost is the pass through, which is somewhere around between 65% to 80% of the revenue plus net pay channel cost, which was somewhere around Rs. 25 – Rs. 26 for us that will go up for the MSOs. The net pay channel cost, which is content cost minus carriage and placement that will go up for the MSOs.

Charles Cartledge: Okay. And so maybe you can help me understand what your net take is and how is it changing? So previously you started with Rs. 73 and I forgot what the content and carriage was but I think around Rs. 30 – Rs. 35 net to GTPL and how will that change in the future?

Piyush Pankaj: Charles, I will explain the whole economy on a different call with you. Thank you.

Moderator: We have a follow up question from Mr. Ashish Kacholia from The Lucky Investment. Please go-ahead sir.

Ashish Kacholia: Sir, what is the customer experience like on the broadband side? Like using the app and all that, can we buy that when it is a prepaid system? I am a Jio user, so it is a very good experience of just buying some additional GB. How good is the customer experience in our network?

Piyush Pankaj: Yes, the customer experience on the App , website, on our call center, it is a good experience. Plus, we do our testing of the speed and it is a good experience.

Ashish Kacholia: And is there an app also or the customer can...?

Anirudhsinhji Jadeja: It is My GTPL app for broadband. It is a very friendly app. We can measure speed in that, buy packages, do online payment, so all freedom is in there. All the schemes and

offers are listed and we have 24/7 customer service. The experience has been very good especially in FTTH customers or those with 100 Mbps or more than 40 Mbps.

Ashish Kacholia: Sir my next question is basically what is the market here that we are aspiring for in this market. So, there are 3 million home passes that are there in our market, right? 3 million or 5 million, what is the number that we are looking at?

Piyush Pankaj: So conservative conversion ratio as said is 20% we will reach at least 20% conversion ratio. It is a home connect.

Ashish Kacholia: 3 million home passes is what we have today. We are totally aspiring for 600,000 customers?

Piyush Pankaj: Yeah, our overall industry ratio is coming 20%. So, we are aspiring 20% conversion ratio.

Ashish Kacholia: So that is for us or that is for the industry?

Piyush Pankaj: 3 million we are creating next year. The potential is somewhere around 5 million – 5.5 million.

Ashish Kacholia: That is for all the players put together, right?

Piyush Pankaj: Yeah. For all the players it is like if we cover whole Gujarat market.

Ashish Kacholia: Okay. And what is the market that we are targeting out of this 5 million – 5.5 million?

Piyush Pankaj: 5 million to 5.5 million, right now on the home passes we are targeting that by next year at around 3 million and after that we will create more. Next year target is set to 3 million home passes , on which we will try to convert them into our subscribers.

Ashish Kacholia: So now 3 million you hope to convert into 600,000 customers, right?

Piyush Pankaj: Yeah. 20% conversion is what it is industry standard

Ashish Kacholia: How many years do you think it will take you to get to these 600,000 customers?

Piyush Pankaj: See, generally when you create home passes, like one million home passes when you are creating, we take between 12 months to 18 months to get conversion of 20%. You start with 5%-6%-8%-10% and by 18 months you get to 20%.

Ashish Kacholia: And we hope that we will be able to do the same thing for these 3 million, we are now at 2 million we have already done, right?

Piyush Pankaj: No. Right now, we are at out of 2.42 million 1.2 million is the FTTH right now.

Ashish Kacholia: so, 1.2 million is done, so 1.2 million and 20% conversion, so 240,000 potential is there out of the customers that we already have.

Piyush Pankaj: That is right.

Ashish Kacholia: This is by September 20, we should be in a position to reach about 250,000 customers, is that right?

Piyush Pankaj: Not September, by December at least.

Ashish Kacholia: So, 18 months, you are saying 21 months we should be able to reach that 20% kind of a mark?

Piyush Pankaj: You see out of this 1.2 million around half of the home passes were created in last 6 months only. Last two quarters we have heavily gone for the infrastructure creation and where we are not able to focus on customer acquisition because of NTO but the whole technical team was working. So that will take from 12 months – 14 months to convert at 20%.

Ashish Kacholia: In FY20 how many set top boxes we are hoping to seed in the market?

Anirudhsinhji Jadeja: Cable TV side we have worked out in this financial year another one million.

Ashish Kacholia: This is going to be in the same geography, or this is going to be in a new geography site?

Anirudhsinhji Jadeja: It is both, same and some part of new geography also.

Ashish Kacholia: So, is it necessary for us to go to new geographies because isn't it good we rather put all the time and effort and money into putting some more FTTX connection?

Anirudhsinhji Jadeja: Ashish ji, after new tariff order there is no area restriction. Where there is potential and, which lucrative market, the small networks are getting consolidated. We are seeing the potential there based on the new NTO. Those with potential are definitely going to spare well in this market, that is why we are saying old and new geographies both will do good.

Ashish Kacholia: And this set top box investment, what is the pay back for that?

Piyush Pankaj: On current market situation pay back is hardly two months.

Ashish Kacholia: That's is, two months' pay back for a new set top box?

Anirudhsinhji Jadeja: Right. The set top boxes we are either selling or we are giving as an activation or we are giving on rent almost 80% value will come upfront itself. 20% as Piyush said, is comes back in 2 months.

Ashish Kacholia: Okay. I got it sir. And sir one other question. This content cost that we have to pay to the content company, is that now a matter of negotiation or is that now a matter of fact that I have so many customers who have subscribed to your channel. Is the data now disputed or the data is now undisputed? So, you then only have transfer price.

Anirudhsinhji Jadeja: Ashish bhai, we will explain it another call. We have done detailed work on this and will share with you on a one-on-one call.

Moderator: Thank you Mr. Kacholia. We have a follow up question from Mr. Charles Cartledge from Sloane Robinson. Please go ahead.

Charles Cartledge: Some of that you are disappointed with the share price and I know just that you paid a dividend, which is great, I am wondering do you have any guidance for dividend payout in the future because I think that is the best way to show that you are generating profits and cash and returning money to shareholders. So, what is your intention going forward on the dividends?

Piyush Pankaj: Charles, as I told you I think on last call also that the management has recommended the Board for 20%. This year also as we have taken the impairment effects that is why it is only 10% dividend. This year also we are going to recommend to the Board as a

management for more than 10% and we will see how Board reacts and how Board gives the approval on those.

Moderator: Thank you Mr. Charles. Now I hand over the floor to management team for closing comments. Please go-ahead sir.

Piyush Pankaj: We as the management we thank you all to take your valuable time and coming to the call. We look forward to talk to you in the next quarter. Thanks a lot. Thank you.

Moderator: Ladies and gentlemen, this concludes your conference for today. We thank you for your participation and for using IJunxion Conference Service. You may now disconnect your lines and have a great evening ahead. Thank you.