



“GTPL Hathway Limited Q4 and FY 2021 Earnings Conference Call Transcript”

April 20, 2021



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Moderator: Ladies and gentlemen, good day and welcome to Q4 FY2021 Earnings Conference Call of GTPL 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 and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the Conference Call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Naval Seth from Emkay Global. Thank you and over to you Mr. Seth!

Naval Seth: Good evening everyone. I would like to welcome the management and thank them for giving me this opportunity. I shall now hand over the call to the management for the opening remarks. Over to you Sir!

Anirudhsinh Jadeja: Thank you Naval. Good evening everyone. A warm welcome to all of you to the conference call of GTPL Hathway Limited to discuss performance of Q4 and 12-month ended March 31, 2021. GTPL Hathway continues to consistently deliver on key KPIs. In the tough time of pandemic during the entire year FY21, GTPL remains committed to providing uninterrupted connectivity and entertainment to its customers. The highlights of FY21, were growth in subscription revenue for both CATV and broadband business, strong profitability, achieving net debt free status, geographical expansion, healthy balance sheet and improved return ratios. We have reduced our gross debt by Rs. 693 million in FY21 to become a net debt free as promised earlier. Additionally, the board has recommended to increase the dividend to Rs. 4 per share for FY21. GTPL is geared up to launch new products and services in FY22, thereby propelling its value proposition in existing and new markets. With that, I hand it over to Mr. Piyush Pankaj who can take you through the business and financial performance in detail.

Piyush Pankaj: Thank you Mr. Jadeja. Good evening everyone. I hope all of you are safe and healthy. GTPL Hathway is one of the few cable TV and broadband companies in India to deliver superior performance consistently. Our business model is quite robust and capable of leveraging multiple growth opportunities that this sector has to offer. It is important to note that in the past five years, our CATV paying subscriber base has grown sharply by 2.2x to 7.5 million. Additionally, our broadband subscriber base has shown significant growth of 3.7x to about 0.6 million.

We have been consistently generating free cash flow and have managed to reduce our gross debt by Rs. 4,034 million in the last five years and have returned the money to shareholders in the form of regular dividends. We are delighted to share that GTPPL Hathway has achieved net debt free status during FY2021.

The company has reported an impressive ROCE and ROE of 35% and 21% respectively in FY21. Thanks to enhanced operational and financial performance coupled with a strong balance sheet position.

As of March 31, 2021, our active subscribers stood at 8 million. GTPPL digital CATV services reached 800 plus towns spread across 15 states in India with Tripura, Meghalaya, and Manipur being the latest addition during FY21. GTPPL's CATV platform services own and operate 49 channels across 6+ genres. Of the 310 million households in India, only 171 million households, i.e., translating to 55% penetration of Cable & Satellite homes. The CATV industry offers an underlined growth opportunity for organized and seasoned players like GTPPL Hathway. Our CATV business expansion will gain momentum with organic and inorganic growth in the coming quarters.

GTPPL is very happy to have roped in Mr. Boman Irani the versatile actor as its brand ambassador in FY21.

The Indian wireline broadband sector is a sunrise industry with huge untapped growth potential. It accounts for 6% penetration of the total houses in India as against 80% penetration in Japan, 70% penetration in the Eurozone region and 55% penetration in China. Additionally, the total of high-speed unlimited data packages offers an opportunity to connect homes with wireline broadband services.

In the broadband segment, GTPPL is growing at a much faster pace than the industry. We added 540,000 new homepass in FY21 and taking the total home pass as on March 31, 2021, to 3.87 million. During the quarter, GTPPL added 45,000 net broadband subscribers taking the total broadband subscribers as on March 31, 2021, to 635,000.

The data consumption as on March 2021 stood at 212 GB per month up by 31% YoY. The broadband ARPU for FY21 grew by 5% YoY to Rs. 445 per month. GTPPL 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 us now move to our financial performance. On our consolidated business excluding EPC contract during Q4 FY21, GTPPL's consolidated revenue grew by 29% YoY to Rs.

5,991 million. The CATV subscription revenue stood at Rs. 2,665 million. The broadband revenue for the quarter grew by 77% YoY to Rs. 817 million, led by a rise in subscribers due to the adoption of e-learning and work-from-home, EBITDA for the quarter surged by 27% YoY to Rs. 1,423 million with a margin of 23.8%.

On our consolidated business including EPC contract during Q4 FY21, GTPPL's consolidated revenue stood at Rs. 7,877 million, EBITDA for the quarter increased by 25% Y-O-Y to Rs. 1,554 million with a margin of 19.7%. PAT for the quarter stood at Rs. 571 million. Our EPC contract during Q4 FY21 reported the revenue EBITDA and profit before tax of Rs. 1,886 million, Rs.131 million and Rs.131 million respectively.

On our standalone business excluding EPC contract during Q4 FY21, the company's revenue grew by 23% YoY to Rs. 3,927 million. The company reported EBITDA of Rs. 881 million with pan EBITDA margin of 22.4%.

On our standalone business including EPC contracts during Q4 FY21, the company revenue surged by 16% YoY to Rs. 5,814 million. EBITDA stood at Rs. 1,012 million with an EBITDA margin of 17.4%. PAT for the quarter stood at Rs. 411 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 now 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 Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi:

Good evening Sir. Thanks for the opportunity and congratulations for the good numbers. The first question from my side, if I look at the presentation on page number 31 and 32, where we have given the revenue breakup of consolidated revenue, there is this other income of Rs. 62 Crores for the full year, which was Rs. 40 Crores last year and for the current quarter it was around Rs. 39 Crores? Can you mention what is this regarding?

Piyush Pankaj:

On a year-on-year basis, the other income has increased by Rs. 223 million. It is mainly on account of one-off revenue recognized on account of the merger of JV subsidiaries in FY21. The same one-off expenses accounted in FY21 of around Rs.239 million. So, it is one-off revenue of Rs. 223 million on account of merger and expenses of Rs. 239 million. The expenses are coming under the administration expenses if you see in the presentation.

- Dixit Doshi:** Okay. So, even if this will not be there from next year onwards, it will not impact our profitability right?
- Piyush Pankaj:** That is right. It is not going to impact the EBITDA.
- Dixit Doshi:** Thank you. Secondly, we recently appoint Mr. Boman Irani and in our earlier interaction, you have indicated that we are planning to increase our marketing and ad spends. Now, we have pan India presence, so obviously we must have done some marketing and advertisement in FY20 and FY21. So, incrementally how much can the cost can go up in the next year?
- Piyush Pankaj:** We have started in March month and have launched four TVCs, which is still continuing right now. On the revenue side, we are keeping it as around 0.5% of revenue as a marketing budget for this year.
- Dixit Doshi:** Secondly, if I see the segment revenue breakup in that our broadband business quarter-on-quarter revenues have gone up from Rs. 77-78 Crores to Rs. 82 Crores, but our profitability in the segment come down? The profitability has come down from Rs. 15.4 Crores to Rs. 11.8 Crores?
- Piyush Pankaj:** Yes. We have provided a one-off item in the broadband, which is around Rs.3.3 Crores and because of that you can see the same profitability as for the last quarter. As it is one off, so it will not be affected on the expenses side in the future.
- Dixit Doshi:** One last question and then I will join back in the queue. Sir in our earlier interactions you had mentioned that the majority of our broadband subscribers are through our own network and going forward, we are planning to tie up with almost 28,000 cable operators for providing our broadband service so anything you can share on that has that already started and what kind of numbers we can add up in subscribers base?
- Anirudhsinh Jadeja:** So basically, the backend is fully ready and we will rollout in the first quarter.
- Dixit Doshi:** This year we added almost 235,000 subscribers in the internet, so how much we can add in FY22?
- Anirudhsinh Jadeja:** We are going to maintain our additions, which is somewhere around 60k quarterly. We are going to maintain that in FY2022 also. Just to clarify on the internet services on the segment results if you see March 31, 2020, we were showing the ISP internet service at around Rs.5 Crores, which has increased to Rs.43 Crores in 2021, quarter-to-quarter it is down, but year-to-year it is 10 times more.

- Dixit Doshi:** Thank you. That's it from my side. I will join back in the queue.
- Moderator:** Thank you. The next question is from the line of Prateeksha Daftari from Aequitas Equity. Please go ahead.
- Prateeksha Daftari:** My first question is on cable TV what was the ARPU that we had in this quarter for the cable division?
- Piyush Pankaj:** The ARPU remains the same at Rs.122.
- Prateeksha Daftari:** Sir this quarter the activation revenue was substantially lower on quarter-on-quarter basis so any particular reason and any guidance you would want to give about how would this span out in FY2022?
- Piyush Pankaj:** Activation revenue has gone down because the deferred revenue of activation, which was there at the time of DAS implementation, which was continuing for five years, has come down. We did a lot of STB seeding in FY2016 and FY2017 as the digitization was going on. Now, those deferred revenue is flushing out from the system after NTO. As per the guidelines, the tariffs are booked around 80% of activation revenue in the same year. Only 20% is getting deferred, that is why you are seeing that the activation revenue has gone down. Going forward, one more year it will go down and then it will be stabilized from FY23.
- Prateeksha Daftari:** About Rs.18 Crores to Rs.20 Crores of the deferred revenues that we could expect tapering forward going ahead right?
- Piyush Pankaj:** Yes.
- Prateeksha Daftari:** Sir if you see on a year-on-year basis, the paid subscriber and cable TV has been flat from FY20 to FY21. What is our expectation for subscriber addition in FY22 and what are the key growth drivers here for subscribers?
- Piyush Pankaj:** In FY21, there is a growth in the residential connection, but this has got affected due to the corporates. The hotels, corporates, housekeeping, offices, small offices and all, which have not come back totally because of the pandemic. We are looking forward that in the normal scenario this business will grow. The residential customers are growing. We have connected around half a million more residential houses in the pandemic. We are looking forward that we will continue to grow. The target is that in the next three years' time 50% jump in our subscriber base over the current.

- Prateeksha Daftari:** What would be driving this 50% growth? Any key initiatives you want to talk about?
- Piyush Pankaj:** We have entered around six states very recently and there is a lot of potential on those six states, where we are going to grow organically. There is a lot of opportunity for consolidation. We are already on the verge of executing some deals. Last year, we have not done anything because of the pandemic, but as the situation will improve going forward, we will do those deals and do the consolidation in the market.
- Prateeksha Daftari:** Sir the broadband division what I understand is that the homepass added during each quarter is coming down? At least FY21, we did not have homepass additions, would this
- Rajan Gupta:** Essentially, we have been maintaining earlier also. 25% penetration to homepass is an achievable number. So, if you see your homepass today and you do 25% that shows we still have a huge scope for growth. In many markets where we have done FTTH upgradation we have shown 25% penetration which is achievable. Specifically, in a market like Gujarat where the GTPL has taken a sole position in terms of creating a world class fiber to home network and practically nobody else is there so this is quite possible to achieve. So, I think in spite of the limited number of homepass increase last year, we have our hands full to maintain the same method and momentum as Piyush rightly mentioned.
- Prateeksha Daftari:** Sir what I understand from previous calls is that our ARPU had increased because of the upgradation of plan, but before that our ARPU was stagnant. So now, do we see at a higher rate of about Rs.50 growth in ARPU possible in broadband? Are we planning to change our pricing in anyway?
- Rajan Gupta:** I think the current focus is to create the market in Gujarat and other areas where the GTPL enjoys a high market share in cable. So, I think the focus is creating the market. As you rightly mentioned as upgradation happens from LAN to FTTH, there will be some ARPU increase which happened last year and the same momentum will continue.
- Prateeksha Daftari:** So, we expect 5% growth in ARPU going ahead as well?
- Piyush Pankaj:** Yes, that is what we are gearing for.
- Prateeksha Daftari:** Sir any update on the launch of our hybrid box? I think we have planned to launch during Q4 FY21 right?
- Piyush Pankaj:** Yes, we wanted to launch it in Q4FY21, but due to this pandemic the production has been delayed. The boxes are ready and they are getting shipped. We are expecting it come to India by the end of April. As the boxes will come, we will launch it very quickly.

Prateeksha Daftari: Last couple of questions. What is the capex target for the next year? Also, we are net debt cash surplus now? How do we plan to deploy our excess funds?

Piyush Pankaj: We have increased our capex projections and we did Rs. 335 Crores of capex in FY21. Out of that Rs. 175 Crores was in broadband and Rs. 160 Crores was in the CATV. Next year, we are projecting that we are going to do around Rs. 400 Crores of capex. Out of this, Rs.225 Crores to Rs.230 Crores is going to be on the broadband, rest is going to be in the CATV side. All capex is going to be funded through internal accruals only. We are not looking forward for any fund raising at this point of time.

Prateeksha Daftari: And how do we hold our excess cash right now interest?

Anil Bothra: We are net debt free. So, we are utilizing some of the cash surpluses which we are having with the banks. For the rest funds, we are investing in the safe funds, which is either money market or mutual funds which we are exploring. Currently, it is in the fixed deposits.

Prateeksha Daftari: What kind of returns do we have on that?

Anil Bothra: We are generating around 6% to 7% returns.

Prateeksha Daftari: Thanks that is all from my side.

Moderator: Thank you. The next question is from the line of Swechha Jain from ANS Wealth. Please go ahead.

Swechha Jain: Thank you for giving me this opportunity. Sir, I wanted to understand regarding the EPC contract. If you can just share an update of the contract, whether we have completed the laying of the lines?

Anirudhsinh Jadeja: So, the EPC contract is almost completed. the project amount was close to around Rs. 1,073 Crores. We have already realized Rs. 1,038 Crores and we have invoiced it. The total gram panchayat (GP) targeted was close to around 3,767, out of that, we have completed about 3,700 GP. So almost 98% project is completed. Some permission from government side and 40 to 50 GP funding is left balance, rest of the overall project is completed.

Swechha Jain: Can we expect around Rs.40 Crores revenue from EPC in Q1 Sir this year?

Anirudhsinh Jadeja: Yes.

Swechha Jain: That would be like the last tranche?

- Anirudhsinh Jadeja:** Yes.
- Swechha Jain:** The Operation and Maintenance (O&M) of this would start this year and what kind of margins would we expect in the O&M?
- Piyush Pankaj:** O&M revenue has started from Q3 FY21. This year we made around Rs. 27.4 Crores of revenue, which is part of our other operating income in FY21. Going forward, we are going to get around Rs.57 Crores in FY22. The margins are going to be around 20%.
- Swechha Jain:** Also, this Rs. 57 Crores, I believe is there for three years, right?
- Anirudhsinh Jadeja:** Three plus four years.
- Swechha Jain:** Any write backs in Q4FY21? I think in Q3FY21 we had some write backs?
- Piyush Pankaj:** We did not have any write back in Q4FY21.
- Swechha Jain:** For the EPC contract, I believe strategically we are very well placed. We have laid down the fibre lines and everything. So, in terms of revenue, how do you think this will help us to add to our revenue growth in the broadband segment? I just want to understand a fair guidance that you could give.
- Piyush Pankaj:** Already O&M is starting. Now, we are going to handle this whole fibre. The fibres are reaching around 3,700-gram panchayats, villages and rural areas. We already have a presence in around 90% of those rural areas in CATV business with the necessary infrastructures. We just have to start the broadband business in those villages and rural areas, which we are going to do in FY22 and FY23. We have to upgrade the last mile to reach the home from the fiber. We have started upgrading the infrastructure in different places and very soon we are going to start the broadband business in rural areas.
- Swechha Jain:** Just a follow up regarding the hybrid box, Can you share some details around in terms of what kind of pricing and margins are we expecting from hybrid box and are we launching it in May 2021?
- Piyush Pankaj:** The plan is to launch in May 2021. We are going to do all the marketing activities related to the hybrid box and will disclose our strategy and pricing at that point of time.
- Swechha Jain:** Okay, thank you. Sir, just one last question with respect to again the surge in COVID-19 cases, Is it going to impact Q1 FY22 or how do you see this impacting going forward?

Anirudhsinh Jadeja: During the last year, the whole industry was not ready for lockdown. Now, we already have one year of experience working in lockdown conditions. I would say all my business partners, my team, and the whole management are more prepared this time. We are well equipped with the necessary tools to use on the ground for serving the customer backed with the safety of the employees and customers. So, we are not going to be adversely impacted by the lockdown. Some of our corporate subscribers have come back. However, we see them going away but we are hopeful that we will add more home subscribers.

Swechha Jain: Thank you. That was helpful.

Moderator: Thank you. The next question is from the line of Ritwik Mohapatra from ICICI Bank. Please go ahead.

Ritwik Mohapatra: Thank you for this opportunity, Sir. There are a couple of I think important questions that are left from what is not asked because the situation on the ground must have changed a lot and in terms of the per channel what is the consumer spending, what the subscriber is spending on the channel that amount might have gone up and down and I see that your pay channel cost has significantly increased even though the subscription revenue has gone up by only 5%, so on a per subscriber matrix, can you tell me latest how much a consumer on an average is paying? How much is your revenue out of that and how much you are passing on as content cost? Secondly, the carriage fee has also shown a substantial increase. How is that? I think one of the previous calls I heard that it will plateau, but how is that looking going forward and again on an on the ground basis how are you negotiating this fee with the broadcaster? Is it per subscriber charge or it is a fixed charge if you can throw some clarity on these two aspects?

Piyush Pankaj: We should read the subscription plus carriage and placement income minus Pay channel cost as our gross margin and on the same, we can calculate the gross margin percentage. Hence, there is no increase in pay channel cost. Our gross margin has remained the same. So, in the nutshell, whatever we are generating last year, we are generating more than it in the current financial year. So, the placement, marketing and pay channel costs have to be read together with the subscription revenue for analysis.

Ritwik Mohapatra: Sir on the ground, if the MRP that you are getting per subscriber is that reducing or are consumers moving towards lower price packages? Do you see that trend?

Anirudhsinh Jadeja: No, we have not seen such shift. As you see that we have the lowest ARPU in the industry. Due to the pandemic, we have not increased our ARPU.

- Ritwik Mohapatra:** Fine. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Miten Lathia from **Fractal** Capital Investments. Please go ahead.
- Miten Lathia:** What would be the EPC debtors as of March 2021?
- Piyush Pankaj:** The total EPC debtors is Rs.226 Crores.
- Miten Lathia:** The Rs. 200 odd Crores that we have outlined for the capex in the CATV business is that primarily maintenance or is there is a growth built in? What sort of underlying subscribers are we targeting in that Rs.200 Crores of cable capex?
- Piyush Pankaj:** No, the growth is built in on that capex. Maintenance is a very small capex in overall CATV business Capex. So, we are going for the new expansion positions , Capex for this is included in total capex.
- Miten Lathia:** Would you like to put an underlying subscriber number, that you just put for broadband at 60,000 a quarter is what you were looking at. Would you like to put a number on the cable side as well for this underlying amount of capex that you are putting?
- Piyush Pankaj:** As mentioned earlier, we have got around half a million home subscribers this year against that we lost the same number of subscribers on the corporate side, that is why our numbers are flat. We are targeting to grow our CATV subscribers base by around 50% in the next 2.5 to 3 years.
- Miten Lathia:** This Rs.200 Crores of run rate should help you get that 50% over three years that you are targeting?
- Piyush Pankaj:** Yes.
- Miten Lathia:** Great wish you all the best and a great performance. Thanks.
- Moderator:** Thank you. The next question is from the line of Vinit Manik from Karma Capital Advisors. Please go ahead.
- Vinit Manik:** We have seen a little bit elevated debtor in FY21 versus last year, so any specific reason towards it or any collection issues are we facing on ground from the customers?
- Piyush Pankaj:** No issues on the subscription side and all. I think Mr. Bothra will explain.

- Anil Bothra:** So, Mr. Vinit the total Trade receivables, which are appearing in our financial is around Rs. 3,833 million out of which Rs. 2,266 million belongs to the EPC project, which we are undergoing. The rest of the debtors are mainly the carriage and placement which is around Rs. 1,010 million and the remaining is the ISP. So, the debtors have increased by around Rs. 1,047 million out of which the EPC project contributes Rs. 802 million for which the payment we are expecting in April and May 2021. We are not anticipating any kind of receivables on the EPC debtors going forward. So, this is the status as on date.
- Vinit Manik:** No EPC debtors?
- Anil Bothra:** Yes, we are not expecting on the EPC projects further
- Vinit Manik:** So, these debtors they will taper down to the normalcy to March levels?
- Piyush Pankaj:** By Q2FY22 the debtors of the EPC project will go away.
- Vinit Manik:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ridhima Chandak from Roha Asset Managers. Please go ahead.
- Ridhima Chandak:** Thank you for the opportunity. Sir, your CATV ARPU has decreased to Rs. 118 per month so any reason against Rs. 122 in Q3 FY2021?
- Piyush Pankaj:** You are calculating it from active subs or paying subs?
- Ridhima Chandak:** Paying?
- Piyush Pankaj:** According to us it is almost the same. There are some adjustments in the subscription revenue because of a small change in the deferred revenue side and that is why your calculation might be coming at around Rs. 118. Our ARPU has remained the same at Rs. 122. Let me explain the remarks on that one to one.
- Ridhima Chandak:** On the broadband side you said that the profitability has reduced? There is one off item of Rs. 3.3 Crores, so what is that?
- Anil Bothra:** There was an insurance claim in the broadband for which we have provided Rs. 3.3 Crores.
- Ridhima Chandak:** Okay and by the end of FY21 what are the total STB seeded boxes?

- Piyush Pankaj:** The total STBs seeded is around 10.8 million.
- Ridhima Chandak:** So, it has increased overall from 10.61 million. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.
- Dixit Doshi:** Thanks for the opportunity again. Sir, the first question is regarding this EPC receivable of Rs. 226 Crores. Can we expect that most of this payment will be received in the next couple of quarters or are they going to do some retention money for a couple of years or something like that?
- Anil Bothra:** I think almost 95% of revenue will be received before May 31, 2021. So right now, the out of our EPC project trade receivables, from government contract side of Rs. 225 Crores, we will receive Rs. 200 Crores by the end of May 31, 2021.
- Dixit Doshi:** Sir last question is so when the new tariff order was implemented compared to our competitors we have given the larger share of revenue to LCOs and we as a company have kept the lower share and we were planning that going forward in one year or two when the implementation will be over, we will increase our share? So, it has been almost two years so are we planning to increase our share from LCO in the next year or so?
- Piyush Pankaj:** So, because of this pandemic in FY21, we have not taken any target. The margins will remain the same. Yes, as you said, as the market settles down, we will increase the same. We planned to increase our ARPU in FY21 but due to this pandemic, we had not taken any steps.
- Dixit Doshi:** Thank you for that. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Anil Sarin from Centrum Portfolio Management. Please go ahead.
- Anil Sarin:** First of all, congratulations to the management not only for this quarter but also for the last many years. From what I had seen amongst the other CATV providers, your performance stands out. So, congratulations on that. I just wanted to know about this carriage and placement fee. What is the longevity of it? When does it stop and how does it impact your economics?

Piyush Pankaj: Carriage and placement is going to remain there. As we see the trend of carriage and placement is from last 10 to 12 years and every year it gives us growth. So, this is going to be there.

Anil Sarin: My second question is regarding the competitive threats on Jio. I am aware of the shareholding, but if you could elaborate on is there some kind of demarcation, is there or is it a scheme for all. How does it operate between yourselves and Jio?

Anirudhsinh Jadeja: Basically, it is good now that Jio is also our partner and we might say that we are getting the cost synergy benefits related to the content, infrastructure, or whatever Jio's expertise is for the overall industry. We do not find a threat like that or competition. Jio's market is spread in Ahmedabad, Baroda, Surat, and some other cities in Gujarat. GTPPL covers almost majority of Gujarat with a presence in 100 towns. The major competitor is BSNL and there are no other players.

Anil Sarin: Thank you. The next question is on CATV. You mentioned in your opening remarks that the penetration of CATV in India is only 55%. What is your estimation is the near-term target? Can we reach 60% penetration or what is theoretically possible? India is a poor country. So, do you think those constraints in mind what is the max we can go? Within that, if you could also enlighten me on what is the organised sector penetration and what is still held by small LCOs which can eventually be taken over by the organised sector? So, two questions; what is the eventual penetration at least in the next two to three years that we can achieve and second within that what is the organised sector market share?

Rajan Gupta: The CATV market has been growing from anything between 4% and 7% CAGR. It varies from state to state, where states like Odisha have grown higher; there are other states which have grown lower.

Anil Sarin: So, the very last question from my side is that these days even on cell phones we are getting good broadband connectivity and the pricing is low. Now, with 5G around the corner, do you see that as a threat to your wireline broadband?

Rajan Gupta: I remember during the IPO time this question was being asked to us and even with the 4G, we have seen 20, 30 MBPS speed being given. All of us had those plans. All of us are using mobiles. But again, if we are giving at Rs. 400 to Rs. 500 pretty much unlimited data so the speed varies from 50 to 100 MBPS, we have seen a huge amount of consumer traction. So, wherever we have home pass upgradation or we have done any FTTH, we have seen a very natural demand getting built up. So, I think, the key thing is both the things are complimentary. High speed wireline will give a lot of speed and once we get hooked to the

content, we want to watch at a much which is where the whole broadband spectrum comes in handy. These are the values which we offer to the Indian consumer. We keep on giving the right value which today we are giving. GTPL has a healthy broadband EBITDA. We can manage this ARPU and still give nearly unlimited data with this kind of speed, so I think we just need to focus on making sure this kind of value equation and our EBITDA equation will pass the new requirements.

Anil Sarin: Thanks very much. Maybe if I can squeeze in one more for the FY21, if I take out the EPC revenue as well as EPC cost, just to get a clearer picture of the underlying operations, I get an EBITDA margin, not counting other income. Other income Rs. 63 Crores, I have taken below that; I get an EBITDA margin of around 23% and last year using the same approach I get an EBITDA margin of 24%. So, there is a little bit of a decline this year relative to last year. However, both these years if I take when I compare with let us say FY19, FY18 that time the EBITDA margins used to be 27%, 26% odd. So, if you can let me know why the margin is coming down.

Piyush Pankaj: We are not taking other income above in the margin. If you take the other income above, it is going to be 25.4%. Last year, we did around 25.7%, there is a margin loss of around 0.3% or you can say 0.7% or 0.8% if you take out the other income. This is mainly due to the reduction in the activation income, which I explained that the deferred revenue, which was there at the time of DAS implementation in FY16-FY17. When we did the digitization and seeded a lot of boxes, we seeded around 2.5 million in a year those are going out. So, because of that, the activation income is coming down and that is keeping out the margin wise 0.5% to 0.6%.

Anand Sarin: So, logically going forward this broadband has higher margin and it is also growing at a faster rate relatively to CATV. Can one expect the overall margins to head higher?

Piyush Pankaj: Yes. That will happen. Next year, we are looking forward that margin will be flat as we are going to gain from broadband. We are going to lose some from the activation and going forward from FY23, we will find that the margin will go up.

Anand Sarin: Thank you, gentlemen. Wish you all the best.

Moderator: Thank you. As there is no further question, I will now hand the conference over to the management for closing comments.



GTPPL Hathway Limited
April 20, 2021

- Piyush Pankaj:** Thanks a lot for joining the call for GTPPL Hathway earnings call for annual Q4 & FY21. I wish that all of you be safe and healthy. We will again meet for the Q1 FY22 investor call. Thanks a lot.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Emkay Global Financial Services Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.