

GTPL Hathway Limited
Q2 FY'20 Earnings Conference Call
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Moderator: Ladies and gentlemen, good afternoon and welcome to the Q2 FY 20 Earnings Conference Call of GTPL Hathway Limited hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participants' lines will be in a 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, please signal an operator by pressing '*' and '0' on your phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Yogesh Kirve. Thank you and over to you, sir.

Yogesh Kirve: Good afternoon to all the participants. Thank you for joining in. We at Batlivala & Karani Securities are pleased to host these Earnings Call for GTPL Hathway Limited. To discuss the results and the business outlook we have the senior management of the company represented by Mr. Anirudhsinh Jadeja -- Promoter & Managing Director, Mr. Anil Bothra -- Chief Financial Officer and Mr. Piyush Pankaj -- Head of CATV Business and Chief Strategy Officer.

I would now hand over call to Mr. Jadeja for his opening remarks which would be followed by Q&A session. Over to you, sir.

Anirudhsinh Jadeja: Thank you, Yogesh. Good Evening, Everyone. On behalf of the board of directors and management of the company, we extend very warm welcome to all of you to the conference call of GTPL Hathway Limited to discuss Q2 result of financial year 2019-20.

During the second quarter of the current financial year, GTPL's consolidated reports strong operational and financial performance with revenue and EBITDA reporting growth of 41% and 26% respectively. Our consolidated profit after tax for the first half of the year stood at 580 million, up by 102%.

Our state-of-the-art technology acts as a key enabler for expansion of CATV business with minimum Capex. Going forward, we aim to rationalize our debt with our robust cash flow post supporting any additional Capex. We continue to aggressively explore growth opportunity in various geographies.

Now I would hand over to Mr. Piyush Pankaj who can take you through Business and Financial aspect of the company.

Piyush Pankaj: Thank you, Mr. Jadeja, Good Evening, everyone. I will be taking you through business and financial performance of company. To begin with the Cable TV business, during Q2 FY'20 GTPL seeded 2,00,000 STBs taking the total seeded boxes to 9.9 million. As on September 30, 2019 digital paying subscribers stood at 7.25 million, increased by 1,50,000. Phase Wise Contribution: As on September 30, 2019 for Phase-1, Phase 2, Phase-3 and Phase-4 were at 9%, 23%, 31% and 37% respectively.

Coming to our Broadband Business: During the Q2 FY'20, GTPL added 2,60,000 new home passes and taking total home pass as on September 30, 2019 to 2.92 million. Approximately 50% home boxes available for after FTTX connection. During the quarter, GTPL added 15,000 net broadband subscribers, of which 11,000 are FTTX subscribers, taking total subscribers as on September 2019 to 3,55,000, of which 75,000 are FTTX subscribers. Data consumption as on September 2019 stands at 126 GB per month, up by 45% YoY. Broadband ARPU for Q2FY'20 stood at Rs.415 per month.

Let us now move to our Financial Performance: On our consolidated business excluding EPC contract during Q2 FY20, GTPL's consolidated revenue increased by 41% YoY to Rs.4,470 million. This was primarily driven by rise in CATV subscription revenue by 47% YoY to Rs.2,608 million. Broadband revenue for the quarter grew by 11% YoY to Rs.398 million, led by increase in subscribers. EBITDA for the quarter increased by 28% YoY to Rs.1156 million with the margin of 25.9%. Our finance cost for the quarter declined by 48% YoY to Rs.93 million. Profit after tax for the quarter increased by 26% YoY to Rs.195 million.

On our consolidated business including EPC contract during Q2 FY20, GTPL's consolidated revenue increased by 94% YoY to Rs.6,164 million. EBITDA for the quarter increased by 41% YoY to Rs.1,271 million with the margin of 20.6%. Profit after tax for the quarter increased by 85% YoY to Rs.285 million.

Our EPC contract reported the revenue, EBITDA and profit after tax of Rs.1,694 million, Rs.115 million and Rs.91 million respectively.

On our standalone business excluding EPC contract during Q2 FY20 the company reported revenue of Rs.3,019 million, which increase by 47% YoY. This was primarily driven by an increase in subscription revenue by 56% YoY to Rs.1,782 million. The company reported EBITDA of Rs.774 million with an EBITDA margin of 25.6%. The company reported profit after tax surge by 53% YoY to Rs.156 million.

On our standalone business including EPC contract during Q2 FY20, the company reported revenue of Rs. 4,713 million which has increased by 130% YoY. The company reported an EBITDA of Rs.889 million with an EBITDA margin of 18.9% and the company reported profit after tax of Rs.246 million which has increased by 145% YoY.

That is it. Thank you for your attention. We can now take questions.

Moderator: Certainly Sir. Ladies and gentlemen, we will now begin the question-and-answer session. We have a question from Jehan Bhadha from Nirmal Bang Securities. Please go-ahead Sir.

Jehan Bhadha: My question is on optic fiber prices. So, if you can just highlight what are the current prices and how have they moved over the last six months and how does this impact your margins? Specifically, I am talking about your EPC division where the optic fiber is used inside the cable, right, so that is specific fiber. Even in the last quarter you referred that you have a consortium with Polycab for this, and Polycab used to provide the fiber. So, what are the prices currently and should we benefit with the fall in fiber prices or how should we look at it?

Anirudhsinh Jadeja: If you see, yes, when we did it this week, then the price of fiber was very high. Now it is almost 15% to 20% less in price. So that benefit will be there for us. And also with our partner Polycab, we have capped the upper limit. So, a further fall will be beneficial. Now, the price has come significantly down, so it will be a benefit going forward. So, when our EPC project closes completely in last quarter, then we will come to know the exact number.

Jehan Bhadha: But as on this quarter ended, can you tell how much was the price?

Anirudhsinh Jadeja: Now whatever price in discussion, if you see with respect to quarter end, the full project has not been completed. So if you see, this project is total of 17,000 KM fiber rollout and connecting 3600 gram panchayats. So, in this half year we have almost done 9000 KM T&D work, trenching and digging completely. Also, we have drawn close to around 7000 KM of fiber. And we have connected close to around almost 1100 gram panchayats.

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

Sanjay Chawla: I have a bunch of questions. My first question is on carriage, placement and marketing revenues which have gone up quite a lot, almost 40% quarter-on-quarter. So what has really driven that and is there any one-off there and how sustainable this figure is?

Piyush Pankaj: This carriage and placement revenue if you see in the last quarter we were talking, I told that we were showing at around Rs.70 crores in Q1 that was not the complete because the deal was still going on. So, some of the revenues of Q1 is coming in the Q2 also where the deal

has been struck. So, we have gone up to around Rs.27-to-28 crores. That has included some of the revenues from the Q1 also.

Sanjay Chawla: So just for that catch up sort of revenues from Q1, what is the normalized level of carriage, placement, marketing revenues?

Anirudhsinh Jadeja: Sanjay ji, basically this includes carriage, placement and plus marketing. So marketing revenue, eligibility for GTPL package wise was 15% as per the understanding they were not able to book it in quarter one, especially the marketing value regarding to the 15% eligibility, which we have booked in this quarter two. So, because of that in marketing side our placement and carriage has grown but the major jump is from the marketing revenue side.

Sanjay Chawla: What is that 15% penetration threshold that you are talking about?

Anirudhsinh Jadeja: As I said like as per the new tariff order NTO, you have two criteria, one is 20%, that is net of value and another 15% is as per the eligibility criteria respectively for different broadcasters

Sanjay Chawla: So, that is the discount you are talking about, right?

Anirudhsinh Jadeja: 15% incentive based on your LC and based on your penetration, the total is 35%, out of that 20% is commission, 15% is incentive. Somewhere that 15% incentive has not been booked in the Q1 as the confirmation from broadcaster was still pending on our eligibility on penetration on LC. Those have come into the Q2, so we have booked those revenue in the Q2 being conservative in the Q1.

Sanjay Chawla: 15% discount I understand is the TRAI regulated discount and that has to reflect in the pay channel cost. So with regard to carry placed with marketing....

Anirudhsinh Jadeja: So that 15%, you can call it is marketing incentive value.

Sanjay Chawla: You are booking that thing in the top line instead of reducing the pay channel cost or are you charging it on marketing?

Anirudhsinh Jadeja: That is right, now you got it. Based on the penetration and all, they are ready to give us extra marketing and all. This is incentive you can say over and above that 15%. So that is where it is for the Q1 FY20, on a conservative basis, we have not taken, once we got the confirmation in the Q2 from all the broadcasters, those things are coming into the placement. On sustainability, if I will say, as we are becoming more and more based on penetration and NCF, we are becoming eligible. So, if I will say this revenue which we are showing Rs.97-98 crores, this is going to be same for next quarter also.

Sanjay Chawla: So, this is a sustainable number you are saying despite the catch up?

Anirudhsinh Jadeja: Yes.

Sanjay Chawla: Secondly, can you talk about the other expenses which have gone up by almost 70% this quarter. I know part of that is due to the EPC-related cost number, partly that you have booked here but what exactly has happened otherwise in the core business, have there been any pickup in the bad debt provisions or any one-offs?

Anil Bothra: If you see our admin cost, as EPC has increased by around Rs.25 crores and here around Rs.20 crores in the PFDD. If you remember at the time of NTO implementation as we used

to keep three months outstanding on the ground and we wanted to collect that and as per the TRAI instruction and all, we have gone ahead without collecting that from the cable operators. Now, already we have started collecting those and there is a schedule for that for the cable operators as we are going to collect, but according to the ECS of auditor it is already more than six months and nine months. So, they have asked us to take the provision according to the ECS and they say that as it will get collected, this thing will get write-back, but we have to take that in the PFDD. So, around Rs.20 crores have come into the PFDD out of Rs.25 crores.

Sanjay Chawla: And that pertains to more than six months dues?

Anil Bothra: Yes, pertains to more than six months and some nine months.

Sanjay Chawla: But do you realistically expect that this money could actually come in, because I know you made provision on a conservative basis which is good, but do you expect this sort of amount to come because after regime change to NTO, lot of the old balances have to be written off?

Anirudhsinh Jadeja: Sanjay ji, yes, already within six months almost more than Rs.50 crores we collected pre-NTO outstanding, yes, it is coming.

Anil Bothra: And we have the schedule from the cable operator which we are sharing with auditors also how it is going to that.

Sanjay Chawla: My third question is on a-la-carte customers. What percentage of your cable TV customers on a-la-carte mode and how would this reduction in channel MRPs which has happened recently impact the adoption of a-la-carte packages?

Anirudhsinh Jadeja: So if you see, the plus point of GTPL is, GTPL standalone, almost 85% is majorly is in package penetrations, recommended package penetrations. Only 15% customers on a-la-carte.

Sanjay Chawla: So, this reduction in the channel MRP is an a-la-carte prices. Would this not increase the adoption of a-la-carte structure and there could be an impact on our ARPUs as well?

Anirudhsinh Jadeja: We have not closed the exact calculation. But yes, Piyush will let you know the one to one calculation of it fully.

Sanjay Chawla: What about the cable ARPUs? This quarter based on the build customer base, cable subscription ARPU was Rs.121. So, is the number picking out now based on the...?

Anirudhsinh Jadeja: Yes, now it has become Rs.123-124 from Rs.121.

Sanjay Chawla: Is this really the picked package pricing and the adoption rate?

Anirudhsinh Jadeja: No, slowly it will...

Anil Bothra: This quarter what we did, Sanjay, we have introduced smaller packages of Rs. 200 and Rs. 210 also. So, if you remember last quarter, we were at Rs.118 and they have gone up even now on calculation basis but because we have introduced smaller packages in the range of Rs. 200-210.

Anirudhsinh Jadeja: It is majorly for Phase-IV market.

Sanjay Chawla: So, smaller price pack also means lower realization for you net of LCO?

Anirudhsinh Jadeja: See Sanjay ji, this ARPU is between, it was discussed with you in the last call also, it is nothing. Our ARPU is nothing related to consumer ARPU, right. So whatever is driven in our ARPU is based on the revenue sharing between the LCO. So right now if you see, the GTPL revenue sharing between LCO and DPO, means GTPL it is coming around 75:25, right? This we have discussed with you last time also. So gradually it will be increasing. Maximum DPO can go up to 55% revenue sharing. So, our approach was that in initial phase where this new tariff orders are rolled out and this new regime, so down the line along with LCO we also do in synergy with them, so we have planned like that. So, in coming two quarters at least, revenue sharing, we will keep it low between LCO and DPO and we will increase it gradually.

Sanjay Chawla: So, in this new packs that you are talking about Rs. 210 or something you mentioned.

Anirudhsinh Jadeja: There is no change in the revenue sharing of the GTPL margin.

Sanjay Chawla: That could be on the percentage terms but in actual rupee terms your realization should be lower now compared to Rs.120?

Anil Bothra: Yes, you are right on that basis. That is why I am saying the revenue from gone up to Rs. 121 only, otherwise we would have much-much high.

Sanjay Chawla: So, this already reflects the impact of the dilution from this new packs in this quarter?

Anil Bothra: That is right.

Sanjay Chawla: So that is why I was asking, while going back to original questions, are we not looking at sort of leveling off of the ARPU on the cable side realization and all?

Anil Bothra: No, that is what Anirudh ji has explained you. We are at 25% only right now on the revenue sharing with LCOs which we can go up to 55% as per the tariff orders. Others in the market are higher than that. So, we have the room to go up which we will push and go up.

Sanjay Chawla: If you were to share the same revenue share with LCO like your peers, other MSOs, then what percentage of change you are talking about in terms of extra collection?

Anirudhsinh Jadeja: Then you see ARPU will go touch up to, you can say, Rs. 146 if you compare it to peers. And collections could witness a yearly, jump of Rs.120 crores. Monthly, it can add Rs.10 crores upside revenue.

Sanjay Chawla: On the broadband side, your home pass penetration percentage has been coming down, I mean, your home pass rollout is seen in the customer additions. So why exactly is this case, when do you see this metrics turning around in the sense ...?

Anil Bothra: In this quarter, Sanjay ji, as you know, Gujarat has received lot of rain and there was lot of disturbance on the ground. As we were prepared for increasing our home passes and all the infrastructure was already there, we just have deployed some of the equipments which we did. So, that is why our home passes has increased, but number of subscribers if you see it is same as 15K after putting lot of things in the network maintenance and all spending monies on that, but we maintain our subscriber base of 15K this quarter.

Sanjay Chawla: So, 15K is the net addition. Can you share the gross addition also during this quarter and how much was the churn?

Anirudhsinh Jadeja: Okay Piyush will share it one-on-one. If you see the industry retention ratio's average is 75% to 80%. The same ratio is also GTPL is maintaining.

Sanjay Chawla: No, in this particular quarter, because you mentioned rainfall, has there been some extraordinary churn or lack of recharges or any such things which ...?

Anirudhsinh Jadeja: Majorly extraordinary because of this because GTPL broadband 90% business in Gujarat, so majorly July-August-September because of the monsoon where we had opportunity of growing in subscriber base is slightly low because of this and because of it there has been a high additional cost in maintenance, because of monsoon. So if you see this number would be around more than 25,000. But I am sure this coming quarter will match that number.

Anirudhsinh Jadeja: Sanjay, I will give you gross number one-to-one, I do not have right now.

Moderator: Thank you. The next question is from the line of Mr. Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Ex- EPC contract business, any kind of guidance you have for this year in terms of revenue and margin?

Anirudhsinh Jadeja: Hi Deepak! Guidance is more on the KPI side and bit on the EBITDA side I will just give you. The KPI side, we are looking forward that we will receive 1 million boxes and somewhere we have increased close to 8 million subscribers by this March in the cable side. In the broadband side, we are looking forward that it will be close to 400k subscribers by maintaining the revenue at Rs. 430. On the EBITDA part, I am saying that we have already reached Rs.225 crores in two quarters and we are going to do the growth rate and all in the same way till March.

Moderator: Thank you. The next question is from the line of Mr. Aman Saraf from Lucky Investment Managers. Please go ahead.

Aman Saraf: A couple of questions on the balance sheet side. The payables have gone up from Rs. 300 crores to Rs. 612 crores. So, what would that be regarding?

Anil Bothra: On the balance sheet, the payables have gone up by Rs. 312 crores and the BBNL Project has contributed around Rs.160 crores out of that and the rest is mainly the broadcasters payment which is still coming and we are booking but we still to pay.

Aman Saraf: Any guidance on this number as a percent of sales because this has drastically, I think gone up in the last 2, 2.5-years?

Anirudhsinh Jadeja: It is completely settled in March often, especially like we have told a large marketing revenue from broadcaster side which we have not booked in quarter one, we did in quarter two. So, because of that there has been jump in the placement and marketing income. Hence, majorly in the frontline, transactions in payable or receivable in content part, by the time it will get settled by quarter three.

Aman Saraf: So, this number would be around as of in Q3 & Q4.

Anil Bothra: The trade receivables also has increased by Rs. 55 crores, the BBNL project, the trade receivables are Rs. 61 crores. In fact, the trade receivables on overall basis has come down

just ex-EPC but due to BBNL project, this is increased by Rs. 51 crores and showing Rs. 55 crores. Overall, if you see the trend in this industry mainly for the pay channel and placement and marketing that it is ballooned mid by September and then it has started going down and by March it has got all settled.

Aman Saraf: Similar to what it was last year or...?

Anirudhsinh Jadeja: Yes-yes, same, it should be better than the last year.

Aman Saraf: Inventory is all set top boxes of Rs. 118 crores?

Anirudhsinh Jadeja: On inventories also, there is inventory of GFGNL, which is EPC project which is of around Rs.73 crores accounted for the BBNL Project, rest is your set top boxes plus some of the peers and the broadband equipments also.

Aman Saraf: Lastly, the number which you said Rs.20 crores provision which we made in this quarter. Going forward will we see a similar trend for the remaining year or this number will be less or more, I want to see the average?

Anirudhsinh Jadeja: I am confirming that for the next two quarters, this number is going to be at the same level, Rs. 20-25 crores, and after that it will go down drastically in the beginning of the next financial year, because when that collection come all into the prepaid side. For the next two quarters, I am taking it that in a conservative basis that it will be at the same level.

Anirudhsinh Jadeja: Still we are in prepaid format, we are completely not a running format, but yes, this outstanding is pre-NTO and in these two quarters subscription wise we have collected almost Rs.50 crores old outstanding and yes, it is just a conservative side because the auditor has suggested and this we are taking provisions in this quarter.

Aman Saraf: Could you give the breakup of Capex total divided between broadband and cable?

Anirudhsinh Jadeja: The Capex this quarter we did around Rs. 55 crores. If you remember last quarter I have given the figure of Rs.31 crores, out of Rs.31 crores, Rs.15 crores was broadband and Rs.16 crores was CATV. This quarter we did Rs.55 crores, out of that Rs.15 crores is the broadband and Rs.40 crores is CATV. CATV Capex has increased because some of the NTO Capex like servers and all we have given advance earlier but the final invoices and all booked in the Q2.

Aman Saraf: I was seeing your cash flow. Here the Capex mentioned is Rs.123 crores for the first half. So...?

Anirudhsinh Jadeja: Yes, AS117 is mainly because of BBNL.

Moderator: Thank you. The next question is from Mr. Vishnu KG from JM Financial. Please go ahead.

Vishnu KG: Sir, the activation revenue seems to be on the higher side. So, two questions regarding it: What would be the activation revenue as per the previous IGAAP and if you could share with us the activation revenue per seeded box?

Anirudhsinh Jadeja: Hi Vishnu! Activation revenue according to the new regulation, we have to book only Rs.100 as activation, Rs.350 as installation and the rest come as lifetime rent. From this quarter onwards, we have started that and some of the effect is on the last quarter also, which has

come into this quarter. That is why we have started, that is why you are seeing the activation revenue is higher which we have booked straightaway into this. Out of overall, Rs.450 is upfront which has to be booked and Rs.350 is installation that is why the activation revenue is higher.

Vishnu KG: So, on a quarterly basis what would be the activation revenue per box, that is Rs.450?

Anirudhsinh Jadeja: Rs.100 is activation revenue.

Vishnu KG: Your finance cost if I adjust it for IND AS 116, the cost of debt is coming to around 11% seems to be on the higher side. So, is there any FOREX losses in the finance cost item?

Piyush Pankaj: No, FOREX losses are very less this time, but yes, actually as you see that we have paid around Rs.54 crores of debt in the last two quarters; first quarter we did Rs.25 crores and this quarter again we have paid around Rs.29 crores. So, we are repaying the debt and there are some processing charges here and there, which is coming into the finance cost after repaying. So that is why you are seeing. On average terms, it is coming to around 9.5%, 9.6% as our cost and processing is a bit higher.

Vishnu KG: Can you share the Capex guidance for this year?

Piyush Pankaj: Capex have just given Vishnu, that the total CAPEX in this quarter is Rs. 55 crores out of that Rs. 15 crores are broadband and Rs. 40 crores are CATV excluding EPC.

Vishnu KG: No sir, for the yearly guidance.

Piyush Pankaj: Yearly guidance we are keeping it same as Rs.160-165 crores Capex for the whole year. We have already utilized around Rs.86 crores out of that and 50% will be utilized in next two quarters.

Vishnu KG: And the split between broadband and cable more or less remain the same?

Piyush Pankaj: Yes, it will remain the same.

Moderator: Thank you. The next question is from the line of Ishpreet Kaur from Karma Capital. Please go ahead.

Ishpreet Kaur: I just wanted to check with you the 1 million guidance that you have given for increment and the pace up, where is it likely to come from in terms of Phase-1, Phase-2? And also if you could mention, is shifts happening from DTH to cable or how is it?

Piyush Pankaj: There is a lot of opportunity in the market right now. There is opportunity from DTH plus there is opportunity from the MSOs and independent operators and all.

Anirudhsinh Jadeja: We are looking for the previous market also.

Piyush Pankaj: Yes, we are right now expanding into our own territory plus we are going to add new territory which we will down see next quarter that what we are doing on different new territory. We are going very aggressive in our own territory right now on expanding it. Right now, if you see we have already seeded around 400k boxes in the last two quarters and next two quarters we have the plan to seed another 600k boxes. Our sub-base if you see it has increased by 450k to 6.8million we are looking forward to close to 8 million, if not 8 million, at least 7.8, 7.9 million we should reach, so, increasing from 6.8 million by 1 million.

Ishpreet Kaur: Now since on competitive basis in terms of pricing plus your fees, there is not much differentiation that you can do in terms of pricing. So even when you enter new territory, how is it possible for you to get onto the existing customers who already have set top boxes of some other players?

Anirudhsinh Jadeja: That is why I said. Our revenue sharing if you see between DPO to LCO, all other players discounted almost 10-15%, so that opportunity we will be having.

Ishpreet Kaur: Just on the pricing part, like one opportunity you mentioned that the share you with the LCOS. On the other side, in terms of the absolute ARPU, do you see that increasing any further apart from your share increasing from the current base?

Anirudhsinh Jadeja: I do not think absolute ARPU will increase because I feel somewhere it will go down a bit because recently many broadcasters have reduced their a-la-carte.

Ishpreet Kaur: Does this drop in the price reflect in the packages also over a period of time or because there was already a gap between the pricing of a-la-carte and packages, do you think that there would not be a hit on the package pricing?

Anirudhsinh Jadeja: Wherever broadcaster recommended bouquet has gone there will not much impact on that. On a-la-carte selection there will be impact because broadcaster has reduced it's a-la-carte but not bouquet they have not reduced anywhere.

Ishpreet Kaur: Right, just needed to confirm, sure thank you so much.

Moderator: Thank you. The next question is from the line of Mr. Sanjay Chawla from JM Financial. Please go ahead.

Sanjay Chawla: Just two questions, Sir: One is trying to understand, if you change the LCO revenue sharing on the NCF side there could be Rs.10 crores extra revenue every month?

Anirudhsinh Jadeja: Yes, we will gain in the revenue sharing.

Sanjay Chawla: So 100 million or 10 crores per month on a 7.25 million base gets to extra Rs.14 of ARPU, so then your total ARPU would be 121 plus 14, Rs.135, right, I think I heard Rs.140...?

Piyush Pankaj: That is minimum, that is Rs.10 crores per month is going to be there.

Sanjay Chawla: I heard figure of Rs.146. So, I just wanted to understand Rs. 146 versus I am getting 135.

Anirudhsinh Jadeja: Rs.146 there were other peers' coming too in discussion because their majorly package selection has happened, they were all higher ARPU in majorly Phase-2 and Phase-4 market. That is why I quoted Rs.146, but yes, I said as a conservative side it is Rs.10 crores.

Sanjay Chawla: Lastly, we did not see any announcement or any update on the dividend policy or any dividend related news. You also mentioned I think earlier in the commentary that you want to repay your debt or bring down your debt. So I am just wondering your debt-equity ratio, debt-EBITDA ratio seems to be quite comfortable and you are free cash flow positive. So why is this having debt versus paying dividends?

Anirudhsinh Jadeja: Sanjay ji, you are absolutely right we are going to discuss in the next board meeting because in quarter 2 there were a lot of regulatory changes as you have seen recently like broadcasters are changing their a-la-carte so we feel that in quarter 3 there will a lot of stability so we will propose to the board in quarter 3.

Piyush Pankaj: The discussion has happened in the board and again it will happen in the next quarter as the CP is going on at the TRAI on the tariff and they have received around 270 comments from the 270 parties, some are in our favour, some are here and there, so the board wanted to wait for those.

Management: So let us complete this first consultation paper and let us stabilize this regulation side, then the board decide it, let us discuss on quarter 3.

Sanjay Chawla: Do you anticipate any significant change in the regime or revision in the entire regime compared to where we are right now? Or that could change your financial drastically because only in that case I guess it would make sense to watch out and wait?

Anirudhsinh Jadeja: If you ask me personally, I don't see any financial changes in this, but still it is, precautionally we decided to discuss on the quarter 3.

Moderator: Thank you. We have a question from Mr. Darpan Thakkar from HSBC Securities. Please go ahead.

Darpan Thakkar: I have only one question on tax related and I am not sure if it has been discussed, so what will be the impact you see on your P&L under this new corporate tax rates, I can see there is some difference in deferred tax and balance sheet, but couldn't see the same in P&L, so?

Piyush Pankaj: Darpan, on the tax side if you see, we have taken the new regime of tax in 3 companies which is GTPL Hathway standalone, KCBPL and DL GTPL. In these three companies, we have taken this tax, the new regime. Other companies because we have some MAT and carry-forward losses, we have not taken the new 22% tax structure. Because of this 22% tax structure, there were deferred tax assets in GTPL Hathway. Because of that, we will see that our tax rate has gone up for this quarter only and that is why our PAT is 19 instead of it should be 28-29, it has come down to 19 because of that and from the next quarter onwards, we are going to get the full benefits of this 22% regime.

Darpan Thakkar: So from next quarter, P&L will show lower tax rates?

Piyush Pankaj: Yes, the tax rate is going to be lower for these three companies which are almost contributing to around 90%.

Anirudhsinh Jadeja: 95%.

Moderator: We have a question from Mr. Yogesh Kirve. Please go ahead sir.

Yogesh Kirve: So I understand the MSO association had arrived on a decision to offer about 150 channels at Rs. 130, so are we also part of that decision?

Anirudhsinh Jadeja: Yes.

Yogesh Kirve: So what sort of impact it can have on us? Would there be any revenue impact for us?

Piyush Pankaj: There is no impact because we are not charging additional NCF.

Yogesh Kirve: So this is for the additional NCF, right, not for the?

Piyush Pankaj: Yes, this is for the additional NCF.

Yogesh Kirve: And secondly sir, if my understanding is right, so we say our ARPU is about Rs. 120 and EPC has a share of about 25%, so does that mean the individual ARPU is Rs. 480 plus GST?

Management: Our ARPU is nothing related to consumer ARPU. This is revenue sharing between DPO and LCO. Consumer ARPU, it is a respective recommended pack, may be Rs. 200, some customers will select Rs. 250 pack, some customer will take Rs. 350 pack, so our revenue sharing is nothing related to consumer ARPU.

Yogesh Kirve: So can you give us for your market, especially Gujarat and what would be an average individual ARPU would be as per your estimate?

Anirudhsinh Jadeja: I will give you an example. Let us say our one pack name called the power pack, the consumer ARPU is Rs. 250 whereas we are collecting from LCO we are collecting is Rs. 120. In that Rs. 120, Rs. 250 splitting, if you see that Rs. 250 split, Rs. 153 that is the NCF cost and another rest of the broadcast is content cost. All put together it is Rs. 250 whereas I am collecting in NCF side is only 25%, so if you see 25% of the 153, so that must be coming around Rs. 42.

Yogesh Kirve: One follow up question. So how should we look at the CAPEX for the television business going forward as I understand it was fairly high during the current quarter, so what sort of an annual CAPEX would be from FY21 onwards?

Anirudhsinh Jadeja: Annual CAPEX is same which I have given that it is going to be somewhere around 90 crores, right now 90 crores, total CAPEX we are looking for 160 to 165.

Piyush Pankaj: Excluding EPC.

Anirudhsinh Jadeja: Excluding EPC, out of that, 90-95 crores are going to be on the CATV side, right now we have already utilized around 56 crores of that.

Yogesh Kirve: Beyond FY20, on an annual basis, do we have any CAPEX component apart from the set-top boxes that we might incur in the future?

Anirudhsinh Jadeja: Yes, some small CAPEX will be there on the payers' part and all plus there is going to be some enhancement in the backend side, so those CAPEX we take it in the consideration.

Yogesh Kirve: So CAPEX even for the FY21 could be similar to FY20 level, on television?

Anirudhsinh Jadeja: Yes, if we maintain our target. If we increase our target, the CAPEX will increase, and vice versa.

Moderator: Thank you. We have a question from Mr. Jaineel Jhaveri from JNJ Holdings. Please go ahead.

Jaineel Jhaveri: I just wanted to know what is the gross debt and net debt number?

Piyush Pankaj: The gross debt at the end of this quarter is Rs. 292 crores. If you see on the last quarter, it was at around 317 crores. We already reduced it and the net debt is at Rs. 217 crores. Last quarter, it was at Rs. 236 crores and if you talk about from the March end, we will see that we have reduced our gross debt by around Rs. 54 crores.

Jaineel Jhaveri: And also sir, the interest cost has come down and obviously you all are talking about further reduction in debt, right by the end of this year? What I am trying to ask is the interest cost per quarter will continue to see a trend downwards?

Piyush Pankaj: Yes, it will see the trend downwards.

Jaineel Jhaveri: And in terms of depreciation, is this what we expect for the rest of the year and going forward around 50 odd crores?

Piyush Pankaj: No, depreciation has increased. If you talk about the rate of increase, no that is not the case which has increased because one of the networks in Mumbai has got consolidated as we have taken that in August, announced to the market also, announced to the SEBI also, so because of that you will see some depreciation has increased but it is going to be on the same level.

Jaineel Jhaveri: So, around Rs. 57- 58 crores for quarter.

Piyush Pankaj: No, less than that because that Rs. 50-57 crores are including one of the networks acquired by us which is the new addition. Now, the additions will not happen, so we will see that depreciation increase is much lower right now.

Jaineel Jhaveri: So what would be our quarterly depreciation number?

Anirudhsinh Jadeja: If I give you the trend for the last year, it is going to be on the basis of the last year trend only.

Moderator: Thank you, Mr. Jhaveri. We have a question from Mr. Sanjay Chawla from JM Financial. Please go ahead.

Sanjay Chawla: Can you tell us what is the CAPEX in your EPC BharatNet project in the first half of the year?

Piyush Pankaj: Sanjay, I will give you the exact figure offline. I don't have the exact figure. Overall in the 6 months, if you see the fixed assets, the asset has increased by around Rs.110 crores on that basis, but this is asset basis. I will give you that figures offline, Sanjay.

Sanjay Chawla: Sure, but conceptually just wanted to understand why should there be a significant CAPEX in your EPC BharatNet project because that is a pretty low margin business and this assets are supposed to be transferred, right?

Anirudhsinh Jadeja: Yes.

Piyush Pankaj: I don't think CAPEX will come into our own because by end of the year we will see that there is no CAPEX regarding to that.

Anirudhsinh Jadeja: Sanjay ji, the revenue being booked right now is on the output basis. We are not booking 100% revenue in EPC side. We are booking right now on the basis of the 75% of the total invoice value.

Sanjay Chawla: But what happens to the asset, they are coming on your books and then they will get shifted out? Can you tell us how this works?

Piyush Pankaj: Yes, the CAPEX doesn't belong to us. It has to be given back to the government. It is the government's CAPEX.

Sanjay Chawla: Sir, eventually you will earn a margin on that transfer, right?

Anirudhsinh Jadeja: Yes, absolutely right because this entire project is not a fixed BOPO format. It is completely open format. So as we said the total cost is...

Piyush Pankaj: Right now, we are not taking any CAPEX in our balance sheet of BBNL. For GFNL, we are not taking any CAPEX as it is in the output method, so that is the thing.

Sanjay Chawla: So there is no CAPEX on your balance sheet from this EPC BharatNet project?

Anirudhsinh Jadeja: No, that is not in the fixed asset side.

Sanjay Chawla: Just help me understand, in the cash flow, you got Rs. 123 crores CAPEX right on purchase of plant PPE Rs.123 crores first half whereas what you have reported for the core business is Rs. 86 crores, so is there some drawdown of vendor financing or what will happen in this quarter? Why is there such a big gap between core CAPEX that you have reported and the?

Piyush Pankaj: I will give you those in one to one, I will give you.

Moderator: Thank you, Mr. Chawla. I would now like to hand over the call to the management of GTPL Hathway for closing comments. Over to you sir.

Anirudhsinh Jadeja: I thank everyone to take out the time for the quarter 2 GTPL Hathway earnings call and we look forward to hear you and see you in quarter 3 earnings call of GTPL Hathway. Have a great evening. Thank you.

Piyush Pankaj: Thank you. Thanks a lot.

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