



“GTPL Hathway
Q2 FY2021 Earnings conference call”

October 13, 2020



ANALYST: MR. ROHIT DOKANIA – IDFC SECURITIES LIMITED

**MANAGEMENT: MR. ANIRUDHSINH JADEJA – PROMOTER & MANAGING
DIRECTOR – GTPL HATHWAY LIMITED
MR. RAJAN GUPTA – CHAIRMAN & NON-EXECUTIVE
DIRECTOR – GTPL HATHWAY LIMITED
MR. PIYUSH PANKAJ – BUSINESS HEAD (CATV) &
CHIEF STRATEGY OFFICER – GTPL HATHWAY
LIMITED
MR. ANIL BOTHRA – CHIEF FINANCIAL OFFICER –
GTPL HATHWAY LIMITED**



*GTPL Hathway Limited
October 13, 2020*

Moderator: Ladies and gentlemen, good day and welcome to the GTPL Hathway Q2 FY2021 earnings conference call, hosted by IDFC Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. 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. Rohit Dokania from IDFC Securities Limited. Thank you and over to you Sir!

Rohit Dokania: Good afternoon everyone and welcome to the Q2 FY 20-21 results conference call of GTPL Hathway Limited. We at IDFC Securities would like to thank the management for giving us the opportunity to host this call. GTPL Hathway Limited management will be represented by 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. We will start the call with a brief comment from the management and then move into the Q&A. Thank you and over to you Sirs.

Anirudhsinh Jadeja: Thank you Rohit. Good evening everyone. A warm welcome to all of you to the conference call of GTPL Hathway Limited to discuss financial and operational performance of Q2 FY21.

GTPL Hathway continues to deliver on key KPIs. The highlights of H1 FY21 performance was strong profitability, debt reduction, geographical expansion and strong operational performance. During the first six months of the current year, we have reduced our gross debt by Rs. 440 million.

Our seeded set top box stood at 10.41 million and paying subscribers stood at 7.3 million. Our broadband business has gained momentum and we added 130,000 broadband subscribers during H1 FY21. We are the number six private wireline broadband company in India offering high speed and truly unlimited data. We are looking forward to a strong H2 FY21 coupled with the planned launch of hybrid box in the coming months. With that, I hand over to Piyush Pankaj who can take you through the business and financial aspect of GTPL Hathway.

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 consistently profit-making cable company in India. Our business model is quite robust and can explore multiple growth opportunities that this sector

has the potential to offer. In the last four years, our subscriber base has grown exponentially by 1.7x from 4.2 million in Q2 FY17 to 7.3 million in Q2 FY21. During the same period, our revenue and EBITDA has grown by 22% and 18% CAGR respectively.

We have been consistently generating free cash flow since FY16 and have managed to reduce net debt by Rs. 3,419 million in the last four years and have returned the money to shareholders in the form of regular dividends. I believe with such strong fundamentals, we are ready to pursue the next phase of growth, which has already been put in motion.

As on September 30, 2020 CATV active and paying subscribers stood at 7.85 million and 7.30 million, respectively with an addition 1,00,000 subscribers as compared to Q1 FY21. GTPL's services reaches 800 plus towns spread across 13 states in India with Tripura being the latest addition.

Our CATV business expansion in Maharashtra, Tamil Nadu, Andhra Pradesh, Telangana, and Tripura is on track and we will gain momentum in the coming quarters. The wired broadband sector has witnessed a surge in demand. This increase is more specifically contributed by the households to enable e-learning, work-from-home, entertainment, digital payment, etc., and other digital activities.

In the broadband segment during Q2 FY21, we added 2,10,000 new home-passes and taking the total home-pass as on September 30, 2020 to 3.72 million. During the quarter, GTPL added 80,000 net broadband subscribers reaching total broadband subscribers as on September 30, 2020 to 5,35,000 of which 1,60,000 are FTTX subscribers. The data consumption in September 2020 stood at 195 GB per month up by 55% Y-o-Y. Broadband ARPU for Q2 FY2021 grew by 4% Y-o-Y at Rs. 430 per month.

On our EPC business, we have connected 3,400+ gram panchayats of total 3,600+ gram panchayats in 10 districts as of Q2 FY21. The company has completed around 14,250 kilometers of T&D of the total 17,000 kilometers.

Let us now move to our financial performance. On our consolidated business excluding EPC contract during Q2 FY21 GTPL's consolidated revenue grew by 11% Y-o-Y to Rs. 5,064 million. The CATV subscription revenue grew by 3% Y-o-Y to Rs.2,677 million. The broadband revenue for the quarter grew by 68% Y-o-Y to Rs. 670 million led by a rise in subscribers. EBITDA for the quarter surged by 16% Y-o-Y to Rs. 1,334 million with a margin of 26.3%.

On our consolidated business including EPC contract during Q2 FY21, GTPPL's consolidated revenue stood at Rs. 5,847 million. EBITDA for the quarter increased by 8% Y-o-Y to Rs. 1,390 million with a margin of 23.8%. PAT for the quarter surged by 59% Y-o-Y to Rs. 453 million. Our EPC contract during the Q2 FY21 reported the revenue, EBITDA and profit before tax of Rs.783 million, Rs. 56 million, and Rs. 54 million respectively.

On our standalone business excluding EPC contract during Q2 FY21, the company reported revenue of Rs. 3,304 million, which grew by 9% Y-o-Y. This was mainly contributed by 5% Y-o-Y in subscription revenue at Rs. 1,825 million. The company reported EBITDA of Rs. 797 million with an EBITDA margin of 24.1%.

On our standalone business including EPC contract during Q2 FY21, the company reported revenue of Rs. 4,087 million, EBITDA stood at Rs. 853 million with an EBITDA margin of 20.9%. PAT for the quarter increased by 41% Y-o-Y at Rs. 348 million.

Finally, before we open the floor for Q&A, I would like to tell you that the provisions against the receivables that the company has been making for the past few years, we will not have to do that during FY21. 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 Shweta Jain from A&S Wealth. Please go ahead.

Shweta Jain: Thank you for giving me this opportunity. I have a couple of questions. The first one being, in your last statement you said we will not be requiring to make any further provisions on receivables, so I just want to know are we going to reverse this provision and if you can just confirm the amount?

Piyush Pankaj: Thanks Shweta. On the receivables, still we have not reversed anything on the books. We have collected some of the amount, which we are assessing and whatever reversals we have to do, we will do in Q3 and Q4 FY21. Yes, we have collected some of the amount, which is there lying in the books right now, but we have not reversed the provisions.

Shweta Jain: Sir would you be able to throw some light on the amount for the same?

Piyush Pankaj: The amount is part of the financials. If you see on the subscription side, our receivables have gone below by around Rs. 20 Crores. We have not taken any provision right now. We will take it in Q3 and Q4 FY21.

Shweta Jain: My other question is with respect to the hybrid box, can you just let us know what exactly you are thinking in terms of strategy? How do we plan to roll it out? What could be the pricing difference and what it entails for a customer who is moving to a hybrid box?

Piyush Pankaj: The hybrid box is under production. We have completed all the testing. We plan to launch it in Q3 FY21. Pricing strategy and other things are under consideration right now. The Hybrid box will be launched at a competitive price whereby we can attract a good demand from the consumers.

Shweta Jain: Sir in terms of rolling out, I believe will we roll out this in a phased manner and any particular territory that we are planning to start with?

Piyush Pankaj: Yes, it is going to be in a phased manner. First, we are going to launch it in Phase-I and Phase-II markets, some selected Phase-III and Phase-IV markets and subsequently, we will enter in other markets.

Shweta Jain: Sir my next question is with respect to placement and carriage fee, how do you see this moving ahead for the next three to four quarters?

Piyush Pankaj: Placement and carriage if you see, there is a growth which is related to pay channel. So, we are going to maintain the growth rates of the Pay channel and carriage revenues. So the intent will be to maintain in the same way just as we are doing it in the last one and a half years.

Shweta Jain: Okay so it will remain the same and we will maintain the trend, right Sir?

Piyush Pankaj: Yes. The trend will be maintained.

Shweta Jain: Sir, my last question and then I will rejoin the queue. If you look at the balance sheet numbers, the trade receivables have increased as on September 30, 2020. Can you just explain? Are these receivables related to EPC contract or they are related to broadband or internet?

Piyush Pankaj: Trade receivables has increased mainly because of the pay channels, marketing and placements, which is from the broadcaster side. If you go by the trend during the last four

years, trade receivables surge for the payable side as well as from the receivable side in September i.e. during the first six months. Later, it reduces and gets normal by March. The last four-year trend suggests that if the receivables side is increasing it is because of placement and commission income. On the payable side, it is because of the pay channels payables.

- Shweta Jain:** So, this is not related to EPC basis claim? This is related to the pay channel.
- Piyush Pankaj:** Yes.
- Shweta Jain:** Thank you Sir that helps. I have a few more questions. I will probably join the queue back.
- Moderator:** Thank you. The next question is from the line of Dixit Doshi from White Stone Financial. Please go ahead.
- Dixit Doshi:** Thanks for the opportunity. Sir, can you give us the Cable TV ARPU?
- Piyush Pankaj:** Cable TV ARPU stands at around Rs. 123 right now.
- Dixit Doshi:** Between DPO to LCO?
- Piyush Pankaj:** Yes.
- Dixit Doshi:** I understand that after the NTO, we kept our share very low as compared to the other industry players. Earlier, we were thinking of increasing our share with LCO after may be a year after NTO implementation, so any plans of increasing our share in the near future?
- Piyush Pankaj:** You are right that we wanted to increase the price, but due to COVID-19 during the first six months of FY21, we have not increased. We wanted to do it during the normal business scenario without disturbing anything. Secondly, we are waiting for the NTO 2.0 to get implemented as it will give us the opportunity to increase the price and restructure the whole packages. So that is an opportunity we are looking for right now.
- Dixit Doshi:** So, can we expect by end of the year, the new NTO 2.0 will be implemented and next year we should benefit from it?
- Piyush Pankaj:** We are also waiting for NTO 2.0. As you know that legal cases are going on and whenever that will happen, we will implement it.

Dixit Doshi: Secondly Sir, if we see our share of the active subscriber to home-pass in the broadband business is very low, but from the last couple of quarters we are seeing good traction? So how do you see it going forward? Will there be a very high growth trajectory over the next couple of years? What kind of subscriber base are you expecting over the next two to three years?

Piyush Pankaj: If you see Q1 FY21, we did not do any expansion in the home-pass side. In Q2 FY21, we did around 2 lakhs home-pass. We have added 1,30,000 subscribers in the last six months from the existing home-passes. The difference between FTTX and MEN is, in the FTTX, you have to create the supply first and then you have to do the demand. So, here it takes around 18 to 24 months to convert to a level of 18% or 20%. We are investing from the last two to two and a half years on converting to FTTX and we are reaping the benefits. During Q1 FY21, we had shared the target of adding 1,10,000 to 1,20,000 subscribers in FY 21. We have already achieved that during the five months of FY21. We are looking forward that we will end FY21 with around 2,25,000 to 2,50,000 subscribers.

Dixit Doshi: Thank you Sir.

Moderator: Thank you. The next question is from the line of Prateeksha Daftari from Aequitas. Please go ahead.

Pratiksha Daftari: Thank you for the opportunity. Sir if you could comment about the employee cost in this quarter? It has gone down substantially. So, is there a reason why the employee cost was particularly low this quarter?

Piyush Pankaj: The employee cost has gone down, however, the other operating, admin and selling expense has gone up. This is because of the shift of the expenses from employee cost to other Operating expenses by outsourcing the technical manpower from third party to smoothen our operations. We are doing the GFGNL project, and we are seeing that if opt for SLA based third party, the productivity is improved for the maintenance, upgradation, installation, etc. We have taken a technical manpower for CATV business from a third party on SLA-based working for improving our productivity. We did that in broadband around two quarters back and we are reaping benefits to the tune of around 15% to 20%. Right now, we did it for the cable and we will see these benefits in the next two quarters. So, it is more of shifting the cost from employee to the other operating and admin & selling where you are getting the third party mainly for technical manpower, which is for maintenance of the lines.

Pratiksha Daftari: Sir we are understanding that Airtel is planning to tie up with local cable operators and get into this broadband market and they are also looking at some acquisition opportunities? If you want to comment on that Sir?

Anirudhsinh Jadeja: Yes, they have planned. Before this also, I think about 4 years ago, they had come up with this formula. Tata's bought metro Ethernet with LCO tie-up. Airtel also came up with the LCO formula in 2016-2017, but yes, we do not find any kind of rollouts in the market for now. Airtel has certainly announced their clear plans to the market. Many other telcos and ISPs including Tata and Airtel have come up with this formula but we have not seen anything being implemented on the ground.

Pratiksha Daftari: I think our EPC contract was supposed to get over by the first half of FY21. So now what are the revised timelines and when do we expect to finish this contract and what is the execution, we foresee in H2 FY21?

Anirudhsinh Jadeja: Basically, we targeted to connect 3,767 Gram Panchayats (GPs) under our EPC contract and out of that we have connected about 3,400 GPs in Q2 FY21. Close to around 200 GPs are pending because of the environment, forest, railway track clearance from the government side. If you see today, we have completed around 95% of the work. So, gradually if you see these will all be completed in Q3 FY21. Additionally, Q2 FY21 witnessed a long monsoon, especially in Phase 2, where GTPPL is rolling out in the parts of Saurashtra. There are many issues with the permissions related between the state and government, so therefore around 200 GPs are still pending. I think it will be completed in Q3 FY21.

Pratiksha Daftari: You mentioned in your opening remarks that momentum for cable TV users should pickup for states of Maharashtra, Tripura and some other states also, so if you could elaborate on that, what kind of user additions can we see in cable TV and if we are looking at any inorganic growth opportunities and acquisitions?

Piyush Pankaj: This quarter we have added about 1,00,000 subscribers to our CATV business. We have mentioned that in the presentation. Right now, every market has opened up. As unlocking progresses, the activities on the ground will increase. Hence, we might witness a surge in CATV subscribers during Q3 and Q4 FY21. During H1 FY21, the CATV business was not happening freely on the ground, due to the COVID-19 lockdown. Now, the markets have opened up and we are witnessing a rise in demand. Additionally, we are equipped to do CATV installation, go to customers' houses and can meet rise in demand. For inorganic growth, we are evaluating the opportunities. For the first six months, we have not taken any

decisions, but now we will consider any good opportunities coming our way. We will evaluate properly and close it in next six months or later. There are considerable demands for both inorganic and organic growth.

Pratiksha Daftari: Sir on the broadband side, we have seen the ARPU of about Rs. 420 for a while now and this quarter we have seen the ARPU increasing to Rs. 430. So do we expect this ARPU or the growth rate to be sustainable in ARPU?

Anirudhsinh Jadeja: We have been benefited by around Rs. 6 to Rs. 7 in the broadband ARPU because of the upgrade plan taken by the subscribers. Earlier, maximum 40 MBPS to 50 MBPS plan was being opted by the subscribers. Now, it has gone up to about 100 MBPS due to work-from-home and online education, etc. On the conservative side, we would like to keep our Broadband ARPU flat.

Pratiksha Daftari: This Rs. 430 will be maintained or will that Rs. 420 range is good guidance?

Piyush Pankaj: We are keeping the range between Rs. 420 and Rs. 430. On ARPU front, we are not saying that we are going to increase it. Whatever our schemes and our products are going on currently, we are going to continue. Some products mix will change here and there, but the ARPU will remain in that range.

Pratiksha Daftari: If you could give the capex plan for the year?

Piyush Pankaj: Last time, we have said that the capex for FY21 will be in the range of Rs. 210 Crores to Rs. 220 Crores. Till date, we have incurred a capex of Rs. 130 Crores during H1 FY21. The STB capex is around Rs. 50 Crores. Broadband capex is around Rs. 58 Crores. We have invested in IT and infra, which is around Rs.16 Crores and other Capex is around Rs. 6 Crores. As the demand is more from the broadband side, we are going to increase our capex. We are going to spend around Rs. 120 Crores to Rs. 130 Crores in the H2 FY21. So, our capex for FY21 will be in the range of Rs. 250 Crores to Rs. 260 Crores up from Rs. 210 Crores to Rs. 220 Crores earlier.

Pratiksha Daftari: Okay thank you.

Moderator: Thank you. The next question is from the line of Akash from Narnolia Financial Advisors. Please go ahead.

Akash: Good afternoon Sir. My question is regarding the Rs. 930 Crores you have provided for the licensing fee to the DoT, so I wanted to know the status of it and what is the worst case

scenario that we are going to see now because it is related to the AGR case and if it is related to AGR case, you have a tentative timeline to prove it so what is the status on it? That is my first question, Sir.

Anirudhsinh Jadeja: As per the legal opinion received, technically the Supreme court order is applicable to telecom service providers. So, yes the matter is under observation and legal is also pursuing. However, as far as our legal understanding, it is not applicable to us.

Akash: Okay, but Sir have you made any provisions for it because a lot of companies like Bharti and all they have also asked the same thing, but they have made provisions for it in case if it does not happen and you will get some more time, so the provisions that you have done and are you thinking about these lines in a worst case scenario?

Anirudhsinh Jadeja: Others majorly are telecom service providers, so they required these provisions. It is not applicable to us because we are a wireline broadband ISP. So, the order is not saying it is applicable. The order says it is applicable for a telecom service provider. We have not made any provisions.

Akash: My second question is regarding Reliance Jio has bought the stake of Hathway in GTPL, so I wanted to know do you people have any arrangement with Reliance Jio regarding the broadband picture because you know they will be in your markets and they will start rolling out Jio Giga Fiber so I wanted to know about it, Sir?

Anirudhsinh Jadeja: Yes, it is our privilege that Jio is now our partner. There are a lot of synergies coming especially on the content side, infrastructure, knowledge sharing, etc.

Akash: Good to know. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Ishant Poddar from Stock Edge. Please go ahead.

Ishant Poddar: Good afternoon. Thank you so much for your presentation. Sir, I would just like to enquire about the future plans of the company and the future expansion of GTPL Hathway is looking out for?

Aniruddhasinh Jadeja: In terms of cable or terms of broadband or both.

Ishant Poddar: Both Sir.

Rajan Gupta:

On broadband, I think we had a consistent strategy for the last two years. We have been saying pretty similar things. We are expanding home-pass in our cable strong areas (Gujarat) The idea was to get into 50 MBPS, 100 MBPS, FTTX and give value for money product and then wait for the right opportunity to monetize. So, we have seen during the last two quarters there is a huge increase in broadband numbers. The focus now is on further improving customer service because one thing that has happened as we work-from-home, the customer has become increasingly demanding. The customer tolerance level is very low. So, the focus has to be on increasing further service levels on the current home passes. GTPL Hathway has also recruited a new head for customer service and rehaul the technical team. I am sure he will bring a lot of learning from telcos and take the customer service to next level. Essentially focus is to continue what we have done till now but improve service further to the next level and that itself will take care of the next few quarters kind of growth momentum what we have built up. Finally, as Anirudhsinh ji rightly mentioned where we are strong for example this whole EPC project, which has been done for government, for taking home passes to all the villages and rural areas. It gives GTPL the opportunity to expand everywhere in Gujarat. The kind of value added for money product GTPL Hathway has at Rs. 400 to Rs. 600 ARPU 50 mbps to 100 mbps purely unlimited. Even in very small towns and even in rural area, there is a demand for that. So as soon as this project is getting completed, it gives GTPL potential to launch an FTTH and FTTB in every GP area. That itself is a huge potential. So, I think that is where the focus is going to be.

Piyush Pankaj:

On the cable business, we are already in 13 states. We have recently launched our services in Tripura and there is a huge opportunity everywhere. Overall, there are about 300 million households in India. Out of that, around 200 million is TV households and 100 million is cable households. The organized players have just 35 million households in the cable industry. So, the balance 65 million households are catered by independent cable operators. As we are progressing, the consolidation of the industry is also going to progress. So, there are lot of opportunities to grow plus there are 60 million DTH households. We are going to target them and win back. So, if we talk there are around 120 million houses currently, which is there to target for the whole country. On the cable industry and focusing on targeted way, we are targeting 65 million households from the independent operators and 60 million households from the DTH space. We are looking forward that we will maintain our growth rates and subscriber base.

Ishant Poddar:

Thank you, Sir.

Moderator:

Thank you. The next question is from the line of Abhishek G from Vision Capital. Please go ahead.

Abhishek G: I just wanted to know about as I can see our strategy by getting into homes or cable TV and then may be giving the broadband services and as the internet penetration is going high? Can we see the growth traction coming from that particular way? Is my understanding correct for our growth triggers going ahead for the next two to three years?

Piyush Pankaj: Yes, that is the way forward.

Abhishek G: What you think on the OTT platforms onslaught, which is currently happening? Is it going to hamper the cable TV business as such, or they will live together, the OTT players as well as the cable? Is the cable TV subscription is going down because of the OTT players?

Piyush Pankaj: We are also coming with a hybrid box with all OTTs included. I am not saying it the linear TV will be replaced the OTT, but it will complement each other.

Abhishek G: So, they are not going to eat into market share, right? That will not hamper that is what I want to know?

Piyush Pankaj: We are not seeing any hamper in growth because of the OTT. Both will together co-exist, that is the way we are looking forward. OTT is going to be phenomenal in phase 1 and phase 2, but phase 3 and phase 4 linear TV will prevail. In phase 1 and phase 2 markets both OTT and CATV are going to be there in the houses.

Abhishek G: Phase 1 and phase 2 in the sense you mean in Tier I and Tier II cities?

Piyush Pankaj: That is right.

Abhishek G: I wanted to know about the broadband business. Are we trying to create a niche for this in Tier 3 and Tier 4 cities or maybe rural areas because that is where we try to specialize and try to create more customers than the metros and tier one cities? Is my understanding correct?

Piyush Pankaj: Yes. Your understanding is correct. Right now, in Gujarat, we are at around 120 cities, which is the phase 2 and phase 3 cities. As Mr. Rajan was mentioning that we are completing our GFGNL project for which we are connecting over 3,700 grampanchayats in every village and house. It is going to give us the opportunity to increase our business up to 250 more places in the rural area. We are looking forward where we want to give the services to every nook and corner and whether it is phase 3 or phase 4.

Abhishek G: Thanks a lot, Sir. That is from my side.

- Moderator:** Thank you. The next question is from the line of Hardik Jain from Whitestone Financial. Please go ahead.
- Hardik Jain:** Good evening Sir. Congratulations on a very good set of numbers. So, I just have one question. Now when you see the financials, we have been reducing debt over the last couple of years and we will be generating enough cash and we should be debt free by the year end. So, in that perceptive, what are your thoughts on dividend over the last year? You have increased the dividend to Rs. 3 per share. So, do you wish to increase it further as our financials improve? What are your thoughts on that?
- Anirudhsinh Jadeja:** Yes, every year we are increasing the dividend and the future recommendations to board will also be in the same line.
- Hardik Jain:** Thank you, Sir. Congratulations.
- Moderator:** Thank you. The next question is from the line of Naresh Vaswani from Sameeksha Capital. Please go ahead. Mr. Vaswani your line is in talk mode. Please go ahead.
- Naresh Vaswani:** Sir in the opening remarks you mentioned that we are one of the very few cable TV companies, which have been operating profitably so I wanted to understand what difference have you done from others if you can highlight that?
- Piyush Pankaj:** I do not want to comment on other companies. I will just talk about our strengths. We have the key positions in the operating markets wherever we are, whether it is in Gujarat, West Bengal or Maharashtra. We believe that being number one or number two, you can have more benefits out of the market. We believe that the cable markets give you benefit if you have a dense connectivity. So, you go into one area, you get a dense connectivity where you can make more margins as your operating cost is lower. That is what we are doing for last 13 years, wherever we are going, we are going with this mindset and achieving number one and number two status in that market. That's the first thing. Second, we are also selecting our market judiciously and where we have to go. It should be a good consumption market, good paying market, etc. So, we are mainly entering a market with complete analysis. That is why we are just at 13 states in the last 13 years and not all over India. We treat our partners as our business partners and have maintained a cordial approach towards the operators. That is the philosophy of the company, as the company is built from bottom to top approach. This company has been built by Mr. Anirudhsinh Jadeja, who had started his career as a cable operator and then built this whole company. So, it is a bottom-up approach, which helped us grow in the market. I will say that somewhere on the technology

side, we always want to go for better technology. We have HARMONIX as our main vendor for the NOC. For our broadband, we have state-of-art BNG solutions from Nokia. We are installing all the equipment of internationally recognized companies. So, fourth is the technology part that whatever we are doing with the technology in the infrastructure side, it should be state-of-art coming from the very renowned and good companies. These things are the strength of the organization and we are going to continue with our strengths.

Naresh Vaswani: Yes. It was a very elaborate answer. Thank you for that and the second question was when we are entering these new states for the Cable TV whose market share are, we currently capturing? Can you tell me that?

Piyush Pankaj: As we have mentioned that there are 65 million homes under the independent operators and as the market consolidates, the opportunity is always there for the consolidation, we are taking that share plus we are running a campaign for taking the DTH market share.

Naresh Vaswani: Just last question. Sir, you mentioned you are looking at some inorganic can you elaborate something on that on the inorganic growth opportunities.

Piyush Pankaj: Those deals are under discussion. I can just say that the demand is very high on the inorganic side too. The company will close those deals at the appropriate time. So, it will be announced in the filings as the deal happens.

Naresh Vaswani: In case anything fructifies that, would be through internal approvals or a mix of debt and equity? How will we plan that?

Piyush Pankaj: It is through the internal accruals only. We are not raising any debt.

Naresh Vaswani: Thank you.

Moderator: Thank you. The next question is from the line of Shweta Jain from A&S Wealth. Please go ahead.

Shweta Jain: Thank you. Just a couple of more questions; Sir in terms of an expansion plan what new territories we plan to enter this year and also, I wanted to understand a little bit from the broadband industry perspective like we have 28,000 LCOs that we have partnered with? Now in terms of broadband strategy as we go ahead how important the LCO will be in terms of expanding our reach especially with the hybrid box that we are planning to come up and do we also see some more tie ups with the LCO like from an overall industry perspective and also with respect to GTPL if you can just explain that will be very helpful?

Piyush Pankaj: Shweta, first on the expansion side as you know that we have started two new states in the last seven to eight months. One is Tamil Nadu and another is Tripura. We are slow on entering into new states because of the COVID-19, but as the things are becoming normal, we will see that we are entering into other new states. After these two states we have entered, we have to widen our presence. Already in Tamil Nadu, we have started doing very aggressive, but we have to step back because of the COVID-19. We are looking forward to strengthening our presence during the current financial year and then enter into another states. However, if some very good opportunity comes, we will consider it. We will go into the other states. Apart from that if you talk about the relationship with the LCOs, we have very good relationships with the LCOs. Somewhere, our LCOs are also waiting for the hybrid box. They all are demanding that when can we have the hybrid box so they can widen the subscribers base. So that way you will say that tie up with all those are there. Already the relations are there with my operators and the demand is more from their side rather than our side for the hybrid box. Earlier, we wanted to launch the hybrid box in April 2020 but because of the COVID-19 it got delayed. We are already seeing the demand from our partners.

Shweta Jain: Sir just a follow-up on this, with respect to Jio and other OTT platforms, do you see an LCO model saving out in the entire broadband industry going forward or you think they will still be a very key link?

Anirudhsinh Jadeja: No. The LCO model will remain the same. GTPL is getting last mile and line infrastructure support i.e. RoW while building the home pass, etc. through LCO. The LCO will continue to be the key player in the business.

Rajan Gupta: LCOs have played a very critical role in ensuring the last mile infrastructure, in ensuring whatever relationship they have with the customers. Using that relationship, GTPL specifically have increased our broadband penetration. Because of our very high market share in geographies, GTPL enjoys excellent trade relationships and over the years they have helped increase LCOs revenue, so they are also very loyal to them. So, as I mentioned earlier in Gujarat with so many GPs now fiber being available so broadband penetration will increase big time through GTPL and LCOs in taluka or those particular GPs. LCO will remain a key enabler and a key partner from the GTPL perspective.

Shweta Jain: That helps. Just one to two more questions. Sir with respect to EPC project now once we are done with phase 2 of 3,700 odd gram panchayats is there a plan for GTPL to partner or say if there is an opportunity?

- Anirudhsinh Jadeja:** Yes. if any opportunities will come, we will work out or we will see how it will be encashed, but still, GFGNL has three plus four years i.e. seven years O&M contract with GTPL.
- Shweta Jain:** Thank you, Sir. I appreciate it. All the best.
- Moderator:** Thank you. The next question is from the line of Krishan Somani from ICICI Bank. Please go ahead.
- Krishan Somani:** Good evening everyone. Just a couple of questions; first is from the cable side. So, the first thing, I just want to understand like you mentioned that whenever GTPL goes into a new market they tie up the share of independent operators. So, I just want to understand the position of independent operators whether they convert as an LCO for GTPL or they are completely out of the business?
- Anirudhsinh Jadeja:** Both models are going on, they will convert as an LCO also or they convert as a JV partner and at some places they completely exit.
- Krishan Somani:** Another question is on activation income, which is one of the key components for cable business, so I just wanted to understand this activation income? Is this synchronized with the cash realization or is its major deferment of earlier income which is being received by GTPL?
- Anil Bothra:** Mainly the activation income is for the installation of the set top boxes, which we are seeding in the market. We are seeding them at customer houses, so this is the activation income, which we are showing on our revenue side.
- Piyush Pankaj:** It is around Rs.450 and the rest is getting deferred for five years. Earlier before NTO, it was like a deferment for five years for the whole amount. Now, Rs. 450 is coming in the same year and the rest about that is getting deferred for five years.
- Krishan Somani:** You are supposed to pay in upfront and the total cost is approximately Rs.1000.
- Piyush Pankaj:** It is Rs. 700 to Rs.800.
- Krishan Somani:** The third one is like you mentioned about the hybrid box, so there you will be partnering with OTT players, is it going to generate any additional revenues fee in terms of you will be facilitating OTTs for a new market or you will give a subscriber for OTT subscription so that is going to generate any additional revenues for GTPL?

Piyush Pankaj: The pricing mechanism and the whole product is still under consideration for the hybrid box. Please wait till the launch.

Krishan Somani: Sir in terms of broadband, I just want to understand when you look at the capex for home pass and I understand that you know when we compare GTPL Hathway with Hathway, so Hathway is majorly having penetration into metro cities where the densities are higher, so ideally the capex should be lower for Hathway. When we talk about capex for home pass, but it is the other way around like capex for GTPL Hathway is lower as compared to Hathway so any specific reason for this if you can elaborate?

Piyush Pankaj: I can give you a GTPL perspective. As a strategy, we are going to expand in the broadband only where we have presence in the cable. So, our strategy will be to provide both services on the same infrastructure and that is going to give us the benefit in the capex side. That is why our capex is at this level.

Krishan Somani: So basically, the cable everything is the same for CATV and Broadband business?

Piyush Pankaj: Yes. that is what we are working on so that we get more ROI.

Krishan Somani: In terms of capex if I talk about how much capex belongs to infrastructure and how much capex belongs to consumer premise equipment in terms of a unit or per subscriber basis?

Aniruddhasinhji Jadeja: You can say 40% belongs to consumer side and 60% right now is on you can say core side.

Krishan Somani: Whenever you enter into a new market in broadband, do you share any revenue with LCO, I mean as in one-time commission or some recurring revenue for broadband income?

Aniruddhasinhji Jadeja: We are not sharing revenue right now. However, at some places we have some of LCOs where we have an understanding with 5% to 10% tariffs and commissions.

Krishan Somani: But is it recurring or one-time commission to add subscribers?

Aniruddhasinhji Jadeja: It depends, on the sales point it is a one time. Some places like if you are retention part, it is recurring.

Krishan Somani: What is the churn in terms of fiber network in the legacy network?

Aniruddhasinhji Jadeja: So, churn ratio in terms you are talking about cable TV or broadband?

Krishan Somani: For broadband?

Aniruddhasinhji Jadeja: If you see the MEN churn ratio it is 20% per annum and FTTH part it is not more than 7% to 8%.

Krishan Somani: Per annum?

Aniruddhasinhji Jadeja: Yes.

Krishan Somani: Thanks a lot Sir. That is it from my side. Wish you all the best.

Moderator: Thank you. The next question is from the line of Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania: Good evening. Thanks for the opportunity. Just two quick ones; one is if you can talk about the consumer behavior a bit. Do you think as the economy opens up and hopefully the biggies sort of ebbs is there is a likelihood that the churn rates in broadband can increase and subscribers would come because of work-from-home, etc., they can sort of cut their connections once the three months or six months plans are over or do you think that this consumer behavior will stay and these people will stay on longer?

Rajan Gupta: Rohit it is a complex question you asked. GTPPL offers value for money products. You are paying Rs. 425 plus taxes. In return, you are getting 50 MBPS unlimited and the way even mobility data tariffs are gradually increasing. It is very attractive value for money proposition and some of the habits, which have been built up in work-from-home or overall COVID-19 period are likely to be more permanent. For example, we are seeing more and more corporations saying permanently people can work from home. We are seeing people are discovering that online classes are as good as offline classes. In fact, sometimes better. When I talk to my son's friends they say online is better than offline. It gives a convenience to everybody, so a lot of habit changes are happening. Hopefully, they will be permanent, and demand should keep on increasing that is our current estimate. Even if some reversal happens GTPPL with their very low ARPU and very attractive value for money proposition and with an increase in service standards, I think we should have this momentum continuing for quite sometime.

Rohit Dokania: Great Rajan Sir. Thank you for those comments. Just one question either for Piyush or Anirudhsinh ji, if you can talk about what kind of impact the current NTO 2.0 can have across stakeholders in the industry assuming that it is implement in the current form? Do you think ARPUs will increase again for consumers because of NTO 2.0?

- Anirudhsinh Jadeja:** If you have seen there is no clarity on the implementation of NTO 2.0. The broadcasters will define their price mechanism, post which we can get a more clarity on the ARPU.
- Rohit Dokania:** That is a fair point. Great. I think this is very helpful. Steven do we have more questions in the queue?
- Moderator:** No questions as of now.
- Rohit Dokania:** Sir I think we can then end the call. Anirudhsinh ji or Mr. Piyush or Mr. Rajan would you want to make any closing comments.
- Piyush Pankaj:** Thanks a lot everyone for joining for the Q2 FY21 earning call. We look forward to meet you and talk to you for the next quarter results. Please stay safe and healthy. All the best.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of IDFC Securities Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.