



## “GTPL Hathway Q4 FY20 Earnings Conference Call”

**April 22, 2020**



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

**MODERATOR:**        **MR. VIVEKANAND SUBBARAMAN – AMBIT CAPITAL  
PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day. And welcome to the GTPL Hathway Q4 FY20 Earnings Conference Call, hosted by Ambit Capital Private 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. Vivekanand Subbaraman from Ambit Capital. Thank you and over to you, sir.

**Vivekanand Subbaraman:** Thanks a lot for the introduction. Ladies and gentlemen, we at Ambit Capital are pleased to host the management team of GTPL Hathway to discuss the 4Q and full year FY20 Results of GTPL Hathway. We have with us the senior leadership team of the company, Mr. Anirudhsinh Jadeja – Promoter and Managing Director; and Mr. Piyush Pankaj – Chief Strategy Officer and Corporate Affairs Officer. So, I will hand the call over to Mr. Jadeja for an introduction, followed by Q&A.

**Anirudhsinh Jadeja:** Yes. Thank you, Vivekanand. Good evening, everyone. On behalf of the management of the company, I extend a warm welcome to all of you to the conference call of GTPL Hathway Limited, to discuss the financial and operational performance of the Q4 and the full year ended on March 31, 2020. I believe all of you must be working from home and taking good care of your family and yourself. COVID-19 pandemic has put lives and businesses at significant risk, and the full economic impact of this is difficult to estimate as we speak. GTPL business model, however, as you know, is relatively unaffected in the pandemic. People are watching more TV in this forced lockdown. Of course, there are operational challenges of most of us working from home, except for critical operations. The collection is another issue, but more than 80% of our collection is through a digital payment mode. We deliver a strong business and financial performance in this transformative year for the industry. Amidst the year of industry reforms, GTPL Hathway has emerged as a strong company. Our operational ability to extend our service has improved, so has our ability to generate free cash flow. The highlights of FY20 was strong profitability, debt reduction and geography expansion. Our FY20 consolidated revenue and EBITDA grew by 88% and 39%, respectively. We have completed nearly 3,000 gram panchayats of the total 3,600 gram panchayats to be connected under our EPC project. We have completed approximately 13,500 kilometers T&D works of the total 17,000 kilometer in FY20. During the year, we have significantly reduced our gross debt by around Rs. 130 crore and our net debt as on March 31, 2020, stood at Rs. 128 crores. The board has recommended a 30% dividend that is Rs. 3 per share. I will now request to Piyush to give you a detailed overview of operational and financial performance for the year.

**Piyush Pankaj:** Thank you, Mr. Jadeja. Good evening, everyone. I hope all of you are safe and healthy. GTPL, as many of you know, is one of the few consistently profit-making cable TV and broadband companies in India. Our business model is quite robust and can explore multiple growth opportunities that this sector has the potential to offer. Allow me to give you a glimpse of our growth trajectory in the past few years.

Between FY2016 to FY2020, we have doubled our paying subscriber base from 3.4 million in FY16 to 7.5 million in FY20. During the same period, our revenue and EBITDA have grown by at CAGR of 24% and 30% respectively. We have been consistently generating free cash flow since FY16 and have managed to reduce net debt by 2,523 million, means Rs. 252 crores 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.

With that, let us take a deep dive into performance for the year. Let me start with the CATV business. During quarter 4 FY20, we have seeded 150,000 STBs, taking the total seeded STBs to 10.2 million. As on March 31, 2020, paying subscribers stood at 7.5 million, increased by 10% Y-o-Y. With that, during FY20, we seeded 7 lakh STBs and added 7 lakh paying subscribers. Our new customer acquisition campaign aided 1 lakh new subscribers in FY20. We launched 12 new channels in FY20, taking the GTPPL owned and operated channels count to 47. Our consolidated subscription revenue grew by 41% during the year. During the year, we have strengthened our CATV presence in Mumbai & have entered Tamil Nadu. We have also expanded our subscriber base in Andhra Pradesh and Telangana in FY20, marking GTPPL's presence in 12 states across India. We are proud to be the first MSO in the industry, offering versatile language-wise recommended packages to customers. During the year, we have launched the industry's first rewards program GTPPL Pragati to reward our business partners. The program emphasizes on subscriber retention and upsell, and the reward program offers performance-based incentive cash back.

In the broadband segment, during Q4 FY20, we added 170,000 new home passes, taking total home pass as on March 31, 2020, to 3.33 million. During the quarter, GTPPL added 30,000 net broadband subscribers, taking the total net broadband subscribers as of March 31, 2020, to 4.05 lakh, of which 1 lakh are FTTX subscribers. For the full year, we added 9 lakh new home passes and added 80,000 net broadband subscribers and 46,000 FTTX subscribers in FY20. The data consumption as on March 2020 stood at 162 GB per month per customer, up by 54% Y-o-Y. The broadband ARPU for FY20 stood at Rs. 422 per month, marginally up by 2% Y-o-Y.

Let us now move to our financial performance. On our consolidated business, excluding EPC contract during Q4 FY20, GTPPL's consolidated revenue increased by 39% Y-o-Y to Rs. 485 crores. This was primarily driven by a rise in CATV subscription revenue by 27% Y-o-Y to Rs. 265 crores. The broadband revenue for the quarter grew by 27% Y-o-Y to Rs. 46 crores, led by a rise in subscribers. EBITDA for the quarter surged by 8% Y-o-Y to Rs. 112 crores, with a margin of 23.1%. On our consolidated business, including EPC contract during quarter four FY20, GTPPL's consolidated revenue increased by 91% Y-o-Y to Rs. 666 crores. EBITDA for the quarter increased by 20% Y-o-Y to Rs. 125 crores with a margin of 18.7%. Our EPC contract during Q4 FY20 reported the revenue, EBITDA and profit before tax of Rs. 182 crores, Rs. 12.9 crores and Rs. 12.3 crores, respectively.

FY20 was the first full year of implementation of new framework across the industry. Implementation of new regime prima facie resulted in change in LCOs earning profiles adversely, and restricted their cash flow cycle, consequently lowering their ability to pay their dues to the company. Pursuant to the change and assessment carried out by the management, we have recognized Rs. 68 crores towards impairment of trade receivables and disclosed the same as an exceptional item. The company has taken an impairment of trade receivables as an exceptional item in last year also of Rs. 65 crores. Last year impairment was mainly for the direct business of company and this year, we have taken for all joint venture companies in their books and took provision of corresponding trade receivables in company books.

As told you in earlier call, there is around Rs. 120 crores, which was three months pending collection pre-NTO, that is in March 19, being the credit cycle was left on ground due to the implementation of NTO which we will collect during FY20. We have collected around half of the amount from the ground and assessing the current position that one year of NTO has passed and COVID-19 pandemic; it is advised to provide these trade receivables which was mainly in joint venture companies. This is not impacting our cash flow generation and no further exception item in this nature should come in FY21.

On our standalone business, excluding EPC contracts during Q4 FY20, the company reported revenue of Rs. 314 crores, which grew by 36% Y-o-Y. This was mainly contributed by 20% Y-o-Y increase in subscription revenue at Rs. 180 crores. The company reported EBITDA of Rs. 63 crores with an EBITDA margin of **20.2%**.

On a standalone business, including EPC contract during Q4 FY20, the company reported revenue of Rs. 496 crores, which grew exponentially by 1.15x Y-o-Y. The company reported an EBITDA of Rs. 77 crores within an EBITDA margin of 15.4%. This is all from my side. Thank you everyone for your attention. We can now begin the question and answer session.

**Moderator:** Thank you very much. We will now begin the question and answer session. First question is from the line of Akash Shah from AMS Securities. Please go ahead.

**Akash Shah:** I wanted to know where does GTPL stands in the whole merger of Network18, DEN and Hathway?

**Anirudhsinh Jadeja:** Right now, Hathway is holding the shares in the GTPL Hathway. Once Hathway merger will happen with the TV18, then TV18 will hold the shares in GTPL Hathway.

**Akash Shah:** So, the previously considered synergies that we were overseeing with the whole Jio broadband will not happen? Or can we see some partnership with Jio?

**Piyush Pankaj:** See, all the synergies, benefits we are getting as GTPL Hathway will continue as usual, like from all the vendor negotiations, all lease line side, all those benefits which we are getting as GTPL Hathway. Yes, GTPL Hathway is doing its own broadband business as we are mainly

doing it in Gujarat and we are going to complement each other's business. Jio is with us, it's our privilege and we are going to complement each other's business on the ground.

**Akash Shah:** So, no competitor intensity from this Hathway and DEN after the merger?

**Piyush Pankaj:** No, not at all.

**Akash Shah:** Okay. And my second question is, can you just brief about what was the whole Income Tax case that you have mentioned in the note.

**Piyush Pankaj:** Come again. Can you repeat the question, Akash, sorry?

**Akash Shah:** Yes. Can you just brief about the income tax demand notice that you have mentioned in the notes.

**Piyush Pankaj:** It is not a income tax demand. You are talking about exceptional?

**Akash Shah:** No, no. There is some item that you have mentioned that there is a demand notice that have been raised.

**Piyush Pankaj:** Yes. So, this is from the DoT. DoT after the Honorable Supreme Court order of 24<sup>th</sup> October, 2009, raised the demand to various ISPs, including PSUs, we have also received a demand notice from DoT, which took into consideration our cable revenue for the period of demand in their AGR calculation for arriving at the demand. We had already restructured our business and hived off the broadband business to 100% subsidiary of the company from April 2016. And there is no license held by the company thereafter. We have given the representation to DoT that this demand does not hold good on the ground that cable business revenue does not come under AGR. Based on the opinion of legal experts, the company is confident that they have a strong legal ground to defend itself and will take appropriate legal remedy as advised by the legal experts.

**Akash Shah:** So, this demand amount is the spanning for how many years, from which year to which year?

**Piyush Pankaj:** This they have given from 2006 to 2015.

**Akash Shah:** So, we were holding the license, till that time the ISP license was not hived off to the subsidiary, right?

**Piyush Pankaj:** No, that time, it was not hived out, it was hived out in 2016. And the license, earlier it was B category and then A category. It is already disclosed in the RHP, when we have gone to the public, that the whole thing was disclosed under the RHP.

**Moderator:** Thank you. Next question is from the line of Siddharth Oberoi from Prudent Equity. Please go ahead.

- Siddharth Oberoi:** Sir, you paid a lot of debt between last year and this year. But as I can see, your finance cost has still gone up. Can you explain that?
- Anil Bothra:** Finance cost has gone up year-to-year because of the restructuring of the loan which we did for some of the loans. And there is a one-time expense, that processing fees are there. So that's why you are seeing that the finance cost has increased, if you see year-to-year it has reduced, from quarter-to-quarter you would see that it has gone up because we have did some restructuring of the loans.
- Siddharth Oberoi:** Actually, year-to-year also it is higher, Rs. 11 crores.
- Anil Bothra:** In consolidated if you will see, the finance cost was Rs. 51 crores in FY19, which has come down to Rs. 43.6 crores in FY20.
- Siddharth Oberoi:** So, in the quarterly it is up.
- Anil Bothra:** Yes, quarterly, it is up because of the processing fees which we have paid to the bankers for restructuring the loans. So, definitely, in the next year we are going to get the interest rate benefit and that will be compensated out of that. So quarterly is a one-time kind of thing and it will have the effect for this year. So, we are expecting the interest rate coming down overall on the loan portfolio for the coming financial year.
- Siddharth Oberoi:** So, how big is this cost restructuring thing, is it Rs. 4 crores, Rs. 5 crores?
- Anil Bothra:** It comes to almost around Rs. 80 crores.
- Siddharth Oberoi:** No, this restructuring that you have put in the finance cost.
- Piyush Pankaj:** Yes. One time processing fee has come into the finance cost.
- Siddharth Oberoi:** Which is how much?
- Piyush Pankaj:** Which is around Rs. 4 crores.
- Siddharth Oberoi:** Okay. All right. Under the exceptional items that Rs. 68 crores, the Rs. 67.96 crores. So how you arrived at this?
- Piyush Pankaj:** Siddharth, want to know that when I was giving this speech, you guys were able to hear the whole thing on the exception?
- Siddharth Oberoi:** Yes, I did hear it.
- Piyush Pankaj:** Okay. The Rs. 68 crores have been arrived on the basis of joint ventures companies, what is the outstanding on their books for the ground, and how much is there in our books for that JV

company. So, if it works from the ground to the JV companies, from JV companies to parent company, and based on that it has been arrived.

**Siddharth Oberoi:** Yes. But last year also you had given this, which was only for the parent, are you saying that, and now you are telling...

**Piyush Pankaj:** That was only for the non-related parties you can say, not for the related. Now, we have given the effect for joint venture companies.

**Siddharth Oberoi:** Is there anything left now that we may get it another quarter or next year again?

**Piyush Pankaj:** No, not at all. It is an exercise which we have taken and now this should not come in the next financial year.

**Siddharth Oberoi:** Okay. And in this goodwill, in the balance sheet you see the goodwill and other intangible assets, they have gone up again by Rs. 71 crores or Rs. 72 crores. What does that pertain to?

**Piyush Pankaj:** Yes. This pertains to our Mumbai network, that SCOD network which we have acquired. So, there you will see the intangible have gone up.

**Siddharth Oberoi:** Everything?

**Piyush Pankaj:** Yes. So, when you are acquiring this, how much you are paying and how much you are taking over the liabilities and all, based on that it becomes an intangible.

**Siddharth Oberoi:** This is a very big charge, so Rs. 28 crores on goodwill and Rs. 43 crores on the others.

**Piyush Pankaj:** Yes, that's right.

**Siddharth Oberoi:** So everything whatever you have paid has been routed through these two items?

**Piyush Pankaj:** That's right. Because there were high liabilities on that company. When we took over, very few amount has gone to the promoter of those companies, mainly all the liabilities and all we took over while we took over the company. That's why you are seeing that it is going into the intangibles.

**Moderator:** Thank you. Next question is from line of Ayush Mittal from MEPL Value Investment. Please go ahead.

**Ayush Mittal:** Sir, I was trying to understand about the company, I have been reading off late about it. And I wanted to understand like in terms of technological landscape, where do we stand in terms of technology when we compare to the new fiber broadband which are getting available in the market? Like when we compare it to fiber 5G, or when we compare to Jio, from what I

understand, our technology is older and those new technologies are faster and they are offering bundle packages. How do we compete against them as of now?

**Piyush Pankaj:** Rajan, can you take this answer?

**Rajan Gupta:** I think we have discussed it in earlier calls also. What GTPPL has done in the last two years, if you see the broadband company balance sheet and the CAPEX, which has been invested, there is a significant CAPEX invested in upgrading the network. So we had something called MEN earlier in GTPPL, and most of that has been upgraded now to fiber-to-building (FTTB) and fiber-to-home (FTTH). In fact, that was the kind of inherent strategy as a part of the whole IPO itself, that was one of the purposes for which money was being spent. And the last few quarters or few months we clearly see a huge increase in network training also. Piyush, maybe you can share the little more detailing about the last six months kind of turnaround which has happened in broadband business which is based on technology upgradation which we adapted. And as far as the cable is concerned, GTPPL always had technology, which is one of the best in the world, at par with any other MSO across the world, frankly.

**Ayush Mittal:** No, I am saying like today the cable and broadband are getting merged, like a single fiber is offering both of these and I think GTPPL is also doing that.

**Rajan Gupta:** Absolutely right. We are also going to launch a hybrid set-top box. You can see cable TV also.

**Ayush Mittal:** What kind of investments would we need to do going forward towards this to upgrade the whole of our network?

**Rajan Gupta:** I think we have to divide it in two parts. One is something called access network. Second is the last mile consumer equipment. So access network, fiber is fiber, and access network is capable to handle anything. So, the access network is already there. On a last mile, you put two consumer premises equipment, or you put a hybrid equipment, that's a different aspect. And as far as legal is concerned, still cable and broadband have a separate license, one is MIB and second is the DoT. So, in any case, combined bill, etc., is not possible because both are different licensing requirement itself. So we have to differentiate between the access network technology and the last mile which is the consumer home which is the CPE. Piyush, probably you can take it forward from here.

**Piyush Pankaj:** Yes. So, as Rajan Sir has said, what we are going to do and we are working on that technology already.

**Anirudhsinh Jadeja:** We already upgraded this entire network. Now it's our network, earlier it was on MEN format, now almost 70% network is transmitted into GPON technology, we can call it FTTH or FTTX. So that's already happened. We are working on the hybrid box, already the order has been given. So, we are going to launch the hybrid boxes, the combined business of cable, broadband and OTT together. Earlier, the plan was to launch somewhere in July, but due to COVID, we have

to see that if we have to extend it by one quarter, we will do it. So, all the technological things, latest technology and all, that we are working on as a market leader, we very much want to take benefit of these opportunities to serve our customers better and better.

**Ayush Mittal:** So, the second question is the extension to the question that keeps coming up. Like we have Jio as a shareholder, but in our areas Jio must also be launching the broadband and cable services on their own. So is that a threat to us? Or if not, then why?

**Anirudhsinh Jadeja:** So, Jio is not launching any cable TV business. They are majorly into the broadband business. So, yes, it's a privilege that Jio is our partner and we have almost very good understanding and we have a lot of synergy in terms of the infrastructure sharing, in terms of the content sharing. So, we are not seeing right now any competition from Jio. We are complementing each other.

**Ayush Mittal:** Okay. And what about the competition with other companies like ACT Fiber and all these companies we are seeing are being very aggressive these days. And though we mentioned that cable and broadband can't be offered separately, but I am seeing in my area and many areas that these things are getting adopted now.

**Piyush Pankaj:** See, last year, we have launched our Giga HD, where we have started providing the cable and broadband business together. But we have to roll it back just because of the NTO which was getting implemented. Now, again, we are coming with this in the hybrid box where we are going to provide cable, broadband and OTT altogether to the customer. So that's the endeavor for the company to get more and more customers, double or triple or quadruple customers. So that stickiness will be much, much higher.

**Rajan Gupta:** And in any case, all the areas where GTPPL is operating there is no other private player, some of the names which are being mentioned directly. BSNL is your primary competition, there are none of these players which are being mentioned which are there.

**Ayush Mittal:** Sir, in continuation to the previous participants' question around the write-off that we have recognized this year and last year, and then we continue to see very high intangibles and other things on the balance sheet. As an investor, how do we get a comfort that more such write-offs won't happen in coming times, like though the company is doing well, we appreciate the other part. But this is very concerning to see such a large write-offs keep happening and there are concerns around the intangibles and other areas of the balance sheet.

**Piyush Pankaj:** Yes, one thing I want to confirm that there is no impairment of investments involved in this write-off and these are whole exceptional items. Second, if you see, we are doing the valuation every year for the different companies. If we talk about this company, SCOD, we have already got more than 250k subscribers and if we do the valuation for 250k subscribers it is appropriate for no impairment, we are getting around a high-level ARPU of Rs. 150 to Rs. 160 in this market. So, we see that the impairment will not happen on this.

- Ayush Mittal:** And the other thing is that the interest cost, like the previous participant asked, like if you are paying Rs. 45 crores of interest on a gross borrowing of almost Rs. 350 odd crores, this is a very, very high interest cost. Why is it so?
- Piyush Pankaj:** Yes, two factors are there. One, I have already said that because of the processing fee and all. Second, there is a change in INDAS guidelines where you have to show lease charges as interest side. So, there are two impacts of that. As you have to see all the lease rents and all under the interest cost arm. So, earlier, it was grouped under the head rent.
- Anil Bothra:** And now as for the INDAS 116 which is implemented with effect from 1<sup>st</sup> April, 2019, is the current financial year for which we are discussing, so that has been grouped under the interest expenses. So, put together, the lease rentals and the processing fees which we have paid, that's why in the current quarter it is showing higher. But with this kind of restructuring which we have done so far, we are expecting that the interest burden on the company will come down in the future.
- Ayush Mittal:** And can you quantify how much will be the reduction for the coming year?
- Anil Bothra:** We are expecting almost around 2% on our Rs. 120 crores of the portfolio. So quarterly, it will be somewhere in that range only.
- Ayush Mittal:** 2% on the overall loan of Rs. 120 crores?
- Anil Bothra:** Yes.
- Ayush Mittal:** Okay. And Sir, on the EPC part of the order that we have got. Once this gets completed, what is the visibility on that?
- Anirudhsinh Jadeja:** So actually, our plan and our target was, it should be completed before 31<sup>st</sup> March 2020., actually, you would have seen we have connected around 3,000 gram panchayat (GPs), out of total 3,600 gram panchayats . So our planning was to complete around 3,300 gram panchayats. But yes, because of the COVID I think it will take next quarter.
- Ayush Mittal:** No, I am asking about further visibility on more orders or something, once we complete this. Like, is this a one-time business that we got, or we will get more of such businesses going forward?
- Piyush Pankaj:** This is a strategic call for this Bharat Net project to do within Gujarat. As we get access to every villages, every gram panchayat in Gujarat, and we are going to manage this for next seven years also, so we can expand our business at a very fast pace and we can reach to the every nook and corner of Gujarat. So that was one of the strategic call on which we have gone for the Bharat Net project. Other projects right now are under evaluation. But we are going to take a call on those once we complete this project, then we will take the call on those.

**Ayush Mittal:** Sir, one final question. In the credit rating report, there is a mention that Jio wants to acquire some of the GTPLs public holdings. I couldn't understand that part, can you shed some light on that?

**Piyush Pankaj:** Public shareholding that is the offer that has happened last year. And now already they have given up their shareholding in the public to bring back the public shareholding of 25% as per the SEBI norms.

**Ayush Mittal:** No, I couldn't get it.

**Piyush Pankaj:** Jio has given the open offer last year in FY19 in February as they were doing open offer for Hathway also, with that they had given open offer for GTPL Hathway. And on this February 2020 they have already offloaded the shares to meet the public shareholding of 25%.

**Moderator:** Thank you. Next question is from the line of Pratiksha from Equitas. Please go ahead.

**Pratiksha:** Sir, I have a couple of questions. Sir, on the EPC front, I just wanted to understand that because of this lock down I am sure there will be delays, but are the terms being modified? And are we getting reasonable extensions and how do we see this playing out after the lockdown opens? Do we see any one-off extra costs or delays from our end because of any operational issues, on-ground issues for implementation?

**Anirudhsinh Jadeja:** So, Madam, this delay is not from our side, the first round of delay happened was because of the monsoon impact. Now because of the COVID, the second round has delayed. The target was as per the understanding and as per the agreement it was 31<sup>st</sup> December 2019, but because last time during monsoon it led to delays of almost 60 days, and this time because of COVID. But there is no delay from GTPL side. And down the line, further delay which is happening, maybe another quarter delay can happen, so the provision for all this has been captured. So all extensions and all those things are in place.

**Pratiksha:** Okay. And Sir, do you foresee any extra cost because of this delay? Because the margins are the same, right.

**Piyush Pankaj:** We have taken in our financial all those provisions. Extra cost you can say is just the salary cost where some of our employees are there. Otherwise, no extra cost is there.

**Pratiksha:** Okay. And sir, my next question is for broadband business. So, we have been seeing some steady growth in home passes since the last seven quarters now. And the conversation earlier was that it takes about 12 to 18 months for the home passes to eventually come into increase in subscription. But we have not seen any significant jump in subscribers. So how do we see this panning out? That's my first question.

And my second question is relating to the outlook of ARPU in this segment. Sir, one ARPU is about 2% but our data consumption of our subscribers has gone about by 54%, right? I think

these were numbers that were quoted. So, I wanted to understand how long are we going to be using the strategy where we keep the revenues same but the data provided is going up?

**Piyush Pankaj:**

Rajan sir, would you like to take this question? And then I will complement.

**Rajan Gupta:**

So, Piyush, you can probably share with them the last six months your gross and netted numbers to give them comfort. But as far as data and pricing are concerned, okay, till the time incremental bandwidth cost is being managed and we are delivering the required EBITDA, and the time overall market prices, the way ability also is positioned, etc., that only we will be able to tell in next quarters to come. So currently whatever little price increase is happening quarter-on-quarter, that only will be there. But yes, definitely there is a traction in business, and Piyush, you should share the last six month trends.

**Piyush Pankaj:**

So, Pratiksha, if you see, you are right that we have started doing our home passes from somewhere mid of FY19 and you will see that from 1.6 million home passes we have come up to around town 2.3 million home passes. So last you can say that 18 months have gone. As I told that it will take around 18 months to 24 months between that to reach to somewhere between 18% to 20% of the penetration in the FTTX scenario, that has already happened. We have seen the trend in the last two quarters that suddenly the sales has jumped around 40% for us, means if we were doing around 30,000 sales in a quarter, it has gone up to around 50,000 sales in a quarter right now. Yes, the churn is there, the churn has also come down. Earlier, if you see, we are doing around 30,000 to 35,000 sales, the churn was around 20,000 that's why we are adding only 12k to 15k net subscribers, which has already come down, we are adding 50k there. So already 30k we have got this quarter. We are very hopeful that the coming quarter is going to be good as you see that the home passes which we have built have started giving us scale and we are hopeful that this year we have jumped 16% in the revenue. This is going to be much, much higher in the next year on the revenue side.

**Pratiksha:**

Sir, on the churn side, so when you say that the churn has been high, so what exactly is happening? Are we losing out on existing subscribers to competition or is it that the people have stopped, it's more like cancellation of subscription from their end?

**Piyush Pankaj:**

Yes. If you talk about that way, the industry churn is at around 25% right now, overall. We are lower than that on the churn side Yes, customers are taking the connections on their need, they might be shifting to the wireless also, they are shifting to the some of the wirelines. In our case, as the competition is low in the Gujarat market, mainly it is either on the wireless or either they don't need this service. So that is the only probability. I will say that mainly people are shifting to wireless, and that's why you will see that that churn is happening. But yes, the new customers are coming in a very high proportion on that way.

**Pratiksha:**

Okay. And Sir, just one last clarification about the write-off. So you mentioned that total collections were about Rs. 120 crores, out of which we have taken Rs. 68 crores write-off right

now. So is it safe to assume that the rest has been received? Or is it that last year we took half of the write-off and we are taking the other half right now?

**Piyush Pankaj:** No, I have mentioned that in the first quarter of my call in FY20 that there are around three months' collections lying on the ground because of the NTO we have not collected that from the cable operator, which was around Rs. 120 crores. Out of that, around 50% we have collected in these last nine months. And rest we have taken the call that we should provide, as already one year has gone to NTO, plus this COVID pandemic is there. So somewhere for the more conservative accounting we should go for provision.

**Pratiksha:** Okay. And then my last question is on the cable TV segment. Sir, how much of our collection right now is on a prepaid basis and how much of it happens on online basis? So, how does the cash flow work? So, when the subscriber pays, how much do we get and how is our LCO compensated for us?

**Piyush Pankaj:** When a subscriber pays to the LCO, LCO keeps his portion and gives us the money as per the billing from our side to the LCOs. And right now if you see, around more than 80% of our collection is under digital mode already. We are trying that the next 20% also comes from the digital.

**Pratiksha:** And this would be prepaid basis for the LCO?

**Anirudhsinh Jadeja:** Yes, 100% prepaid basis.

**Pratiksha:** For LCOs, it is 100% prepaid basis and for us we raise the invoices to the LCO?

**Piyush Pankaj:** No, our LCO is 100% prepaid, they have to keep the money in the wallet before activating the customer.

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

**Rohit Lokhania:** I am sorry I got cut in between, so if this is a repeat, my apologies. Can you throw some light on during the last 30 days, that is during this lockdown, how consumer behavior would have changed across both cable and broadband? Are you seeing upgrading impacts or are you seeing any downgrading, are you seeing higher number recharges so on and so forth? It would be very helpful.

**Piyush Pankaj:** Two trends which we are seeing right now. One trend is, yes, the residential customers have gone up in that last 30 days, both on the broadband side and cable side But the commercial customers, you can start talking about shops, offices, restaurants, hotels, those have come down. So you can say it's more of a net, net for both the businesses, for the broadband and for the cable that we are not getting renewals for the commercial restaurants, the offices and all, hotels, and there is a surge in the residential connections.

- Rohit Lokhania:** Okay. And across residential, are you seeing any upgrade, downtrading in terms of packs, anything?
- Piyush Pankaj:** The upgradation is happening in the packs, in both, the broadband side they are taking the higher speed and all, and in the cable side also they are upgrading the channel packs.
- Rohit Lokhania:** Okay. And in your best estimates, would you believe that these trends would sustain post the sort of COVID thing starts to ease off? Or do you think consumers will go back to their earlier sort of packs and all which they used to?
- Piyush Pankaj:** See, once the pack is taken, I can't comment on that, but we believe that we will try to retain customers on those packs. Yes, once this will be over, the novelty comes, our commercial customers will come back.
- Anirudhsinh Jadeja:** So overall industry trend if you see the last two years, three years, customer migration is very less who have downgraded their prices.
- Rohit Lokhania:** Okay. So if this trend stays plus, if and when commercial customer wants to come back, then it will be beneficial for us, from an overall both cables and broadband?
- Anirudhsinh Jadeja:** Yes, correct.
- Moderator:** Thank you. Next question is from the line of Brijesh Ved from BNP Paribas. Please go ahead.
- Brijesh Ved:** My first question was that in FY21, given this recent COVID and even otherwise, what will be the CAPEX that you will need to do? That's one. And secondly, in terms of your activation targets on the broadband front, what kind of tailwinds are you likely to see given that there is some pickup in terms of residential? And with the normalization what will be your target for the year?
- Piyush Pankaj:** First, I will take the CAPEX then the numbers we will get into it. Brijesh, CAPEX side for this year we are keeping it at around Rs. 250 crores to Rs. 260 crores CAPEX projection, on which around Rs. 150 crores to Rs. 160 crores will go into the cable business, the rest will go into the broadband business. But yes, we have to reevaluate it somewhere in the quarter two to see what is the COVID effect and how much longer COVID effect is going to be. But yes, as Mr. Jadeja **stated that**, our business is not much impacted at this situation as people are watching more TV, people are consuming more data, it is good for our business. That's one. On second, on the broadband numbers, as you see, we have added around 80k subscribers this year. Already we have reached 30k net subscribers' addition in the last quarter. We want to maintain and increase that trend. So somewhere we are looking forward that we will do between 120k to 150k subscribers in the next one year.
- Brijesh Ved:** Sure. My other question was, which would also bring that your FY20 as well as the year that is now going to become FY21, you will continue to have very strong free cash flow generation.

You already made kind of a payout which is higher than what we have seen in previous years for the financial year which has ended. What is your thought process as a management in terms of increase that you are likely to see in terms of free cash flow in the business? And therefore, while there is always a growth opportunity in terms of inorganic opportunities that may come by, but what will be the kind of payout that you will continue to look at on a sustainable basis for your shareholders?

**Piyush Pankaj:** Yes. So, if you see, Brijesh, this year we have generated around Rs. 400 crores of free cash flow. And after that we utilized that in the CAPEX of paying the loan, interest, taxes and dividend. And next year we are hopeful that we will maintain the increase in the cash flow in the line of whatever increase is happening in the EBITDA side. And we are very happy that we will give back to the shareholders as a dividend and we will try to maintain or increase that in the coming year.

**Brijesh Ved:** Would the Board also look at considering buyback as one of the options as kind of creating value? Because if you look at pure cash flow generation to your current enterprise value as well as market cap, would that be one of the options that the Board would have considered or would look at during the year?

**Anirudhsinh Jadeja:** The Board is very positive on the whole thing and the Board has to evaluate that in the last Board Meeting, we had a discussion as well. And I think more evaluation will happen on that. And as a management, we are positive that Board will consider it.

**Brijesh Ved:** Moving back to the business, your thought process on the M&A opportunities for the year. Specifically, any specific geographies that you are specifically kind of looking at targeting?

**Anirudhsinh Jadeja:** See, lot of opportunities for M&A is there. And already, if you see, we have started expanding in the new territory of Tamil Nadu. We are expanding very fast in the Telangana and Andhra, the opportunities are at both places. Northeast is another focus area for us to expand So, that is the another focus area on which we are working. We are working on around two to three new states on which we can expand, some of the big opportunities are there which we are evaluating. So, these are the opportunities which are in the front of management right now. And one by one we will take the call and we will expand.

**Moderator:** Thank you very much. Next question is from line of Yogesh Kirve from B&K Securities. Please go ahead.

**Yogesh Kirve:** So, as of March 20 we had debtors of about Rs. 280 crores. Is it possible to share how much of this actually pertains to the EPC contract that we are taking?

**Anil Bothra:** Yes, so you are talking about the trade receivables, which is at Rs. 278 crores. Overall, there is a drop on CATV and broadband trade receivables of 154 crores. And the BBNL projects receivables have increased by 146 crores. Out of this, 278 crores the total BBNL is around Rs.

146 crores, because last year the BBNL project was not there, so the trade receivables of BBNL is Rs. 146 crores.

**Yogesh Kirve:** Okay. So the normal receivables apart from the EPC that would be roughly in the hand is Rs. 140 crores?

**Anil Bothra:** Yes.

**Yogesh Kirve:** Compared to Rs. 290 crores last year?

**Anil Bothra:** Yes, that's right.

**Yogesh Kirve:** And this trajectory should continue, right?

**Anil Bothra:** Yes, this is mainly for carriage and placement, and some other. Subscriptions are almost nil in that.

**Yogesh Kirve:** So carriage and placements for this can continue at similar levels?

**Anil Bothra:** Yes, that's right, except the broadcaster's.

**Yogesh Kirve:** In terms of, I understand our business is prepaid at the LCO level, so our cable business is on prepaid basis, but I understand there would be challenges as far as collections at their end. So is there any relief which has been sought by the LCO community under the prevailing situation because of lockdown?

**Piyush Pankaj:** No, right now, LCO communities have not asked for any relief. But yes, from our side, we have given the relief of around a week's time on the credit.

**Yogesh Kirve:** Okay. So the prepayments which were due in the month of April, so there has been no major disruption apart from a couple of days that we have given?

**Piyush Pankaj:** Worked in this way that one week's gross they have to pay, again one week's gross they have to pay. So there is no effect on the collection for the whole month.

**Yogesh Kirve:** Okay, fine. And in terms of the gross customer addition, so for the full year, we did about, or for first nine months we added about 50,000 and in the last quarter it was 30,000. So any signs about what could be the expectations in the coming quarter? I would presume because of COVID and all that we saw an increase in the subscriber activation. So any sense about what are we expecting in the next couple of months or quarters or for one year?

**Anirudhsinh Jadeja:** Right now, Yogesh, we could say that what we are seeing in April right now, there is no change in the trend till date. We are hoping that if the lockdown will go away, as announced by government, then it is going to be positive for the business. If it continues, then we have to

evaluate at that point what effect will come into that. But we are hoping that the trend will be the same as the quarter 4 trend, which is happening.

**Yogesh Kirve:** Finally, regarding our television business, so this year we had a big benefit from the NTO from first quarter onwards for the next two to three years subscription. So what are our ambitions in terms of, one, in terms of subscriber growth? And secondly, in terms of the realization for us? This is from a longer term perspective.

**Piyush Pankaj:** Yes. So if you see the subscriber base, we have grown by 10% this year. We are going to grow more, if all things go well. So the target is to grow more than 10%, on subscriber base. And on the revenue side also we want to maintain our CAGR of what we did in the last four years. So that's the outlook for the business on which we are looking at.

**Yogesh Kirve:** Okay. If you look at the ARPU, I mean, what sort of increase can be possible considering the base has already moved up quite materially in FY20. So, is it possible to maintain a 5% sort of a run rate over the coming years?

**Piyush Pankaj:** Yes, ARPU, if you see that GTPL is at the lower ARPU than the industry right now. Somewhere we have to match that as per the industry ARPU. So yes, ARPU, we are going to get the gain on that side somewhere 5% to 6% is I would say that we are targeting that way. But at least 5% to 6% average for the whole year we should get.

**Moderator:** Thank you. Next question is from line of Rucha Jain from ANS Wealth. Please go ahead.

**Rucha Jain:** Sir, I just have a couple of questions. The first question is, will you be able to provide any ARPU guidance for next year?

**Piyush Pankaj:** I think I have just given that, we are looking forward as GTPL has the lowest ARPU in the industry, we want to match the ARPU with the industry. So we are looking forward at somewhere 5% to 6% jump in the ARPU will happen.

**Rucha Jain:** Okay. So that is on the cable TV side, right?

**Piyush Pankaj:** Yes.

**Rucha Jain:** On the broadband side, is there guidance you can give?

**Piyush Pankaj:** No, the broadband side ARPU will be stable. We are looking forward that our volume will go up and through that the revenue will go up. We are going to maintain our ARPU in the market.

**Rucha Jain:** And just a clarification regarding the CAPEX guidance that you have given for next year. So, this Rs. 250 crores to Rs. 260 crores, just wanted to confirm, Rs. 150 crores to Rs. 160 crores is what you would be spending on the cable TV, right? I just missed that part, actually.

- Piyush Pankaj:** Cable TV is Rs. 150 crores to Rs. 160 crores, including some acquisitions and all. And the rest is going to be in the broadband.
- Rucha Jain:** Okay. And in Tamil Nadu, I think you are growing very aggressively. Can you give some more flavor to it and just explain what exactly is happening in that space?
- Piyush Pankaj:** See, we have just entered, the last quarter in Tamil Nadu. And we are already present in around 8 districts in Tamil Nadu. We are expanding very fast in other districts and we are hopeful that we will penetrate this market very fast.
- Moderator:** Thank you. Next question is from line of Mayur from OHM Portfolio. Please go ahead.
- Mayur:** Sir, two questions. First, there were some changes post the NTO, very recently, TRAI has come up with some new guidelines on the tariff. So has that been implemented? Or what is the status on that? And second point is, when you talk about expanding into newer markets, how these are markets where someone is already present, like Andhra Pradesh or Telangana. How are you able to make a dent in there? I mean, are you being able to change the existing LCO, MSO and making your sales there? It is not that easy, right?
- Anirudhsinh Jadeja:** No, so if you see, majorly like Tamil Nadu and AP, Telangana, let's take example, like Tamil Nadu if you see, all big MSO players which are there they are not there in Tamil Nadu, whoever are there they are only regional or state players. But yes, even now, Tamil Nadu has close to around 50% market is still not completed in digital format. So, if you see the overall Tamil Nadu market is close to around 16 million. Whereas digital customer base in Tamil Nadu is not more than 7 million. So, it's lot of opportunities there. And there too there is no national player in Tamil Nadu. Same like AP, Telangana, except Hyderabad if you see, there too national players are only one or two, so there also huge expansion opportunity is there.
- Mayur:** But cable is there, right? I mean, Tamil Nadu, I understand because of Arasu being present for so many years, no one got an entry over there which now you are getting a chance to enter. But let's say in AP and Telangana local cable operators are already there, so are you tying up with them or you are getting completely displacing them off?
- Anirudhsinh Jadeja:** So expansion in both format, whether it is organic or inorganic, so both ways it will be there. And about Tamil Nadu distribution, as I have already told, there are close to around 15 million customers, out of which only 7 million customers are digital.
- Mayur:** I got the point Arasu is there for so long. And on my earlier questions, TRAI has come out with some new tariff regime, what is the status on it?
- Piyush Pankaj:** That is still under the legal, I think broadcasters have gone into the legal. So it is still under legal, so we have to see how the things will come up and when the implementation will happen.

- Moderator:** Thank you. Next question is from the line of Dikshit Doshi from White Stone Financial Advisors. Please go ahead.
- Dikshit Doshi:** Sir, two, three questions. One, you mentioned that out of the total Rs. 278 crores receivables, Rs. 140 crores is only from cable TV business, and that too mainly carriage and placement. Is it right?
- Piyush Pankaj:** Yes.
- Dikshit Doshi:** Okay. So, secondly, you mentioned that this Rs. 68 crores which we write-off during this year, so those all receivables were prior to the tariff order which came last year, right?
- Piyush Pankaj:** That's right.
- Dikshit Doshi:** Okay. So after the tariff implementation, we are on auto dunning mode and therefore, there are no more receivables from the LCO side?
- Piyush Pankaj:** That's right.
- Dikshit Doshi:** Okay. And last question on the EPC side, so what are the payment terms? Like we have a receivable of close to Rs. 150 crores. And secondly, on the EPC side, how much more is left out order book like?
- Piyush Pankaj:** So, in BBNL project, if you see this project is self-cash project you can say, we are not utilizing any cash flow from the main business to fund this BBNL project. It is in auto mode that once the money comes from the government, we pay to the vendors, as you know one of the big vendor is Polycab which is our partner, the main equipment's are coming from them, the fibers and all. So, we have the good understanding that ones the payment from the government will come then we will pay.
- Anirudhsinh Jadeja:** And payment mechanism, as we said, as and when gram panchayats keep on adding, we will get the payment accordingly. We have covered close to 3,000 gram panchayat out of which we have got payments from around 2,500 gram panchayats. And the remaining 500 panchayats, because of this COVID situation it's under process. But as gram panchayats are getting added, we are getting our payments accordingly.
- Dikshit Doshi:** Okay. And in terms of revenue, how much more is left in EPC side?
- Anirudhsinh Jadeja:** The total project cost is Rs. 1,057 crores.
- Dikshit Doshi:** Okay. So around Rs. 400 crores is left, approx.?
- Piyush Pankaj:** Yes, right now, we have taken Rs. 606 crores in revenue.

- Anirudhsinh Jadeja:** Total project cost of implementation is Rs. 1,050 crores and close to around another Rs. 400 crores are in O&M side, but it's spread out for seven years.
- Moderator:** Thank you. Next question is from the line of AR Reddy from Mergers India Infocom. Please go ahead.
- AR Reddy:** Sir, can you throw some light on DoT claim, the matter is under High Court or Supreme Court or just negotiating with representation to the DoT?
- Piyush Pankaj:** Yes. So I will give you the whole background, it's more of DoT has raised the demand somewhere around 2013, 2014 in that time. We have given all the disclosures in our RHP on all those things. After the Supreme Court judgment on 24th October 2019, DoT has started sending the demands again for all the players, including PSUs, including private parties and everyone. We got that demand also with the interest and penalties. If you see in this case, the demand has come to the many PSUs. The PSUs have gone back to the Supreme Court for the review and Supreme Court has given the direction to the PSU for the relief, to go to the appropriate authorities. Based on the opinion of legal experts, the company is confident that they have a strong legal ground to defend itself and will take appropriate legal remedy as advised by the legal experts.
- Moderator:** Thank you. Next question is from the line of Hardik Jain from Whitestone financial. Please go ahead.
- Hardik Jain:** Sir, just a couple of questions. As you were explaining about the intangible assets, I can understand the goodwill is because of the acquisition. But there is also other intangible assets which we can assume should not be because of acquisition. So, if you can explain what is the other intangible assets?
- Piyush Pankaj:** See two types of things happen, one is the tangible and one is the CATV franchisee. CATV franchisee is when there is a partnership firm and we took over the subscribers from them. So, there is a partnership firm and all, and we took over the customers from them. The assets of those goes under the CATV franchisee if there is a liability and all. And the other one is the intangible where you are taking over the private limited company and you are doing the acquisition but taking over some liability of those. And that is going into the intangibles. So that's the difference, both are on the same, one is from the partnership firm and second is, because in cable business if you see, a lot of cable businesses are happening as partnership firms. So, that is the difference, both are the same.
- Hardik Jain:** Okay. Sir one more thing, now many broadcasters will also face the problem of advertising revenue and all. So do you foresee a situation where there will be negotiation on the placement and carriage fee or you will have to give some relaxation to the broadcasters on that front?

- Anirudhsinh Jadeja:** So, if you will see the placement, carriage and marketing side revenue, so 70% to 75% revenue is from pay broadcasters, we are not foreseeing any impact on that. Yes, the free-to-air broadcasters, there are some new channels and some music channels or some movie channels, if this COVID extends, than there is a issue. So on those, if COVID extends then they are going to get affected, so there we might see some curbs.
- Hardik Jain:** Right. Okay. And even if we add back the write-off that we have done with Rs. 68 crores if we add back to the EBITDA, so still our EBITDA margins have fallen a little bit. So, if you can explain that.
- Piyush Pankaj:** Yes, EBITDA margin side you can say it has gone down because this year what is happening is that, till last year we were collecting and paying to the pay channel, according to the earlier deals. In the NTO what happens that you have started collecting more from the customer and paying a bit more to the pay channel. So, as your base has increased, I mean, your revenue has gone up, increased ARPU. Because if you see, our ARPU was at Rs. 73, Rs. 74 before NTO, it has gone up to around now about Rs. 125, Rs. 126. But earlier we were able to, you can say if we are giving Rs. 50 to the broadcaster, now we are giving back to the broadcaster around Rs. 65, Rs. 70. So, on the percentage terms if you see, because it has gone higher your margin will shrink a bit. But we are hopeful that this we will recover in the next financial year.
- Anirudhsinh Jadeja:** And the same with the marketing placement and carriage income will also increase.
- Anil Bothra:** If you are including the EPC business, then probably you will find the lower margin, because the EPC is a lower margin business. And last year, the EPC was not there.
- Hardik Jain:** So it is primarily because of the EPC, I understand that. Okay. And one more thing, from the LCO side, you have given this one week period to them, but I understand that most of the LCOs will have to collect physically from their customers. So, how are they coping up, because how will they manage to even pay for two, three weeks that have gone by?
- Anirudhsinh Jadeja:** So, basically we have given the facility to online payment to our LCOs also. A lot of online payment portals is connected with the LCO portal also. So, today a lot of offer is going on with our LCO customers and they are collecting on online also. And yes, they are getting some issues because of the lockdown, but our LCO is very much comfortable. Just like we have given them 1 week's relaxation, they are also giving that much to us.
- Piyush Pankaj:** LCO has also started collecting online, we have given that facility to the LCOs that they can collect online from their subscribers, which is going directly to their bank account. And then digitally they are paying to us. And we have given some relaxation on that way. So the situation is totally under control. And we are getting the collections as projected.
- Moderator:** Thank you very much. Next question is from the line of Harsh Shah from PM Securities. Please go ahead.

- Harsh Shah:** Sir, my question was regarding the EPC contract. So I wanted to know what are the payment terms for the EPC contract? You said the payment comes first and then you subcontract it, or you execute the work, is that correct?
- Anirudhsinh Jadeja:** No, we execute the work with the vendors. Then as the execution completes, for the one gram panchayat, we go back to the government, handover that, government gives us around 64% of that revenue, not 100%. On that 64%, we are managing our vendor. There is a government process, after that they release again around 10% of this. They keep 16% intact which will come after the completion of the complete project. So 10% margin we already received and that mobilization money is also we are utilizing. So, in the beginning of the project, there is a mobilization money of 10% which is around Rs. 700 crores has been given by the government to start the work. And then the cash flow is like circular cash flow, which is happening.
- Harsh Shah:** But like if you see other players also, Tejas Network I was just hearing their call yesterday, they have been having lot of trouble with the payment terms from the government. They were also in the Bharat Net phase one and they have been still not receiving the money since almost a year and a half now. So, you guys haven't been facing any such problems from the BBNL or BSNL?
- Anirudhsinh Jadeja:** So, that is why we are not saying this is a BBNL project. This is under GFGNL project, it's not a BBNL project. But yes, part of the BBNL, but ownership with the state government.
- Harsh Shah:** Okay. So the payment comes from the state government?
- Anirudhsinh Jadeja:** Yes. And absolutely if I tell you briefly, we have already connected 3,000 gram panchayats, from which close to around 2,500 gram panchayat payment has been received. Because of that another 400 to 500 gram panchayat invoice is under process. I am sure this month we will get that entire money also.
- Moderator:** Thank you. As there are no further questions, I will now hand the conference over to Mr. Vivekanand for closing comments.
- Vivekanand Subbaraman:** On behalf of Ambit and all the participants, I thank the management of GTPL Hathway for the elaborate answers. I now hand it back to the management of closing comments.
- Piyush Pankaj:** Thanks a lot, Vivek. Thanks a lot, everyone, for joining on this evening. It's a trying time for all of us. So be safe. Stay at home. And we will connect again in the next quarter. Thanks a lot. Thank you.
- Moderator:** Thank you. On behalf of Ambit Capital Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.