

**NXTDIGITAL Limited**  
**Investor Meet - Q1 FY21 Performance & Progress in digital Platform Space**

---

**Snighter Albuquerque:** Good afternoon, ladies, and gentlemen. Welcome to the Investor's Meet of NXTDIGITAL Limited. On the management panel, we have Mr. Vynsley Fernandes, Chief Executive Officer, NXTDIGITAL Limited; Mr. Amar Chintopanth, Chief Financial Officer, NXTDIGITAL Limited; Mr. Yugal Kishore Sharma, Chief Executive Officer, ONEOTT iNTERENTAINMENT Limited. The management panel will discuss the company's progress in the digital platform space and their performance in Q1 FY21.

Before we invite the management, we would like to share few guidelines for the smooth progression of the event. All participants will be placed on mute mode. We will take questions post the management address. For any queries or questions, you may use the raise of hand feature in the zoom control panel. We will take questions from the hands raised by unmuting the respective participants to ask questions, post which if you have any questions in the Q&A window, we will take that as well. I would now request Mr. Vynsley Fernandes to address the participants. Thank you and over to you, sir.

**Vynsley Fernandes:** Good afternoon, ladies and gentlemen and thank you very much for making it for our presentation. I genuinely apologize on behalf of everyone if I have eaten away and the term eaten away applies into anyone's lunch break, my sincere apologies. I on behalf of my colleagues as well would like to request you that in case if you want to grab a bite while we are on the presentation, please go ahead and again, thank you so much on this Monday afternoon for joining us in our exciting journey. We genuinely appreciate it. I am going to try to keep today's presentation as short and crisp as possible because I think it will be nice to hear questions and be able to answer questions you have rather than just me telling you what I want you to hear.

So here it goes. I am just going to start very quickly. For those who are not familiar, if you recall in the last meeting, I mentioned that we had approached the honorable NCLT for our restructuring and I am very happy and proud to state that as of August 21, the scheme of arrangement has been approved. Before we go any further, I would like to request Amar Chintopanth, who is also our Wholetime Director to quickly bring everyone up to speed in terms of what we did and what the impact is.

**Amar Chintopanth:** Good afternoon, everyone and thank you for being on this call. Just to give you a brief background, the earlier structure was NXTDIGITAL Limited which is a listed company was more of a holding company. NXTDIGITAL Limited had 77.55% shareholding in IndusInd Media and Communication Limited, IMCL and IMCL was basically the cable TV and the HITS business. So,

the entire operating business was in IMCL. IMCL had a subsidiary called ONEOTT iNTERENTAINMENT Limited which is in the broadband business, so 71.65% of that company is held by IMCL and ONEOTT has a 100% subsidiary called IN TERTAINMENT India Limited which is more of a content company. In addition, IMCL has got JVs like of most MSOs, but we have got only about 4 or 5 JVs which are well operating companies. The whole thought of restructuring was to bring the entire media under one sort of vertical, number one which would create synergies for growth. So, what did we do, NXTDIGITAL Limited remains as NXTDIGITAL Limited, but the business of IMCL which was there in Cable TV and HITS has now entirely moved into NXTDIGITAL, so NXTDIGITAL today is an operating company with Cable and HITS.

Next, what we did was we moved the ONEOTT iNTERENTAINMENT Limited which is a subsidiary in IMCL to a direct subsidiary of NXTDIGITAL, so we have NXTDIGITAL Limited which has a subsidiary called ONEOTT which is in broadband and It is a 71.65% subsidiary and underneath this IN TERTAINMENT India limited which is 100% subsidiary. So NXTDIGITAL, ONEOTT and INE, they form one tree, the other tree is the erstwhile IMCL continues as more or less a company which has got hold in certain JVs that we have. So, in smaller towns like Sangli, Kolhapur, etc., we are operating through JVs, those JVs continue to remain under IMCL. So, this is a clean structure now. We have got NXTDIGITAL which under it has got a broadband company which under it has got the content company and the earlier IMCL has got the JVs under it, this was done to simplify the structure and sort of create value.

**Vynsley Fernandes:**

Thank you Amar, thanks very much. I just want to go through pretty quickly, I think the biggest challenge has been for every single industry in Q1 because of the onset of the pandemic, I think all of you are aware that from March 21<sup>st</sup> 2020, there was a lockdown and if you look at it, there are just stories of gloom and doom everywhere, especially in the media industry which is an industry that has been impacted pretty significantly and Cable operators that were interviewed, over 77% expected a decline in revenue and nearly 32% expected the drop to be greater than 25% and unfortunately it has permeated across the entire industry because of coronavirus. We have seen number of channels reducing and as latest 1<sup>st</sup> September 2020, there was an interesting article on why the television industry is bleeding despite record consumption. I think against this really challenging backdrop, we are very proud that we have continued to grow our business through very innovative strategies whilst ensuring the safety of our staff, our franchisees, and subscribers. We focused on three things.

The first was we accelerated our digital payment adoption for subscribers. As you all know, we had already 99.5% prepaid from the cable operator that is the franchisee to us, but from the franchisee or cable operator to the customers, it was mainly a cash business more than anything else. We are very proud that we immediately worked on a model. We in fact, well before the lockdown partnered with Easebuzz to focus on collections via the digital payment modalities, whether it be net banking, credit cards, debit cards and we conducted a lot of online workshops for all our cable operators as well as to support them transitioning. So as of today, very interestingly, our collection base or our LCO base that collects payment digitally is over

85%. In fact, the latest numbers that I got just this morning is that we have just crossed 90%, so this deck is about the board meeting old which is about 3 days old, so there has been good traction there and about 70% of our base are now making payments digitally. The remaining 30% are mainly institutions or smaller rural areas where there are challenges. We see that also moving to digital payments. At the same time, we focused on converting our own direct customers to direct contactless renewals and about 95% of them now are pretty much making payments digitally. We in fact engaged with LazyPay to help a lot of senior citizens seeking short-term credit. They couldn't make payments to the operator, they wanted a contactless model and we tied up with LazyPay who were able to give them that credit model, so it is a very interesting thing we did.

The second thing, the biggest challenge for any industry during a pandemic, when you are seeing challenges with migrant labor, hotels closing etc., is credit risk. Everyone wants credit, everyone asked us to go with postpaid, what we did was we innovated our packages. We created low-risk credit base packages like Vishesh Manoranjan Pack which allowed customers to go live and get as many as 425 channels. At the same time, we gave them a credit period, if you look at it, yes, the cable operator also benefited. He was able to activate the package and the payment deadline, this is an old one obviously which kept on getting extended for the customer, so they were very happy because we were able to do it, not only that some consumer say listen, I don't want 3 or 4 times collection every month, can you do something for me to do it, to make onetime payment for a longer period and give me a package, so we also created long duration recharge offers and we launched this somewhere around May and it has worked out very well for us.

The third thing that we did interestingly is and rightfully, so our focus was on implementation of a business continuity plan. I think I shared with all of you in the last meet that we had put together our business continuity plan way back in January when we were moving from one satellite to another and that has helped us where we were able to keep all our technical facilities running very effectively and our staff efficacy has gone up because nonessential staff for instance, we reassigned them to support cable operators. We reassigned them to customer facing functions. That really helped us and complacency which everyone was worried about that what happens in a work from home model, how do you keep track, we created a very unique reporting and monitoring structure where we were able to derive maximum value out of our teams while ensuring that they did not take any risk to life and limb, whether it be our staff or cable operators or anyone else. So there were lot of innovative things like this we did, just to give you all a quick snapshot, for example, if you see this, I was talking about and these are all little ads that keep on coming out that we did in Q1 of this year, so we launched for example, Easebuzz, we kept on pushing Easebuzz rather during that quarter.

We also realized the challenges of cyclone Amphan, Cyclone Nisarg well before the cyclones hit and well before the monsoons hit, we alerted all our cable operators. We created a monsoon readiness guide, we pushed it out to them, preventative maintenance to help them

and then to bond the entire NXTDIGITAL franchisee family and teams together. We launched very first edition of our own e-newsletter called NXTUDAAN and this has brought us even closer together as a team. This is a quarterly newsletter that will go out. That was on the franchisee side. On the subscriber side, we tried to go and analyze, continuously we did this. We do a famous study called VOC which is voice of the customer and we keep on doing research regularly and we found that education became a very important thing. We worked with bringing the three government channels, for example, into rural India, which is Kishore Manch, Panini, Sharda, we brought them into rural India.

During the Ramadan season, we knew that there would be a challenge for people to be able to get content that they needed for prayer and worship and we worked to get them a Ramadan special pack. We knew there would be challenges for our customers, especially direct customers who were not able to make payments immediately, we worked on that and last, but not the least, our responsibility as a strong Indian company and a company committed to the vision and mission of our government, we believe was in helping propagate the Aarogya Setu app to ensure that people all the way down to rural India. We kept on marketing Aarogya Setu getting people to understand the challenges of corona and I think all these initiatives that we did, not necessarily with business focus in mind, but more as a responsible company has helped us in maintaining and ring fencing our customer base as well as growing our business effectively.

If you look at it, the 6 KPIs that I kept on talking about last time have stayed very stable. So just to tell you all the way I have done it and this is something that I will do as a quarterly update, so I have got the year-on-year quarter which is Q1 of FY20 which is pretty much April, May and June of FY20 followed of course by the previous preceding quarter of this year which is Q4 of FY20 and then of course the current quarter for which we are reporting and we are quite proud to see that not just we have been able to ring fence our base, but we have been able to grow marginally and even against the backdrop of huge amounts of temporary disconnections. We have seen disconnections and logical temporary disconnections, hotels, for instance, we have a big hotel base, and they can't keep their packages going. Campuses, gated communities which are campuses for staff, etc., institutions, hospitals, all of them and we have been able to kind of ring fence that which has given us tremendous amount of pride.

Our ARPU's have been well on song. We don't see any issue on that. What you are seeing is not necessarily a drop, we see this every year in Q1 and generally a lot of it is because of the various times that happen, one is the Ramadan Festival, second is of course the fact that people wanted low price content, we are seeing that slight, not even a dip I would call it, but a flattening out purely because we put in content that was unique and innovative to ensure retention. At the same time, our broadband business has continued to grow quarter on quarter. It is incredible if you look at it and my colleague, Yugal Kishore Sharma who is on the call, I would request him to spend just 2 minutes on briefing you on how the subscriber base has grown as well as how our ARPU's are measured. Yugal, if you don't mind please.

**Yugal Kishore Sharma:** Yes, sure Vyns, thank you so much. As Vyns said that I think in the last quarter, growth has been a trajectory in terms of growing in Q1FY21 over previous quarter and 351,000 customer is what we reached from 300,000 and today, our goal is very simple that while our parent company is growing leaps and bounds in subscribers on cable TV, so if you see there, there are 5.23 million base, we are at about 0.351 million, just little less than 10%, so that is the huge market coverage is what we are trying to scale every day and trying to cover that gap. Our strategy, our mission is very clear to go to the same home which are over 5 million and bring broadband there. I think the scale will bring the ARPU and overall growth in terms of profitability also because the sheer number would also increase as we have seen in the Q1FY21. So that is how the growth story goes on and that will continue around the year. Thanks, Vyns.

**Vynsley Fernandes:** You want to talk about any key initiatives that we are doing, Yugal, if you would like to discuss anything, for example, there is a lot of synergy now, and actually you did mention it. Synergy where in terms of the ARPUs, while people may see some kind of ARPU going down, it is purely on the basis of the fact that it is now a larger volume gain and we are also entering markets that are well away from the cities, am I right?

**Yugal Kishore Sharma:** Absolutely right, Vyns, I think that is what the whole strategy is all about and I think it is all about reaching to the same home where we have a cable TV and for that we have much larger presence of our parent company NDL and that is where the whole teams are synergized and we are also tracking how much business we are getting from the expansion pie and the expansion pie is purely driven by the NDL business operations teams, led by the geography teams in their locations. For instance, lot of those locations where our company ONEOTT iNTERTAINMENT does not even have presence, so we are leveraging that presence together and the big picture I think would emerge when we are looking together with your support to look at the 1500 cities. That is the ultimate opportunity that we are all working towards.

**Vynsley Fernandes:** I think all of us are very excited because that is a fantastic growth story that we are continuing to see there in terms of going back to digital content delivery. The great thing is we have maintained our 90-day net churn well below 2%. This has always been our target, we expected to see this number significantly increased because of COVID-19 in Q1, but we have been able to handle it and complete kudos goes to the team in terms of the innovation and strategy. We saw a marginal dip in same month renewal and that is acceptable, and it is expected because it is not a real worry for us. What is more important for us is on-time renewal and the best part of our on-time renewal is in a quarter that has been impacted by COVID, we have actually seen a marginal growth and that gives us a level of confidence because it means that people are renewing their subscriptions on time and it doesn't affect our business model, so effectively all the key metrics that you look at which is the base, the ARPUs, broadband base and ARPUs, our churn, SMR and OTR, they either continued to remain stable or have shown growth and all of this is obviously translated into yet another strong quarter with a continuing growth in topline.

In fact, if you look at our revenues and again look at Q1 FY21 over Q4FY20, we have continued to grow our business, we have not been impacted at all by COVID, a great advantage of that is directly derived to the fact that we are 99.5% prepaid and we are expanding in markets where conventional cable television or conventional cable platforms can't go. As I mentioned to you all in the last call, our thrust is on managed services, that market size is 69 million television households and growing, we are looking at building deeper relationships with those platforms and those markets and we believe therefore as a result of that it is a happy byproduct that we will continue to see growth.

Same thing in terms of the EBITDA as well, we have been able to see a very incredible 99% growth sequentially over Q4 and that reflects the business priorities that we have, that reflects the operational performance because at the end of the day, it is all obviously down to operational performance. In terms of PAT, we have seen a negative number, although that is not a worry to us and there is a specific and tangible reason for that and I request Amar to just explain how this works. So, Amar, over to you.

**Amar Chintopanth:**

Thanks, so if you look at the PAT it is after the EBITDA, we have interest and we have got depreciation. With respect to interest, of course as the debt keeps coming down, our debt is amortizing at quite a fast pace where interest will get taken care off. Depreciation is more a function of the set top box that we had capitalized in the past. Generally, the way we look at this is that we have a deferred tax asset which we can consider, but a decision on that we normally take in the second or third quarter depending on how the year pans out and therefore what is the tax position. So like Mr. Vynsley said, I don't think this is a major cause for concern, this profit after tax because it will probably more or less get balanced out in the third quarter based on our view and our position that we take on the deferred tax asset. We have a significant amount of potential for deferred tax asset because of the past issues and therefore, at this point of time, this is not cause for concern for us.

**Vynsley Fernandes:**

Perfect, I think at the end of the day, what we are all looking at is the operational performance. That is the key barometer of it and one more aspect of operational performance obviously is subscriber debtor days which continues to remain at a very, again kudos to the prepaid model where our average subscriber debtor days is just over a day and our total percentage of sub revenue that is debtor is about 1% today.

**Amar Chintopanth:**

That is the good part of it Vyns, because the revenue is all collection for us, both in the broadband business and in the video business, since we are prepaid in both the businesses, this all represents actual cash.

**Vynsley Fernandes:**

Yes, I think that is the key when you compare it across both. So that is it, I thought this time onwards, I will also tell you what we are working on and what we are rolling out. One thing that NXTDIGITAL has been known for is to always leap-frog in technology. I shared with you last time about the 32 APSK technology where we were the only platform in the world to be

doing it. We have also come out with some very new and interesting products to basically leverage a couple of things; one is the festival season and secondly to help customers derive maximum value.

One unique product we have come out with is NXTGO which is a dongle, what you see is pretty much a dongle and it is a USB powered dongle. What it does is, you can plug it into any android television or you can plug it into an OTT set-top box if you have for instance and it gives you instant access to all the live channels securely. We have been seeing a lot of reports and I am sure you must be personally going through it. There is some amount of OTT fatigue setting in. People want to switch between OTT and live channels and anyone who has an android base television set or has an OTT set-top box, all he or she needs to do is plug this device into the back of the TV set using this USB and using the regular cable TV connection, you can get access to all the live channels securely. So if you see this app here, this is pretty much access to all the live channels, so when you have a typical OTT set-top box or if you have typical android interface, you would probably see all this, right, Prime Video, Disney, Hotstar, ZEE, Sony Liv, Hungama and you will see some amount of YouTube content, etc.

What you do is you get this NXTLIVE which is nothing but a live cable television connection which gives you access to all the live channels and you can select all the live TV packages and access OTT content seamlessly, so there are no challenges at all and the best part is, NXTLIVE gives instant access to the entire bouquet of television channels. We are looking to launch this in the festival season, the field testing has already happened, the development in software has already been done, we still have some field trials that we are looking to do before we roll it out into the market at the onset of the festive season.

At the same time and keeping our commitment to markets that are not necessarily the high-end markets like Mumbai, we have come out with a very interesting product called NXTCONNECT. This NXTCONNECT is, you can connect any television set, it doesn't matter if it not a smart TV and make it a smart TV, so it is a next generation device which serves as a kind of central home media hub and it gives you just about everything. You have got home automation; you can plug in the dongle into the back of this set top box and you have access to live TV. You can play games, there is Karaoke, you can use your mobile as a remote and the beauty is, like I said, we waited rather than spending energy and money on trying to create a me-too product, we looked at how do we leapfrog over the rest of the industry over what is happening across competitors and develop a solution or a product that can derive greater value to the customer at a really acceptable price point. I am very proud again, this should roll out we believe in the coming festival season. This is the second product that we have and just to refresh everyone, all it requires is this OTT set-top box and as I shared with you, the dongle that you have is bundled with this. The dongle and the set top box not only gives you all your OTT services, but it also gives you access to live TV and everything else that you see on the screen that is pretty much required as if you recall I mentioned in my last briefing an essential tool kit, so this is what it does. It is part of that essential tool kit.

The last product that we have is more a solution. I think it's something I've mentioned that, we have got over 9000 LCOs across the country. How do we leverage those customers to grow our business, to help them grow their revenues and one of the important thing is, how do we create new revenue streams for our thousands of franchisees and this product, M-SATHI which is a cloud based app that we are looking to roll out that we are actually working with partners to help them develop this app for our LCOs. This is in line with our Hinduja Group principle of 'partnership for growth'. The proposition is essentially to create a neighborhood marketplace. Our LCOs are very well-known people in small town India and other markets. The idea is to bring our LCOs and make them the focal point and allow them to become the center or the pivot between their subscribers and customers and the retail markets and locals merchants, so if you see this, this app is something that they will give their customers where they can allow their customers to connect to the local super market. We know that there are challenges in small town India of being able to be savvy and using a keyboard etc., so you can just click a photograph of the order that you want - bread, milk, eggs, whatever, click on it, you create that neighborhood market place and all you do is you pass it on, it goes to a system where the super market picks it up and facilitates delivery to your home. So, the objective is effectively to build a strong ecosystem. Our idea is not to get into e-commerce or anything. The idea is to leverage local market place, local Kirana stores, your local milk supplier, your local electrician, bring them and the subscribers together by using this software where the LCO, the cable operator is the hero of this entire neighborhood market place and that is our vision, it has always been our vision of creating partnership for growth. Will we use it for cable operations and broadband? Definitely yes, because that is the great model of contactless payments as well and so effectively these three products are in line with our vision of being able to map out; 1) our digital transition that keeps on continuing, 2) to bring digital products to markets outside of the cities and 3) to create an even stronger bond with our LCOs. Also, most importantly is to allow our LCOs to truly become a services provider who is not only providing cable TV and broadband, but also effectively becomes a services provider that could connect and provide anything. He could become a banking correspondent, could work on home loans, and could work on credit cards, FMCG products. We are looking at that and we believe that this vision will continue, and this is the first step towards it. It is already tested, and we are looking to roll it out shortly. I will end right here. There are other annexures which anyways will be available in the presentation, so Snighter if you allow me, I will end at this place. Snighter over to you.

**Snighter Albuquerque:**

Thank you sirs. Ladies and gentlemen, we would now begin the question and answer session. We would take from participants who have raised their hand to ask questions. We would request all participants to introduce themselves with the firm they represent before you put forward your question to the management. We will just take a moment here while the question queue assembles.

**Snighter Albuquerque:**

The first question is from the line of Virendra Varma from Intesa Royal. Sir, can you please go ahead.



**Virendra Varma:** My question is on your new vision for Q2 and Q3. You are launching two products; one is the set top box, and one is the dongle. First, if you could share what kind of pricing it is going to have and second, if you go by the offering, how is it different from what Airtel and Jio are trying to offer?

**Vynsley Fernandes:** I will just take you through it. As I mentioned and you are probably well aware of technology, the product that you have, for example, I think it is called Airtel Extreme. What happens in the case of Airtel Extreme, if you want live television channels, you need to have a set-top box, so you need to have a DTH set-top box with the complete dish set up. In the case of the device that I shared with you which is the OTT set-top box, it doesn't require all that set up, all you require is one set top box and the dongle which by the way is part of the product package where the dongle and the set-top box form one single package and you get your OTT as well as you get all your live television channels on it, so that is why it is a clear differentiator in terms of product. The other thing is the applications you mentioned about Jio, right? I think every product has different applications. Our idea is to keep it as open as possible for its many applications that a consumer may want, that we should not decide about. The consumer has every right to choose what applications, what services he wants, so that is the second thing and when we come to pricing, the pricing is unique. The ideal thing that we should have done as a company is only bundle and sold the set top box and the dongle but we believe there is a huge market out there in cities like Mumbai, I know because I know certain people who don't even have a set top box at home, all they do is have a television set and they have got all the OTT apps on it. That is one of the reasons we took a decision to unbundle and create a dongle which could be sold separately, so those who don't want a set top box and they have their android TV and they can plug in this dongle which then gives them access to live television. In terms of pricing and I am going on in a limb here we believe that the dongle on its own will be in the region of about Rs. 999, while the set-top box and the dongle bundled together would be around Rs. 3499. Having said that, what I was talking about is only the devices. We would look to bundle it with certain content and certain packages and create a much more attractive offer which is why as I mentioned, we are looking at the festival season. For example, and Yugal mentioned this, we may look to bundle it with the broadband package as well, it could be set top box plus dongle plus 6 months of a particular content package plus 6 months of broadband connection as well, so we are working on what could be the different models, but the hardware device as you asked I have shared with you the pricing. I hope I was able to answer your question.

**Virendra Varma:** Yes sir, that is right. Sir, one question, with regards to the kind of offering and the pricing you mentioned, today if you look at Jio, Jio gives me a broadband of Rs. 500, Rs. 800, Rs. 1000, they give me a set-top box free, they give me live channels, they give me all the other OTT, then on what basis, I should get attracted to your platform?

**Vynsley Fernandes:** Absolutely, you are completely right. I think you will have different horses for different courses, right? The point I am trying to make is that is the cost of the device. How we chose to bundle

it is not a decision that we are taking today. We are still getting market feedback. Like you are mentioning about Jio, don't forget that there are markets outside of the cities, outside of tier I cities where connectivity is a problem, where people have certain different price point. Those markets, the pricing could be much different. What I shared with you was only the hardware price at which we are looking to roll off the device. How we bundle it, how we create packages, is a bit more of strategy, like I just shared with you. The Vishesh Manoranjan Pack, Rs. 39 for 425 channels now, that is not something that just came to us overnight, we did a bit of ground research. What I am sharing with you in terms of Q2 and Q3 is more the products, and the solutions vision, the pricing vision and the marketing vision is something that we are still working on.

**Snighter Albuquerque:** Thank you, Mr. Varma. The next question is from the line of Mr. Dikshit Doshi. Sir, I request you to mention the name of your firm as well.

**Dikshit Doshi:** My name is Dikshit Doshi from Whitestone Financial Advisors. I think from last year, we discontinued our treasury operations. I have question regarding that. Do we still hold some shares of IndusInd Bank and if yes, how much? Secondly, by when the balance shares of around 81 lakhs of HLFL will be sold and we were holding some land also, so if you can just elaborate how much it is? What kind of value and by when we can sell it? That is the question related to the treasury. In terms of business, can you just explain in managed service business, how we get the fees per month, per subscriber base, what kind of revenue we generate because I think there is no cost related to it and whatever income in terms of managed service we get, it directly flows to the bottom line and in terms of this M-SATHI which you just mentioned, so if you can elaborate a bit more, how you will be sourcing the product, I mean will you be partnering with the local kirana shop and how this whole thing will work?

**Vynsley Fernandes:** Thank you Mr. Doshi. My colleague Amar will first answer your questions on the treasury. Amar, if you don't mind.

**Amar Chintopanth:** Yes, there are three points you raised Mr. Doshi, one was the IBL share, second was the Hinduja Leyland Finance and then the land. I will take this one by one. As far as IBL shares go, we hold very small quantum, we hold about 54,000 shares, down from the much larger quantum that we had held, because we discontinued the treasury business, so therefore we hold about 54,000 shares. We could sell it at any point in time or we may continue to hold it because it is really not a very significant component of that business line, number one. Number two, as far as Hinduja Leyland Finance shares go, yes, there is a plan to sell, it will probably happen during the course of the year, the value based on the last valuation, roughly about Rs. 100 crores and that is the value which we have shown in the balance sheet. The third component you asked was land, so we continue to hold land parcels. Real estate, incidentally, is not a discontinued business, it is only the treasury and investment which is a discontinued business. So, real estate, we have got two parcels of land, one in Hyderabad and one in Bangalore, the carrying value in the books is about Rs. 37 crores, the market value of both these put together based on the last

valuation was close to about Rs. 250 crores, so this value is not represented in the books, but that is the value one can realize on sale. So when are we going to sell it, there are plans when to sell it and we are looking at whether we can rationalize it, and as we get closer to it we will update you. I trust that answers your question.

**Vynsley Fernandes:** Mr. Doshi, does that answer your question on treasury?

**Dikshit Doshi:** Yes.

**Vynsley Fernandes:** So, I will proceed on the business questions. You are absolutely right about managed services. See the best part about the Headend-in-the-sky platform, the HITS platform is that the satellite capacity is already engaged. The uplink, the downlink, the technology is already there. Managed services is so simple, it is basically sweating the assets that we have already invested in, available to any part in the country. What I am saying effectively is like saying there is a piece of video that is available somewhere centrally and if you have a broadband connection, you can pick it up from anywhere in the world without having to pay anything more. It is the same thing in video. Imagine, the satellite is up there with all the 700 television channels and we are delivering them to our own customers and then along comes a peer or a competitor and says, listen, my cost of delivery on fiber is a huge challenge because I am getting into terrain where my fiber gets cut, there are rivers, there are mountains, I can't provide quality of service. What we do is, we step in and all he does is he picks up the signal, the same signals that he was delivering terrestrially, he picks it up from the satellite, so for us, every rupee that we make, I won't even use the term rupee, every paisa that he pays to us goes directly to our bottom line because all we are doing is amortizing the investment that we have already made in the technology and in the capacity. What it also gives the smaller operator, it helps in terms of saving of technological obsolescence. He cannot afford to keep on upgrading this technology as new things come out. But by going on the HITS platform and using a managed services model, he now has access to all the technology, he has access to the subscriber management system, the conditional access system, any new technologies we launch, any broadband product we launch, he has full access to it. So, for him he is able to leverage and reduce his cost, at the same time ensure quality of service to his business. From our perspective, every paisa that we earn go straight to the bottom line because there is no additional investments that we need to make into the business to be able to provide that service. That is on the managed service piece sir. On the M-SATHI piece sir, as I mentioned, it has always been the Hinduja Group's vision of partnering with our LCOs, our local cable operators. Our vision has always been especially in our 25<sup>th</sup> anniversary year is that they are such loyal partners, how do we help them grow their business, grow their revenues. That's when this idea came up when local cable operators who are already sitting on a base of thousands of customers and during this work from home, lockdown period, we have seen the challenges that retail stores have and not being able to connect with the customers and vice versa. So, we have no intention of partnering directly with the Kirana Store or anything, we believe that will always remain the be all and end all of our local cable operator. The local cable operator will decide with which stores

he wants to partner with and even offer those stores on the app to his subscribers. The subscribers will be able to transact with those stores and the LCO will earn from a new revenue stream. We are a facilitator, an enabler, but are we partnering directly with the stores? No, our business is always digital services and we will continue with that, but digital products that enable our LCOs to also grow their revenues and at the same time, kind of have a nominal revenue available to us, maybe it is a technological fee for transaction, etc., that is what we would look at, so that is on the SATHI app. Mr. Doshi, I hope I was able to clear your doubt sir?

**Dikshit Doshi:** Yes, and just one last question, if you can throw some light, how we are planning to reduce our debt going forward?

**Vynsley Fernandes:** Amar, again would you like to take that question?

**Amar Chintopanth:** Yes, so we have a bank debt of roughly Rs. 400 crores on the balance sheet and roughly about Rs. 500 crores of intercorporate deposits. These intercorporate deposits are all group deposits, not a rupee of it is from outside, so this is as good as an investment by the group because in the past as and when the debts came up for repayment, like Mr. Vynsley has already indicated that there has been 100% promoter support for this company right from the days it started. That's how the debt has been sort of managed. The balance debt is roughly about 400 crores. Our cash flows, even if these debt goes through the period that it is supposed to go through, our cash flows are adequate to sort of take care of the debt, however, since we discussed about the land, since we discussed about the HLFL share, there is potential cash available in the system which we also are looking at how to encash it and sort of reduce the debt. So obviously, debt to equity is a cause of concern for us and we would definitely like to bring down the debt, but do we have adequate assets to bring it down, yes we have adequate assets to bring it down.

**Snighter Albuquerque:** Sir, next question is from Mr. Ranga Prasad who an individual investor.

**Ranga Prasad:** I have few questions mainly on the financials side. The first one is that the paid-up capital is still showing as Rs. 20.55 crores, shouldn't it be showing the enhanced equity? Second one, is there any timeline that you can share with us for turning PAT positive? The third one is, what is the extent of available deferred tax credits? And the fourth one is, a committee has been set up to look into raising capital, is there some timeline for raising of capital because this will also enable us to reduce our debt?

**Amar Chintopanth:** The equity shares are actually allotted now. The court order came on 21<sup>st</sup> of August and the allotment has just happened on 27<sup>th</sup> or 28<sup>th</sup> of August. We had a board meeting where the allotment has happened, so from the next quarter, it will start reflecting in the capital, About 35 lakh shares have got issued and that will start reflecting in the next balance sheet, so as on March and as on June, it was not yet allotted, which is why it shows same amount. That is point number one. Point number two was the deferred tax asset availability, we totally have a potential of almost Rs. 370 crores of deferred tax capability of which we have recognized only

about Rs. 95 to 100 crores, so we definitely have a significant amount of deferred tax which we can consider. The third question, I think was, is there visibility for PAT positive. Being PAT positive has got only two factors: one our interest cost coming down and second depreciation coming down. Interest cost is obviously going to come down as we pay down the debt, which you also indicated that if the equity issuance happens fast, we can bring down the debt, so interest costs is directly linked to that and as and when we bring down the debt, the interest cost will come down. Depreciation, also we will start seeing a significant decline going forward, mainly because these were all set top boxes which were imported long time back and on the straight line basis, what happens is you amortize over a 8-year period, a certain fixed amount, so though the booked value has come down, you continue to amortize over the original value, so we are trying to see whether there is a solution for that, number one. So, it is more an accounting issue rather than an operating cash issue because even after interest we are cash positive. Depreciation is something that we are trying to take care of. In the meanwhile, we have got these deferred tax assets which will sort of enable us to take care of the depreciation ahead. That was the third question. I think these were your questions, Mr. Prasad?

**Ranga Prasad:**

Yes, then fourth one was relating to the timeline for raising capital. Sir, any timeline?

**Amar Chintopanth:**

So, the board actually has been debating as to when should we raise capital and first of course was the restructuring to happen which has happened. Now since that has happened, we have constituted a committee, in the last meeting it was decided, a committee will be constituted to look at various options. Today, there are various options like rights issue, conversion of debt into equity if required, various other options are there whether you want to go abroad and raise money, which is why we did not want to take a decision in a haste. The committee has been formed and probably in the next few days or few weeks, we will come to a decision. Our objective is to try and do this in this financial year. If that is your question, we would like to do it. We are aspired to do it in the current financial year subject to the environment. That is all.

**Ranga Prasad:**

I would like to share my personal belief. My personal belief is that the best route to raise capital would be to induct a strategic investor. That will add tremendous value to our firm.

**Amar Chintopanth:**

That is a very good thought, I think that is one of the thoughts which is there with us and in the last analyst meet, Mr. Vynsley actually made a reference to it that we are open to financial investors, strategic investor, whatever it is, but a strategic investor will make more sense for this company, we share your thoughts.

**Ranga Prasad:**

Also, because rather than a rights issue, I think we can raise more capital through a preferential offer. It will reduce the equity dilution, so please look into it, this is my suggestion.

**Amar Chintopanth:**

Definitely sir. Thank you for your input.

**Vynsley Fernandes:** Thank you sir. Sir, I think you are preaching to the choir in terms of a strategic investor. We believe also that considering our credentials and our fundamentals and our technology, I think there is a lot to be had there. Thank you, sir. Thank you very much.

**Snighter Albuquerque:** Thank you Mr. Prasad. Next question is from Akansha Jain of Nirmal Bang Securities.

**Vynsley Fernandes:** Akansha Jain, thank you so much you have asked, can you please let me know what stops other companies from entering this space? I think we have seen this trend and this is a question that was asked last time as well and I think it is a question that stares anyone in the face because technology can be duplicated. If you've got trillions of dollars you can invest in technology and all the hardware and all the software. I think what's more important Akansha is, building up of a business is a legacy. We have taken 25 years to build up relationships with local cable operators, to build up a strong network, to build up the infrastructure, the fiber that we have laid all across the country, the relationships that we have with the subscribers. I think when you put all of that together and especially the relationships with the local cable operators who are by the way the biggest connect with the customers, which is when you realize the entry barrier is not really very low. Technology forms only one piece, but when you look at the key components, it makes the business strong namely the network and the infrastructure and the relationships and that is when you see the entry barrier raising significantly. So, like I said, money isn't the only kind of role there. Places in Andaman and Nicobar Islands, hardly 30 cable operators are there, they are all NXTDIGITAL operators. There is a great relationship with them. We have launched a channel for them, which is specifically for them. We have launched a channel that is specifically for the North East. We have relationships in Ladakh, we have a service completely in Kargil, right where we are there. It is a matter of building relationships that sometime, are a little more difficult to break the pure business fundamental. That is why we believe that there is a challenge and the second thing more importantly is other companies would look at leveraging our service. It is like as I mentioned on the managed services question that Mr. Doshi raised earlier is that if I can get managed services for a fraction of the cost of what I am going to pay, I am happy to go managed services route rather than have to build out all the infrastructure again and go through the pain of building a network, getting all the licensing done, so that is the first piece. I hope I was able to answer that Akansha.

**Snighter Albuquerque:** Sir, next question is from Bhavin Shah of NVS Brokerage.

**Vynsley Fernandes:** Bhavin, there was a slide that is there, and I have no problem taking you through it for a moment but let me do that anyway. So Bhavin, typically what happens is that there is a headend and the headend has a fiber reaching which goes all across mountains in order to reach to the cable operator. The beauty is what we use is a satellite service called headend-in-the-sky. We uplink all our channels in the satellite, so wherever in India the cable operator is, whether he is in the Andaman and Nicobar Islands, Lakshadweep Islands, we don't need to have physical connectivity to him. All he does is he invests in this cable operator premise equipment and he can go live. This is proprietary, you can go digital within 24 hours, it doesn't

require to be connected to any kind of fiber etc. It is a very low cost and size system , it's just a size of a refrigerator. It is completely complied with all the regulations and there are no capacity issues, he doesn't have to invest continuously. If he had his own headend imagine, every time there is a new channel, he has to invest, he has to get into licensing arrangements with broadcasters, he has to go and get technology. The moment this new technology that comes in, he has to again invest in that. Here, irrespective all he needs is this little headend which can be upgraded for nothing. At the same time, the backend technology that we provide is what drives the technology for him. So that is what HITS is all about. If you look at HITS, as I mentioned it is a satellite footprint across India as compared to cable, it does have the challenge of requirement of physical connectivity. But at the same time, when you look at DTH, it has capacity constraint to add content every time because you have to be on the same satellite because you can't go about changing everyone's dish looking up at the satellite, while as in the case of HITS, there is one dish at the cable operator's premise and all he does is the moment we keep on adding channels, he can even rotate that dish to look at other satellites and he can keep on adding channels. So, there are multiple areas and aspects where HITS is different from traditional or conventional digital cable and DTH, for example, just the ability to provide managed services. Cable television can provide it only when they are connected. DTH can't provide managed services because DTH is on a particular satellite, they can't provide managed services to a competitor whose look angle is on a completely different satellite. You can't go about changing 10 million dishes whereas for us, managed services were up there in the sky, all it requires is for our customer who could be a competitor or a peer as I mentioned from that 70 million pool of television households to change his look angle and pick up our signals. So, all in all, there are great benefits that we see in that business. I hope Bhavin, I was able to answer your question and Akansha as well. Since I didn't hear you'll verbally, if you all have any doubts and if you want any more clarifications, please feel free to get in touch with us, we are very happy to answer any questions that you may have. Snighter, over to you.

**Snighter Albuquerque:** We will just wait for a moment. If there are no questions, then I can hand it over to you sir.

**Vynsley Fernandes:** I think everyone is waiting to run away and go and have lunch. I am sure they must have all said Vynsley hopefully started the meeting at 2, he will wrap up by 3 o'clock, we can have lunch, that is why everyone is keeping silent. To each and every one of you attendees, for any question we don't think they are difficult, or they are easy questions, we are happy to answer it because that is our job. We are very passionate about our business, we are very passionate about our technology and we are happy to answer all the questions, so even if you want to come up, if you think of any other questions, please feel free to route them to us either through Adfactors or anyone else. I think Amar, Yugal, myself and my other colleagues who are not on the panel also would be very happy to answer them.

**Snighter Albuquerque:** It seems like there are no more questions sir, so closing remarks.

**Vynsley Fernandes:**

Ladies and gentlemen, thank you again for hearing me out with patience and I hope I was able to explain to you the exciting journey that we have embarked upon from last year and that exciting journey continues. We will continue to grow our business, we will continue to grow our fundamentals, and we will continue to have exciting new products and projects. We will continue to remain in touch with our LCOs and grow a strong ecosystem with all our partners and on behalf of NXTDIGITAL Limited, obviously ONEOTT iNTERENTAINMENT Limited and of course the Hinduja Group, thank you so much for giving us time, again I apologize if I ate into anyone's lunch break, but thank you so much each and every one of you for being present. Amar and Yugal, thank you for joining and on behalf of my colleagues, have a good day, have a wonderful week ahead. Thank you to everyone.

**Snighter Albuquerque:**

Thank you ladies and gentlemen for being part of this call. If you have any follow-up questions, you can get in touch with Adfactors. Thank you and have a good day.

**Yugal Kishore Sharma:**

Thank you.