

# NXTDIGITAL Limited

## Q1 FY-22 Investor's Meet Conference Call

### August 16, 2021

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**Bhanu Vazirani:**

Good afternoon, ladies and gentlemen welcome to the Q1 FY22 Investor's meet of NXTDIGITAL Limited. On the management panel, we have Mr. Vynsley Fernandes – Managing Director & Chief Executive Officer, NXTDIGITAL Limited; Mr. Amar Chintopanth – Whole Time Director & Group Chief Financial Officer, NXTDIGITAL Limited and Mr. Yugal Kishore Sharma – Chief Executive Officer, OneOTT IN ENTERTAINMENT Limited.

We will begin the call with opening remarks from the management as they discuss the company's progress in the digital platform space and their performance in Q1 FY22. Following which we will have the forum open for a question-and-answer session. Before we invite the management, we would like to share few guidelines for smooth progression of this event.

All participants will be placed in the mute mode. And anyone who needs to ask a question; you can raise your hand; we will accordingly unmute you. You can introduce yourself with your name, the name of your company and ask your question. Alternatively, you can also post your question in the Q&A window. We will take the questions in the Q&A window post taking the question from the queue of the raise of hand and eventually we will make sure we do justice and attend to all the questions that have been raised.

**Vynsley Fernandes:**

Thank you so much. Great. Good afternoon, ladies and gentlemen, thank you so much for attending this meet of us. At the outset, I want to wish you all a belated Independence Day for yesterday, as well as a Happy New Year to all our Parsi colleagues Navroz Mubarak. And I also hope that all of you are staying safe. This continues to be difficult times and we are all trying, our best to come out of it. People have challenges, illnesses, and all I can do on behalf of all my colleagues at NXTDIGITAL Limited is to wish you, to stay safe and stay blessed.

So, without too much ado, I am going to share my screen and start the presentation to everyone. Amar, Yugal, I am assuming you all can see my screen. It is clear. So quickly we will go through some changes in the environment over the last quarter. We have a wonderful new Minister for Information and Broadcasting who also manages Sports, Anurag Thakur, very, very progressive.

Similarly, Ashwini Vaishnaw who has taken charge as the IT Minister. He is an ex-IITian, so he understands the tech aspects and I think as a nation, we are very proud to have them, and others join the portfolio of our Prime Minister to be able to grow the industry. On the same

lines we have a new secretary at the Telecom Regulatory Authority of India, our regulator, Mr. V Raghunandan has come on board.

And you will be very pleased to know that he paid a personal visit to your broadcasting center just last week. He was very impressed with it along with the senior principal advisor and advisors from the regulator. They made a visit to our broadcast center. They were very impressed with the technology and the future proofing that we have. One piece that has been doing the rounds, the news that I am sure you are all have been covering it actively is the new tariff order in new regulatory framework 2.0.

It was the Bombay High Court that has upheld the TRAI NTO 2.0 barring basically twin conditions.

The broadcasters of course gone to the Supreme Court seeking solace in the matter. The Supreme Court has been very clear it does not stay the High Court ruling. But the next hearing is on the 18th, which is actually day after tomorrow, where the Supreme Court has asked for a short synopsis.

On the other side, obviously, the big story doing the rounds has been the AGR case where, you know, the Supreme Court has dismissed the applications. But Vodafone has filed a review claiming arithmetical errors, etc. So that is an ongoing process, very exciting times for the media and entertainment industry. All heard obviously about the ACT deal that happened with partners group just a couple of days ago. So, that bodes very well for our industry and your company is also very actively involved, obviously, in the segment and in future segments.

So one of the things that is really getting to be big in India, and you will see it, it is something if you recall, I hope all of you, if you will have the deck and go back one year ago, to when I made the first presentation, I spoke about Satellite Broadband even before it was spoken about in the country as being the next big thing. And your company being actively engaged in it. You will be happy to know that we are in discussions, and we will keep you updated and abreast of progress.

But Viasat and OneWeb, Amazon and Starlink are looking at India very closely. So that is great news for us. My colleague, Yugal will talk about this a little later about the amount of potential for public Wi-Fi hotspots, which therefore will be able to give us great connectivity, unlike challenges that we all face today. And there is a great resurgence in Bharat Net, which is the government's proposal to connect all of India and make it as seamless as possible.

That is in terms of what the environment is like. The biggest story of course, what I would like to share with you, and I thought I put it at the end is one great thing where television is continuing to grow in India. There have been talks about moving to OTT customers switching up, customers may have switched off on and some of you may have experienced that

yourselves with others, switched over second television set or kind of reduce the exposure in terms of expenses on television. But the best part is, there is a huge market that is continuing to grow.

There is tremendous amount of headroom, as it mentions here, with about 30 crores households covering 130 crores people. And we are talking about right now there is just 21 crores households, right, which have television, at least one television set in the country, which is up from about 19.7 crores. So, that is the amount of capability that is there and those are markets, which as you slowly move out of the cities into semi urban, semi-rural and rural markets, we are seeing aspirational models coming into play.

That is on the environmental side. Just to share with you all some initiatives that we have done. Our company was one thing we pride ourselves is our agility and our reflexes. We saw the challenges of the second wave, the second wave of the pandemic, and very quickly, we recrafted our efforts and communications as well came out with new special packages. We came out with different packages to interest different segments of society, and socio-economic classifications.

You know, we had all of those communications, we also continue to push very actively sporting events. There was the Euro 2020 that happened, there was the Tokyo Olympics, of course, which happened much later. But there was Copa America, there was the Wimbledon, all of that we leverage very actively, not just on the video side of the business, but also on the broadband side of the business where we have progressively grown, we look at communications as being a key.

There are some very innovative processes that were put in place, communications that was put in place that has been able to take us and put us in. Everyone talks about a quarter that has been really challenging, no doubt about it. I mean, I for one with my team will put my hand up and admit it has been one of the most challenging quarters and I think the agility and flexibility in which we were able to still hold our ground and look at what are the great value creation models during that quarter and held us in good stead.

So, that is in terms of the communication and initiatives. Your company has continued to get great coverage. We had a lot of interviewing happening. We continue to make it to the press. So, the amount of columns centimeter that we carved out reflects very clearly on the fact that even the media is very interested in what NXTDIGITAL and the video business and the broadband business of NXTDIGITAL is doing. We continue to sit on some very critical panels as well, both quasi government and supporting the government on those panels.

So very, very important and significant for NXTDIGITAL. We are also very, very proud that we have continued to win accolades. Three of our colleagues, one is my colleague and CEO of the broadband business on this panel, Yugal Kishore Sharma, who has not just won, he has been

recognized as being one of the leaders in the industry and was awarded the Business Leadership Award.

And two of my other colleagues are head of HR and our group CTO both won awards. So, that shows you that we also look at hiring only the best clearly in our industry. And we are very proud that they are able to be recognized by their peers and the industry for their performance. This is never a great slide to put but I have no choice. It is very important.

We had a challenge in the second wave. And we lost colleagues, to the pandemic, not just the second wave even earlier. We lost a total of 11 colleagues of ours to the pandemic and four to non-COVID reasons and about 18 family members. But there is one thing, and this is something where the Hinduja Group is different from a lot of other groups. We came together as one big NXT Parivar. And that is why I have used the term NXT Parivar, to help all those who have been affected in multiple ways.

It is not just monetary support and healthcare, but we have also been able to provide employment assistance. Not just employment, but we looked at the capabilities. We provided training for those individuals. We groom them and we have looked at recruiting them, not just at NXTDIGITAL but also Hinduja Group Companies.

We are also very proud that we have been able to set up a fund to help all these colleagues. Another unique thing that we did again, we keep on talking metrics, I am sure all of you as analysts and investors, it was great to talk about performance quarter-on-quarter, performance year-on-year, but you know what makes that performance is the people.

And I think if we take care of our people, and we have good people, performance follows, and we have seen that. We have been able to take care and to such an extent, we set up a thing called a Buddy System.

I am sharing this with you today. Over the last 18 months, we set up a Buddy System, where anyone who is afflicted with the Coronavirus, had one person assigned to that person's family to take care of him to ensure that he was taken care of and his family members were taken care of. Our leadership teams have been calling on affected team members, especially hospital cases of severe cases. Our team has always been there to help them, and we do not believe that we are going out of our way. We believe that this is our Dharma. This is our religion. This is what the Hinduja Group philosophy is all about. And it is nothing for which we do not think of it as different. So much so, we have also started a vaccination drive countrywide. All our vaccinations for our employees are being borne by us the cost.

We took it one step further, we organized vaccination camps, including in where I am sitting currently, the head office, which is Incenter, Mumbai. We ran a vaccination camp there for

over 937 people, our own staff, associate companies, our last mile owners, affiliates, their staff. We were very happy to do it because this is a very important thing that we did.

And again, keeping in mind that people had done so much during this pandemic. It is very important for us to express our grief for those who lost as well as recognize those who have performed beyond the call of duty. So just last month, end of last month, we had a townhall. Ladies and gentlemen, for over 1,000 people of our staff attended the town hall and the agenda was first to remember those whom we have lost, not just our colleagues, but also our colleagues' family members.

That was a very important thing that we did. We remembered them, we prayed for them. We also thank 12 of our colleagues who retired from the organization. We set the tone in that for moving back to an L2 model where we are currently as of today. We have started an L2 model where we ensure that at the highest levels of safety and security, certain people can start getting back to office duties within an office space.

Obviously, as I mentioned with great focus on environmental health and safety. We are also very proud there were multiple people. During the last one year they have been drivers; they have been office staff etc. who gone around, you know, delivering papers, getting signals. It was important for us to recognize them and recognize them not just financially but also with due recognition in that town hall. We recognized 8 such colleagues under the special category.

We also had the privilege of recognizing 43 colleagues who went above and beyond the call of duty. I would not go into details. But we know colleagues who have literally slept at bus stations only because they had to rush to another location to help people where connectivity had gone off and information became such a critical thing, knowing what the situation was, people required news, people required broadband connectivity.

My colleague, Yugal and we had the honor of driving it right from the front. And we are very proud that we were able to felicitate these 43 people, mind you from over 412 applications that we got for this. And we also are very proud to felicitate our Head of HR, as a super performer who was there for all our staff, especially during this dark time of the first wave and the second wave. I think these are things that we are very proud of that makes NXTDIGITAL and makes the Hinduja Group I would not say different from others but makes us stand out in the crowd.

And it is something that we will never let go, not for love or money and not definitely, for profitability it is a happy byproduct of having a strong team that you respect, and that you treat fairly, and this is what our philosophy is for the group and that is reflected in our KPIs. If you look at it, while our video business, which should have taken a hammering, we were still able to hold on to it. There was a lot of agility and flexibility that was there, and we were still able to hold on to our base.

There was a question asked to me earlier about ARPUs. Are we seeing a drop in ARPUs? First, as I mentioned, these ARPUs are ARPUs to us not from the customer. ARPUs to the customer is much higher ranging from Rs. 250 all the way up to Rs. 683, huge range depending on the package. This is purely the money that comes into us, and which we retain.

And the city, if you look at it, DAS-1 is the one where we saw a blip and we realized why. We realized that was basically the city where hotels to answer the question that one of our analysts have raised. These was the hotels that were affected, where the hotels downgraded their packages and did not want all the HD channels, they were happy to take SD until the hotels came back into operation.

But when you look at DAS-2, DAS-3 and DAS-4, no change. It has been quite stable. If you look at it across and again, I urge you to look at last year as compared to this year rather than looking at Q4 of last year over the Q1 of this year. The reason being is that Q4 we started seeing life beginning as all of you are aware. And Q1 again of this year, we started seeing challenges in terms of the pandemic etc.

But the beauty is we have been able to hold our ground. And I am very proud about leveraging the biggest opportunity that we leverage was broadband. We have grown by 93%, our base over last year and on a quarter-on-quarter basis purely we have grown by 10%. I am going to pause here for a moment because I think it is very important to share with you that this is not something that came easy. It is not that people needed broadband and we were there.

There were strategies, there was a lot of definition of the teams on the ground and I am going to request my colleague who heads the broadband business, Yugal Kishore Sharma for a moment. Yugal, if I may request you to share your views on what is happening in the industry and where you see, the entire challenge that that was faced etc.?

**Yugal Kishore Sharma:**

Yes Vynsley, thanks. So, I think as you had put up in the beginning, on the lighter side, I will start the note. I think the fixed line broadband networks have been tested, tried and the applications utilized to the highest level because the whole population was inside home. And from that perspective, mobile broadband should be more de-checked, but I think having to offer colleagues in the call finding it difficult.

So, taking on that note, I think public Wi-Fi hotspots ambitious program of the PMO PM WANI. These are the kind of new areas that are emerging, and a lot of work is going behind to create a fixed line, which we call wireline broadband level of experience on mobile networks as well. And that is where one area the industry is moving very fast. I am happy to share which Mr. Vynsley had just touched upon.

There is an ambitious project of the government, which is to roll out high speed broadband to the bottom half of the country, which is like the rural India. So, almost 500 million citizens

would get access to broadband in the next couple of years. And that is the BharatNet phase three project, which is what is going to open. So, at an industry level, fixed line broadband is got to be now the internet connectivity at every home, whether you are in a phase one Metro, or you are in a small town or a village.

And that is what I think the pandemic times have created, and very well demonstrated by the industry. Coming on our side, I think, I would say not in a very, results oriented way but if you see, when the first wave came last year, everybody globally was taken by surprise. And a lot of companies who could stand on and, even from our side, I think the way the HR slide, which is, unique slide that you would have seen in our deck today, it is all about our people, the way we carry forward our people as a Pariwar.

The way we saw the risk level of work they were carrying out while servicing customers, servicing the network, I think this is also another breed of network warriors, I call them fixed line broadband cable TV warriors who have demonstrated. So, second wave when it came, I think, our company, as a NXT media Pariwar, we stood tall, and that is what gets reflected in the numbers and the growth. And that is how I think we have been able to service our customers, and hence the growth has resulted out of that. So, people really stood up, organization wide.

Customers had tested us in the four quarters of pandemic. And they found us to give robust, not only product, but also a very robust 24 x 7 service. So, that is how I think the overall results have come and of course, at industry wide, people are acknowledging this, this is the only mantra to get growth. So, this is my perspective on the overall broadband piece. Over to you, Vynsley.

**Vynsley Fernandes:**

Thank you. Well, I guess I will proceed and anyways, we have Q&As at the end. So, there is any other aspects that you would like a clarification from Yugal or any of my colleagues, please feel free to post them on the Q&A box or you can ask the questions also verbally. The other KPIs that we share with you, and again, great performance, where we have been able to hold back and reduce our churn over the quarter, still it was not as great as last year, the quarter but good enough. Although same month's renewal and our on-time renewal, we have been able to hold off.

And one key reason why we have been able to hold this ground in terms of performance, and therefore be able to end up with a robust, topline, as well as EBITDA is basis, the fact that the teams know exactly what was required to be done in these challenging times. What does that give you? Effectively, that gives you the company's emerging focus over the last one-and-a-half year, over the last two years I would say actually and beyond to focus on a sustainable model.

And that is clearly reflected, if you look at it in terms of the top line as well. Revenues we are happy that in terms while we saw a slight drop from Q4 to Q1 and my colleague Amar will share

thoughts on that, it is nothing that we are really worried about, because Q1 is generally a stabilizing quarter.

The fact is, when you look at it over last year, when the pandemic was probably less virulent than this first quarter of this year, we have still been able to grow our business by about 13.5% our top line. And only that we have been able to also take our EBITDA to a decent level in terms of growing it by nearly just under 2%. Our challenge was on the quarter basis as a serialized quarter. But then again, like I said, it is not something that we are really concerned about.

And even against that effect, we were able to pull our PAT to reduce the gap, which was at about Rs. 30 crores last year, we were able to reduce it to down to Rs. 28 crores. So, whatever we set out as an objective when we were hit in the face, the entire industry was hit in the face by the second wave in end of March, early April, we have been able to really hold our ground. In terms of subscriber debtors, again no change. It is as good as it always was. We are at about 0.8% of subscription revenue is our debt at any point in time, we have been able to hold that. Again, here I am going to pause for a moment before I proceed and request Amar to talk a bit on the financials to set the tone.

**Amar Chintopanth:**

Sure Vynsley. Thank you. Good afternoon, everyone. And thanks for being on this call. So, I will focus on the three aspects here, which are Revenue, EBITDA, and PAT. But before I go through this, I am sure all of you have seen the results of various companies. And the trend, not only in the media industry, but also in the other industries is that the Q4 to Q1 has not been that good, but Q1 to Q1 has been good.

This is a general trend, which has come across industries, and largely in the media industry also. Okay. So, taking that as a background, our revenue from Q1 of last year to Q1 of current year has seen a healthy growth Rs. 13.54 crores, whereas from Q4 to Q1, it has taken a dip. And this is also because that we own content.

So, there are certain rights, which we sell in certain periods of time. So, last quarter had certain rights which we had sold, therefore, that also impacted us, but largely, it was a combination of both this and the pandemic effect. Then coming to EBITDA. EBITDA is not too bad against RS 50.4 crore of last year, we are at Rs. 51.3 crores. And again, like I said, Rs. 67.5 crores, our Q4 generally has been decent. And if you see last year also, the Q1 is generally a stabilizing period.

Normally, if suppose the pandemic was not there, the Q1 would have got been a stabilizing period, because of exams, people going on leave. This has been the trend which we have been watching in our company for the last five, six years. And the industry also largely it is that way. But in a pandemic period, obviously people are not going out for exams and holidays and things like that, but it is a pandemic effect.



So, one is that it is a stabilizing period. And we believe that going forward, this will sort of turn around. And like in last year, we made up during the remaining three quarters. We expect that it will sort of improve as we move forward. Coming to PAT, like I have always said the difference between PAT and the EBITDA are two items depreciation and interest.

Interest as all of you know, we are trying to sort of correct the capital structure by reducing debt and increasing capital. And we are taking various steps which we had announced also in the past. One of the things which is a rights issue, which we have announced that we have filed the draft letter of offer with SEBI and is following the process which we are awaiting necessary approvals from the regulatory authorities.

So, if that comes in, then it will sort of give us a better effect on the Capital gearing. That is point number one. And point number two, like I said, asset sales also we are looking at, last year we had sold the Hinduja Leyland Finance shares, and we made good money by reducing debt. And we have always spoken about the land banks, which we have, which can fetch us about Rs. 200 crores to Rs. 250 crores. Discussions are open, but we should never be desperate.

That is what I would say it. So therefore, this is not a major concern for us. And as far as deferred tax asset goes, we still have a bank of Rs. 200 crores of deferred tax assets. We have just recognized Rs. 8 crores in this quarter. So, we could have recognized Rs. 25 crores of deferred tax a quarter, but that is not the way I think we should be going in. We look at the progress during the year, and then we take the deferred tax assets. On subscriber days, we have always because of prepaid it is always a very efficient system.

We are cash positive, and therefore it is a very, very healthy sign as far as our business goes. That is, it from me, Vynsley.

**Vynsley Fernandes:**

I think Amar, the critical part is the cash positive throughout. So, I think that is the way of the business aspect. So, these are the KPIs. But then obviously, the question is, I thought of sharing it with you something again that we have been discussing, and I wanted to share with you an update because I think it is important to be transparent.

And I have also discussed this with you all. There are couple of things, and we mentioned this that projects that we were looking to kick off in Q1 of this year, which have had some amount of pushback because of the pandemic. But the good thing is that it is taken off and we are well on course. For example, one is infrastructure sharing, we had got the approval, as you know, in April, on April 14<sup>th</sup>. We then had to get the approval from other departments etc., which has been processed. And two sites, in fact, have been set up, which are already operational.

There are multiple other sites that have been set up even as we speak, to basically go into what we termed as a POC. So, once we set up the sites, we first do a POC, so the broadcasters have a level of comfort etc. before we commercialize those sites. The best part is all of that is done.

We also had the privilege of presenting this to various government bodies and seeking their validation.

They all believe that this is going to be a tremendous game changer in the industry in terms of optimizing the costs of nearly close to 90 million cable television households, including ours obviously. So, they believe that this is a great opportunity. As I mentioned to you, we also were very happy to host the new Secretary of the Telecom Regulatory Authority of India in our broadcasting center along with the team. They were very excited because they have been the one who been driving the need for facilitating growth in the industry.

So, we are very happy to have them support this endeavor along with the other departments as well. This is the first thing that we are doing. The second thing I shared with you already briefly in the last call, and I will spend two minutes on it. Is that one critical thing that we noticed and we shared this with you is that there were lot of LCOs, our local cable operators the last mile owners who do not have the wherewithal to necessarily invest in technology or Headend we have rolled out this new project called the 100 NXTHub, where we are looking at putting in 100 units, 100 Headends, the 100 digital stations of us across the length and breadth of the country.

These owned and operated very digitally advanced facilities have what is called an ADDS unit, Advanced Digital Distribution System Unit, where we were able to receive HITS (Headend in the Sky) video channels directly from the satellite, as well as our broadband team, Terrestrial Connectivity is available, and we are able to read distribute this across the country.

So, we are looking at 100 new such sites coming up. We have already been in the process, we will be announcing our inauguration you will see a lot of press coverage later this month from Ranchi, Jharkhand, and then it is going to spread on to another 10 locations within a short space of maybe a month thereafter. This is a very unique model because it allows last mile owners, especially when I was telling you that first screen, whereas the tremendous potential for wired broadband is my colleague Yugal mentioned, and tremendous potential to still grow television households.

So, this caters to that. We have always been very agile and looked at every opportunity and being able to follow through and this 100 NXTHub project is part of that. So, each is equipped with the latest technology for broadband and video delivery. And the beauty is that any new services and products that we launched, as part of our digital framework, which I have also shared with you in the past, will happen through these NXTHubs as the first port of call.

So, it is something that we have kept on speaking about, it is a great thing. I am sure you will be proud to know that it is kicking off in Ranchi, Jharkhand, later this month. Also similar model we have created called a cooperative model. We found that after the challenges of the pandemic, there are lot of smaller last mile owners, etc, who do not have the wherewithal but

at the same time want to be able to own their own facility. We have brought a lot of them together under a single umbrella and said, listen, why do not you all pool your resources together and be able to set up a digital headend to distribute signals using the next digital feed.

So, this cooperative model that we have launched, you will be very proud, we have already kicked it off in Manipur. We have already garnered over 12,000 subscribers there in the shortest possible time. We had to slow down slightly because of the second wave. But this model is another critical model that we believe will see the proliferation of digital signals and the Prime Minister's vision of a Digital India, across India, where there are still markets that are far, far from saturation, those markets are still not digital.

And we kicked off this model in Manipur, in July this year. And we are seeing that they of course, they do not have the expertise, so we even provided the expertise and the way they augment their income we are helping them saying why do not you develop your own local content. Manipur, you have so many events happening in your town. Why don't you do live feeds from temples, live feeds from mosques, live feeds from churches, you know, take live feeds, redistribute them in your township. It is working out very, very well for them.

That is the third piece that we are focusing on in this quarter. We have already started, as I mentioned to you and the last interesting thing is we are continuing as my colleague Yugal was mentioning, there is the BharatNet opportunity and so many other opportunities. We are working on; how do we take not just broadband but services writing on top of broadband into tier two and tier three towns.

Those are towns that want a high quality of service. My colleague was mentioning quality of service plays a very important role. So, we are working on this and the first port of call again, is to our own last mile owners because that reduces our cost of entry there. And we are taking all the Hinduja Group products as we go along. And you will hear announcements on that very shortly because there is a proof of concept being set up. So, I am going to hold myself back from discussing it, but it is very much on the cards.

These are integrated digital services, not just video and broadband, but will extend to CCTV and other group products as well, besides the whole, you know, gamut of products and solutions. So just to summarize, because I wanted to keep this short and crisp, the first thing is that it is been a challenging quarter, every industry, every company knows that. But we have leveraged innovation and strategy.

We have been agile to ensure that we take on the challenges of the second wave and be able to do something worthwhile with it. And we are very proud that we have been able to grow our revenues year-on-year by 13.5% over last year. We have been able to grow, let alone maintain our EBITDA, which as Amar was expanding, it is cash at the bottom line, right?

Our PAT, we have been able to reduce the gap when compared to last year, from Rs. 30 crores down to Rs. 28 crores. Our broadband business has significantly grown subscriber base increase of nearly 100% on a year-on-year basis, which shows the kind of interesting opportunity that is there especially against the background of the private equity deals that are happening, as you know, in this industry right now.

Amar briefed you on our rights issue, we have already filed the draft letter of offer. It is a process that is going on. We are very clear that we have signed up contracts in video like the Citi Networks deal that we have signed. We have started rolling those out as the lockdown slowly eases up. And we believe all of this will start showing in numbers in Q2 and Q3.

And four verticals, as I mentioned, that we will focus on as an organization to achieve our transformation into a complete in an all-digital services company is of course, our 100 NXTHub project, facilitating the cooperative model, infrastructure sharing, and our entire approach our transition from individual vanilla solutions to offering integrated digital services. So, with that, ladies, and gentlemen, I am going to end the presentation because I wanted to keep it short and crisp.

The only other slide is an annexure which anyways is something that is available on the website. So, you please do feel free. But otherwise, I am going to stop it right here. And happy to take questions from here onwards. Bhanu, over to you.

**Bhanu Vazirani:** Thank you, Vynsley sir, Amar sir and Yugal sir for the insights. We would now take the questions. You may use the Q&A window to type your questions with your name and company name or you may use the raise of hand feature in zoom control panel. We will first take the questions from individuals who have raised their hands by unmuting the respective participant to ask the question, and then we will proceed to answer the questions in Q&A.

**Vynsley Fernandes:** Okay. May I kick off the Q&A if you do not mind, Bhanu? Because there was some question that were asked of me, which if you do not mind, I will go through.

**Bhanu Vazirani:** Okay sure. Please.

**Vynsley Fernandes:** The first was on the performance slide in the PowerPoint ARPUs whether it has come down as a triangle trend with just a blip. As I mentioned, it is just a blip. And it is only digital addressable markets one which is the cities. Yugal, would you like to add in terms of the broadband business? As we spoken, as we mentioned, the drop in ARPUs is not a drop, it is because we are amortizing them across markets that have a lower price base. Am I right, Yugal, in saying that?

**Yugal Kishore Sharma:** Vynsley completely agree with you. So that is precisely, yes.

**Vynsley Fernandes:**

Perfect. So, that would answer the question on that. Yugal, a question on the Citi deals multiple sites. What is the amount of investment in CAPEX done and CAPEX plan this year? As I mentioned to you all in the last, and I think prior to that, there is no investment from our side on infrastructure sharing, because we have already invested in the infrastructure.

The beauty is like saying, I have invested in a vehicle, and it has five seats, and I am now ready to fill up those five seats. So, the investment has already been done by us. So, we are very proud of that because it allows us to leverage the capacity that we already invested in.

It allows us to leverage the infrastructure we have invested in. And it allows us to leverage the performance metrics and the people that we have invested in.. So, there is no real CAPEX. There was a point about liquidity issues of Citi, I think we have a business relationship and I do not see those as really challenges for us. There was one question view on technology on satellite broadband disrupting the industry and disrupting the company when is it expected to launch?

I alluded to it. My colleague Yugal alluded to it. Satellite broadband will work in parallel with wireline broadband. Wireline broadband, as Yugal was mentioning is the need of the hour because to be able to deliver high quality broadband, especially in high population density areas. Satellite broadband will play a very, very critical role as you move into urban areas where wired connectivity is a challenge and where you require mission critical connectivity.

Am I right, Yugal? Hospitals, ambulance services, military establishments, those will require satellite broadband, right? And the beauty about it is, as far as we are concerned, as a group, satellite broadband is again one piece of the jigsaw puzzle for us that fits into our jigsaw. It is not a competition to us; it complements our business. And I am very proud of that. And I will share with you all that we have been approached by a couple of players looking to enter the Indian space. We are in discussions. We are not desperate for a partnership with anyone. We made this announcement close to a year ago that satellite broadband has great opportunity. And why would we make a great partner? Four reasons as I mentioned, and I want to just recollect them. Why would we make a great partner for anyone looking at India? Number one, most importantly, we have expertise in broadband, we have over 700,000 customers today in terms of the wired broadband capability. The team at our broadband space has delivered some of the highest end projects.

Some of them unfortunately, due to NDAs. Yugal, we cannot share details but just to tell you we have done enterprise class projects that have exposed us to the highest level, that is the first thing. Second, any company would need a huge India footprint to be able to deliver to markets. We have a presence in 1,500 cities, 4,423 pin codes, huge potential for any broadband player wanting to enter the country.

Third, most importantly, expertise in satellite. We have a HITS platform, we are the only platform which has HITS obviously, and cable television and broadband, so automatically makes us a very strong contender. Then last, we have very, very good regulatory frameworks and governance. That fits in very well into any organization. So, we see it as a great opportunity we are raring to go and how we go and whom we do it with, what we do and when we do, I think those are it will be crystal ball gazing, which is not correct at this point in time.

So, I will leave those questions there, the answers to that question. Happy to take the next set of questions.

**Bhanu Vazirani:** Sir, we have a question from Mr. Ranga Prasad. Sir, I would request you to unmute yourself and please go ahead with your question.

**Ranga Prasad:** Good Evening Vynsely. At the outset, let me tell you here that you continue to be very optimistic about the future of our company. I am happy to hear that. You must have heard that one of the Hinduja Group companies was able to hive off their healthcare vertical for \$1.2 billion. And as a result, the shareholders are benefiting very handsomely. I hope we in the not-too-distant future can collaborate like them. Apart from that, I had a few questions on the financials on which I would like to calibration?

**Vynsley Fernandes:** Mr. Prasad, before you go further, I want to tell you this, my fervent prayer this evening will be from your lips to God's ears. Then we will be able to achieve that. I thank you, Mr. Prasad, like so many others on the call for having the faith in our organization and I can assure you that, as a team, we will continue to pursue all innovative ways to ensure that this business remains on the right track and sees the kind of traction that I am sure that you will be proud of.

Sir, over to you for the financial questions, which my colleague Amar or any of us will take it up.

**Ranga Prasad:** The first one is even as the revenue fall in Q1 as compared to the previous quarter of Q4, there has been an increase in operational expenses; that is by about Rs. 3 crores. So, if you could elaborate as to why just so? Second, our depreciation expense has gone up substantially in Q1 as compared to Q4 and Q1 of last year. Is this because we are investing further in capital equipment or is it for some other reason?

The third is despite having a positive EBITDA, the interest cost has increased as compared to Q4 of last year. Now, is this because of an increase in borrowings? Or is it because of higher rate of interest? Because normally with a positive EBITDA, you would expect the borrowings to have come down and therefore the interest costs have come down somewhat? So, these are the three questions I had on the financials.

**Amar Chintopanth:**

So, your first question sir, well, revenue has dropped from Rs. 266 crores to Rs. 254 crores, the operating costs have gone from Rs. 210 crores to Rs. 213 crores. So, the revenue like I mentioned see Rs. 210 crores to Rs. 213 crores sometimes we have blips, that was a foreign exchange rate that we took of about Rs. 3 crores. I will explain to you why that hit comes in.

So, that was a strange hit that we had to take in this quarter, and I will explain to you in a bit when I talk about depreciation and other things, right. So that Rs. 3 crores is due to foreign exchange issue. The revenue dropping, like I said, we had some new movie rights, we own movie rights, and these movie rights were exploited. They come up for renewal at periodic intervals.

So, this was one of the reasons where the movie rights which were there last year, they do not have a cost because these costs we are monetized over a period, right. So, the costs have been completely recovered.

So, that is one of the main reasons for the drop in revenue without a change in cost, okay. This happens even this year, we may be looking at exploiting some of the movie rights and therefore, we may get blips in quarters in some quarters mainly because that is how the accounting guidelines say that. If there is nothing else that we need to provide post revenue recognition, then we must take it in the period in which it is incurred same way that the costs also happened.

So, expenses, we had a Rs. 3 crores of forex hit. That and depreciation I will cover, sir. So, we have taken the satellite on lease, and we also have taken certain STDs on lease. So, the accounting guidelines say that I must create a right of views and create a liability.

So, this is not necessarily that I have added fixed assets and it is the depreciation unless for example, if you had bought a fixed asset and taken up borrowing, whether that asset is there or not, you must keep on paying the borrowing and pay the interest. In case of a lease what happens if it is a three-year lease, you create a right of use on the asset side and to create a similar liability. Say one year down the line you decide that lease is not required and return it when they entire liability goes up, yes, it also goes up.

So, this is largely this depreciation is not arising out of any current cash that we have incurred investments that we have incurred. These were lease rentals which we are going to incur in the future. Point number one. Point number two, the Forex Rs. 3 crores that I mentioned Intelsat transaction of us is a completely US dollar denominated and when I create a lease liability for a future eight year period, whether that liability is going to come or not under the accounting guidelines we have to provide and as, you know, in June quarter there was some problem of the Forex because in May it suddenly dipped significantly though it made up a little in June. So, that is the reason for the depreciation and the same reason comes for interest.

So, if you look at our debt book, our debt book has remained almost the same between ICDs and our bank loan, the debt book has remained same, which we are trying to correct now. However, when I create a lease liability and the right to use the expense must be split between depreciation and interest. It is a pure accounting concept.

Okay, suppose I was incurring a cost of Rs. 10 crores based on that I have created a right of use of Rs. 10 crores then based on a discounting methodology, I must charge the capital cost depreciation and the interest costs to interest.

So, these are largely accounting concepts which are come and do not represent any cash or anything like that. But coming to your point, yes, with a positive EBITDA interest was increased, the only way like I said is to change the capital structure of the company. That is the only way that this can get rectified.

**Vynsley Fernandes:** Amar, I think we also mentioned that we did share with Prasad Sir and the analysts' investors in the last call, and the interview that we did with Economic Times TV and with Zee Business on the steps we are taking for the capital structure. One is the real estate as well as the, you know, looking at the opportunity that we have of the rights issue.

With both being there, our ideas anyways to bring that to a more than healthy below one level, right Amar?

**Amar Chintopanth:** Yeah, absolutely. Today our debt to equity is close to 5. Our idea is to over a period to bring in 1 or below 1. That is the healthy capital structure.

**Vynsley Fernandes:** Yeah. Mr. Prasad, any other question may I proceed with other questions?

**Ranga Prasad:** Yeah, please go ahead.

**Vynsley Fernandes:** So, I have a message here from Manoj. Congratulations for maintaining subscriber in the challenging environment. Thank you, Manoj, and everyone. Will you be growing at much higher than the industry growth consolidation?

Manoj, I think, you know, one critical thing is something we have said is that growth should never come at the cost of profitability. That is one thing. Having said that, our idea is how do you ensure that you optimize an opportunity. I think our model that has stood us in good stead, is that while we have growth on one side, our focus is not just on growth at the cost, our focus is also on optimizing our existing resources. infrastructure sharing, great example, where infrastructure sharing without having to invest any further in growth, we are able to grow not just our top line, but our bottom line as well, significantly.

So that has been our philosophy. Your other question was, would you look at hiving off broadband and getting outside funding to grow it multiple times? I think, you know, we have a



clear philosophy. As a group, we believe that our businesses are integrated to build value for each other as one large entity, and that is something that we will continue to do.

To give you an example, where is the opportunity? The opportunity is that while we may have over 5 million video customer base, we have got over 700,000 broadband customers today. As my colleague Yugal was talking about, and I think he mentioned it also in the last investor call that 4.3 million gap is the opportunity already that is there for us to be able to strike out without having to depend on any, outside modeling, etcetera. And we believe that that is the right kind of way to go.

And then your last point was margins in broadband business. I think it is a very challenging question. The reason being, is that a different margins, Yugal, if you do not mind, I will take this question for you. There are different margins for different segments. For broadband direct customers, there is this ARPU for indirect customers, for franchisee customers, then you got enterprise customers, then you got enterprise class projects that are there.

So, I think overall, when you look at it, what we look at is what is the top line and what is the bottom line and how does it kind of add value and how does it integrate? So, I hope that answers your questions, Manoj Anyone else happy to take? Is there any I am just looking at the screen, right? Is there anyone else who would like to raise any questions? Okay, Manoj has raised one more question.

What would be the approximate cost saving to partners in infrastructure? Manoj, this is the question again that depends on partner-to-partner, right. The partner could save 10%, the partner could save 50%, the partner can save 80%. It is a function of number of customers that he has and the connectivity. What do I mean by that? Let us take an example of he has one location where he is only 100 customers. And those 100 customers he pays Rs. 18 lakhs per annum to connect those 100 customers, And I can give it to him for let us say Rs. 15 per customer per month as against him paying today, whatever, Rs. 200 per customer or Rs. 150 rupees per customer per month. So, that is a huge saving there. But if he has got 5,000 customers in a particular location, and he is paying Rs. 18 lakhs per annum, then the benefit of savings will probably be lower.

So, I think again, it is a kind of case-by-case basis. What we believe in is that and I have no corns in saying this openly what we believe is that depending on the kind of opportunity that is there and the kind of cost structure we believe that infrastructure sharing customers or partners can save up to 50% of their connectivity costs.

It is something that we worked with, and we are seeing in the case models that we even talking to right now on that. So, I hope that covers that.

**Bhanu Vazirani:** For any questions, I would request to use the Q&A window to type your questions, or you may use the raise of hand feature in Zoom control panel also to ask the question.

Sir, we have a raise of hand from Mr. Manoj Alimchandani. I would request Mr. Manoj to unmute yourself.

**Manoj Alimchandani:** At the outset, let me compliment you for the good work you are doing in this pandemic particularly among your staff despite challenges, lot of good work has been done.

Now, a couple of points. It was very nice. Amar articulated the intrinsic value very well in opening remarks. And you also addressed the questions which we had shared immediately after your presentation, which elaborated the critical issues.

Now, a couple of points I would like to say. One is which is addressed to Amar on what is the average interest rate currently for that first quarter? And what is the comparative average interest in the last corresponding quarter?

**Amar Chintopanth:** So, we have had a saving of 100 basis points for last quarter. Last year quarter we were at about 11%. Now, we are at about 10%.

**Manoj Alimchandani:** 10% is also quite high?

**Amar Chintopanth:** No, I have included all the ICDs everything included. So, my total borrowing cost is at 10%.

**Manoj Alimchandani:** And how much you expected to come down in the next quarter?

**Amar Chintopanth:** See our objective is to bring it down to between eight to nine.

**Manoj Alimchandani:** What is our current rating?

**Amar Chintopanth:** Current rating is A Plus.

**Manoj Alimchandani:** Now, another point which is based on the reply you gave to the question of another analyst, numbers for the first quarter and you talked about that lease and interest. That means the EBIT numbers are not comparable right, YoY?

**Amar Chintopanth:** See depreciation always will be like that Manoj because depreciation is completely a function of the CAPEX or the right of use or you acquire any networks. So, depreciation generally cannot be compared on a linear basis. It will also be driven, for example, suppose we had purchased something on 31st of March, okay. I would have provided a depreciation for only one day, okay? But now, if I am taking it for one quarter, I will provide depreciation for three months. So, therefore, depreciation is not comparable on a linear model, it is more a function of the CAPEX and the right of use and those kinds of things.

**Manoj Alimchandani:** No, I was referring to the EBIT numbers, which also I had shared with Vynsley. Many database sites including Money Control look at EBIT after depreciation and since you have this accounting of lease and interest adjustment that means EBIT for YoY is not comparable or is it comparable?

**Amar Chintopanth:** So, what we compare is, see we look at cash generation. So, what is comparable is the EBITDA minus the interest, correct? So that is what we compare.

**Manoj Alimchandani:** Yes. Are they comparable or they would be anomalies?

**Amar Chintopanth:** That is comparable. See the interest component on the lease is very small compared to the depreciation component. So, they are comparable.

**Manoj Alimchandani:** So, the EBIT number is comparable?

**Amar Chintopanth:** Yes.

**Manoj Alimchandani:** That is the clarification I wanted confirmation from you. Then about Vynsley asked Jugal to elaborate about broadband. And we had talked about 93% growth, right, YoY and you have given some odd numbers also six lakh something?

**Amar Chintopanth:** Yes 6.77 lakhs.

**Manoj Alimchandani:** I would like to know specifically, more details about the broadband industry, how industry is doing and because numbers are very important. In this period, how much industry has grown not by just percentage the numbers last year, this year and who are the main peers? And what does our market share as of the current number of broadband, which is 93% growth compared to the industry number and how it is?

**Vynsley Fernandes:** So, Manoj, one thing, I will request Yugal to put together, Yugal, may I request you to put together a slide to have someone from your team. If you can ask Lakshmi or someone to put together. I think what Manoj has raised is a very good point. Like we have video to put together a fact sheet. What are the top five players? Obviously, we are in the top five, what has been the growth in the last quarter?

Anyways, all of this is derived from a TRAI report where we are there. But I think while you are getting those numbers ready for Manoj, maybe Yugal, if you can just share your thoughts on how the broadband industry is panning out because you have seen tremendous traction, where are we at in terms of our ranking just very broad thoughts and then you can substantiate later with the data.

**Yugal Kishore Sharma:** So, Manoj Ji, as we all have been seeing the pandemic has further, I would say, not only open the fixed line broadband in terms of penetration, but definitely the service levels, the

expectations of customer responsiveness have gone much higher because people are working from home, whether it is attending school, for children or anything. By now, we all understand that. And in that perspective, big consolidation phase is going on.

If you see the larger telcos have also started focusing on spreading their fixed line broadband play. And together with that, the pandemic, the way it came in, it further brought tremendous pressure on the cost structure, because 40% to 50% consumption got increased in home broadband. And that led to smaller players not being able to sustain that cost structure. So, consolidation has started. And in that there is organic, growth models as well as in organically there are operational mergers happening.

So, in that perspective, today, I am happy to share that we are in the top five private players, right after the telcos, namely Jio, Airtel and I would Voda idea, but Voda Idea is very close to our numbers. If you look at active subscribers, we will beat them. But still, we call them ourselves in top 5. And of course, ACD is ahead of us.

So that is where we are. And we have been growing almost at 90%, 95% a year. And we have demonstrated every quarter, almost 1,000 customer acquisition per day, which makes us as the fastest growing ISP in the country today. So, our growth is much faster than the industry growth now. It has been said, you know, we will put together more details. It is all there on the TRAI, and we will put together and share more details next time.

**Vynsley Fernandes:** We will have that done, Manoj. We will circulate. In fact, what we should do is we will post it also on our website so everyone can access it. Bhanu and Snighter, I request you all to arrange and coordinate for that, because we should ensure it is done.

**Amar Chintopanth:** There is a CRISIL Report also runs which we can share.

**Vynsley Fernandes:** Okay the CRISIL Report, okay. That is a good idea. Amar.

**Manoj Alimchandani:** What is our market share with Q1 reported number out of total broadband connections in the country?

**Yugal Kishore Sharma:** So, the market is about 23 million or so, and we would be 700,000. So, market share wise would be slightly over 2%. But the market is fragmented as you know almost 55%, 60% is fragmented with BSNL, MTNL especially BSNL because of reach. There are areas where there is like we have cable dark areas. There are a lot of areas where we have only mobile internet right and that too, there are so many areas we have only 2G narrowband available.

So, that way market share is 2%. But as I said fast growing and then telcos fall after that. And then in the major players, we have started joining that close to a million customers club. So, if you see ACTV is about 1.9 million, most of the top three players are in that same range.

**Manoj Alimchandani:** This is interesting. If you exclude BSNL public sector, in private sector what is our market share?

**Yugal Kishore Sharma:** So private sector, you can take off straightaway about 10 million plus. So, 12 million so 12 million. Yeah, so about 10 million, 12 million is the profit share private market out of which we are about 700,000 countries.

**Yugal Kishore Sharma:** It comes to about 6%.

**Vynsley Fernandes:** Manoj, sorry. Yeah, you guys are just being over kind of we are around 6%. Because rightfully so you are going to take away the BSNL connectivity and MTNL when you look at it from a private sector. But Manoj, sorry, I am going to have to stop it here. If there is anything else, please do let us know. You have all our contact details, please feel free. We would be happy to connect on this.

Thanks Manoj, very much as well. I appreciate I shall pass on your appreciation to the team, Manoj.

**Manoj Alimchandani:** Thank you so much.

**Vynsley Fernandes:** Thank you. Snighter, Bhanu, if there is no one else, then may I close the session?

**Bhanu Vazirani:** Yes, sir. Thank you, Vynsley sir, Amar sir and Yugal sir for answering all the questions. I would now request Vynsley sir for his closing comments, please.

**Vynsley Fernandes:** A big thank you to everyone who is made it to this call. I genuinely like I said, appreciate. I always believe that these are not calls with investors and analysts. These are calls with I term then with advisors, because the questions that you all asked and the insights that you all provide, help us get our business together and we always like being transparent. And I think sometimes the questions that you all ask, or the comments that you all make, give us tremendous food for thought.

And I really, I think all my colleagues here on this panel, as well as my colleagues in the office appreciate that. And we cannot thank you enough for continuing to do that and continuing to support it support our business. As I mentioned, we are very clear on our digital vision, we have a clear roadmap. We have shared with you the four verticals that we are focusing on.

And the beauty is we are on course on all four of them. And we will continue to build value at every possible stage. As I said, we focus on our people, and we focus on our products. And the rest automatically is a happy byproduct of, of that union. Thank you, ladies, and gentlemen. Thank you, Amar, Yugal, Anand the Adfactors' team and Bhanu and everyone else, and to all the investors, analysts that have made it here today. Thank you so much. And we look forward to seeing you hopefully before the next quarter results as well. Thank you so much. Good day to everyone.

**Bhanu Vazirani:**

Thank you everyone. Look forward to seeing you soon. Thank you.