

"Hathway Cable and Datacom Q2FY17 Post Result Analyst Conference Call"

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CABLE AND DATACOM

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MR. VINEET GARG - CFO, HATHWAY CABLE AND

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MODERATOR: MR. VIVEKANAND SUBBARAMAN - AMBIT CAPITAL

PRIVATE LIMITED



Moderator:

Ladies and gentlemen, good day and welcome to the Hathway Cable & Datacom Q2FY17 Post Results Analyst Conference Call hosted by Ambit Capital Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Vivekanand. Thank you and over to you sir.

Vivekanand Subbaraman: Thanks Lizzan. We have with us the senior management of Hathway represented by Mr. Rajan Gupta - Managing Director, Mr. T. S. Panesar - CEO of the Video Business, Mr. Vineet Garg - CFO and members of the senior management team. Over to Mr. Rajan Gupta for opening comments. Thanks.

Vineet Garg:

Good afternoon and thank you all for joining us for the second quarter earnings call for financial year 2016-2017. Jagdish Kumar - MD and CEO of the company has decided to move on from the company subsequent to which Rajan Gupta has been appointed as the MD of the company. Rajan was working with the company as President, Broadband Business since 2014. T. Panesar has also been elevated as a CEO, Video Business. Now I would request Rajan to share the business update.

Rajan Gupta:

Dear all, thank you for joining us for this Q2 call. With me on the call is Panesar - CEO for Video Business, Vineet - our CFO, Ajay Singh - our Chief Compliance Officer and Company Secretary, Mahadevan - EVP (Finance) and Dulal Banerjee who is our Broadband CFO and Chief Commercial Officer.

Before I take you through Q2 performance, I would like to thank you all for support and cooperation given in my earlier stint as a Head of Broadband Business, over last 28 months of working in Hathway, I have interacted with most of you and I am looking forward to even more support from you in my new role.

Coming to Q2 performance, Q2FY17 has seen major acceleration in all business KPIs and financial numbers. We will briefly cover some significant steps that we have taken both in our cable TV and broadband business during this quarter to help us achieve this numbers. On revenue front, we have grown 19% YoY and 6% QoQ. This is a majorly positive step as both broadband and CATV together have grown and we have reached Rs321 crore revenue for Q2. This was driven by 67% revenue growth YoY in our broadband business. Hathway broadband services are now potentially available in 3.8 million homes in India. We have added about 100,000 subscribers during the quarter and our current base on a consolidated level is 820,000. Broadband standalone subscribers have increased by 62,000 and ARPU has increased from Rs724 to Rs740, this is 8th consecutive quarter for increase in broadband ARPU. We have seen significant improvement in all our customers facing KPIs for the broadband business. It has resulted in improved ARPUs, improved customer service and reduction in customer service cost.



To keep on giving our high ARPU customers' world class broadband experience, we have started work on upgrading DOCSIS 3 to DOCSIS 3.1. This will give us edge over other players in terms of giving better speed and improved overall consumer experience. We are currently also taking steps in deploying GPON, fiber-to-home technology for all our expansion plans. Wireless in Bengaluru, Delhi, Kolkata markets have been extremely encouraging both in terms of improving ARPU and service experience.

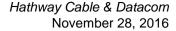
On the cable TV front, we have seen an increase in acceleration of Phase-III expansion and monetisation. We have deployed conservatively 800,000 set-top boxes mainly in Phase-III and Phase-IV areas. Phase-III ARPU has also increased from Rs25 to Rs30. We continue to expand footprint of Hathway Connect and now we cover 56% of subscribers in Phase-I and Phase-II through Hathway Connect. This will help us gradually improve ARPU and significantly improve cash flow for both LCOs and Hathway. We also revamped our in-house channels for better consumer connect and to improve monetisation of same. So, with increased ARPUs and growing consumer base both in CATV and broadband, we are ready to set ourselves on the path of higher ARPUs and margins. I will now hand over to Mr. Panesar to take you through main steps we have taken for improvement of CATV business. Panesar, please.

T. S. Panesar:

Good evening and welcome to the Q2 call. I will give you a business overview of the Video Business. Talking about Hathway Connect, it has started yielding results in markets where we have implemented it and few ones which are markets like Karnataka and West and then in Q2, we had implemented it in the East region and also parts of the central India. We are now in the process of implementing in the rest of the DAS-I and DAS-II markets. Primarily, the markets which are left out are parts of Central India and the complete North India. We are doing it in a phase-wise manner and as you see we have covered from Karnataka, West and East to parts of Central markets and we are very shortly looking at completing the entire DAS-I and DAS-II markets and some of our JV company markets which are service by our JV companies.

In the coming quarter, we will implement it in North as I said and as a first step we have already implemented our new packaging. So, the packaging was rolled out recently as a first step towards that and which will be followed by implementation of the Hathway Connect very soon. So by the end of December as I said earlier, 100% of DAS-I and DAS-II markets will be on Hathway Connect with the new packaging and this is going to help us in improving our ARPU, which we have seen gradually improve till now. Moving forward also it is going to yield results.

As regards to the DAS-III markets, we were currently focusing only on seeding of the STBs. Now as you all know that the stay has been vacated except for one state which is Telangana. So, we expect the seeding to be completed and also the complete switch-off of the analogue should finally happen. Simultaneously, we are also looking at embarking on the content offering that we are giving in this market. So, the first step was that given the stay had to be vacated, now looking at that the stay has got vacated, we need to improve our channel offering in that market followed by implementation of Hathway Connect. So, this is what we are currently focusing on so that with enhanced channel and enhanced content, we will be able to





implement our new packaging which is the same two-pack structure followed by Hathway Connect which we hope to do by early Q4.

As far as DAS-IV market is concerned, already voluntary seeding in those markets have commenced and we expect the momentum to pick up in Q4 once the mandatory analogue switch-off happens. We are limiting our expansion only in the markets that we are contiguous to DAS-III markets and keeping in mind the kind of market and the base that we have, we expect to add additional 800,000 to one million by March 2017 between DAS-III and DAS-IV markets put together. Thank you.

Vineet Garg:

I will run into the financial numbers now. As per regulatory requirement, results for Q2FY2017 are prepared as per Ind-AS. The financials for Q2FY2016 are restated to comply with Ind-AS. We have also published balance sheet as on 30th September 2016. These are as per the terms of the MCA guidelines issued on 5th July 2016. EBITDA margin has increased for the business at 12% YoY to Rs54.9 crore against Rs49.1 crore last year same time. Gross revenue for Q2FY2017 is up by 19% to Rs321.1 crore against Rs270.4 crore in Q2 for the last financial year same time. CATV subscription on a year-on-year basis has increased by 18% to Rs110.4 crore from Rs93.8 crore in Q2 of last financial year. Broadband revenue year-on-year increase is 67% to Rs120.3 crore from Rs71.9 crore last year same quarter.

Placement and content cost; placement income is reduced by Rs20 crore, this income is reduced as broadcaster has started signing agreement on net content basis. This is specifically happened with star and Zee only. Pay channel cost includes content cost for existing and the new penetrated markets for Phase-III. Overall content cost is Rs30 per sub for this quarter in line with Q1, against Rs26 per sub in the last financial year. Total capex deployed during the year is Rs175 crore on a standalone basis, Rs130 crore invested in broadband and Rs45 crore in CATV business. Gross borrowings stood at Rs1,670 crore and net is Rs1,636 crore. The borrowing has increased due to slow deployment of set-top box in Phase-III area, which we are quite hopeful after the removal of restrictions from the High Court, we will increase our set-top box deployment in Phase-III and Phase-IV areas as well. Consolidated borrowings stood at Rs2,205cr, net Rs2,097cr.

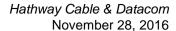
Thank you, now we can move to the Q&A.

Moderator:

Thank you. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Aman Ahluwalia from Laburnum Capital. Please go ahead.

Aman Ahluwalia:

I had 2 questions; the first is when we look at the broadband business, the consolidated versus the standalone, how much is the difference in GTPL. So when we look at broadband, should we basically be assuming that we own 100% of the broadband business of close to 100% except GTPL while the other broadband JVs we have a very high shareholding or is the adjustment we should be making greater in that. And the second question is, if you could just comment on the cash flow situation of the business, we are trying to generate enough cash to





cover interest payments, capex etc., obviously those numbers are disclosed at the end of the year but if you can just give us some medium-term outlook in terms of how we are doing on cash generation that would be a help.

Management: Thank you Aman, your question on broadband specifically on GTPL, GTPL broadband

subscribers are 231,000. We have invested 50% in GTPL. So that is the relation we are

carrying with them.

Aman Ahluwalia: So basically, almost all broadband is 100% standalone plus 50% GTPL.

Management: Right now, these numbers are the full numbers. So when we are presenting the number, it is

the number of standalone plus GTPL both. So it is the consolidated entity number. So 820,000

is the total subscriber base for company including subsidiaries.

Aman Ahluwalia: But in the non-GTPL subsidiaries, is there any subsidiary where we would have less than 75%-

80% stake or in most of them are we more than that?

Management: The broadband business we have in GTPL and Hathway, Also, we have very small subsidiaries

which is insignificant and have hardly 20,000-30,000 subscriber base There also, we have

more than 50% stake.

Rajan Gupta: All the new investment and growth in a broadband business is coming in 100% Hathway-

owned subsidiaries. All the new capex which we have been sharing in this quarter also we have shared, it is only going in 100% Hathway-owned subsidiaries and Hathway main company and the subs which have been reported 560,000 at an ARPU of Rs740, they are all in

100% Hathway.

Aman Ahluwalia: And on the cash flow?

Management: Your second question on the cash flow, we are absolutely comfortable on the cash flow

situation. We are able to generate sufficient funds to repay our debt, deploy our capex as per the plan. Wherever repayment of debt is required, we have sufficiently refinanced ourselves. So, there are no issues on the cash flow for next, may be you can say for this financial year for

sure. Even for next financial year also we should not see any problem in that.

Moderator: Thank you. The next question is from the line of Deepesh Mehta from SBI Cap Securities.

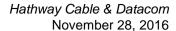
Please go ahead.

Deepesh Mehta: Just wanted to get some sense about Hathway Connect. It seems to be showing some kind of

slower-than-expected may be 2 quarters back kind of progress. So if you can help us understand what are the factors which are slowing down the process in terms of adoption of Hathway Connect. Second question is about can you help us about phase-wise ARPU, how we

expect that ARPU to increase going forward and last thing is about can you provide consol

data, I missed the number. Thank you.





T. S. Panesar:

As far as Hathway Connect is concerned, you will appreciate that we are the only MSO who has taken such a step and this is a unique mechanism that we have developed to address lot of issues which are plaguing the industry. As it is a new concept, it has not been a very easy job to go and implement it on the ground. But I am very happy to say that we have so far done a very wonderful job of implementing it in a very vast area of our markets of DAS-I and DAS-II and you have seen that some results have already started yielding out of this and it is less than 6 months that we have implemented it. In an industry which is matured in a particular environment where there are so much of issues related to ARPUs and collection and stuff like that, we could not do a turnaround in 6 months but you will appreciate that we have done a lot which started showing results in 6 months, you will have to wait for the next quarter to see the actual results of it. When the payment cycle of each of the LCO goes through multiple cycles, then is the actual result visible. So as I am saying by the next quarter you will be able to see the full result of the entire benefits that we are going to get of Hathway Connect and also as I said earlier in my opening address that by the end of next quarter, we should be able to complete entire Hathway Connect conversion in the DAS-I and DAS-II markets fully. What was the second question?

Deepesh Mehta:

On the same question, sorry to interrupt. It is I think first initiative so all credit goes to Hathway, my question is what kind of ARPU or what kind of collects and cycle benefit we have already witnessed where we have already implemented almost more than half of our base.

T. S. Panesar:

If you see the cash flow improves because here it is an automated system.

Management:

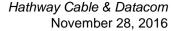
Actually we have started implementing Hathway Connect in May in Bengaluru. So, I will show you the result of Bengaluru because this is the longest duration we have till now. If I compare Bengaluru collection with Q4 of last financial year means January, February, March compared to July, August, September which is last quarter completed, my collection ARPUs have gone up from Rs90 to Rs116 with the implementation of Hathway Connect. I purposely did not take the Q1 of April, May, June because when you implement such an automation system you always see some kind of execution issues and challenges which we always observe in each and every implementation. So now it is quite stable and doing exceedingly fine. So, that kind of ARPU increase we have seen. We are quite hopeful that we should register similar numbers in other markets as and when the implementation gets matured and 3-4 months have passed.

Deepesh Mehta:

And the remaining questions?

Management:

Second question is on the ARPU front. So, I think this is the answer to your increase in ARPU as well. As the Hathway Connect implementation is going up, we are increasing our ARPU simultaneously, so Hathway Connect implementation is a multi-step process. As a process of implementation, first we implement the tariff plan, then we move to Hathway Connect. So, tariff plan means that we implement the new packaging, so we have revised packaging where ARPUs go slightly up for LCOs as well as for the customer and the company should also be able to get higher share and then we move on prepaid arrangement through Hathway Connect





where LCO uses the wallet mechanism to recharge the accounts of its consumers. So, as and when we pass 3-4 months of implementation of Hathway Connect, we would start seeing the increase in ARPU.

Deepesh Mehta: Any number you would like to put?

Management: See, we generally do not give forward looking guidance, but in the beginning of the year we

shared guidance for Phase1 -Rs115 to Rs120. Phase-II is Rs7 to Rs10 lesser than Phase I and Phase-III we are expecting somewhere between Rs50 to Rs60. So, we are still maintaining the

same guidance and we are quite hopeful of reaching our target.

Deepesh Mehta: And sir consolidated debt, I missed the number.

Management: Consolidated gross debt as on 30th September is Rs2,205 crore, net debt is Rs2,097 crore.

Moderator: Thank you. We will take the next question from the line of Vikash Mantri from ICICI

Securities. Please go ahead.

Vikash Mantri: Two questions, first on the bookkeeping side. Your Phase-I subscribers over the last 2 quarters

are down from 2.4 to 2.3 million. Can you just help me understand that or this is just a rounding off and on the broadband ARPU side, now your subsidiaries ARPUs seem to have

corrected by 10% in this quarter, so can you help me reconcile that number as well?

Management: So, subscriber base actually it is more of, I think it is a decimal issue, it is not that 100,000

subscribers have been lost. There may be some customers up and down, I think it is a normal standard trend, so there is no risk or there is no reduction in subscribers in Phase-I market

specifically. Your second question is on broadband ARPUs, Rajan, will you?

Rajan Gupta: Currently, GTPL is focusing more on LAN technology and the DOCSIS 2 technology and

their ARPUs are lower and numbers have increased significantly, so overall there is an effect on weighted average ARPUs. But going forward, we do have a plan for aggressive GPON and DOCSIS 3 deployment in GTPL as well which will help us take the ARPU up, like you have seen in last 8 quarters there is on an average Rs20 increase in ARPU in Hathway broadband.

Going forward, you can expect similar kind of increases happening in GTPL as well.

Vikash Mantri: So, when you add more subscribers in case of broadband also, is it some free period or

something like that which pulls it down because we have not seen that in the past happened

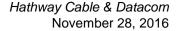
this way.

Rajan Gupta: So, in case of Hathway, still ARPU last quarter also has increased as you can see in the ...

Vikash Mantri: Talking about subsidiary there only.

Rajan Gupta: In case of GTPL as you said, since numbers have increased significantly and they are currently

into LAN technology and ARPUs are lower.





Moderator:

Thank you. We will take the next question from the line of Sanjay Chawla from JM Financial. Please go ahead.

Sanjay Chawla:

Just couple of housekeeping questions. Can you share the activation revenues that have actually received in the second quarter and also the number of paying customers in DAS areas at the end of last quarter, these two housekeeping questions and then one more question also, I just wanted you to share your thoughts on the TRAI draft tariff order in the sense what is the hurdle rate for your monetization that you need per customer basis, net of content cost and how do you get there based on what TRAI has recommended?

T. S. Panesar:

So, we will answer your last question first, which is about the regulation, the new regulation. We got to see the draft, which was issued by the TRAI very recently and we are very happy to see that, it is going to be a game changer regulation not only for us as a DPO but for all the stakeholders in the industry which are your broadcasters, DPOs and customers and the government as well. So, what it does is if I need to give you a gist of it, it promises to align the interest of all the stakeholders and improve the transparency across the value chain which will result in reduction of litigation that the industry sees now which I feel there will be a significant reduction in the litigation and both the broadcasters and the DPOs will have to but work together to make the product seen and consumed by the customer. But we at Hathway, we see this as a very big opportunity for us to improve and cement our relationship with the broadcaster and ensure that we are also able to help them in their objectives which is again enhancing the consumption, the reach etc which ultimately will translate into higher revenues for them and also help us in improving our subscription. So, it is in our interest for the DPO as well as for that for customers that the customer consumes more content and then we as DPOs also benefit by the way of higher distribution fee that we are mandated to get under the new tariff regulation.

Sanjay Chawla:

Panesar, specifically the benefit for MSOs and DPOs in your context, let's see you are getting Rs220 or Rs230 customer level ARPU net of taxes in Phase-I areas and you are realising certain amount net of LCO, net of content cost and how does that amount change when you used the TRAI rules to derive the number?

T. S. Panesar:

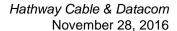
Can we take this question offline because if I need to answer, I will have to explain half of the regulation to you. So, we can take it offline or I can summarize and try to give you your answer in a very short form. So, here is my answer...

Sanjay Chawla:

Just a broad number will do, just a broad number Yes.

T. S. Panesar:

See currently the model which we are on is very different. Here, most of the deals that we do with the broadcasters on a lump sum fixed deal kind of a basis and then on the basis of the subscribers that we have, we do our own packaging and distribution and then try to earn as much as we can out of the cable operators. But in the new regulation, the tariff and the regulation provides that to offer services to the customer the MSO or the DPO, DPO means the MSO or the DTH operator will get a fixed fee which is up to Rs130 per subscriber to offer the





first block of 100 channels and every 25 channel that the customer chooses above the 100, the DPO will be able to charge or will be mandated to charge Rs20 per block of the 25 channels. And on top of that, the cost of the pay channels will be charged separately from the customers and here the regulation is talking about an MRP model where the price will be declared by the broadcaster and there is a limit to discounting. So, which says that there will be no bundling which will happen, channels will be sold a la carte, the customer will have a choice and the cable operator will be selling the channel to the customer at the MRP that has been declared by the broadcaster.

Sanjay Chawla:

But sir, we are broadly familiar with the suggested regulations, what I am really asking is let's say if today the customer in Phase-I area is paying Rs230 let's say on an average. How is that broken up between LCO broadcasters and what you are getting and how does that change, how will it get broken up in a post tariff order scenario? Just a broad break-up of what the customer is ..?

T. S. Panesar:

As far as the ARPU what the customer is paying will broadly remain the same, right. It will be only the realignment of revenue which happens at between the stakeholders will get altered, will become more transparent and as it is going to be an MRP model, our content cost we won't be made to commit a fee to the broadcaster without having a visibility on how much you are going to collect. So, we will be only selling the channel and getting a commission on it, so our content cost...

Sanjay Chawla:

Do you expect broadly your share to go up out of 230 in a post tariff order scenario and if your share does go up, whose expense will it be added, will it be at the expense of LCO, will it be at the expense of the broadcaster?

T. S. Panesar:

So as I said realignment will happen. So, at this point in time it will be very premature to say who will benefit out of this, but I think if it becomes transparent and the revenue share becomes realigned, I think it is to be seen how it pans out.

Sanjay Chawla:

I will take it up offline, couple of questions.

[00:31:32] Management:

So, your first question was on activation revenue for Q2, We have actually received Rs32.7 crore but we have reported Rs 20 Crore as per Ind-AS, -

Moderator:

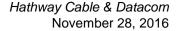
Thank you. We will take the next question from the line of Amit Kumar from Investec Capital. Please go ahead.

Amit Kumar:

Just a quick book-keeping question. I missed the capex for first half and its break-up if you could just help me with that again?

Vineet Garg:

Capex for first half is Rs175 crore for the standalone and Rs130 crore out of this is for broadband and Rs45 crore for CATV.





Amit Kumar: And sir you added on 1.2 million cable digital subscribers in first half, so Rs45 crore capex on

the cable side seems to be quite low so?

Vineet Garg: I am giving you standalone number and the most of boxes were imported last year. So, this

investment is generally only towards custom duty and little bit capex and maintenance capex and may be some small number of HD boxes imported. So, major capex has already been

deployed in the last year.

Amit Kumar: So, you taking this from CWIP?

Vineet Garg: Yes.

Amit Kumar: My next question sort of pertains to, if you could just sort of help me how is the competitive

scenario in broadband emerging and Jio we have seen in 4G fair bit of disruption out there.

How do you see that sort of shaping up for you in the future?

Rajan Gupta: So, I have been sharing for the last few quarters that broadband is already quite a competitive

market, there are multiple players in each market and considering this, we have been upgrading our service levels, we have spent a lot of capex in the last 4-5 quarters on upgrading our services. As I mentioned, now also we are launching DOCSIS 3.1 in South Bombay upgrading

3 to 3.1, we are launching GPON. We also have shared that we have doubled our GBs, in fact some cases even tripled it actually. So, consumers are practically getting today unlimited kind

of high speed broadband. So, there is a competition in market. As you mentioned, Jio has launched wireless services. The plans as compared to Hathway broadband plans are not very

attractive. We believe we are giving at least 5x more value than Jio if you compare plan to

plan. So, whenever they launch their Reliance Jio wireline broadband, then we can compare wireline plans but as of now in comparison to wireless plans, we are at least 5x higher value

for money and our focus has been on ensuring more internally, we upgrade our service,

providing near unlimited high speed broadband experience and we believe this will make sure

we retain and increase our customer base.

Amit Kumar: Alright. Beyond Jio, what are the other key competitors that you face across your key markets;

North East, West and South if you could just ..?

Rajan Gupta: If you go to the TRAI website or the quarterly kind of update which is their market share wise,

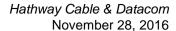
Communication, we have ACT and we have some new telecoms. So, there are lots of other local fragmented players which are there. So as I mentioned, market is quite competitive, there are three to five players in each market but in spite of that for last 8 quarters we have shown

so we have Airtel wireline broadband, the MTNL, the BSNL, we have Reliance

more than Rs20 increase in ARPU quarter-on-quarter, we have shown significant increase in

net adds and overall profitability has increased. So, we are confident this trend will continue in

spite of current competition.





Amit Kumar: Just a final quick on from my side, in the debt structured standalone the Rs1,636-odd crore,

what is Dollar exposure into this?

Vineet Garg: See, Dollars we have US \$180 million total exposure.

Amit Kumar: And this is hedged or un-hedged?

Vineet Garg: We do hedging based on advice of our consultant on case-to-case basis. So, up to December

we have completely hedged whatever repayment needs to be done and subsequently also we keep on reviewing this at regular intervals and based on that, we keep on hedging as and when

required.

Moderator: Thank you. We take the next question from the line of Gautami Desai from Chanakya Capital.

Please go ahead.

Gautami Desai: Two questions. One is what are the thoughts of management on dual play that is offering video

plus broadband as a package to consumers whether it could be a distant possibility for Hathway and whether that could be relevant in combating competition, all that competition which you just told and the second question is would you like to talk about broadband penetration levels in some of your markets especially in some of your slightly mature markets so that it could give us some confidence for newer markets going forward and do you work

with some kind of RoE in mind for deciding on incremental investments in newer markets?

Rajan Gupta: So, Gautami this is Rajan here. Answering to all three of your questions, first of all as far as

video and broadband is concerned, currently we do not have any plans for dual play. Both the businesses will separately keep on going to consumer. But the way we see market gradually emerging more and more OTT will start coming in and based on consumer interest, let's see

how market moves but if you see globally OTT players have very significant role and OTT is a kind of neutral to any TV platform. Currently specifically for next few quarters, Hathway does

not have any specific plan on that. Second question, sorry can you please repeat the question?

Gautami Desai: Can you discuss your broadband penetration at least in some of your slightly mature markets,

so that if you could give us some confidence?

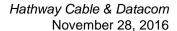
Rajan Gupta: So, for RoE perspective, broadband penetration we always assume 20% of the home pass. So,

if you are launching 100,000 home pass, when we reach 20,000 consumers in that home pass, we will reach our target. Obviously, potential for upside is there. So, currently most of our mature markets, we are already 20% plus penetration. Coming to third question RoI, it is already there in our investor presentation, we typically work on a 30-month kind of pay back.

So, that is roughly there.

Gautami Desai: Sir actually could you just tell us some of your highest penetration like 20%, I understand but

20 and 25 also really makes the difference, so...?





Rajan Gupta: As I mentioned on a weighted average level, it is just 20%. We have achieved in most of the

established markets, but yes, there is a potential to go upside, so there our markets within Bombay for example one of our mature markets, we are already 25%. But you know for us what is important is the weighted average, not one particular locality, so weighted average is

now 20% and more.

Gautami Desai: No, I think that is quite good if you have 25% in any of your markets because that gives us a

lot of confidence that Hathway can do it. Sir, I am happy that you have 25% and that is all I

want to know. Thank you so much.

Moderator: Thank you. We will take the next question from the line of Karan Singhania from ICICI

Securities. Please go ahead.

Karan Singhania: Sir, I just wanted to know what would be our strategy going forward, could it be a more

broadband side and less on the cable side or it would be a mix of both as it is currently because if you see it on revenue side, revenues for broadband are increasing on a much faster pace as

compared to the cable business.

Rajan Gupta: No, I think we have been always very clear. Even in this press release, we were very clear and

considering the way digital revolution is happening in India, both our businesses are bound to explode. There is a lot of meat which is there in the video business, we have seen the digitalisation happening over last few years. We have seen Hathway doing monetisation of that and obviously this is a much more scope for that. So, we have a separate huge team which is working on that and broadband industry anyway is growing quarter-on-quarter and we are trying to take a big piece of that. So, I think we are in a right frame of time in terms of both our

businesses have huge potential and there is a separate focus on both of them.

Karan Singhania: And related to the demonetisation side, have we also seen any impact of demonetisation on our

both the businesses or it has been quite static?

Rajan Gupta: No, demonetisation as we are in consumer space, so most of the impact which has happened on

other consumer industry, I think similar kind of impact happened on us. First two weeks' impact was quite severe, so we had around 10% drop in collection, some 30% drop in new consumers but for last one week we see the trend coming back, we are more or less at par with the growth which we had earlier and we are confident by December end, we should be able to

catch up whatever we lost in last 15 days. The heartening thing is last one week we are back on

the trend.

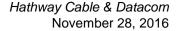
Moderator: Thank you. The next question is from the line of Manjit Buaria on Solidarity Investment.

Please go ahead.

Manjit Buaria: I had a strategy question in terms of whether Hathway has considered acquiring LCOs to get

direct B2C connection in the cable TV business and if you have decided as a strategy not to,

what were the reasons behind it?





T.S Panesar:

See, there is no particular reason as such but since last few years, we have never acquired any LCOs because we feel that the value has been providing service to the LCO and going to the consumers through the LCO and we have a limited base of our primary point subscribers which has helped us to understand how the customer behaves and we deal with the customer through that. So, keeping that and taking learning from that, what we have done is that there are some cases where the operator feels that is either because of various reasons if he wants to exit out of the business or is not capable of running the business on his own, some of them have approached us to manage the network on their behalf. So, we started a model where we said that we will take the network on right to use. So, we give a lump sum fee which is a negotiated fee to the LCO and manages network like our primary network. But it is a very small number which we have started doing but we do not believe in acquiring networks.

Manjit Buaria:

So, just to get some more clarity, the whole problem in this value chain has been LCOs historically, payments not coming in on time and then having the leverage given their final connect with the end customer. So why not consider it as a strategy what struggling with because we have clearly seen over the last five years this model has not worked out that well.

T.S Panesar:

No, I disagree with you there. Our LCO is the biggest strength for us. We have close to around 8,000 LCOs which are connected to Hathway network and they take our services to the end consumer. So without them, it would not have been possible for us to reach to so many subscribers. So for us, they are very important. Yes, there have been issues in terms of trust levels between LCO, MSO, etc. but those have been basically due to revenue share and lack of transparency. So, with Hathway Connect, what we have tried is we have tried to address all these things. So, we have tried to establish a particular rate, we have tried to establish packaging, we have tried to establish fair revenue share between us and the LCO and given him all tools so that he can go and service his customer and give a proper fight to the DTH business. So, the transparency in the trust level has come back. If you see, we spoke about it a little while ago that the LCOs have also benefitted out of the Hathway Connect. Had he not benefited, we would not have been able to implement in such a large base. So, through Hathway Connect we have tried to address this, the LCO and MSO relationships.

Moderator:

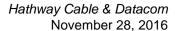
Thank you. We will take the next question from the line of Chanchal Wankadhe from Aditya Birla. Please go ahead.

Chanchal Wankadhe:

Sir, I have a few questions on the P&L side. On YTD basis, there is a marginal increase in the pay channel cost and I need to understand the increase in the finance cost where we have borrowed, any specific borrowings, for any project and my second question is why we are not presenting that comparative balance sheet figures on YTD, I wanted to understand if suppose I wanted to understand March balance sheet size versus September 2016 size. So, how could I get that data?

Vineet Garg:

Comparing your financial cost for September 2015 to September 2016, so you are talking about finance cost going up from Rs44 crore to Rs54 crore. This is just because the borrowing has gone up and this is the time when we are in the maximum amount of deployment of capex





in both the businesses and entire Phase-III investment also comes into during the same phase. We have imported close to more than 2 million boxes in the company and we are continuously pumping money in broadband business simultaneously. So, that is the reason that the YTD cost has gone up.

Chanchal Wankadhe: Nearly for capex items that you have borrowed?

Vineet Garg: It is all for capex.

Chanchal Wankadhe: Secondly, I need to understand the increase in pay channel cost which has also increased YTD

basis 163 to 205?

Vineet Garg: Yes, if you are comparing cost for last year versus this year, this year's cost primarily has

gone up. Last year, we did not have any cost for Phase-III markets. So, there are two reasons. One is that the standard content cost is going up at a standard pace which is 10% to 12% per year basis plus last year we did not have any Phase-III cost which we have started paying this

year.

Chanchal Wankadhe: And in balance sheet I am looking at September 2016...?

Vineet Garg: This is the Ind-AS balance sheet. As per the SEBI guidelines, we are supposed to mandatorily

publish only one balance sheet as on 30th September and there is an option to publish March or September last year balance sheet which we have not exercised because this is the first time we are publishing financials as per Ind-AS. So, 31st March we are going to give you the

comparative balance sheet on Ind-AS.

Chanchal Wankadhe: But we have the data, we have prepared for September 2015 and March 2016?

Vineet Garg: It is not handy at this point in time but data would definitely be there. This is a limited review,

the review has been done for Ind-AS only for September quarter so we are publishing that. For the balance data, the same despite being converted into Ind-AS, has not been reviewed. So,

once we complete the review on 31^{st} March, we will publish all the numbers.

Moderator: Thank you. The next question is from the line of Raunak Shah from SJC Advisors. Please go

ahead.

Raunak Shah: I just wanted an update on the GTPL IPO and the timeline around that?

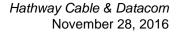
Ajay Singh: Hi, this is Ajay Singh. See, it is still going on and we are not in a position to let you know any

further details on this at this point of time.

Raunak Shah: Any specific reason for the delay or anything else we should know because this was

announced back in August, so we are surprised with the lack of progress so far?

Vineet Garg: No, we will not be able to give you any comments on that.





Moderator: Thank you. The next question is from the line of Kaustav Bubna from SKS Capital. Please go

ahead.

Kaustav Bubna: My question is on the GTPL IPO listing which since you cannot give much information, could

you kind of re-emphasize what is the synergy you aim to achieve from this delisting in terms

of paying off debt, improving your metrics if you could talk little bit about that?

Management: See, as Ajay explained that we are not able to give you more information, so right now what

we can share in public and we shared in last board meeting result that the company is ready to deal with, beyond that till the time the document is public, we are not in a position to share any

information with you. You need to excuse us for that.

Kaustav Bubna: Could you at least confirm that there is no hindrance to this delisting?

Vineet Garg: It is not a delisting.

Kaustav Bubna: Sorry, the IPO?

Management: It is listing actually.

Ajay Singh: Yes, there is no hindrance to it.

Moderator: Thank you. We will take the next question from the line of Naval Seth from MK Investments.

Please go ahead.

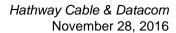
Naval Seth: Two questions from my end. First in how many cities or regions you would have implemented

new package-wise billings, so based on the new pricing actually and second on as you stated Hathway Connect has increased your realisation from 90 to 116 over the last 3-4 quarters, in fact 3 quarters. So, is it fair to assume that Phase-II ARPU 86 moving to 90 is primarily driven

by Bengaluru and no any other city has shown improvement?

Management: So I am answering the second question first about the Hathway Connect implementation. I

actually told you that we have started implementing Hathway Connect in May 2016. So, it is not 3-4 quarters, it is 3 months. Just wanted to correct you and we are giving you an example of Bengaluru because this is the first market we started and here we completed six months as we speak in the month of November. So, all other markets are at a very early stage because implementation is going on from June, July. Every month practically we are moving one city to another on Hathway Connect and as a process, it is a five-step or six-step process and it takes generally 2 to 3 months' time to get the market ready because this is an absolutely different kind of system, huge amount of LCOs need to be trained, our internal system need to be trained that the customer need to be migrated, it is a long process to implement Hathway Connect. So, that is the reason it takes time in doing that and we do not want to make any error as we do not want the customer to suffer in that. So, we want to be very careful in implementation of it, that is why we are going slow and we make sure that once we implement it, we do not have any operational issues coming out of that as well. So, that is the reason we





are going slow and it is only 6-month old platform. Just keep that in mind and actually Panesar also explained you and this is the first time any cable industry has implemented this kind of a complex system. So, it is going to have its own difficulty in implementation and execution in the field.

T. S. Panesar: I wished the other MSOs would have done it, the implementation would have been easier.

Naval Seth: And sir my question on package-wise billing based on new package pricing?

T. S. Panesar: Package pricing...

Naval Seth: How many cities or regions you would have implemented package-wise billing based on new

pricing levels?

T. S. Panesar: Cities, I will not be able to give you the count because the count is very high. I will be able to

tell you entire state of Karnataka, DAS-I, DAS-II; majority of West because some of my migration in Bombay city is happening currently as we speak. So entire West followed by entire East DAS-I, DAS-II of East and parts of central India namely Indore where my migration has happened and then the rest of the state is getting migrated now. So these are primarily, except if to answer your question in short except for North India and parts of central

India, everywhere we have implemented the new packaging with the new rates, along with

Hathway Connect.

Management: So just one small information, this does not include GTPL subscriber.

Naval Seth: And sir lastly if you want to put, is there any huge in terms of quantum of investment for

Hathway Connect and has all the investments already done, so incrementally as we expand into newer cities or GTPL, there would not be incremental investment pertaining to this if it all

at the back end.

Management: See, Hathway Connect actually is a top-up on our existing billing system which is Oracle

billing system we implemented year and a half-2 years ago. So this is the heart of the system. Hathway Connect is a layer on top of it which is not very expensive, capex intensive implementation. So, whatever investment needs to be done, it has already been done and it is

not a very expensive proposition but it is a technically very friendly and useful layer.

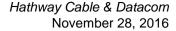
Moderator: Thank you. We will take the next question from the line of Harsh Kundnani from SBI Cap

Securities. Please go ahead.

Harsh Kundnani: Just one question, I want to know the number of paying subscriber base?

Management: Paying subscriber base on consolidated basis, it is 8.3 million and other than GTPL, it is 5.3

million.





Moderator: Thank you. The next question is from the line of Brijesh Patel from IndusInd Bank. Please go

ahead.

Brijesh Patel: Just one question, any changes that you have seen on ground in terms of daily collections from

LCOs post 8th of November?

T. S. Panesar: Yes, generally there is a little bit of lag in collection. We see a 15% to 20% drop currently now

and like any other business, we are also getting affected but we will have to wait and see what

happens and hopefully by next quarter things should fall in place.

Management: See, just to build up on what Panesar has explained to you, what has happened most of the

customers need to be paid once in a month. So, generally majority of our base pays by end of the month and at the beginning of the month. So maximum collection we receive in the last week of month to beginning of the first week of the next month. So, the affected subscriber base data would be not very high. What Panesar explained is that there could be 15-20% impact for that base which is getting due on those dates. So, it is not that overall collection

drops and we are quite hopeful that this money will get recovered, it is just a timing issue and

this shortfall will get recovered completely.

Moderator: Thank you. We will take the next question from the line of Raunak Shah from SJC Advisors.

Please go ahead.

Raunak Shah: I just wanted to kind of understand this once the GTPL does go public, how would you deal

with the kind of conflict of interest I guess in terms of how board companies operate independently. Will there be sort of specific geography that one will go after that the other will

not, or is there any other plan there?

Ajay Singh: This is Ajay Singh. We already have an understanding between both the companies on this

whole issue and the same will definitely reflect once the DRHP is signed.

Raunak Shah: What is the current working then?

Ajay Singh: The current understanding is based on an agreement which was signed between both the

parties long time back.

Raunak Shah: Would it be possible to give us maybe a quick sense of how do you think about that?

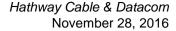
Ajay Singh: Well, it is confidential. I would not be able to share it with you right now.

Moderator: Thank you. We will take the next question from the line of Sanjay Chawla from JM Financial.

Please go ahead.

Sanjay Chawla: Just one housekeeping question. What is the level of STB inventory that you have currently

and what is the change in that in the last one quarter?





Management: So, as on 30th September we have 560,000 boxes in inventory in the standalone company. So

that is what we have.

Sanjay Chawla: And what is the change in that number in the last ...?

Management: It used to be 1.2 million at 31st of March which brings down to 560,000.

Sanjay Chawla: So this is 6-month change?

Management: Yes.

Sanjay Chawla: And the number of HD video subs, can you share?

Management: It is at a very primitive stage. I think it is 140,000 subscribers we have in the standalone. I do

not have overall consolidated number.

Moderator: Thank you. We will take the next question from the line of Amit Kumar from Investec. Please

go ahead.

Amit Kumar: Very quickly, DAS-III what was mentioned that except Telangana it is implemented

everywhere. I think the deadline was 24th of November, so if you could just quickly give us a status update on that, have you sort of switched off analogue signals what our broadcasters doing, what other cable operators in the market are doing, is that analogue switch off in place

except for Telangana?

T. S. Panesar: As far as our analogue signals are concerned, we have switched off during the deadline period.

So, our analogue signals are not available anywhere because the court stays etc. in some of the markets, operators were using their analogue signals to continue to with the network. Now with the stay getting vacated, I am sure those networks should have also been off by now and which should help increase in seeding now. As far as our analogue is concerned, our analogue

is off since long, it has been ages now.

Amit Kumar: If you just share with us any sort of understanding from the ground on broadcasters because I

think broadcasters also have the power to sort of switch off analogue signals if they want to and what is your content, what are your broadcasting partners sort of saying about that, any

sort of color would be helpful?

T. S. Panesar: In the DAS mandated area whichever markets we are on because of any kind of stay from any

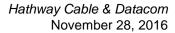
of the High Courts, in those markets broadcasters have kept the signals on. Now, with the stay getting vacated, all the markets have been switched off. So, if the network is currently showing

any signals by the local cable operator, it must be free-to-air channels.

Amit Kumar: Just a final question. At my end, I am seeing a fairly sharp jump in your subscriber cable

universe from 12.3 million subscribers previous quarter to 12.9 million, so I am just trying to

understand what to attribute this to?





Management: See, GTPL has exploited this area specifically in DAS-IV. They have majority of DAS-IV

areas, so they are extending their major universe in DAS-IV area. So, substantial movement

has come from GTPL side.

Amit Kumar: Is this inorganic, is this organic and how do we read into that?

Management: It is a combination of both. So, it is difficult to explain which is, how much is coming from

which way but generally in cable industry mostly you will get it.. If you have analogue business, then you should call it organic only because they do not have digitisation and you are

directly seeding boxes. So, it is not a replacement of anybody's boxes.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the

conference over to Mr. Vivekanand for his closing comments.

Vivekanand Subbaraman: I thank the management of Hathway for taking their time out for this analyst call. Sir, over to

you for any closing comments.

Management: Thank you, Vivek and thank you everybody for joining this conference call, earnings call for

Q2. I think I will just want to reassure the confidence from the senior management side that we are putting all the right things at the right place. Whatever the strategies we have designed in the last 3-4 years it is working and has started giving results. We are moving in a positive direction and are quite excited about the changes happening in the regulatory framework and with the kind of demand that is coming from the broadband side. So a very exciting period is

coming and we are very excited about the future. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Ambit Capital that concludes today's

conference. Thank you for joining us and you may now disconnect your lines.