



Ortel Communications Ltd.

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Bringing Convergence to India

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Mumbai-400051
Scrip Code -ORTEL

BSE Limited

PhirozeJeejeebhoy Towers
Dalal Street
Mumbai- 400001
Scrip Code-539015

Dear Sir/Madam;

**Sub: Concall Transcript of Ortel Communications Limited Q2 FY2018 Earnings
Conference Call held on November 29, 2017**

With reference to the captioned subject, we are enclosing herewith the Concall Transcript of Ortel Communications Limited Q2 FY2018 Earnings Conference Call held on November 29, 2017.

This is for your kind information and record.

For Ortel Communications Limited

BiduBhusan Dash

(Company Secretary and Compliance Officer)





Ortel Communications Limited Q2 FY2018 Earnings Conference Call November 29, 2017

Moderator: Good day ladies and gentlemen, and welcome to the Earnings Conference Call of Ortel Communications Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you and over to you, sir.

Anoop Poojari: Thank you. Good afternoon everyone and thank you for joining us on Ortel Communications Q2 & H1 FY2018 Earnings Conference Call. We have with us Mr. Bibhu Prasad Rath – President and CEO of the company, Mr. Chitta Ranjan Nayak – Chief Operations Officer; Mr. Jiji John – Vice President, Broadband Business and Mr. Satyanarayan Jena – CFO of the company.

We will begin the call with "Brief Opening Remarks from the Management", following which we will have the forum open for "Interactive Q&A Session."

Before we start, I would like to point out that certain statements made or discussed on the conference call today may be forward-looking in nature and a disclaimer to this effect has been included in the "Earnings Presentation" shared with you earlier.

I would now like to invite Bibhu to share his initial remarks.

Bibhu Prasad Rath: Thanks, Anoop. Good Afternoon everyone and thank you for joining us on the call. I trust all of you have received and gone through the "Earnings Presentation" that has been circulated earlier. Let me now take you through the Operational Performance and Financial Highlights of the Company for the Quarter-ended 30th September 2017.

Our performance during Q2 this year further worsened due to several challenges faced by us including intense competition in our core market, collection shortfall, repayment of debt as well as acquisition-related integration issues. This year has been a tough year for us on all the fronts and we are strongly working towards returning back to full normalcy. We have undertaken multiple measures over the



past several months to turnaround our performance and I am confident that our operations would stabilize and improve soon.

Let me now stress upon some of the key parameters that have deteriorated our performance in the quarter gone by. As you would have seen, our receivable days have increased to an all-time high in the company to 176 days in Q2. This was due to continuous shortfall that we were witnessing in our collections. Let me highlight here that the higher receivable days are mainly attributed to the Cable TV business where the receivables stands at Rs. 656 million for Cable TV business, out of the total receivables of Rs. 872 million. We are not facing any difficulty in receivables of other services such as Broadband, Infrastructure Leasing and Carriage Revenue.

Coming back to Cable TV Receivables, I would like to update that due to various issues faced by us, there was a mismatch between the Cable TV revenue or billing versus the collections during the last fiscal. Our collections bottomed out in the month of February 2017. Subsequently, as updated in earlier calls, we have been taking many concrete steps and working towards improvement in collections. From the low in the month of February, our monthly collections on-ground have improved by around Rs. 10 million a month in September 2017. In spite of this improvement, the billing versus collection gap in Cable TV business during last quarter has remained at around Rs. 32 million per month, that is little less than Rs. 10 crore a quarter. We are taking all possible steps to reduce this gap and I expect the increase in receivable days to be arrested within next one year. Let me assure you that the management is cognizant of increase in receivables and it remains as one of our most important priorities. All possible steps are being taken and will be taken in this regard.

Our Cable TV ARPU during the quarter stood at Rs. 133. I would like to clarify that our reported ARPU is calculated based on the reported revenue and the subscriber base of Cable TV Direct. During Q2, we have issued a credit note to customers amounting to Rs. 22.8 million. The impact of this on ARPU calculation is Rs. 11 per customer. As we stabilize our operations in general and Cable TV collections in particular, I expect the ARPU to stabilize at around Rs. 150. We are also working on ways and means to increase consumer pricing marginally. All these steps together should take the reported ARPU beyond Rs. 150 within next one year from the current level of Rs. 133. Till then, the Cable TV ARPUs will remain subdued.

During Q2, our Broadband ARPUs came in at Rs. 223. Here also we have given credit notes amounting to Rs. 9.3 million during the quarter which has an impact of Rs. 44 on our ARPUs. As I mentioned earlier, we are not facing any difficulties in collections and receivables in Broadband Services. This fall in ARPUs is due to continuous competition in the market place led by new entrants which resorted to disruptive pricing. We remain committed to face this competition with better service and lower ARPUs. I believe that the worst is behind us in the Broadband business and the performance would improve from hereon on the back of various steps taken by us.

To recollect, I would like to brief you on some of the steps we have been taking and intend to pursue more aggressively in the coming days in order to improve the Broadband revenues. As I had already briefed in the past, we had improved the Broadband speed delivery at customers end by withdrawing low end plans with speeds below 1 mbps, launching high end plans with the speeds up to 100 mbps



and guaranteeing the customers to get the speed as per their plan. We are also planning to withdraw all the plans with speed below 2 mbps very soon. We have also taken many other concrete steps in ensuring better service delivery to the customers. We have also recently started our Broadband services in some of the markets, we have acquired outside Odisha during last two years. All these steps together will improve our Broadband revenues immediately starting from Q3 of this year.

Moving on to the Update on Debt Repayment which we discussed at length during the last call. As I had briefed last time, CARE ratings had issued CARE 'D' rating to the long-term and short-term banking facilities of the company. This was due to decline in the operational performance of the company in the past few quarters where the principal as well as interest payments on some of the term loans were delayed. I would like to explain that the total unpaid amount of installments to all the banks together was Rs. 33.6 million as on 30th September 2017 which were in the process of paying in the current quarter.

Now, let me briefly take you through our Financial Performance during the Quarter ended 30th September. During Q2 FY18 we reported total revenues of Rs. 448 million. Revenues from Cable TV segment stood at Rs. 355 million, while the Broadband revenues came in at Rs. 51 million. Total expenditure reduced by 4% to Rs. 356 million as against Rs. 370 million in the Q2 of last year. EBITDA in Q2 FY18 stood at Rs. 92 million while EBITDA margins came in at 20.5%. Net loss stood at Rs. 57 million as compared to net profit of Rs. 20 million in the corresponding quarter of last year. Our total subscriber base at the end of Q2 stood at 831,742 with close to 766,000 Cable TV Subscribers and 65,000 Broadband Subscribers.

Moving on to the Regional Performance, Revenues from Odisha stood at Rs. 319 million in Q2 FY18 while EBITDA came in at Rs. 109 million. EBITDA margin for Odisha stood at 34.3%. Total Subscribers in Odisha were at 510,823. Total revenues from markets outside Odisha came in at Rs. 116 million; EBITDA in Q2 FY18 from these markets stood at Rs. 6 million with margin of 5.0%. Positive EBITDA momentum in non-Odisha markets continue to sustain. Total subscribers in the non-Odisha markets stood at 320,919.

Overall, I would like to summarize that the company is going through challenging times for the last few quarters which is expected to remain so for around one year from now. During this period, the financial performance of the company is going to remain weak. However, we are fully convinced on the fundamental strengths of the company and given the positive movements on ground, we see no reason to worry about the long-term performance of the company. We are fully committed to successfully overcome the current difficulties and present you a completely turnaround performance in around one year from now.

Lastly, I would like to inform you that Mr. G.B. Mukherji, one of our independent directors on the board has tendered his resignation on personal grounds. The board has considered and accepted his resignation and relieved him from his responsibilities w.e.f. close of business hours on 15th November, 2017. Separately, the Board has proposed to appoint me as the Whole-Time Director of the company after obtaining necessary regulatory approvals.



To conclude, I would like to reiterate that we remain committed to our "B2C Last Mile Business Model" and believe it will help us through this tough operating environment.

Thank you. We will now be glad to take your suggestions and answer any questions that you may have.

Moderator: Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Arun Malhotra from Sentalum Capital. Please go ahead.

Arun Malhotra: Just wanted to understand what gives you the confidence that you would be able to recover from the current situation in 12-months' time?

Bibhu Prasad Rath: So there are two-three things happening on ground which gives me the full confidence. Like as I mentioned, I am not sure whether you were there on the last call or not, where I told receivables and ARPUs in a great detail. Our problems have been that increase in receivables for last two, three, four quarters and also the falling ARPU and let us go one-by-one. Now as far as Broadband is concerned, like I mentioned in today's call, which I did not say so in the last call is the Broadband receivables have been completely brought under control, it is on a declining trend, so that is one of the good signs. Yes, the ARPU has fallen. But as I have repeatedly mentioned in the past that ARPU can wait and it is a much cleaner and much high-speed operations which will take forward. Now, coming to Cable TV, the Cable TV Collections where the receivables for management was one of our key concerns has improved Rs. 9 million in last six, seven months from February to September and this improvement trend is continuing and this is the trend which we had also seen in the past in 2008-09 and whenever we do large scale acquisitions, it takes quite a bit of time to streamline the integration and the collection processes. So this is one thing which gives me confidence. The other thing which is happening also, we are able to do organic sales on the ground and win market share from DTH and other cable competitors and organic sales is also picking up. So these movements on the ground give me full confidence.

Arun Malhotra: These are close to six months receivables, what would be the aging of these receivables, like more than six months old how much would it be? Second, how much loss you would have to take eventually out of the receivables?

Bibhu Prasad Rath: Like I mentioned in the other streams of revenue like Broadband, Carriage and Infrastructure, it is all normal, mostly the Carriage and Infrastructure Leasing are B2B revenues, which is very normal to go to six months, nine months and then the money comes. So there is no concern. The only concern is on the Cable TV side. I do not think I will have to take too much of loss on this, but it will take time to get back to the normal levels.

Arun Malhotra: Why does the subscriber not paying? Why cannot you disconnect it? It is a digital.

Bibhu Prasad Rath: What happens is actually almost entire growth during last half year has been through acquisitions. So normal process in acquisition is when you acquire the smaller LCOs, then from day one you fill up the CAF and the billing starts, but it actually takes quite a bit of time to put our systems, procedures, manpower, signal,



network upgradation in place. So that is the time when the receivables gets billed and then once everything is over, we are now taking steps to either collect or write-off or if somebody has collected and taken the money then recover. So my immediate challenge is even today I have a gap of around Rs. 3 crore a month or Rs. 32 million which I mentioned, so I need to first bridge that gap and then see how much of this I can recover.

Arun Malhotra: I will probably take it offline and discuss this more on detail if that is possible. When do you think you will come out of this de-rating?

Bibhu Prasad Rath: I do not want to put a timeline but as you can see the amount is small, it is Rs. 3-3.5 crore of default, I am working on that, it could be sooner actually.

Arun Malhotra: Big principal payment due in the next six months or a year?

Bibhu Prasad Rath: There is nothing unusually higher than what I am paying today. So if you see for example three months ago it was a few crore of outstanding. So today also it is a few crore of outstanding and there. Yes, repayment is high on overall basis which I am not able to meet and that is why struggling basically on the cash flow side. Rs. 3.5-crore is Rs. 35 million kind of an outstanding. In any case, I am not in a fund raise mode now. The mode which we have adopted now is to improve efficiency, improve cash flows and improve profitability than expanding.

Moderator: Thank you. The next question is from the line of Nilesh Vernekar from IL&FS Mutual Fund. Please go ahead.

Nilesh Vernekar: Again, the same question which was asked by the previous participant, in terms of the way you are doing about kind of collecting the receivables, one is disconnecting the last mile connection, another is the customers have been able to acknowledge at least there is an outstanding payable to the company and it needs to be kind of settled by a particular date, are there follow ups happening on the ground from your team because that is a large number; 75% of your total receivables are from Cable Television business itself?

Bibhu Prasad Rath: As you know, we have a retail billing system where the bills go out to customers every month and the collections improvement which I spoke almost a crore of rupees between February and September and there is further improvement in October and November. What is happening actually is monthly gap is reducing, that is how it was higher earlier, now it is at Rs. 3 crore level. Now the customers do acknowledge, but what happens in the system is actually in the Digital business, post acquisitions still it is fully integrated, I was not on ground, the other people who are on ground, so it is quite a bit of painful process to actually get down to this, but the first effort is that it should not increase.

Nilesh Vernekar: In terms of the percentage of receivables just from outside Odisha market, could you tell how much that would be?

Bibhu Prasad Rath: My guess will be the larger amount will be on the outside Odisha.

Nilesh Vernekar: Bibhu, on the Broadband business, you have seen kind of a churn in the Broadband subscribers in the last year, some 5,000 subs have been coming off. Is



that purely on account of the Jio impact or wireless kind of broadband technology being offered by other telcos which has been causing the impact? Again, in terms of your plan to withdraw the 1 mbps and 2 mbps plan, so have you now migrated to the newer technology which is GPON which is being used by the likes of Reliance and competition which has been offering fixed broadband, you are working around MEM technology, right?

Bibhu Prasad Rath: No, we have MEM and we have migrated already to DOCSIS 3.0 which is capable of delivering 100 mbps at customer premises. GPON we have not yet migrated but we will be doing it soon. The problem with the GPON is actually GPON better suits for a high dense pure broadband data and when it comes to video plus data, GPON is actually expensive, so there are some select markets where we are going to do the pilot of GPON in next quarter or so but as far as service delivery is concerned, DOCSIS 3.0 suffices everything actually because DOCSIS 3.0 is delivering 100 mbps on ground and we have plans for 100 mbps. So going forward, we will have 2 mbps, then we will have 10 mbps, 20 mbps, 50 mbps and 100 mbps. So essentially there are two categories of customers – There is a low-end customer which will operate at 2 to 5 mbps and there is a high end customers with unlimited download between 10 to 100 mbps. Jiji, do you want to add anything to this?

Jiji John: That is right. Regarding the churn, it is primarily due to two reasons – One is most of these student populations who migrate after passing out and the working population that is one shifting of premises and second is the new entrants who have priced it very low and that is one reason why some of the customers have churned out.

Moderator: Thank you. The next question is from the line of Sanjay Chawla from JM Financial. Please go ahead.

Sanjay Chawla: Bibhu, I just had a couple of house-keeping questions first, if you can provide the numbers. One is what is the non-compete fee payout you made in this quarter?

Bibhu Prasad Rath: As you know there are two components – one is above EBITDA, one is below EBITDA; the below EBITDA component of last quarter was Rs. 65 lakhs and there is an above EBITDA component which is factored in the P&L.

Sanjay Chawla: What was it last year same quarter? Okay, I guess you have given the iGAAP number.

Bibhu Prasad Rath: Last year same quarter was Rs. 73 lakhs.

Sanjay Chawla: What was the bad debt level in this quarter?

Bibhu Prasad Rath: Bad debt this quarter is Rs. 2.19 crore or Rs. 22 million.

Sanjay Chawla: You expect this level will continue because the receivables have gone up, you could see higher bad debt provisions in the coming quarter?

Bibhu Prasad Rath: As I mentioned, Sanjay, Cable TV receivables which has gone up, so we could see little bit higher bad debt going forward.



Sanjay Chawla: I want to come back to the revenue side here. We have seen a significant decline in carriage and placement. So what exactly is happening there. We thought it had stabilized at Rs. 6 crore a quarter but it has come down further, so why has it come down and what is the outlook on this?

Bibhu Prasad Rath: It is now at Rs. 5.5 crore a quarter.

Chitta Ranjan Nayak: This is mainly because of a couple of Oriya channels discontinuation and also on the national side even though the amount was low in one of the broadcasters' case, we did a net deal and in another case basically the renewal amount remained same.

Bibhu Prasad Rath: It is softening but it is little bit uncertain, Sanjay.

Sanjay Chawla: What percentage of this Rs. 5.5 crore from the local regional channels?

Bibhu Prasad Rath: More than 50%. To be honest actually, we are getting contrasting signal in the market on the local language channels, most of the channels are actually underperforming, quite a few of them have taken the hit, some of them have closed down, some of them decided to continue like this, but there are contrasting signals now, the news channels are actually now planning to come back given the overall environment and one of the national channels has actually now reinitiated talks that they may come back. So I am actually not sure which way it is going to move in next one or two quarters because two of the channels have the renewal due next quarter.

Sanjay Chawla: From a big picture point of view, longer-term, this amount should come down probably to some base level?

Bibhu Prasad Rath: Yes, on a longer-term perspective, amount should come down but it has to do a lot with the tariff order actually, if the tariff order comes in, then obviously this amount will come down if the tariff order does not come in, then it may remain at this level with quarterly fluctuations here and there

Sanjay Chawla: On the Cable ARPU, you said there is a credit note which is factored in this quarter's revenue, right?

Bibhu Prasad Rath: The impact of that is around Rs. 11 on the ARPU.

Sanjay Chawla: So going forward, is this going to recur or how should we look at this?

Bibhu Prasad Rath: I think you should actually look at the current reported ARPU which is Rs. 133, may be a little bit lower for the next three to four quarters, I think it is going to bounce back one year from now, I should be honest.

Sanjay Chawla: You have actually done Rs. 122 because of the credit note, right?

Bibhu Prasad Rath: No, my ARPU is actually Rs. 144 and I have given a credit note of Rs. 11 and then it is reported as Rs. 133.



- Sanjay Chawla:** Because I was just doing a simple revenue divide by average customer base and I was getting Rs. 122. So I guess there is inactivity in the base also?
- Bibhu Prasad Rath:** No, it does not factor the LCO base. If you take the direct customer base, it will match.
- Sanjay Chawla:** 90% of it is direct, right?
- Bibhu Prasad Rath:** Essentially you are talking of Rs. 10-11, which is that, otherwise if you factor the credit note it factors the active base. In fact, I was trying to put this number here. On direct base, if I do not factor credit note it goes to Rs. 144, and if I do not factor the inactive it goes to around Rs. 151, but then it is not how we have been reporting, I do not want to change the format, our format is it includes inactive and it factors credit note.
- Sanjay Chawla:** My question is basically this credit note is a recurring feature, we will have to give because there is a competition in the market, right?
- Bibhu Prasad Rath:** It is not recurring for longer-term, but it would recur from our two, three quarters while I stabilize, because first lets understand what is this credit note, so there are two points I think I have dealt with this in detail in the last one or two calls. One is which I was explaining earlier that I have acquired, I have filled up the CAF, my billing has started but my service is not ready, so that we are identifying and giving credit note to the customers. Waiving off from the bill, whatever language you use, that is one component. From the date of acquisition till my full service is available because for various reasons it has taken time. Now there is another kind of waive off which we are giving to the customers, that during the process of analog to digital, there is push digitization that you switch off analog and then it remains switched off for a period of time where you have to waive those amounts and also there has been many-many instances where due to KYC requirement, a customer has taken a new digital connection and analog has remained inactive. So when a full market has been completed, you find that there are certain analog customers who have not got serviced. So these issues need identification, verification all over the place. So that is why for last one or two quarters, the revenue is depressed and I think it is not a permanent phenomena, but next two, three, four quarters is going to remain at that level.
- Sanjay Chawla:** Could one say that some of the bad debt expense instead of being reported in the bad debt expense line is kind of being adjusted in the revenue part of the credit note pertains to that?
- Bibhu Prasad Rath:** Not at all because the principles are very clear. If you have provided the service and you have not collected, it goes to bad debt and if you have not provided the service like I said the customer is getting a digital service, but he is getting two bills – one digital and one analog – so the analog gets knocked out from the revenue.
- Sanjay Chawla:** So I understand this, that is in lieu of the billing done but service not ready, it is not that the customer has not paid, but the service was not delivered, but you had a situation earlier where in lieu of the bad debts you are providing credit note hoping that customer will pay up in the near future, was that not the case?



- Bibhu Prasad Rath:** Not at all.
- Sanjay Chawla:** On the Broadband side, I am still trying to understand what concrete actions have you taken which makes you confident that we will start seeing growth in Broadband revenues from next quarter on the customer addition and on the ARPU?
- Bibhu Prasad Rath:** In Broadband, the reported ARPU is Rs. 223 and there is a credit note, the impact of which is around Rs. 40-45. Here, the process is actually over; there is no receivables issue, so that itself will add to your revenue in the Q3, so revenue and ARPU in Broadband is definitely going to increase in Q3.
- Sanjay Chawla:** This is on the back of ARPU itself, not the customer addition per se?
- Bibhu Prasad Rath:** It is on the back of the ARPU itself, it is actually on the back of the credit note.
- Sanjay Chawla:** So you do not expect recurrence of the credit note and this will straightaway?
- Bibhu Prasad Rath:** Like I said, in Cable TV I apprehend that it is going to continue for another two to four quarters, two, three times in my opening remarks I mentioned the time frame of one year because I do not want to commit something which is not feasible now.
- On Broadband side, there is no such issue. It is definitely going to increase the revenue and ARPU. Both are definitely going to increase. But then I am not waiting too big on Broadband ARPU going forward because we always remain committed to low ARPU and higher number. Yes, it does not look nice to talk about it now because my numbers also have come down. But we are taking many steps where the numbers will also improve. Immediately the ARPU will of course improve, but then we are in the process of doing many things. Jiji, do you want to talk a little bit more?
- Jiji John:** Yes. Going forward, we are in the process of changing the product portfolio entirely and the process is on to do that in the coming months. In addition to that, some of the new locations which we have acquired have got operational, so we are expecting some numbers from that in the coming months .
- Bibhu Prasad Rath:** Sanjay, there are three markets in Andhra Pradesh and Telangana where we had done acquisitions for Cable TV earlier and not on Broadband, it is only around 15-days ago we started our Broadband service there, so that should give numbers now. What Jiji was referring to changing the portfolio, etc., so we are going to come up with much more aggressive pricing. Even though Q3 we will see an improvement in ARPU but I am not very committed to ARPU increase in the longer-term or in the next one year kind of scenario.
- Sanjay Chawla:** But this is a bit paradoxical you are saying you want to be aggressive on ARPU, even though you want to upgrade the product to higher speeds, so if you have given better product, is it not that there is an opportunity to charge more may be Rs.20,30,40?
- Jiji John:** We will have a mix of both actually; we will have the higher end as well as very aggressive priced products in the portfolio. So the mix, we need to see how the market reacts and then we will be able to comment on the ARPU front.



Sanjay Chawla: What is the trend you are seeing in gross customer additions minus churn in Broadband?

Jiji John: It should improve post implementation of all these factors which we are going to do in the next month.

Sanjay Chawla: What is the interest and principal due in second half? How much of that you have already tied up in terms of refinancing and additional borrowings?

Bibhu Prasad Rath: The second half dues are improving from whatever is pending from the first half of the year, I have a repayment obligation of around Rs. 38 crore including that Rs. 3 crore of overdue from the last quarter, and we are working on that, there is no concrete solution as of now, but I think something should come too.

Sanjay Chawla: This is a significantly large amount compared to because your P&L is generating just about enough EBITDA to pay for the interest cost right now and the non-compete fee below the EBITDA line and there is CAPEX also happening which I presume CAPEX is funded by vendor credit for some time, so basically your P&L is not giving you enough cash at all to pay back the principal. So my question is how much of this Rs. 38 crore pending have you actually tied up in the sense which is kind of sign the loan refinancing?

Bibhu Prasad Rath: Signed would be around Rs.10 crore types and then balance I am working on that.

Sanjay Chawla: This is mostly from the NBFCs?

Bibhu Prasad Rath: Yes.

Moderator: Thank you. The next question is from the line of Gautami Desai from Chanakya Capital Services. Please go ahead.

Gautami Desai: My first question is in Broadband, I do not think there is any issue of analog and digital. So why credit note in Broadband?

Bibhu Prasad Rath: It is related with the credit note. In Broadband, if you remember I mentioned earlier that we had actually done few acquisitions in Andhra Pradesh and Telangana smaller numbers and this relates to that. This is one-time and it is not going to recur. So that chapter is closed.

Gautami Desai: I think last quarter you said that net of churn in Broadband like zero. You are neutral in terms of number of subscribers and I think somewhere you were 1,000 plus, so you are expecting 10,000 growth in number of subs in the following year, but I think that has not happened this quarter?

Bibhu Prasad Rath: That has not happened actually.

Gautami Desai: Other question is that you say that your collection has improved by a crore a month. Yet I see that your Q-o-Q Cable Subscription revenue has gone down. So why is that?



Bibhu Prasad Rath: Cable TV as I mentioned in the last quarter had given Rs. 2.8 crore of credit notes and that has taken the revenue down.

Moderator: Thank you. The next question is a follow up question from the line of Sanjay Chawla from JM Financial. Please go ahead.

Sanjay Chawla: Wanted to ask the breakup of your Cable TV in Digital versus Analog approximately?

Bibhu Prasad Rath: We are in digital, there is nothing called analog.

Sanjay Chawla: Cable subscription revenue should we expect an increase next quarter or do you think it is going to be flattish or maybe down?

Bibhu Prasad Rath: No, it will be flattish actually. The Broadband revenue will increase immediately from Q3.

Moderator: Thank you. The next question is from the line of Gautami Desai from Chanakya Capital Services. Please go ahead.

Gautami Desai: Bibhu, in your Cable TV subs, I think your organic growth net of churn has fallen this quarter. So that means we are still losing some Cable TV subscribers?

Bibhu Prasad Rath: No actually, if you see the organic growth net of churn is (-0.7%) during the quarter and this is Cable TV plus Broadband and Broadband had a huge churn this quarter, so Cable TV is actually positive.

Gautami Desai: This churn is one-time once only or even in your other Bhubaneswar and in strong markets?

Bibhu Prasad Rath: Both combined, I think around 1,800 was from that one-time one but other markets there is a very significant churn in Broadband in last quarter, otherwise on Cable TV it is now positive.

Gautami Desai: So would you like to explain to us in this quarter why this kind of a churn in Broadband? I think Jio effect was also you were anticipating it is fading.

Jiji John: Gautami, it is primarily as I already mentioned two categories where it has happened – one is the floating population who have migrated to other locations, this is one of the reasons and second is all the wireless providers getting into the competitive mode on the pricing front, all of a sudden all of them got into that mode and that is the other reason.

Gautami Desai: Basically who are you losing the customers to?

Jiji John: They are moving into the wireless Idea, Vodafone, Airtel, Jio, all the operators. So that is where we are now going to change the product portfolio and compete with them on similar lines as well as have a higher end packaging also, so that process is on.



Gautami Desai: On the Wireline high data high ARPU, who is your competitor?

Jiji John: In Wireline, there are actually new players coming into the market wherever we are operational, the smaller players coming on LCO mode, they are tying up like rail wires for one, all the other small-small players are trying to tie up with local operators and pull in cables into our territory, this is in addition to existing incumbent BSNL.

Bibhu Prasad Rath: To be honest actually, if we see a customer profiling, the segment which is in the 10 to 20 GB data consumption in a month, for this segment, the difference between wireline and wireless is getting broad, the consumers who are in the 50, 100 GB data bracket, clear choices were lying. So now the tough competition is actually from the new wireless there in the smaller one. In the 50 to 100 GB category we are very strong, that is not an issue.

Gautami Desai: You are saying you do not have much competition from 50 to 100 GB?

Bibhu Prasad Rath: That is what I am saying, we do not have much competition in the 50 to 100 GB Data category but in the 5, 10, 15, 20 GB Data category, there is severe competition on ground. We come from a legacy where two years ago our Data was highest and things like that and wireless was poor. Today that is not the scenario. So as Jiji mentioned that we are working on completely revamping the product portfolio so that we meet potential of the customer and ARPU may get a hit but numbers are important, we will get back. There is pressure on the numbers, there is no doubt about it.

Gautami Desai: What percentage of your subs would be between 50 to 100 GB?

Bibhu Prasad Rath: That is a smaller percent. My average data if you see the presentation is 18 GB, it was 23 GB last quarter. Now if you do apple-to-apple comparison this 23 GB has reduced to 18 GB primarily because we have commissioned the cache thing, otherwise it still remains average around 20 to 25 GB. So because of the cache, the experience also has increased and in our case we do not include upload, download on the data, this is only download whereas the new wireless operator it is upload plus download. But there is a large segment of the customers which are in the 10, 15, GB category or who can take that benchmark which has been created in the country of 1 GB per day, if you give 1 GB per day, so average will be around 10, 15 GB, not 30 GB.

Gautami Desai: You want more subscribers to go into 50 to 100 GB category?

Bibhu Prasad Rath: That is one approach. The other approach is we are also discussing in the board meeting yesterday and all my promoters are very keen that you should be aggressive in the other category also. If somebody else is giving at Rs. 149, why not sell data at Rs. 99 or Rs. 149? Why should you stuck in the mindset that we will sell at Rs. 300, Rs. 400? We need to halve that actually. So that is what we are working on actually and we will launch it very soon. When they were free, there was no way that to do anything. Now that they are priced and price is getting repriced Q-o-Q almost, so it is the right time to do this actually.



Gautami Desai: Especially you do not have an incremental cost, right, you already have your wire going?

Bibhu Prasad Rath: I already have the wire going, the modems are cheaper and my margins maybe down but there is a clear margin, there is no doubt about it. This is the one new thing which will be done. Other thing is actually there are three markets in Andhra and Telangana which is Ongole which is our biggest market outside Odisha and then Miryalaguda and Nalgonda where we have just very recently started selling data actually, so that will also give some numbers in Q3 and Q4. The credit note of Rs. 99 million is a one-time affair, that will not be repeated. I am not saying that we will see Cable TV revenue improvement in Q3 over Q2, but we will definitely see Broadband revenue improvement in Q3 over Q4. Since I am facing so much of challenges, I am taking a king of one-year timeframe.

Gautami Desai: A quarter back, you were saying that you had local competition even in your important markets of Odisha because of which you were losing Cable TV subscribers?

Bibhu Prasad Rath: That has completely been arrested, so we are not losing Cable TV subscribers at all, in fact, there has been a healthy trend now that we are gaining Cable TV customers. Whatever little churn I am having to do is from the analog legacy where the customers have shifted to digital and there could be analog data which need to be disconnected but in reality, there is no net loss of Cable TV, Digital. CRN, can you confirm this?

Chitta Ranjan Nayak: Yes, sure.

Bibhu Prasad Rath: Like for example, I am getting around 8,000-10,000 new digital organic growth every month and I am losing around 4,000 type, so there is a 5,000 growth happening but the overall churn when you add analog plus digital and data is becoming minor. If you do just digital, there is a positive trend happening and this is one of the reasons why the collections have improved almost by a crore of rupees, in fact, I was getting the latest number is between February to October the improvement in Cable TV collection is Rs. 1.06 crore, still I have another Rs. 3 crore a month gap which I need to make up and that is why I need the time.

Moderator: Thank you. The next question is from the line of Sanjay Chawla from JM Financial. Please go ahead.

Sanjay Chawla: What is the update on the TRAI tariff order? How soon do you think we could reach a finality, from where exactly is this issue right now - is it in Delhi?

Bibhu Prasad Rath: Right now it is in the Chennai High Court, the order has not come, hearing has been completed, then there is a pending case in Delhi High Court, I think which is filed by Tata Sky, Delhi High Court if I remember correctly they said that we will hear it after Chennai High Court, then it will go to Supreme Court, so it is a guess.

Sanjay Chawla: But Chennai, you are just waiting for the order to be announced, right, it is kept in reserve?

Bibhu Prasad Rath: Yes.



Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Bibhu Prasad Rath: Thank you, all for joining us on the call. Hope we are able to answer your questions. In case you have any more questions, or you need any further information on the company, please feel free to contact us or CDR India, our IR agency. Thank you very much.

Moderator: Thank you. On behalf of Ortel Communications Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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