

# NXTDIGITAL Limited

## Q2&H1FY21 Performance Investors Meet

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**Snighter Albuquerque:** Good afternoon, ladies, and gentlemen. Welcome to the Investor's Meet of NXTDIGITAL Limited. On the management panel, we have Mr. Vynsley Fernandes, Chief Executive Officer, NXTDIGITAL Limited; Mr. Amar Chintopanth, Chief Financial Officer, NXTDIGITAL Limited; Mr. Yugal Kishore Sharma, Chief Executive Officer, ONEOTT iNTERENTAINMENT Limited. The management panel will discuss the company's progress in the digital platform space and their performance in Q2 and H1 FY 2021. I would like to take this opportunity to congratulate Vynsley sir as the Board of Directors of NXTDIGITAL Limited in their meeting held on 11<sup>th</sup> November 2020 has designated Mr. Vynsley Fernandes as Media Group Chief Executive Officer of NXTDIGITAL Limited with oversight of all media businesses of the group encompassing cable TV, HITS and broadband. He will be responsible for leading the overall business and operations of the group as it continues to expand across the media spectrum.

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

**Vynsley Fernandes:** Thank you. Good afternoon, ladies, and gentlemen and welcome to this presentation. I apologize at the outset; we try as far as possible to be punctual and on time, but we had to slip by a few minutes to allow others to join in. On behalf of all my colleagues from NXTDIGITAL and also from the Hinduja Group, I want to wish everyone Happy Dhanteras. Thank you for taking time out from your schedules, knowing that Diwali is around the corner and I know how busy it can be for everyone, we appreciate you joining us today for our update. I am not going to spend too much time; I am going to try to finish this as quickly as possible like we did the last time. I am going to start with two very critical things which you all will be very proud about and which have a very positive impact for your company.

A day before, the Ministry of Information and Broadcasting has issued a detailed order notifying the sharing of HITS infrastructure with other multi-system operators. So what does this mean? This has an extremely positive impact on our managed service business because it is now officially notified that the infrastructure which we have invested in, Headend-in-the-Sky, can now be shared and as I mentioned to you, the potential leaving aside the pan-India players is close to 70 million. That's 69 million television households, smaller MSOs, independent MSOs

who would like to ride on our platform, who don't have the capability to maintain the technological advantage, they can use NXTDIGITAL as a platform as a service or PaaS (Platform-as-a-service) model. This is extremely good news for your company because it no longer is just a subscription driven company, but it's also a strong business-to-business driven company. It becomes the only platform where we will be able to offer our services to our competitors, our peers as well as the smaller operators. As you know, we have already signed contracts for managed services and the onboarding process has already started and this just gives the entire model a big fillip, not just for the short-term but for the medium to long-term as well. So, you all must be very proud of your company today.

The second thing, and this was a question that came up once before that OTT continues to eat into your share because OTT has edgier content, it is content that probably linear television can't carry. We are happy to state that there has been a gazette notification where the online content and news has come under the Ministry of Information and Broadcasting. We are sure that given the progressive approach that the Ministry and the Government of India has on fostering growth in the industry, especially the Ministry of Information and Broadcasting, which is very progressive in its thinking and helping the industry grow, I am sure they will bring in a level playing field for everyone going forward. So, much gratitude to the Ministry and the Government for continuing to always ensure that this business continues to prosper and grow.

Going to the environment in the industry I thought I would share with you a very interesting report that came out in September, the KPMG report, and full courtesy to KPMG on this. I want to share with you their outlook as of just September, they believe that there is a significant adverse impact of about close to 5% on account of reverse migration, issues around disposable income and collection challenges. While this impact would be lower than ad revenue, it will still be an impact in terms of subscription, which is the business we are in. The good news though, is that on a long-term basis, the reports continue to confirm that India still remains highly under penetrated as far as cable and satellite households go. We are very happy with this as it means that the industry will continue to grow as we speak. Yes, there will be a dip this year overall in the industry, I am not talking about NXTDIGITAL but overall, in the industry, subscription will see a dip. However, we hope that it will change and if you look at the conclusion of the report, it says very clearly that the revival of economy is envisaged in FY 2022, the fundamentals of television the business that your company is involved in, cable television, HITS and broadband of course, will continue to beat the trend and grow. So, we are very happy about the overall industry aspect as well.

I thought I would share with you some initiatives that we took in Q2. The first thing as you know, I shared with you the last time and I promised all of you that we would not be talking vaporware. A lot of people talk about products, big on talk short on delivery, not from our perspective. We are very happy to announce that NXTCONNECT, our device, officially launches on Diwali day. This device is ready to roll out, it's called NXTCONNECT and as I mentioned to you, it can deliver live TV, it can deliver all your OTT apps, it has YouTube, it has Google Search,

it has a voice activated remote, as in a voice controlled remote and games. All the things that someone would want are covered on this. We are very happy that this product actually rolls out literally on Diwali day.

I am very happy to share this is next-generation device and my colleague, Yugal, who's also on the call, will share with you how we are looking at combining the synergy that we have to push not just video but broadband as well, and combine it with data along with access to OTT apps too. There is a lot of excitement that we are working on and this rolls out on Diwali day.

We also did some very interesting things and one of the things that we have is our entire focus on keeping our stakeholders, including our customers, safe. We are very proud to launch our programs, our consumer connect programs, Ganpati Bappa Morya and Durgotsav, where people could enjoy from the comfort of their homes, there were competitions, people sent in videos and these videos were posted. We launched a new channel called "NXT Tarang" specifically for this and it was very well received. This program called Ganpati Bappa Morya and Durgotsav which we launched were also very well received and I think the press really enjoyed it as well, because they felt that what we were doing was keeping people safe. Also, knowing the devotional and religious fervor that we have in our country, we were able to cater that where people could enjoy their festivals from the safety and comfort of their homes. This was something that we did as an initiative in Q2 as well.

The other thing is, again, I mentioned to you that we were very clear that we wanted to be able to make a difference in this country. We saw education, people stuck at home, children stuck at home, but a lot of them couldn't necessarily afford the expensive products or they didn't have a strong broadband connection, when you look at rural India. So, we partnered with a company which launched this product called Classroom TV. This contains regular education in English for the 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> standard classes. It has a fantastic faculty and this entire content, access to this channel with all the studies is available for Rs. 999 for whole academic year. The objective of doing this, let me be very clear, was to be able to help our subscribers, to help our rural markets be able to access education even during the challenges of the lockdown and the pandemic and we are very happy that this has gone on very successfully.

The other thing which my colleague, Yugal, who's on the call, has been pushing very, very strongly is the synergy with broadband and our cable market, something that we mentioned to you earlier, we have launched in Udaipur recently and we have launched in Jammu & Kashmir as well. Yugal, can I just ask you to share a few thoughts before we go on. It would be good to hear from you, the initiatives that we have all taken.

**Yugal Kishore Sharma:**

Sure, Vynsley. Thank you. Good afternoon to everybody and wish you all a very Happy Dhanteras and upcoming Diwali celebrations. As Vynsley accurately pointed out that it is synergy which is taking the company leaps and bounds forward. It's the synergy that is working at people level, organization level, at the partners' ecosystem level and that's why in the last

quarter, we have added several cities. In the coming slides, I am sure, Vynsley and I will share how our output has also come because of that, in terms of growth, on a year-on-year and quarter-on-quarter basis. I think synergy at our end is the mantra going forward.

**Vynsley Fernandes:**

Thanks, Yugal. This is a continuation of the last two quarters, if you recall when Yugal and I shared with you the vision that we have for the group to become a more integrated structure and as a result of that integration, to be able to take the business forward which is seeing success, as you can see in Q2, clearly.

We have also had a lot of press coverage. Very interestingly, there has been a lot of media coverage that we continue to get and that is a sign that we are doing things correctly, that's a sign that there is interest and so we are very, very proud of the fact that we have been able to do things that have been able to excite people across the country.

I will come straight to business performance, because I know that's what everyone looks at. There were three things that we focused on in Q2, and again, I refer back to the presentation that we made at the end of Q1 where we said, we are going to focus on customer outreach innovative solutions like the NXTCONNECT & NXTGO products and cross-sell it, which is what Yugal was mentioning where we were looking at cross-selling between cable TV, HITS and broadband. In this challenging environmental backdrop, we have been able to achieve extremely good KPIs. If you look at it, our cable television households, which include cable TV as well as HITS, has continued to grow. Growth may be slow, but as I said, the focus was on quality rather than sacrificing profitability at the altar of revenue. We were very, very clear that we wanted to focus on streamlining and operational efficiency.

In terms of ARPUs, there is always a question that the ARPUs show a drop, but the biggest market is DAS III and that's the reason why I always split it up to share with you because when you combine it, the ARPUs are well on song. What I wanted to show you is that the biggest market that we have, which is DAS III, has continued to grow from Rs. 138 in Q2 of last year to Rs. 148 in this year. Again, going back to the synergy of broadband, and I am going to leave Yugal to talk about it there is an incredible growth story. Yugal, why don't you share how we have been able to perform?

**Yugal Kishore Sharma:**

Yes. Thanks, Vynsley. As I shared initially, in the previous slide, the way the organizational synergy with sales teams, marketing teams, product level combos being designed and now the sales teams across organizations are addressing the market, reaching out to partner ecosystem, broadband partners are opening up to their partners to bring in cable TV, and huge base of cable TV partners who were not having the broadband solution in their bag is also now added. That brought a big change in quarter-on-quarter results and on a year-on-year basis, we were at almost 53.4% in terms of growth and for the quarter again, we were at a healthy 16.2% growth. We plan to take this forward and even better it in the coming quarters, that's what H2 looks like, in terms of the funnel we have and in terms of the business side at hand, which we

are going to add further. It's looking a robust Q2, Q1 had laid the foundation for Q2 and put together, H1 is helping us to propel in H2, this financial year.

**Vynsley Fernandes:**

Thanks, Yugal. Any analysis just looking into these three, and the next three that I am going to put up, tells the story of how the company has been robust in its KPIs. When you look at same month renewal, which was at 89% last year in Q2 has jumped to 91.3% this year, which is even better than Q1 performance. The same thing in the case of on-time renewals, customers renewing on-time, which means revenue, which means cash in the bank has improved from about 68% to 76.4%. Overall, the KPIs have ensured that we have either remained stable or we have actually grown in Q2 and that's fairly translated in terms of revenues. If you look at the revenue parameters, and if you just look at the growth, at Q2 levels, last year we were at, Rs. 259 crores, which includes some amount of trading and I can leave that on Amar to explain in a moment. If you look at the sequential growth on quarter-on-quarter basis, it has improved and then when you look at the EBITDA growth, this is the incredible part, when you look at Q2 of last year and Q2 of this year, even though revenues were higher, our EBITDA has grown by 15.78%. That itself is an incredible performance metric in terms of the EBITDA going up. Amar, would you like to clarify about the revenues of Q2?

**Amar Chintopanth:**

Yes, sure Vynsley. One of the components of revenue in one of the subsidiaries of the media group company is trading of goods. We have a shopping channel called Shop 24 Seven which is a teleshopping channel. That has purely got trading of commodities where customers place orders, and we deliver the goods. COVID, obviously, has had an effect on that particular business however that's not a very large margin business. We keep it online because it is relating to the media business, it's not a very large margin business but it's a volume business, which is why the revenue in the current year has dropped, mainly because we could not carry our deliveries during COVID. However, the margins have actually improved because the core business has really grown the margins.

**Vynsley Fernandes:**

Thanks, Amar. In fact, interestingly, Amar, to add to your point, not only has the EBITDA grown by 15.78% year-on-year, if you look at it, the margin as a percentage has also improved from 17.2% in Q2 of last year to 21.9% this year, that is significant. Also, sequentially, we have grown 2.65% on a quarter-on-quarter basis in terms of EBITDA growth, so quite clearly, we are on a good strong wicket. I think, more importantly, there was a question about PAT, and we assured everyone that we shouldn't really worry about that, because that's not something that I was concerned about and again, I will request Amar to talk about it in a minute. The good part about it is, for Q2 we have been able to achieve a PAT breakeven. Amar, if I can again request you to explain this.

**Amar Chintopanth:**

Sure. If you look at the EBITDA, the difference between EBITDA and PBT, that we take is basically depreciation and interest. We have interest of roughly Rs. 37 cores and depreciation of roughly Rs. 56 cores and so even if we look at cash generation, from EBITDA we reduce the interest, we are still cash positive. Depreciation is the issue which we had explained last time

as well, it is because of these set-of-boxes we have capitalized long time back, this depreciation is going to continue for some time, but it is not an operational cost. One of the ways to set it off was, which we had explained last time also is that we have a potential deferred tax asset of almost Rs. 350 crores which we can recognize. In the last year, we had recognized about Rs. 100 crores, in the current quarter, based on our estimates of how the tax losses would get absorbed, we have recognized about Rs. 41 crores and therefore, the impact of depreciation has sort of more or less got neutralized by the deferred tax asset. However, both, at the EBITDA level and the cash profit level, we continue to remain positive and growing. We will keep looking at this figure of depreciation and also keep looking at ways and means as to how it gets reduced over a period of time and therefore, it's not a very great concern. Depreciation is a non-operating cost which is not a very great concern. We have got unrealized assets, which can actually set this up as we move along.

**Vynsley Fernandes:**

Thanks, Amar. I think the most commendable part of this slide is the fact that even in the COVID pandemic period the quarter-on-quarter, year-on-year and the sequential quarter growth in EBITDA has been significant, 15.78% year-on-year, and margins improving from 17.2% last year to 21.9%.

Another KPI that we share with you every time, and we do this because it's a very important KPI, especially during the lockdown period when cash collection is a challenge, this reflects the benefit of NXTDIGITAL being nearly 100% prepaid, where our debtor days are just around 1 and our subscription debtors as a percentage of our subscription revenue is less than even 1% which is commendable in itself.

I thought I would also share with you the H1 results, because I am sure that you all would like to see where we are. We saw a marginal dip, a nominal dip of about 3.58% in H1 of last year versus H1 of this year, which again, Amar has explained, it is not really a dip, and we have actually performed much better. Amar let me know whenever you want to step in and add. Even though it's a very nominal dip of 3.58%, it's actually not a dip because there were other factors, as Amar was explaining earlier. The good part is, when you look at the EBITDA year-on-year, we have been able to take the EBITDA from Rs. 93.9 crores last year to Rs. 102 crores this year, which in itself is a year-on-year growth of about 8.68%. Again, as I was sharing with you, not just for the quarter, even for the half yearly period, the EBITDA margin has improved from 19.2% for the half year last year to 21.7% for the same period that is the first half of 2021.

PAT, as Amar shared with you, this is basically the impact of Q1 that we are taking into account. Again, no cause for concern from our side, as you can see all the parameters, especially the EBITDA parameters, the revenue parameters, the same month renewal, all of those have remained on-stream. When you look at summarizing where we are as an organization, we have been able to end Q2 FY 2021 and, of course, H1 FY 2021 on a very strong note. There has been a challenge of COVID, but we have been able to keep our noses above water and strong, while COVID affected the media and entertainment business across the country.

Our subscriber base has not just been retained and protected by us, even against reverse migration, economic driven downgrades and people wanting to downgrade their packages. Even with all of that in the background, we have been able to retain our subscriber base and grow it. As Yugal pointed out and shared with you, there is a significant growth in terms of our broadband base, there is a growth in our cable base, and all of it put together reflects the synergy of the business going forward. All our KPIs have remained stable for the last quarter, and revenues and EBITDA have continued to grow on a Q-o-Q basis and the company has breakeven at PAT level.

As I promised all of you ladies and gentlemen, I was going to keep this deck short and only focus on the things that you all would like to know. If there's anything that I have missed, of course, there are annexures, and this deck is shared with everyone, but I am going to take this off the screen and I am going to await any questions or anything you have. Like I mentioned, given that there is Dhanteras today, and also there is Diwali tomorrow, I don't want to bore you all with a very detailed and big presentation so I thought this would be ideal for all of us. Snighter, I will hand over to you to take questions. I already see there are couple of questions coming in.

- Snighter Albuquerque:** Noted, Vynsley, sir. The first question is from the likes of Virendra Varma from Intesa Royal.
- Virendra Varma:** My question is more on a broader perspective. Now that media and OTT platforms are under the government regulation. Can you share how do we benefit out of this regulation? Also, going forward, how do you see these things changing in the media and OTT space?
- Vynsley Fernandes:** Thank you very much for your question. I will share with you the industry perspective this is not a personal perspective, this is not NXTDIGITAL perspective as you rightly said, your question was more the bigger picture, in terms of the industry. One of the challenges for linear television being cable TV, HITS, DTH as compared to OTT, has been the fact that a lot of content that was put on those platforms, OTT platforms, did not necessarily subscribe to the standards and practices that were being followed by cable television, HITS, DTH and others, were probably not being applied in letter and spirit to OTT platforms. Hence, the demand from the industry, and I refer to the entire industry, was that we would like the same laws of censorship and others to be applied to OTT platforms as well because obviously, that's our challenge. If that is not possible, can it become a level playing field where even our standards and practices are upgraded? That has been holding for a while and what has happened as a result of this, linear television will now look to a level playing field. If there are certain levels of content that are permissible on OTT platforms, linear television may be permitted the same thing, of course, with a lot of checks and balances, or parental guidance aspects, or any of the laws that are laid down by the country. Effectively, we know for sure, given the progressive approach that the Ministry of Information and Broadcasting has, and mind you, our government has a very clear progressive approach about supporting the industry, so we really see that, as being a level playing field for us going forward. That is the bottom-line and it applies across the entire spectrum of linear television. I hope that answers your question, sir.

**Virendra Varma:** Yes, that satisfies my question. Second question is sir you have launched a product of NXTDIGITAL, which you said you are launching on the Diwali day. Now, if we look at the features of that product, I can say that one of your competitors or maybe an industry player, Jio, Jio is offering all the features at zero cost to me, why should a customer come to your product, considering that Jio also gives me unlimited data?

**Vynsley Fernandes:** I think I answered this question the last time. There are a lot of customers and it's like this, all of us have choices in the market today for a whole bunch of products, right? Today, there are so many automobiles available in the country, today there are so many motorcycles available so why do people have preference for a certain type of product that has a certain type of pricing? That's because there are unique features in that. When you look at the device that we are offering in the market, it not only combines the OTT channel, but it combines 750 live television channels. When you look at combining all of that together, Virendra, often the package, while it necessarily looks attractive, and I am not alluding to anything but often the package that looks most attractive from a pricing perspective may not suit a customer's need. Customers may want to have a different kind of product for the need that they have. Jio is a fantastic product, I have said this in the last meeting as well and I think everyone in the industry has their own product that lets them stand out. Depending on what a consumers' view is or a consumers' needs are, the consumer will select what he wants. If it was a question of free versus someone paying, then technically speaking, every platform would have shut down in the country by now, right? The fact is that every business has a very clear model, has a very clear strategy, and has a very clear pricing. One thing I shared with you last time, and again I will repeat that, we are clear that there are multiple classifications, segmentation of customers. We have got customers in rural India, we have got customers in the cities, in the cities we have got customers who are probably from South Mumbai or from Defense Colony in Delhi. We have got customers who are probably in the suburbs of Mumbai, again in the suburbs of Mumbai we have got customers who are only English speaking, there are customers then who are English plus Hindi, there are customers English plus Hindi plus Gujarati. There is market segmentation of 232 pigeonholes. Now, when you have something like that, one size can never fit all, you must have multiple products for multiple people. I hope that answers.

**Virendra Varma:** Yes. What is the price of this product?

**Vynsley Fernandes:** As I mentioned the last time, the product itself, when you look at the hardware, is about Rs. 3,999 but the way we sell the way we work on our models is we bundle it. As my colleague, Yugal, who heads the broadband, was talking about, Virendra, it's not going to be just a hardware sale, we will bundle it with broadband connectivity, 1 GB, which is 1,000 Mbps to the home. It will be bundled with some entertainment content, super entertainment pack, etc. the operations team have worked out different modelling for different market segments which will be rolled out. Thank you.

**Snighter Albuquerque:** Sir, next question is from Manoj Alimchandani, who an individual investor .

**Manoj:** Congrats for good results. Would like to have an update from you, because the people were feeling FY 2022, now they are talking about Q4, and from last two days they are talking about Q3 onwards revival in economy, how do you benefit? Do you agree? Also do we benefit and scale up our plans? Any changes to earlier plans?

**Vynsley Fernandes:** Manoj, you are absolutely right. First it was FY 2022 revival, then it was Q4, now it is Q3. Manoj, if you see the trend of what we followed, we focused the last two quarters on ensuring that we were not daunted by the challenge of COVID-19. Did we have a long-term plan? Yes, we had a long-term plan wherein we should have performed at a different metric than probably what we did in Q1 and Q2 but what happens is, as a business, the best part about NXTDIGITAL is that I keep on telling people, we don't want to be a cruise liner, we don't want to be an ocean liner, big, heavy ship, trundling through the water, we want to be a speedboat. The Speedboat allows us the flexibility to take a sharp right turn or a left turn, depending on how the waves hit you. Since the waves hit us head-on in terms of Coronavirus, we worked on our strategy and our strategy, as you can see, has paid handsome results which you just mentioned it as well, thank you so much. Now when the green shoots come into play, as the economic revival comes into play, obviously, our strategy and our vision that we have already worked on, I mean, today what we were discussing, and you rightly brought it up it is something that Yugal and myself and Amar and the team have already worked on that kind of vision for the next two quarters and we will look to activate those aspects right now.

**Snighter Albuquerque:** Thank you, Manoj. The next question is from the line of Jagdish Diwani, who is an individual investor. Sir, I am going to unmute you, please ask your question.

**Jagdish Diwani:** In terms of revenue, which quarter is better, first or second? Is there any seasonality between the quarters?

**Vynsley Fernandes:** Quarter one and quarter two, the trend that you see is pretty much the year-on-year trend. Generally, like any other business, Q3 is a quarter where it's the festival season, and you see significant amount of traction but irrespective of that, Mr. Diwani, if you compare it year-on-year, I think that will give you a good idea and if you see Q2 of last year versus Q2 of this year, and if you look at Q1 of last year versus Q1 of this year, we are still ahead of the curve. I think that reflects that, irrespective of the seasonality, we are able to grow year-on-year, at the same time, sequentially quarter-on-quarter. Yes, sequential growth would be limited, our EBITDA has grown by roughly about just under 3% sequentially but when you compare it year-on-year, it has grown pretty significantly and mind you, last year was a good year, last year was the year when the New Tariff Order came into place, Mr. Diwani, which benefited MSOs like ours and to be able to perform better than that quarter, I think, is very commendable and full kudos to the team. Going forward, of course, as Mr. Alimchandani also pointed out we are looking at restructuring our plans quarter-on-quarter so as to be able to take advantage as the economy

slowly revives. We are there to ensure that our business continues to grow. I hope that answers your question, sir.

**Jagdish Diwani:** Is quarter three always better?

**Vynsley Fernandes:** It is. It's a growing curve, because you will have the festival season, you will have a lot of business that you rolled out set-up-boxes, etc., achieving the better benefit in Q3. Again, however, my caution is, like I said, it's more of a sequential growth, your Q1 and Q2 leads you into Q3. Q1 and Q2 have been very stable, and we obviously expect our Q3 performance to be in that line as well.

**Snighter Albuquerque:** There is one Mr. Sunny Gosar from MK Ventures who has raised a question, in the chat box. Can you please provide a medium-term view, two to three years, of the cable and broadband business in terms of number of subscribers, ARPU, trajectory, implied revenue, and EBITDA growth?

**Vynsley Fernandes:** Sunny, these are forward-looking statements and so I can give you the industry viewpoint. As far as the business goes, and I shared with you the KPMG report, there are hundreds of reports out there, which is very clear about one thing, linear television continues to grow, linear television, that is, cable TV and HITS, will continue to grow, why? Because there is a huge market outside of the cities that we live in, where there is still a transition happening. There are still over 60 million homes that don't have a television set in the country today, which is a reality. I am being kind when I say 60 million, it is much more than that. There are still 30 million subscribers who don't have pay packages, who are on free-to-air, and will migrate to pay packages. The wired broadband in the country, Yugal, correct me if I am wrong, is barely about 20 million, or just above the 20 million mark, so when you look at the kind of potential, the kind of opportunity that is there for us, is tremendous. Now to add to that, Sunny the Ministry of Information has given us a notification for infrastructure sharing, which therefore means, our business is not only subscription based but it's also B2B based, where we can provide services to other platforms. When you look at all of that being put together, I think we are very clear that we will seek and achieve growth quarter-on-quarter, year-on-year, and we will leverage whatever opportunities come our way. I think one thing we have learned is that we never let go of any opportunity that comes our way. You will see significant traction all across the industry, you will see linear television continuing to grow. As Mr. Diwani and Mr. Alimchandani's question alluded to the fact that, as you see the economy getting back into overdrive, you will see further growth as well. That I think is a good barometer for all of us to consider in the industry going forward.

**Snighter Albuquerque:** Thank you, Sunny. Thanks for your question. There is another question. Sir, I would like you to introduce yourself and the company that you represent. I am unmuting you.

**Shashikant:** I am Shashikant from Dalal Street Investment Journal. My question was, with regards to your cash, the company seems to be generating good amount of cash, where do you look to deploy this cash, apart from repaying the debt?

**Vynsley Fernandes:** Shashi, thank you so much for the question. I am going to ask my colleague, Amar, who's our group CFO and Whole-Time Director to take this question

**Amar Chintopanth:** Yes, there is this cash that is being generated, there are a couple of areas where we have been using cash. As you know, our debt has been fairly high in the past, if you see from a bank debt of about Rs. 800 crores, today we have come down to about Rs. 330 crores. It is always beneficial for us, first of all, to see how we can rationalize debt, because that is a cost which we need to save. That is one of the highest cost factors that we have to save, point number one. Point number two, we have to keep making investments, sometimes for CAPEX, not a very large quantum, but CAPEX for maintenance of fiber and our networks, that's the CAPEX requirement that happens. The third aspect, of course, is our marketing, promotion and these kinds of expenses. Therefore, whatever cash is generated, if you look at the priority wise, first is to rationalize the debt and get our capital structure straight. Then the next level would be for CAPEX and the third level would be for marketing and expansion, because these are the three priority areas where the cash needs to be used.

**Shashikant:** Do you have any target capital structure in terms of debt equity that you want to maintain, or you want to achieve?

**Amar Chintopanth:** Yes, the ideal debt-to-equity that we would like to work towards is 1:1, if not lower. We definitely don't want debt to go more than 1:1 and if you look at organizations across where they have been in trouble in the past, the first thing they do is get the business straight, and then they focus on the capital structure and that's exactly what we are also doing. The business has sort of stabilized and now we need to look at the capital structure. I think we are on track. As you know, we have already released a press note saying that we have sold about Rs. 100 crores of Hinduja Leyland Finance shares in October, which has been utilized to repay some of the debt and so already about Rs. 100 crores of debt have come down. During the year, we will definitely look at ways and means of reducing this debt to achieve a targeted debt-to-equity of 1:1.

**Shashikant:** Do you have any timeline in your mind like by what time you can achieve this?

**Amar Chintopanth:** Maybe about six to nine months, because even if you see in the balance sheet, we have got land assets, the book value of which is about Rs. 37 crores, the market value is almost about Rs. 300 crores, Rs. 250 – 300 crores. Just realizing that land bank and repaying debt, will itself bring it down, point number one. Point number two, in the last board meeting, the September board meeting, the board had appointed a committee to look at ways and means of raising capital, that's also public knowledge, the committee is still looking at it as to what are the best

options, whether it is private placement, whether it is rights issue and things like that, which also is a decision that may get taken. Six to nine months is our time period when we feel that we will be able to hit the target of 1:1. We are already working on it.

**Vynsley Fernandes:** Thank you so much, Sashi, for your question.

**Snighter Albuquerque:** Thank you, Shashikant, for your questions. Next question is from the likes of Mr. Parth Buch of Samco Securities.

**Vynsley Fernandes:** I can see the question. The question reads as, what is the percentage of clients currently that have opted for HD services? The follow-up question of Parth is, are we seeing an increase in adoption of HD services amongst our existing clients?

Parth, this is a very interesting question. Our adoption of HD today is between 6% - 8%. There is a bit of an embarrassing reason for that on NXTDIGITAL. I must share this with you because it's not out there. I actually did a research study in places where we have got HITS, where we asked that why aren't you moving to high definition? One of the answers was, the quality of your standard definition services on HITS on NXTDIGITAL is so good, why do we really need to spend money and go on to high definition. That was one of the reasons that came up but that's neither here nor there and so to answer you, we are between 6% - 8% of our base, are we seeing an adoption? Yes, we are. I mentioned in the last meeting Parth, and I will take you through it, is basically the evolution. We are seeing a free-to-air customer moving to standard definition. We are seeing a standard definition customer at a lower package moving to a higher pay package. We are seeing a standard definition customer at the top-end of the spectrum, move to high-definition basic package and a high-definition customer, moving to take the entire bouquet that's available. We are seeing that adoption but what we do, Parth, is, we have a concerted push during festivals so for example, we pushed high-definition big time during Durgotsav, we pushed high-definition big time during Ganesh Chaturthi. We are looking at pushing, this time of course we are pushing both and while you step into Tier II cities where we are pushing high definition, in cities like Mumbai, it will be high definition plus the NXTCONNECT device that I shared, which is high definition plus OTT services. We are seeing an increase in adoption. It is a bit slow, but yes, we will keep on seeing traction, I think more and more people want quality and as the dust settles, we will see that number increasing. Parth, I hope I have been able to answer you.

**Snighter Albuquerque:** Since there are no more questions, I think we can close this. Vynsley, sir, I hand it over to you for closing remarks.

**Vynsley Fernandes:** Sure. Thank you, Snighter. Thank you so much, again, for taking the time off on Dhanteras to attend this Q2 presentation of ours. We genuinely appreciate it. Trust me, I know how difficult it is to put aside family and friends in a festival like this to get onto a call and listen to boring guys like us keep on talking about performance. We appreciate your participation and on behalf

of our promoters, the Hinduja Family, the Hinduja Group, of course, all our colleagues at NXTDIGITAL, our NXTDIGITAL Parivar and all of us who are on the panel, Yugal, Amar, myself, Anand, everyone who is here on from NXTDIGITAL, we take this opportunity to wish you and your families a very Happy Diwali. May this Diwali continue to keep you all safe and to keep you all blessed. Thank you again for being a part of our NXTDIGITAL meet today. We look forward to many, many more engagements. Happy Diwali to everyone. Thank you, so much and good day, to you all.

**Snighter Albuquerque:** Thank you, sir. Thank you, everyone, for participating on this call. We look forward towards your participation in the next quarter as well. Thank you.

**Vynsley Fernandes:** Amar, Yugal, if you would like to also?

**Yugal Kishore Sharma:** Thanks, Vynsley. Wishing everybody a very Happy Dhanteras and very Happy and Prosperous Diwali. Thank you so much for being with us today. Thank you.

**Amar Chintopanth:** Thank you all, again, for attending this quarterly update. We enjoy doing this every quarter. Wishing you and your family a Happy Dhanteras and Diwali. All the best.