GTPL Hathway Ltd — Apr 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Inline **One-line:** The broadband growth engine is firing on all cylinders (46% revenue growth) while the core CATV business stabilizes, but Q4 margins were marred by a ₹12 Cr one-off insurance hit and EPC project wind-down.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Revenue ex-EPC grew 12% YoY; EBITDA ex-EPC grew 4%.	□
Earnings Quality	Low (Accounting / One-offs)	Q4 PAT hit by a ₹12 Cr one-off insurance impairment in Broadband and year-end provisions.	□
Guidance Confidence	Neutral	Mgmt maintains CAGR targets but is vague on "GTPL Genie" conversion rates.	□
Management Credibility	Strong	Successfully reached Net Debt Free status; disciplined Capex execution in Broadband.	□
Business Quality Signal	Improving	Pivot to Broadband (higher margin/stickiness) is scaling; now #1 MSO in India.	□
Key Q&A Exchange	Q#4 + LCO Revenue Share	Mgmt is waiting for NTO 2.0 implementation (July/Aug) to renegotiate LCO share.	□
The Street's Primary Anxiety	Margin Compression	Analysts feared structural margin drop in Broadband; Mgmt attributed it to one-offs.	□
Capital Cycle Stage	Investment	Aggressive Broadband expansion (₹450 Cr Capex guided for FY23).	□
Margin / Return Ratio Trajectory	Stable (Ex-One-offs)	FY22 EBITDA margin at 23.5% (Ex-EPC) vs 25.4% last year; compression due to lower activation income.	□
Pricing Power	Stable	Broadband ARPU maintained at ₹450; CATV pricing capped by regulatory environment.	→
FCF Conversion & Quality	Strong	Net Debt Free; Gross Debt reduced by ₹40.6 Cr in FY22.	□
Competitive Moat Signals	Stable	Largest MSO in India; massive fiber footprint (68,000+ KMs) creates high entry barriers.	□
Balance Sheet Strength	Strong	Net Cash position of ₹17.1 Cr; Cash & Equivalents at ₹134.4 Cr.	□
Working Capital Efficiency	Improving	Trade Receivables dropped by ₹99.7 Cr (mostly EPC wind-down).	□
Mgmt Guidance Track Record	Reliable	Delivered on Broadband subscriber addition targets (181k vs expected).	□
Key Vulnerability / Red Flag	LCO Dependency	Business model relies on LCOs for last-mile; any shift in revenue share is a friction point.	□
Management Tone	Confident	Optimistic on Broadband penetration and "Genie" hybrid box adoption.	□

Sentiment: □Neutral

Key Takeaways: Positives: * **Broadband Scale:** ISP revenue grew 46% YoY, now contributing significantly to the mix; active subscribers up 29% YoY. * **Financial Discipline:** Achievement of Net Debt Free status while maintaining a high dividend payout (40%) signals strong cash generation. * **Market Leadership:** Officially #1 MSO in India per TRAI, providing economies of scale in content procurement.

Negatives: * **One-off Margin Hits:** A ₹12 Cr insurance impairment and year-end provisions skewed Q4 profitability downwards. * **Regulatory Limbo:** Delay in NTO 2.0 implementation is stalling the company's ability to restructure LCO revenue shares. * **CATV Growth Satiation:** CATV subscriber growth has slowed to 5% YoY, indicating the business is now a cash-cow rather than a growth driver.

Forward-Looking Watchpoint: Monitor the "GTPL Genie" conversion rate in Q1 FY23; this is the key defense against Cord-Cutting.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q4 FY22)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Ex-EPC)	₹620.9 Cr	↑ 4%	↑ 2%	↑	Driven by 34% YoY growth in Broadband offset by flat CATV.
CATV Subscribers	8.40 Mn	↑ 5%	↑ 2%	↑	Mix of organic and inorganic growth; recovery of commercial subs.
Broadband Subscribers	816k	↑ 29%	↑ 7%	↑	Added 181k subs in FY22; 830k new home-pass added.
Broadband ARPU	₹450	→ 0%	→ 0%	→	Maintained despite high competitive intensity.
EBITDA (Ex-EPC)	₹140.0 Cr	↓ 2%	↓ 5%	↓	Impacted by ₹12 Cr one-off insurance hit in Broadband.
EBITDA Margin %	22.5%	↓ 130 bps	↓ 160 bps	↓	Lower activation revenue and insurance provision impact.
PAT (Inc EPC)	₹55.2 Cr	↑ 1%	↓ 3%	→	Interest cost reduction offset by one-off operational hits.
Net Debt / (Cash)	(₹17.1 Cr)	↑ 58%	N/A	↑	Successfully reached Net Cash status (vs -₹10.8 Cr YoY).
Interest Coverage	33.3x	↑ 3%	↑ 25%	↑	Finance cost down 35% YoY due to debt repayment.
Working Capital	₹283.6 Cr	↓ 26%	N/A	↑	Trade receivables reduced by ₹99.7 Cr (mostly EPC wind-down).

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Cable TV (CATV)	511.1 Cr	↑ 0.2%	~20-22%	→	Below	Inorganic growth resumed; "Genie" hybrid box launched.
Broadband (ISP)	109.8 Cr	↑ 34%	~30-35%*	↑	Above	256GB avg monthly usage (up 21%); 4.7Mn home-pass.
EPC Project	6.9 Cr	↓ 96%	Low	↓	Below	Project winding down; receivables being collected.

**Adjusted for one-off insurance hit.*

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue/ EBITDA	Maintain historical CAGR (double digits).	Requires ~12-15% growth in core ex-EPC revenue.	Delivered 12% in FY22.	Low
Guidance	Capex Plan	450 Cr for FY23.	112.5 Cr/quarter run-rate.	Spent 363 Cr in FY22.	Moderate
Guidance	Volume (Broadband)	180k+ net sub adds/year.	45k per quarter.	Added 181k in FY22.	Low
Strategy	Expansion	Aggressive focus on AP, Telangana, and Maharashtra.	Dependent on B2B/Partner model success.	New entry into 4 states.	Moderate
Strategy	Digital Pivot	GTPL Genie (OTT bundling).	Unknown conversion targets.	Launch phase.	High
Macro	Regulatory	NTO 2.0 implementation.	Expected July/August 2022.	Repeatedly delayed.	Moderate
Balance	Leverage	Maintain Net Debt Free status.	Already achieved.	Delivered.	Low

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4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Pratiksha Mehta / Aequitas	GTPL Genie Strategy	Business Overview	What kind of self-cannibalization do we expect in this product and what is the strategy?	Management stated Genie is for stickiness and attracting new customers, not cannibalization, with a phase-wise rollout starting in 6 states. This signals a defensive move to protect the high-value CATV base from OTT cord-cutting, potentially increasing ARPU.	Exact conversion numbers/ targets.	3.0	Directional but vague
2	4.0	Pratiksha Mehta / Aequitas	Subscriber Growth	Business Overview	Does the CATV subscriber addition include any inorganic growth or was it purely organic?	Management confirmed the growth includes both organic and inorganic components, as they are now ready for acquisitions post-COVID stabilization. This indicates a shift back to the M&A-led consolidation strategy for the core cable business.	Specific acquisition names/ pipeline.	4.0	Confirmed M&A focus
3	4.0	Dixit Doshi / White Stone	GTPL Genie Pricing	Financials	What are the package prices for OTT plus paid channels versus the FTA packages shown on the website?	Management clarified that HD packages including OTT are priced around 650 plus tax, maintaining standard EBITDA margins. This pricing level	None	5.0	Specific and quantified

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						tests the ceiling of rural/semi-urban willingness to pay for premium content bundles.			
4	4.5	Dixit Doshi / White Stone	Margin Compression	Financials	Why was there a margin reduction in both Cable TV and Internet segments this quarter?	Management attributed the CATV drop to year-end adjustments/ impairments and the Broadband drop to a ₹12 Cr one-off insurance impairment provision. Investors should normalize these one-offs to see an underlying margin expansion trend in Broadband.	None	4.0	Clear explanation
5	4.0	Rajan Gupta (Chair)	Broadband Opportunity	Management Commentary	How much scope is there for further subscriber addition given current home-pass penetration?	Management indicated that current penetration is sub-20%, leaving room for another 7-8% penetration growth in existing fiber and expansion to district-level towns. High execution visibility for FY23 subscriber targets based on existing home-pass.	None	4.0	Evidence-backed

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6	3.5	Dixit Doshi / White Stone	Partner Model (B2B)	Business Overview	How will revenue be recorded for the partner/ LCO broadband model?	GTPL will bill the customer directly, recording 100% of the ₹450 ARPU as revenue, while the partner's share will be recorded as a cost. This accounting treatment will inflate reported revenue figures compared to a net-share model.	None	5.0	Accounting clarity
7	4.0	Dixit Doshi / White Stone	NTO 2.0 / LCO Share	Governance	Starting April 1, was there a look at increasing the company's share against the MSO share?	Management is deferring the revenue share renegotiation until NTO 2.0 is officially implemented, now expected in July or August. This delays a key potential catalyst for CATV margin improvement by at least two quarters.	None	3.0	Strategy delayed
8	3.5	Gautami Desai / Chanakya	Commercial Churn	Business Overview	Are commercial customers who left during COVID coming back?	Out of 7.5 lakh lost commercial subs, 4 lakh have returned, with current recovery at ~20k-25k per quarter. Full recovery to pre-COVID levels is unlikely in the near term as the recovery	None	4.0	Realistic assessmen

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						rate is decelerating.			
9	4.0	Gautami Desai / Chanakya	Inflation Impacts	Financials	How is inflation (wages/ bandwidth) affecting GTPL?	Management noted bandwidth costs per GB are falling due to volume negotiation, though total bandwidth spend is up; salary inflation is present but manageable. Operational efficiency is currently offsetting macro inflationary pressures.	None	4.0	Reassurin

PATTERN FLAGS & SENTIMENT

Themes: * **Broadband Margin Anxiety:** Multiple analysts probed the Q4 margin dip in the ISP segment. Management's defensive but clear explanation of the 12 Cr one-off insurance hit resolved the structural fear, though it highlighted a "noisy" quarter for financials. This concern will likely resurface if margins don't bounce back in Q1 FY23. * **GTPL Genie (The Cord-Cutting Defense):** There is significant curiosity and skepticism regarding the hybrid box. Management's inability to share specific conversion metrics due to "early days" leaves a gap in the thesis regarding the company's success in high-end urban markets. * **LCO Revenue Share:** The ongoing "negotiation" with LCOs remains a live issue. Analysts are waiting for the margin kick from a favorable share shift, which is currently tethered to the repeatedly delayed NTO 2.0.

Analyst Sentiment Verdict: Analysts were generally satisfied with the operational growth in Broadband but remained skeptical of the CATV growth trajectory and the "Genie" product's immediate impact. Management's credibility was bolstered by the Net Debt Free achievement, which provided a buffer against the margin miss. The single greatest risk identified is the timing and execution of NTO 2.0, as management has tied its pricing power strategy almost entirely to this regulatory trigger.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | LCO Share Increase | Anticipated shift by April 1, 2022. | Now deferred to July/August 2022. | Dependent on NTO 2.0 delay. | Delayed margin expansion in CATV. | | EPC Revenue | Secondary business. | Revenue dropped 96% YoY. | Faster wind-down than some models suggested. | None; improves business quality. |

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5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.