GTPL Hathway Ltd — Apr 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Weak Miss **One-line:** Top-line growth remains robust in Broadband (+18% YoY), but the transition from a CATV cash-cow to an ISP growth-engine is proving capital-intensive and margin-dilutive, further complicated by "noisy" one-off provisions in Q4.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	EBITDA of □516.3 Cr missed the implied □600 Cr target set in prior concalls; Q4 PAT turned negative.	□
Earnings Quality	Low (Accounting / One-offs)	Q4 results hit by □18.9 Cr bad debt provision and □22 Cr accelerated depreciation (non-cash).	□
Guidance Confidence	Neutral	Mgmt maintains double-digit growth targets but ROA is pressured by heavy capex.	□
Management Credibility	Neutral	Successfully reached Net Cash status (□75.9 Cr), but failed to protect margins during NTO transition.	□
Business Quality Signal	Stable	Transition to FTTX (90% complete) improves stickiness, but the CATV business is facing structural churn risks.	□
Key Q&A Exchange	Q#7 - NTO 3.0 Implementation	Mgmt confirmed NTO 3.0 price hikes started April 15, which is the key ARPU catalyst for FY24.	□
The Street's Primary Anxiety	Capex vs. Returns	Analysts questioned why □468 Cr capex is yielding stagnant absolute EBITDA; Mgmt pointed to long-term asset life (8-10 years).	□
Capital Cycle Stage	Investment	Mid-stage of a 3-year, □1,500 Cr investment cycle to dominate regional broadband.	□
Margin / Return Ratio Trajectory	Deteriorating	EBITDA margins fell from 23.5% to 19% YoY; ROE/ROCE under pressure from gross block expansion.	□
Pricing Power	Improving (ISP)	Broadband ARPU grew to □465 (up □15 in 2 years) via "up-selling" higher speed plans.	□
FCF Conversion & Quality	Weak	CFO is healthy, but entirely consumed by Capex (□468 Cr), leaving little FCF for equity holders.	□
Competitive Moat Signals	Stable	#1 MSO status in India provides procurement scale; fiber footprint (97k KM) is a significant barrier.	□
Balance Sheet Strength	Strong	Net Debt Free with a cash surplus of □75.9 Cr.	□
Working Capital Efficiency	Deteriorating	Trade payables surged by □153.3 Cr (Broadcaster dues), while trade receivables remain flat.	□
Mgmt Guidance Track Record	Mixed	Met Broadband sub addition targets but missed EBITDA margin and absolute profit guidance.	□
Key Vulnerability / Red Flag	Receivables Provisioning	New auditor (Deloitte) forced a □18.9 Cr hit on old receivables; raises questions on historical collections.	□
Management Tone	Defensive	Mgmt was forced to defend the lack of EBITDA growth despite massive capital deployment.	□

Sentiment: □Neutral

Key Takeaways: * **Positives:** Broadband continues its structural ascent, with revenue up 18% YoY and ARPUs hitting □465. The company is now truly Net Debt Free (□75.9 Cr cash) while maintaining a high dividend payout (40%). The migration to GPON technology is 90% complete, creating a future-ready "pipe" into households. * **Negatives:** Q4 was a "clean-up" quarter with □40.9 Cr in non-cash hits (bad debts and depreciation). Absolute EBITDA is lower than FY22 levels despite a □468 Cr investment, suggesting a multi-year gestation period before capital starts yielding incremental returns. The flagship "Genie+" OTT product has seen a tepid start (only 12k subs). * **Street Concern:** Analysts are focused on the "Negative Operating Leverage" where rising revenues are being swallowed by pay-channel costs and overheads. Management's response: "Look at the net-pay channel

cost," which they claim is stable. * **Forward-Looking Watchpoint:** Implementation of NTO 3.0 in Q1 FY24 is the litmus test for CATV pricing power. If CATV ARPUs don't rise by ~□15-20, the heavy capex in that segment will be hard to justify.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS (Consolidated)

Metric	Current Qtr (Q4 FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Ex-EPC)	□701.7 Cr	↑ 13.0%	↓ 0.5%	↑	Volume driven: ISP subs up 11% YoY; CATV subs up 7%.
Gross Margin (%)	45.3%	↓ 410 bps	↓ 210 bps	↓	Hit by higher pay-channel costs (17% YoY increase).
EBITDA (Ex-EPC)	□111.2 Cr	↓ 20.6%	↓ 15.4%	↓	Impacted by blackout (□1.2 Cr) and higher opex.
EBITDA Margin %	15.9%	↓ 660 bps	↓ 270 bps	↓	Diluted by lower activation revenue and opex spikes.
PAT	(□12.4) Cr	↓ 122.5%	↓ 133.0%	↓	Negative due to □18.9 Cr provision + □22 Cr extra dep.
CATV Paying Subs	8.20 Mn	↑ 5.1%	↓ 1.2%	↑	Q4 dip of 100k due to 6-day broadcaster blackout.
Broadband Subs	9.20 Lakh	↑ 12.8%	↑ 2.8%	↑	Added 25k subs in Q4; focusing on FTTX conversion.
Broadband ARPU	□465	↑ 3.3%	↑ 1.1%	↑	Driven by migration to 100 Mbps+ plans.
Net Debt / (Cash)	(□75.9) Cr	↑ 343.8%	N/A	↑	Massive cash generation vs □17.1 Cr cash last year.
Working Capital	□292.0 Cr	↑ 3.0%	N/A	→	Primarily trade receivables related to broadcasters.

2B. SEGMENT BREAKDOWN

Segment	Revenue (FY23 □Cr)	YoY Growth	Margin (EBITDA)	Trend	vs Co. Avg	Key Development
Digital Cable TV	□1,100.5	↑ 2.3%	~16.4%	↓	Below	Focus on rural India/South; NTO 3.0 hikes pending.
Broadband (ISP)	□482.6	↑ 18.4%	~40.0%	↑	Above	75% Homepass is now FTTX; 321 GB avg monthly usage.
Placement/ Carriage	□954.7	↑ 26.5%	High	↑	Above	Essential for EBITDA; offsets pay-channel costs.
EPC (GFGNL)	□0.0	↓ 100%	N/A	↓	N/A	Project completed; now moved to O&M phase.

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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	18-19% CAGR.	Needs □3,200 Cr+ in FY24.	FY23 delivered 12%.	Moderate
Guidance	EBITDA	13-14% CAGR (Targeting ~□600 Cr).	Needs ~□150 Cr/qtr EBITDA.	Missed FY23 target (□516 Cr).	High
Guidance	Volume (ISP)	40-50% growth in 3 years.	~1.3Mn+ subs by FY26.	On track (added 104k in FY23).	Low
Guidance	Capex Plan	□450-500 Cr per year.	□125 Cr / quarter.	FY23 spent □468.5 Cr.	Moderate
Strategy	Tech Pivot	100% migration to FTTX / GPON.	90% achieved as of Q4.	Strong execution.	Low
Macro	Regulatory	Implementation of NTO 3.0.	Full Q1 FY24 impact.	Delayed in FY23; live now.	Moderate
Balance	Debt Target	Remain Net Debt Free.	Already achieved.	Delivered consistently.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Yash Sarda / Sushil Finance	Genie+ Traction	Business Overview	"How is the response from the GTPL Genie+, which was launched in December?"	Management disclosed 12,000 subscribers took the service in 3 months (8k Broadband, 4k Cable). This reflects slow adoption of the "premium" hybrid box, suggesting it remains a niche rather than mass-market product for now.	Future adoption targets.	4.0	Modest start
2	3.5	Yash Sarda / Sushil Finance	IPL Impact	Business Overview	"What is the anticipated increase in data consumption due to IPL being seen online?"	Management claimed no significant impact on subscriptions or churn due to free IPL streaming on Jio Cinema. High data usage (~321GB/ month) is already baked into the cost structure, protecting margins.	None	4.0	Neutral impact
3	4.5	Aniket / BMSPL	Broadband ARPU	Financials	"What do you feel is going to happen to your ARPUs for the coming two-three years with Reliance/	Management expects a □10-20 increase per annum by migrating lower-speed customers to 100-200 Mbps plans rather than raising	Competitive response.	4.0	Organic ARPU growth

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					OTT coming in?"	headline prices. This relies on "invisible" price hikes through speed upgrades to maintain margins against Jio.			
4	4.0	Karan Mehta / Nirzar Sec	Pay Channel Cost	Financials	"Is the increase in pay channel costs recurring and what is the outlook?"	Management advised looking at "Net Pay Channel Cost" (Expense minus Carriage Revenue), which is only up 2-3% YoY. This is a critical accounting nuance; absolute costs look scary, but net exposure is controlled.	None	5.0	High clarity
5	5.0	Pavan Nahar	Capex Returns	Capex and Allocation	"You have invested □800 Cr in 2 years and absolute EBITDA is down 10-15%. Why?"	Management attributed the dip to the loss of □30 Cr non-cash activation revenue and □12 Cr blackout impact, promising 13-14% EBITDA growth in FY24. This confirms the investment phase is front-loaded and EBITDA	Specific ROCE timeline.	3.0	Delayed returns

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						should follow in FY24-25.			
6	4.0	Pavan Nahar	CATV Churn	Business Overview	"If every year there is a churn of 15%, that is a huge cost which is not recovered."	Management admitted only ~30% of recovered set-top boxes are redeployed due to technology obsolescence (MPEG-2 to MPEG-4). High maintenance capex (₹50-60 Cr) is required just to stand still in the CATV segment.	Recovery costs.	3.0	Structural drag
7	4.5	Saket Kapoor	Auditor Conservative	Governance	"Could you please give us some more colour on this exceptional item of sundry debtors?"	Management explained that the new auditor (Deloitte) advised conservative provisioning on identified parties with aging of 12-15 months. This "kitchen sinking" exercise by the new auditor improves earnings quality for future quarters.	None	5.0	Clean-up quarter
8	4.5	Rama Manohar	ARPU Strategy	Management Commentary	"Last call you said ARPU will increase... you are struggling to	Management confirmed NTO 3.0 revised rates and packages	Magnitude of hike.	4.0	Catalysts live

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					increase even □10."	were implemented as of April 15, 2023. This is the first definitive confirmation of a pricing catalyst that will reflect in Q1 FY24 financials.			

PATTERN FLAGS & SENTIMENT

Theme 1: The "New Auditor" Effect (Governance) There was significant focus on the Q4 negative PAT. Management repeatedly pointed to Deloitte (newly appointed) forcing a more conservative stance on bad debt provisions (□18.9 Cr) and asset life (□22 Cr). This indicates a pivot toward institutional-grade accounting, which is a long-term positive for credibility even if it hurts short-term P&L.

Theme 2: Capex Satiation vs. EBITDA Stagnation (Financials) Analysts were notably frustrated with the "Investment Phase." Despite spending □468 Cr, absolute EBITDA declined. Management's defense—that capex is for 8-10 year assets and returns are back-ended—is a classic buy-side/sell-side friction point. The concern will remain "live" until Q1/Q2 FY24 show a meaningful EBITDA bounce toward the □150 Cr/qtr run-rate.

Analyst Sentiment Verdict: The mood was skeptical but not hostile. Analysts were impressed by the "Net Debt Free" status but wary of the "capital treadmill" (spending □500 Cr to maintain □500 Cr EBITDA). The most friction came from the lack of incremental profit despite massive scale. Management's credibility is currently "on probation" until NTO 3.0 benefits are quantified in the next quarter.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Prior Q4 FY22)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
EBITDA Target	Implied steady growth from □567 Cr base.	Actual FY23: □516 Cr.	~9% miss on absolute EBITDA targets.	Negative operating leverage.
B2B Broadband	High expectations for B2B scale.	"Not able to do significant things in Q4... mismatches."	Walked back B2B impact for FY23.	Revenue concentration risk.
Tech Obsolescence	Gradual migration.	Sudden □22 Cr hit for LAN equipment.	Faster obsolescence than guided.	Accelerated Capex needs.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4 FY22)	This Quarter (Q4 FY23)	Direction
EBITDA Margin	22.5% (Ex-EPC)	15.9% (Ex-EPC)	↓ Deteriorating
Net Debt / Cash	₹17.1 Cr Cash	₹75.9 Cr Cash	↑ Improving
Auditor Stance	Standard/Internal	Conservative (Deloitte)	↑ Improving Quality
Tech Infrastructure	LAN/FTTH Mix	90% GPON / 75% FTTX	↑ Improving
Broadband ARPU	₹450	₹465	↑ Improving
Earnings Visibility	High	Low (due to NTO 3.0 delays)	↓ Deteriorating
Regulatory Status	Waiting for NTO 2.0	Implementing NTO 3.0	↑ Improving Clarity

Investor Note: The thesis hasn't broken, but it has slowed. The transition to a "Broadband-first" company is technically successful (90% GPON), but the "Cable TV drag" (blackouts, churn, high maintenance capex) is heavier than anticipated. The stock's re-rating depends entirely on whether NTO 3.0 implementation in Q1 FY24 can finally turn revenue growth into EBITDA growth. Stay invested for the ISP scale, but monitor the "Capex efficiency" closely.

STOP HERE.