GTPL Hathway Ltd — Apr 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Inline on Top-line, Miss on Margins **One-line:** Revenue surpassed □3,000 Cr for the first time, but the "capital treadmill" continues as aggressive subscriber acquisition and broadband infrastructure investments haven't yet translated into absolute EBITDA growth or margin expansion.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	EBITDA margins (14.7%) missed the 17-18% historical range; PAT halved QoQ to □12.8 Cr.	□
Earnings Quality	Low (Project-linked)	Q4 revenue benefited from one-time BharatNet project execution; CATV revenue saw sequential degrowth (-3%).	□
Guidance Confidence	Neutral	Mgmt targets 20% top-line growth but EBITDA recovery to 25% "Operating Margin" remains a "next year" story.	□
Management Credibility	Neutral	Reached 1Mn Broadband milestone as promised, but organic CATV growth is masking high churn (15-17%).	□
Business Quality Signal	Stable	Broadband data consumption (+10% YoY) and FTTX conversion (75%) improve stickiness, offsetting CATV stagnation.	□
Key Q&A Exchange	Q#2 - Wireless Threat	Mgmt dismissed Jio/Airtel FWA threat, citing wired consistency; however, wireless scale is a latent risk.	□
The Street's Primary Anxiety	Margin Dilution	Analysts questioned the 24% "Operating EBITDA" metric vs. the reality of shrinking reported margins.	□
Capital Cycle Stage	Investment	Mid-stage; FY25 Capex guided at □350-400 Cr to maintain the competitive moat.	□
Margin / Return Ratio Trajectory	Deteriorating	Consolidated EBITDA margin fell from 19% (FY23) to 15.7% (FY24); ROCE pressured by □396 Cr Capex.	□
Pricing Power	Eroding (CATV)	CATV ARPU is under pressure; Broadband ARPU stagnant at □460 despite 10% higher data usage.	□
FCF Conversion & Quality	Weak	CFO is being heavily re-invested; Borrowings increased to □296.3 Cr (Consol) to fund projects/WC.	□
Competitive Moat Signals	Stable	Largest MSO status provides scale in "Net Pay Channel Cost" negotiations with broadcasters.	□
Balance Sheet Strength	Adequate	Net Debt increased YoY; Trade Receivables spiked by □145.2 Cr (primarily broadcaster dues).	□
Mgmt Guidance Track Record	Mixed	Consistent on sub-growth targets; inconsistent on margin protection and cash flow generation.	□
Key Vulnerability / Red Flag	Working Capital	Trade Payables up □112.9 Cr and Receivables up □145.2 Cr suggests a bloating balance sheet with broadcasters.	□
Management Tone	Defensive	Defended margin contraction by pointing to "misaligned" accounting of broadcaster incentives.	□

Sentiment: □Neutral

Key Takeaways: * **Positives:** The pivot to a "Broadband-first" entity is visible with 1.02 Mn subs and 18% revenue growth. The acquisition of Metro Cast (50.1% stake) adds scale in strategic markets, and the 75% FTTX-ready homepass base provides a low-cost upgrade path for future ISP growth. * **Negatives:** Reported EBITDA margins are being squeezed by higher pay-channel costs (up 26% YoY) and falling activation revenues. Sequential revenue degrowth in CATV and ISP segments in Q4 (partially due to one less day and Ramadan) suggests a temporary plateau. * **Street Concern:** The disconnect between high Capex (□396 Cr) and stagnant absolute EBITDA. Management's response: "Look at Operating EBITDA," which nets out broadcaster payments, claiming a stable 24-26% margin on the "real" business. * **Forward-Looking Watchpoint:** The relaunch of the "GTPL Genie+" app in May 2024 is a critical litmus test for whether GTPL can successfully move up the value chain into OTT aggregation to protect ARPUs.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS (Consolidated)

Metric	Current Qtr (Q4 FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue	□814.8 Cr	↑ 16.1%	↓ 5.3%	↑	Growth driven by CATV (+14% YoY) and ISP (+5% YoY).
EBITDA	□119.8 Cr	↑ 7.7%	↓ 8.2%	↓	Diluted by □41.4 Cr project costs and high pay-channel expenses.
EBITDA Margin %	14.7%	↓ 120 bps	↓ 50 bps	↓	Hit by lower activation rev and non-operating income.
PAT	□12.8 Cr	↑ 203.2%	↓ 46.2%	□	YoY comparison looks good only because Q4 FY23 had a loss.
CATV Subs (Active)	9.50 Mn	↑ 6.1%	↑ 1.1%	↑	Organic growth supplemented by Metro Cast acquisition.
Broadband Subs	10.20 Lakh	↑ 11.4%	↑ 1.5%	↑	Milestone achieved; focuses on volume over pricing.
Broadband ARPU	□460	→ 0%	→ 0%	→	Stagnant due to competitive intensity from telcos.
Homepass	5.80 Mn	↑ 9.4%	↑ 3.6%	↑	Infrastructure ready for FTTX conversion.
Net Debt / (Cash)	□147.5 Cr	↑ 49%	N/A	↓	Calculated as Borrowings (□296.3 Cr) minus Cash (□148.8 Cr).
Working Capital	□437.3 Cr	↑ 49.8%	N/A	↓	Trade Receivables surged by □145.2 Cr YoY.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin (EBITDA)	Trend	vs Co. Avg	Key Development
Digital Cable TV	□314.8	↑ 14.3%	~13-14%	↓	Below	Churn remains high (15-17%); consolidation-led growth.
Broadband (ISP)	□130.8	↑ 5.0%	~40% (Est)	→	Above	Data usage up to 355GB/month; ARPU under pressure.
Placement/ Carriage	□334.9	↑ 26.6%	High	↑	Above	Critical for offsetting broadcaster pay-channel costs.
Project Income	□0.0 (Q4)	N/A	~12%	↓	N/A	BharatNet phase 1 & 2 execution largely completed in Q3.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	~20% Top-line growth for FY25.	Needs □3,900 Cr+ in FY25.	Delivered 20% in FY24.	Low
Guidance	Margins	Operating EBITDA 24-26%.	Requires netting broadcaster costs.	Stable at 24.4% in FY24.	Moderate
Guidance	Volume	Add 100k-150k ISP subs/year.	~10k-12k adds per month.	Delivered 100k in FY24.	Low
Guidance	Capex Plan	□350 - □400 Cr for FY25.	□100 Cr / quarter.	FY24 spent □396 Cr.	Moderate
Strategy	Tech Pivot	Relaunch GTPL Genie+ app.	May 2024 launch.	Previous version had low traction.	High
Strategy	Inorganic	Consolidation of MSOs.	Opportunistic.	Stake in Metro Cast increased to 50.1%.	Low
Balance	Debt	Reduce borrowings by FY25.	Pay down project-linked ODs.	Borrowings rose □81.1 Cr in FY24.	Moderate

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	Gunit Singh / Counter Cyclical	Margins	Financials	"Why have operating margins shrunk to all-time low levels despite significant revenue growth?"	Management argued that reported margins are distorted by broadcaster accounting and stated that "Operating Margin" (net of broadcaster payments) is stable at 24%. This confirms GTPL's underlying profitability is heavily reliant on "Placement/ Marketing" rebates from channels.	Clear timeline for reported margin recovery.	3.0	Defensive on margins
2	4.0	Gunit Singh / Counter Cyclical	Competition	Business Overview	"Don't we feel Cable TV and wired broadband are threatened by wireless players like Jio/Airtel?"	Management claimed wireless speed is inconsistent and that India's wired penetration (12%) is so low that the market is in "startup mode." This implies a long runway for wired growth before wireless substitution becomes a terminal threat.	None	4.0	Confident on wired
3	3.5	Anjali Mishra	Sub Growth	Business Overview	"Why has the growth in active TV	Management admitted to a 15-17%		3.0	

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					subscribers stayed pretty much at the same level post Q2?"	churn rate but emphasized that acquisitions and organic growth are keeping net additions positive. This reveals the high "maintenance capex" required just to keep the subscriber base from shrinking.	Specific churn by geography.		High churn signal
4	4.0	Siddhant Shah	Metro Cast	Capex and Allocation	"How many subscribers has Metro Cast added to our active subscribers?"	Management clarified that ~4.5 lakh subs out of the 9.5 Mn total came from Metro Cast, which GTPL now controls with a 50.1% stake. This highlights that a significant portion of FY24 subscriber "growth" was inorganic.	Organic vs. Inorganic ARPU delta.	4.0	Inorganic scale
5	5.0	Siddhant Shah	Capex Returns	Capex and Allocation	"We spent almost 400 crores increasing our operating EBITDA by just 40 crores... incremental return on Capex has been barely 10%."	Management attributed the muted EBITDA growth to NTO 3.0 pressure and high pay-channel costs, expecting a recovery to 10-12%	Specific ROCE target.	3.0	Low ROI watch

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						EBITDA growth in FY25. This indicates a high capital intensity and a potential lag in ROI for current fiber investments.			
6	4.5	Tanya Gupta	GTPL Genie+	Strategy	"What is the update on GTPL Genie and when can we see the definite impact of it on performance?"	Management is relaunching the B2C app in May 2024 to improve customer stickiness, with current subs at 75k. This is a crucial pivot to OTT aggregation that could stabilize the CATV churn if successful.	Monetization targets.	3.5	Pivot to OTT
7	3.5	Jaykant Kasturi	Debt	Financials	"Borrowings have increased, could you tell me the reason?"	Management linked the increase to "margin money" and working capital for the BharatNet project, expecting debt to trend back to FY23 levels in FY25. This suggests the recent debt spike is a temporary working capital requirement.	None	4.0	Temporary leverage

PATTERN FLAGS & SENTIMENT * **The "Net Margin" Debate:** Analysts are clearly looking at the reported 15% EBITDA margin, while management is obsessed with the 24-26% "Operating EBITDA." This disconnect signals

that management feels the market doesn't understand their business model (where they act as a pass-through for broadcasters), but analysts are rightly concerned that the "pass-through" costs are rising faster than revenue. * **The Subscriber Treadmill:** The admission of 15-17% churn is significant. It explains why Capex remains high (₹400 Cr range) even when net subscriber additions are modest; the company must constantly buy boxes and lay fiber just to replace lost customers.

Analyst Sentiment Verdict: Skeptical. Analysts pressed hard on the low return on incremental capital and the lack of absolute profit growth. While management's tone was calm and directional, they failed to provide a hard "floor" for reported margins, keeping the stock's re-rating potential capped.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Subscriber Growth | "Added 550k CATV subs YoY." | ~450k came from Metro Cast acquisition. | Organic growth is much slower (~100k). | CATV growth is stalling. | | ARPU Strategy | Convergence to increase ARPU. | ARPU remained constant at ₹460. | Volume is the driver, not pricing. | Margin ceiling. | | EBITDA Target | Improvement in margins. | NTO 3.0 put "whole market under pressure." | External regulatory factors are capping profits. | Regulatory overhang. |

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5. WHAT CHANGED vs PRIOR QUARTER

Based on Comparison with Q4 FY23 (Prior Context).

What Changed	Prior Quarter (Q4 FY23)	This Quarter (Q4 FY24)	Direction
Broadband Subs	9.20 Lakh	10.20 Lakh	↑ Improving
EBITDA Margin	15.9%	14.7%	↓ Deteriorating
Net Debt Position	(₹75.9 Cr) Net Cash	₹147.5 Cr Net Debt	↓ Deteriorating
Broadband ARPU	₹465	₹460	↓ Deteriorating
CATV Strategy	Organic growth focus	Inorganic (Metro Cast) focus	→ Strategic Shift
Borrowings	Low (Net Debt Free)	₹296.3 Cr (Utilizing ODs)	↓ Deteriorating
Broadband Usage	321 GB/month	355 GB/month	↑ Improving

Thesis Note: The long-term thesis of GTPL becoming a regional Broadband powerhouse remains intact, but the "cost of growth" has increased. The transition from a Net Cash company to a Net Debt company (albeit manageable) and the stagnation of ARPUs despite higher data usage suggests that competition from telcos is real and limiting GTPL's ability to harvest profits from its massive fiber footprint.

STOP HERE.