GTPL Hathway Ltd — Jan 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue; Miss on Margins. **One-line:** GTPL is aggressively trading near-term margins for long-term territory (Delhi/Haryana/South) and product (Genie+) expansion, while the critical Broadband growth engine remains resilient despite B2B integration delays.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Revenue (ex-EPC) grew 15% YoY; Broadband adds steady at 25k B2C subs.	□
Earnings Quality	High (Core driven)	Growth is purely operational; no major one-offs cited other than "establishment costs."	□
Guidance Confidence	Neutral	Mgmt maintains "double-digit growth" target but Q4 Broadband targets rely on 100k+ adds.	□
Management Credibility	Strong	Successfully expanded into 3 new states; maintained Net Debt Free status despite high Capex.	□
Business Quality Signal	Improving	Pivot to "Entertain & Connect" (OTT + ISP) reduces dependency on linear TV decay.	□
Key Q&A Exchange	Q#2 & Q#12	Mgmt admitted margin hit was due to "scratch" setup in North; calls it an "exceptional" quarter.	□
The Street's Primary Anxiety	ARPU Dilution	Fear that new geography expansion is structurally lowering CATV ARPU.	□
Capital Cycle Stage	Investment	High expansionary Capex (□355 Cr in 9M) to capture North India market share.	□
Margin / Return Ratio Trajectory	Deteriorating	EBITDA margins fell to 18.6% from 24.1% YoY due to expansion and content costs.	□
Pricing Power	Eroding (CATV)	CATV ARPU under pressure; Mgmt waiting for NTO 3.0 to reconsider pricing.	□
FCF Conversion & Quality	Strong	Net Debt Free status maintained; □105.6 Cr gross debt vs □111.6 Cr net worth.	□
Competitive Moat Signals	Stable	#1 MSO status per TRAI; presence in 1,400+ towns creates massive scale for Genie+.	□
Balance Sheet Strength	Strong	Net Debt Free; Net worth increased to □1,115.9 Cr.	□
Working Capital Efficiency	Stable	Digital collection remains at 80%+; 100% of CATV base is now prepaid.	□
Mgmt Guidance Track Record	Mixed	Delivered on revenue growth but margin compression exceeded consensus expectations.	□
Key Vulnerability / Red Flag	ARPU Recovery	Mgmt is deferring ARPU hikes to FY24; timing is tethered to uncertain regulatory triggers.	□
Management Tone	Confident	Bullish on "volume growth" in Broadband and consolidation of unorganized CATV players.	□

Sentiment: □**Neutral**

Key Takeaways: Positives: * **Broadband Momentum:** ISP revenue grew 18% YoY; ARPU improved by ₹10 YoY to ₹455, showing resilience against telco competition. * **Geographic Footprint:** Entry into Delhi, Haryana, and Uttarakhand signals an aggressive push to consolidate the North, moving beyond the Gujarat/WB stronghold. * **Balance Sheet:** Maintaining "Net Debt Free" status while funding ₹355 Cr Capex in 9M FY23 is a testament to strong internal accruals.

Negatives: * **Margin Compression:** Consolidation EBITDA margins dropped ~550 bps YoY (24.1% to 18.6%), primarily due to "establishment costs" in new markets and higher pay channel costs. * **B2B Delay:** The much-anticipated 60k B2B broadband sub addition was delayed due to technical integration, pushing the 1 million sub target to a "heavy lift" in Q4. * **ARPU Dilution:** CATV subscription revenue grew only 3% despite a 700k increase in active subs, implying a significant drop in realization per sub.

Forward-Looking Watchpoint: The integration of 60k B2B broadband subscribers in Jan-Feb 2023 is the "litmus test" for management's 1-million-subscriber FY23 goal.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS PPT not available — numbers from investor presentation (doc_id=740).

Metric	Current Qtr (Q3 FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Ex-EPC)	₹705.0 Cr	↑ 15%	↑ 6.5%	↑	Driven by expansion in North and steady Broadband growth.
CATV Active Subs	8.90 Mn	↑ 8.5%	↑ 3.5%	↑	Gained 700k subs YoY; expansion into 3 new states.
Broadband Subs	895k	↑ 17%	↑ 2.9%	↑	Added 130k subs YoY; entirely B2C driven so far.
Broadband ARPU	₹455	↑ 2.2%	→ 0%	→	Maintained at ₹455; ARPU up ₹10 YoY.
EBITDA (Ex-EPC)	₹131.4 Cr	↓ 11%	↓ 5%	↓	Impacted by North market establishment costs.
EBITDA Margin %	18.6%	↓ 540 bps	↓ 230 bps	↓	Lowered by entry into new low-ARPU markets.
PAT	₹37.6 Cr	↓ 31%	↓ 18%	↓	Impacted by lower margins and higher depreciation.
Net Debt / (Cash)	(Net Cash)	→ 0%	→ 0%	→	Remained Net Debt Free as promised in IPO.
Interest Coverage	52.6x	↑ 20%	↓ 12%	↑	Finance costs down 54% YoY due to debt reduction.
Data Consumption	310 GB/mo	↑ 28%	↑ 1.6%	↑	Surged due to social media and remote work trends.
Home Pass	5.15 Mn	↑ 17%	↑ 3%	↑	75% available for FTTX conversion.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Digital Cable TV	₹277.5 Cr*	↑ 3%	~15-17%	↓	Below	*Subscription only. Geographic expansion diluting ARPU.
Broadband (ISP)	₹124.3 Cr	↑ 18%	~30-35%	→	Above	Pure B2C growth; B2B integration (60k subs) delayed.
Placement/ Carriage	₹253.9 Cr	↑ 37%	High	↑	Above	Strong growth as broadcasters pay for reach in new states.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume (ISP)	1.0 Million subscribers by FY23 end.	Needs 105k adds in Q4; current avg is 25-30k.	Added 130k in 9M FY23.	High
Guidance	Revenue	Double-digit growth in subscription revenue.	Requires stabilization of ARPU in new markets.	9M FY23 Sub Rev up 3%.	Moderate
Guidance	Capex	₹450 Cr for FY23.	₹95 Cr required in Q4.	Spent ₹355 Cr in 9M.	Low
Strategy	Expansion	Cross 1 Mn subs in North market within 1 year.	~80k-90k adds per month required.	Already added 100k+ in 2 months.	Moderate
Strategy	Product	Genie+ to increase stickiness and retention.	Depends on hybrid box/app adoption.	Launch phase (Jan '23).	High
Macro	Regulatory	NTO 3.0 Implementation.	Waiting for market transition.	Delayed by regulator/industry.	High

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Ver
1	4.0	Parth / Alpha Plus	ARPU Compression	Financials	"Our ARPU and CATV business is actually coming down... throw some color on the same?"	Mgmt explained that new market entry (Tamil Nadu, North) requires lower entry ARPUs which dilutes the overall average. This implies a temporary margin-for-market-share trade-off that will persist until dominance is achieved in 2-3 years.	None	4.0	Clea dire
1a	4.0	Parth / Alpha Plus	ARPU Bottom	Financials	"Is this the ARPU that would be the lowest or we could see even lower ARPUs going ahead?"	Mgmt stated the strategy is to ramp up ARPUs in FY24 but currently, new additions from low-ARPU markets will dominate. This suggests CATV realizations have not yet bottomed.	Specific pricing levels for FY24.	3.0	Vag timi
2	4.5	Parth / Alpha Plus	Margin Compression	Financials	"The reason for the margin drop is the same, whereby penetration into newer geographies?"	Mgmt confirmed an "exceptional" cost spike due to building North market infrastructure from scratch (offices, manpower, backbone). Recovery is expected as	None	4.0	Qua as '

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						revenue follows these already-incurred costs.			
3	4.0	Vinit Manek / Karma Capital	Other Expenses	Financials	"Significant increase in our other expenses... is this a sustainable number going forward?"	Mgmt claimed this was an exceptional quarter for establishment costs and expenses should remain at this level while revenue catches up. This indicates EBITDA margins should expand from Q4 onwards.	None	4.0	Spe and dire
4	3.5	Vinit Manek / Karma Capital	Sub Revenue Growth	Financials	"Average growth for nine-months... has been closer to 2.5%... can we expect high single-digit?"	Mgmt is targeting double-digit revenue growth in FY24 once the ARPU stabilization and base growth intersect. The thesis relies heavily on the FY24 "call" on pricing.	Exact NTO-3 pricing impact.	3.0	Vag con
5	5.0	Vinit Manek / Karma Capital	Broadband Targets	Business Overview	"B2B addition was slow... how are you seeing this number accelerating?"	Mgmt revealed that 60k B2B subs are in the pipeline and will be integrated by the end of January. This is the key catalyst for	Reasons for the 'technical un-similarity' delay.	3.5	Tim give

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Ver
						hitting the 1-million subscriber target.			
6	3.0	Vinit Manek / Karma Capital	Capex	Capex and Allocation	"What was the nine-month capex... and what is the remaining target?"	Mgmt confirmed □355 Cr spent in 9M with □100 Cr planned for Q4, keeping the □450 Cr FY23 guide intact. Capital intensity remains high but controlled.	None	5.0	Spe and qua
7	4.0	Yash / Sushil Finance	Long-term Margins	Management Commentary	"Next 2 to 3 years... do we expect margins to expand and reach 12%, 10% [sic]?"	Mgmt clarified they are chasing double-digit revenue growth and dominance which will naturally lead back to historical margin profiles. Reassurance that the current 18% EBITDA margin is the floor.	None	3.5	Dire
8	4.5	Yash / Sushil Finance	Genie+ & Netflix	Business Overview	"Any plans of onboarding [Netflix]? And lastly... views on IPL on JioCinema?"	Mgmt is in negotiations with Netflix for integration and views free IPL on JioCinema as a viewership booster that benefits the pipe (Broadband). Genie+ is primarily a	Specific Netflix launch date.	3.0	Ear stag

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						"stickiness" tool for the 10M+ customer base.			
9	4.0	Raj Ojha / GB Capital	Broadband Triggers	Business Overview	"What are the growth trigger... for our broadband business, and do we see any up-stick in ARPU?"	Mgmt highlighted that 10% wired broadband penetration in India offers a massive volume tailwind, with value growth coming from layered services. Volume remains the primary growth driver over ARPU.	None	4.0	Indu bac evic
10	3.5	Raj Ojha / GB Capital	Scale in New States	Business Overview	"What are our plans to scale up the business [in new states]?"	Mgmt expects to cross 1 million subscribers in the North market within one year based on current traction. This would represent ~11% of their total base, diversifying away from Gujarat.	None	4.0	Spe targ
11	3.0	Richa Meena / ICICI Bank	AGR Dues	Governance	"Throw some light on the high AGR dues... how are we planning to go about it?"	Mgmt believes they have a strong legal case as MSO revenues should not be included in AGR	Probability of final settlement.	3.0	Cor with

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Ver
						calculations per recent MIB/DOT clarifications. This remains a significant but seemingly manageable contingent liability.			
12	4.0	Dharmavenkatesan	Pay Channel Costs	Financials	"15% increase year-on-year for the nine-month period. What is the reason?"	Mgmt explained that pay channel costs must be viewed net of marketing/ placement incentives, which shows much lower growth. This defused the fear of run-away content costs.	None	4.0	Acc clar
13	4.5	Dharmavenkatesan	NTO 3.0 Impact	Financials	"Major players have announced a price hike... will we be able to pass on?"	Mgmt aims to maintain consumer household costs at existing levels by optimizing packaging, protecting volumes over realization. This implies limited near-term CATV ARPU upside despite industry price hikes.	Specific pack pricing.	3.0	Stra led
14	5.0	Dharmavenkatesan	Jio Merger Rumors	Governance	"Possibility of merger... merger with Jio... what is the end game?"	Mgmt dismissed the merger as "speculative" but emphasized	Direct denial of talks.	2.0	Eva but exp

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Ver
						the benefits of technical/ knowledge transfer from Jio. This suggests GTPL remains an independent entity for the foreseeable future.			
15	3.0	Rama Manohar	Capital Allocation	Capex and Allocation	"Why not to invest total money in the broadband sector other than cable TV?"	Mgmt defended CATV due to its 10-18 month ROI (vs 24-30 months for Broadband) and its function as a "pipe" to the home. The dual-play strategy is justified by cash flow cycles.	None	4.0	Log defe
16	3.5	Rama Manohar	Low Stock Price	Management Commentary	"Why our company's stock is trading like in a narrow range... why big investors are not coming in?"	Mgmt pointed to their track record of 5x growth in Broadband and 2.6x in CATV since IPO, plus consistent dividends. They deflected share price performance as market speculation.	None	2.0	Sta defl

PATTERN FLAGS & SENTIMENT * **The "Establishment Cost" Narrative:** Analysts were focused on the margin deterioration. Management’s posture was to frame this as a calculated, one-time investment to "build the North." This remains a live issue; if margins do not begin recovery in Q4, management's "exceptional quarter" defense will lose credibility. * **Broadband B2B Skepticism:** The delay in the 60k B2B subscriber integration is a point of friction. Management was firm on a January-end completion, making the next quarter's subscriber numbers a critical validation point. * **The Jio Relationship:** The "partner vs. parent" dynamic with Reliance/Jio remains a source of analyst speculation. Management successfully pivoted the conversation to operational benefits (negotiation power, tech transfer) rather than corporate action.

Analyst Sentiment Verdict: Analysts were skeptical of the margin compression but encouraged by the pace of geographic expansion. The primary friction point was the declining CATV ARPU. Management's credibility remains intact due to the "Net Debt Free" status and consistent Broadband B2C delivery, but the thesis now rests on their ability to integrate B2B subs and stabilize North market costs.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening / Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Broadband Adds | Target of 1 Mn subs by FY23 end. | Current at 895k; 60k delayed to Q4. | Execution gap in B2B integration. | High; Q4 needs record adds. | | CATV ARPU | Stabilization expected. | Declining due to new market mix. | Expansion is diluting overall realization. | Moderate; margin recovery delayed. | | NTO 2.0/3.0 | Immediate implementation. | "Waiting for implementation"/Wait-and-watch. | Strategy is reactive to regulatory delays. | High; pricing power is "on hold." |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4 FY22 Context)	This Quarter (Q3 FY23)	Direction
Footprint	12 States	15 States (Added Delhi, Haryana, Uttarakhand)	↑ Expansion
EBITDA Margin	22.5% (Ex-EPC)	18.6% (Ex-EPC)	↓ Deteriorating
CATV Active Subs	8.40 Mn	8.90 Mn	↑ Improving
Broadband Subs	816k	895k	↑ Improving
Broadband Monthly Data	256 GB	310 GB	↑ Improving
Product Strategy	Standard STBs	Launched "Genie+" OTT Aggregator	↑ Improving
Finance Costs	₹5.3 Cr (Q4 FY22)	₹2.5 Cr (Q3 FY23)	↑ Improving
Revenue Growth Basis	Gujarat/WB Dominance	Northern/Southern market entry focus	↔ Pivot

Investor Notes: The thesis remains fundamentally unchanged: GTPL is a "pipe" provider transitioning into a "service" provider. However, the *cost* of this transition is now visible in the margins. The achievement of Net Debt Free status while expanding proves the business is self-sustaining, but long-term investors must monitor if the North India expansion results in a permanent downward reset of CATV ARPU or if it's a temporary "entry price" phase. The 60k B2B broadband sub integration is the key variable for Q4 results.