GTPL Hathway Ltd — Jan 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Weak Miss **One-line:** While Revenue growth remains robust (+22% YoY), the quarter was a "Weak Miss" as PAT plummeted 37% due to rising pay-channel costs and a significant slowdown in incremental Broadband subscriber additions.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	EBITDA of □130.5 Cr slightly missed; PAT of □23.8 Cr significantly lower than the ~□40 Cr run-rate sought by analysts.	□
Earnings Quality	Low (Accounting shifts)	Management is pushing "Operating EBITDA" (stripping out activation) to mask a 340 bps YoY compression in Published EBITDA margins.	□
Guidance Confidence	Neutral	Moderated Q4 margin guidance from 20% (stated in Q2) to 17-18%.	□
Management Credibility	Neutral	Successfully reached the 1Mn Broadband sub milestone, but blamed "technical glitches" for a 50% drop in quarterly subscriber run-rate.	□
Business Quality Signal	Stable	Dominant MSO position (#1 in India) is a defensive moat, but the Broadband pivot is proving more capital-intensive than expected.	□
Key Q&A Exchange	Q#3 & Q#4 - PAT & Subs	Mgmt defended a multi-quarter PAT decline and a muted 15k broadband sub addition vs. the 35k target.	□
The Street's Primary Anxiety	Negative Operating Leverage	Why is PAT falling 37% while Revenue grows 22%? Mgmt: "Rhythm is coming back," but high depreciation is the structural drag.	□
Capital Cycle Stage	Investment	High Capex (□305 Cr in 9M) focused on FTTX conversion and geographic expansion.	□
Margin / Return Ratio Trajectory	Deteriorating	EBITDA margins fell from 18.6% to 15.2% YoY; PAT margin halved from 4.9% to 2.7%.	□
Pricing Power	Stable (CATV) / Expanding (ISP)	CATV ARPUs up □5 YoY via NTO 3.0; Broadband ARPU steady at □460 despite competitive intensity.	□
FCF Conversion & Quality	Weak	High Capex (□400 Cr annual target) consumes most of the operating cash, limiting free cash flow.	□
Competitive Moat Signals	Stable	Churn (16-17%) remains lower than the industry average (22-23%) due to strong LCO relationships.	□
Balance Sheet Strength	Strong	Management confirmed all Capex is funded via internal accruals with no fresh borrowing.	□
Working Capital Efficiency	Stable	Metro Cast merger consolidation is complete; receivables appear managed despite consolidated growth.	→
Mgmt Guidance Track Record	Mixed	Met revenue growth targets but consistently misses margin and absolute profit recovery timelines.	□
Key Vulnerability / Red Flag	Broadband Growth Stall	Quarterly net adds dropped to 15k (from ~30k-40k), suggesting B2B technical hurdles and B2C saturation in Gujarat.	□
Management Tone	Defensive	Defensive on PAT degrowth; optimistic on "Operating EBITDA" and future B2B broadband scaling.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** GTPL remains India's largest MSO with 9.4 Mn active subs and has officially entered the "1 Million Club" in Broadband. Geographic diversification is improving, with the South now contributing 17% of business. The balance sheet remains robust, funding a □400 Cr annual capex cycle entirely through internal accruals. * **Negatives:** The "scissors effect" is evident: Revenue is scaling (+22%), but PAT is shrinking (-37%) as the company battles higher pay-channel costs and rising depreciation

(₹90.9 Cr). The Broadband engine, which is the core long-term thesis, saw a sharp slowdown in net adds this quarter (15k vs. historical ~35k), raising concerns about competitive pressure from Jio/Airtel. * **Street Concern:** Analysts are hyper-focused on the lack of bottom-line growth despite massive capital deployment (₹1,000 Cr+ over 3 years). Management's response—to look at "Operating EBITDA" after netting out broadcaster payments —is an attempt to shift focus, but it doesn't change the reality of compressed shareholder returns. * **Watchpoint:** Can Broadband net adds return to the 35k-40k range in Q4? If the "B2B technical glitches" persist, the growth narrative for the stock will require significant revision.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures used as primary source. Concall used for Mgmt Commentary.

Metric	Current Qtr (Q3 FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consolidated)	₹860.7 Cr	↑ 22.1%	↑ 8.9%	↑	Volume driven: 22% YoY increase supported by higher Subscription and ISP revenue.
Gross Margin (%)	46.8%	↓ 110 bps	↓ 40 bps	↓	Compressed by higher Pay Channel Costs (+23% YoY).
EBITDA	₹130.5 Cr	↓ 0.7%	↓ 3.4%	↓	Impacted by deferred activation (₹15.1 Cr) and lower non-operating income.
EBITDA Margin %	15.2%	↓ 340 bps	↓ 190 bps	↓	Management introduced "Operating EBITDA" at 25% to argue core health.
PAT	₹23.8 Cr	↓ 37.0%	↓ 30.8%	↓	Dragged by higher Depreciation/Amortization and Finance costs.
Broadband Subs	1.005 Mn	↑ 12.3%	↑ 1.5%	↑	Milestone reached, but adds were muted (15k) due to B2B glitches and World Cup.
Broadband ARPU	₹460	↑ 1.1%	→ 0.0%	→	Net of taxes; remained flat sequentially.
CATV Paying Subs	8.70 Mn	↑ 4.8%	→ 0.0%	→	Flat QoQ as World Cup gains were offset by post-event churn.
CATV ARPU	~₹124	↑ 4.2%	↑ 0.8%	↑	Estimated from subscription revenue; PPT notes ₹5 annual increase.
Depreciation	₹90.9 Cr	↑ 20.1%	↑ 10.9%	↓	Increase due to high Capex and change in useful life of assets in Q4 FY23.
Net Debt / (Cash)	Cash Surplus	—	—	↑	All capex funded through internal accruals; no borrowing.
Working Capital	Not in document	—	—	—	Q3 PPT lacks a full balance sheet; 9M data implies stability.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin (Operating)	Trend	vs Co. Avg	Key Development
Cable TV (CATV)	₹324.9	↑ 17.1%	25%	→	In-line	Subscription revenue up 17% YoY; 500k active sub growth YoY.
Broadband (ISP)	₹135.2	↑ 8.8%	~25%	↓	In-line	Crossed 1 Mn subs; 75% of 5.6 Mn Homepass is FTTX-ready.
Placement/ Carriage	₹322.7	↑ 27.1%	High	↑	Above	Strong 27% growth YoY; helps offset Pay Channel cost spikes.
EPC/Project	₹41.6	NA	12-13%	↑	Below	BharatNet project for WiFi enabling 8,000 Gujarat villages.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	18-20% CAGR for the year.	Met; 9M FY24 growth stands at 21%.	Delivered	Low
Guidance	Margins	17-18% EBITDA by Q4 FY24.	Needs ~₹160 Cr EBITDA in Q4 (current: ₹130.5 Cr).	Missed (Prior target was 20%).	High
Guidance	Volume (Broadband)	30k-40k adds per quarter.	Needs 45k+ in Q4 to offset Q3's 15k slump.	Missed in Q3.	Moderate
Guidance	Capex Plan	₹400 Cr for FY24.	₹95 Cr required in Q4.	On track (₹305 Cr in 9M).	Low
Strategy	Capital Allocation	Inorganic growth via acquisitions (like Metro Cast).	Opportunistic; Metro Cast delay to Q4.	Mixed (Delays).	Moderate
Strategy	Tech Pivot	GPON/FTTX conversion.	75% Homepass converted.	Consistent	Low
Macro	Industry Headwinds	Consolidation of smaller players.	Ongoing; MSO market share shifts.	Improving	Low
Balance	Debt Target	No fresh borrowing.	All Capex from internal accruals.	Consistent	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verd
1	4.0	Nihar Shah / Crown Capital	Margins	Financials	"Can EBITDA margins reach 20% by Q4?"	Management moderated expectations to 17-18% for Q4, aiming for 20-21% only by the end of FY25. This delay in margin recovery suggests that the "Net Pay Channel Cost" burden remains heavier than previously anticipated.	Precise FY25 roadmap.	3.0	Dela reco
2	3.5	Nihar Shah / Crown Capital	Depreciation	Financials	"What will depreciation look like for this year and next?"	Management expects □340-342 Cr for FY24 (up □20-24 Cr YoY) due to steady □400 Cr annual capex. This creates a permanent floor on non-cash expenses, requiring significant revenue scale to drive PAT growth.	None	5.0	High visib
3	5.0	Vinit Manek / Karma Capital	Profitability	Financials	"Why has absolute PAT halved over 8-9 quarters?"	Management claims the business has finally stabilized after NTO 3.0 and COVID, and that the "rhythm" of PAT growth is returning. If PAT does not rebound to □35-40 Cr/ quarter soon, the massive capex cycle will be viewed as	Specific PAT targets.	2.0	Defe tone

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						value-destructive.			
4	4.5	Vinit Manek / Karma Capital	Broadband	Business Overview	"Why were incremental broadband additions so low (15k)?"	Management blamed the World Cup and "technical glitches" in the B2B segment but expects to return to the 30k-40k range next quarter. This dip suggests GTPL is struggling to scale outside its core B2C Gujarat territory.	Nature of glitches.	3.0	Gro
5	4.0	Vinit Manek / Karma Capital	M&A	Capex and Allocation	"What is the status of the Metro Cast merger?"	Management confirmed a purposeful delay of 1.5 months to finalize technicalities and the new CFO's entry, with completion expected by Feb 2024. This inorganic addition is essential to hitting the 10 Mn CATV sub target.	None	4.0	Spe time
6	3.5	Balasubramanian / Arihant Capital	Geography	Business Overview	"What are the penetration levels across North, South, West, East?"	Management revealed a mix of 35% West, 25% East, 17% South, and 5-6% North. The low North/ South base provides the primary runway for the targeted 10 Mn subscriber milestone.	None	4.0	Reg clari

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7	4.0	Balasubramanian / Arihant Capital	Targets	Management Commentary	"How do you achieve revenue targets with slow realization?"	Management is banking on NTO 3.0 price hikes and a 15-18% subscription revenue CAGR over the next two years. This assumes consumers will absorb further inflationary price increases without significant cord-cutting.	Impact of churn.	3.0	Volu grow
8	3.0	Balasubramanian / Arihant Capital	Capex	Capex and Allocation	"What is the breakdown of the □400 Cr Capex?"	In 9M FY24, □150 Cr went to CATV and □154 Cr to Broadband. The near 50/50 split shows the company is still heavily defending its legacy cable business while trying to grow ISP.	None	5.0	Cap clari
9	4.5	Rama Manohar	Capital Allocation	Capex and Allocation	"What is the use of spending □1,000 Cr if PAT is down 50%?"	Management urged looking at "Operating EBITDA" (25%) rather than P&L EBITDA, arguing that much of the capex is mandatory to maintain the business against churn. This admission highlights that a portion of capex is "maintenance" rather than "growth,"	Specific ROCE math.	2.0	Defe post

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Ver
						diluting overall ROIC.			
10	3.5	Rahul Jain	Churn	Business Overview	"What is our churn vs the industry?"	GTPL's churn is 16-17%, significantly better than the industry's 22-23%, credited to LCO relationship management. This lower churn is the bedrock of their ability to maintain a 9 Mn+ subscriber base.	None	4.0	Con moa
11	4.0	Rahul Jain	Pay Channel	Financials	"Will NTO 3.0 price hikes drive higher churn?"	Management noted that the ground has stabilized after the October-November price implementation. This suggests the worst of the price-hike-related subscriber loss is likely over.	None	4.0	Stal outl
12	3.5	Rahul Jain	EPC	Business Overview	"What is the project income size and margin?"	The Gujarat BharatNet project is a □50 Cr tender with 12-13% margins, providing a small but high-visibility buffer to EBITDA. This income is one-off and will transition to O&M in future quarters.	None	4.0	Mar disc
13	4.0	Vinay Jain / Karma Capital	Broadband	Management Commentary	"Why is our broadband growth slower than	Management explained that they are #1 in Gujarat B2C and are only	Offline debate offer.	2.0	Eva spe

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verd
					the industry (20%)?"	now scaling B2B across the rest of India. The success of the "rest of India" strategy depends entirely on resolving the B2B glitches mentioned earlier.			
14	3.0	Rajiv Jha	Broadband	Management Commentary	"Is 12-13% annual sub growth sustainable?"	Management is targeting a return to 40k-50k additions per quarter once B2B scales. This would imply an acceleration to 15-20% growth, which is optimistic given the Q3 performance.	B2B timeline.	2.5	Opti
15	3.0	Rajiv Jha	ISP Revenue	Management Commentary	"Will ISP revenue growth settle at 16-17%?"	Management broadly agreed but asked for one more quarter for full FY25 estimates. This suggests Q4 will be the litmus test for whether broadband can re-accelerate.	FY25 specifics.	3.0	Wai wat
16	3.5	Srinivasan	CATV	Business Overview	"Is cable TV growth expected to be flattish?"	Management expects to reach nearly 10 Mn subs by expanding into new geographies and leveraging the upcoming IPL and World Cup events.	None	3.0	Eve

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						Major sporting events remain the primary catalyst for set-top box installations.			
17	3.5	Srinivasan	Broadband	Business Overview	"What is the 3-year expansion rate for broadband?"	Management is aiming for a 40k-50k quarterly addition run-rate. Hitting this target would double the subscriber base every 5-6 years.	Specific 3-year target.	3.0	Dire only
18	4.0	Srinivasan	Capex	Capex and Allocation	"Will Capex be funded by debt or accruals?"	Management confirmed 100% funding via internal accruals. This remains the strongest pillar of the thesis—a growth story that doesn't rely on the credit cycle.	None	5.0	Clea

PATTERN FLAGS & SENTIMENT

The recurring theme in this call was the disconnect between "Gross Investment" and "Net Profit." Analysts were visibly skeptical about the multi-year PAT decline despite massive revenue growth and capital expenditure. Management’s pivot to "Operating EBITDA" was a clear attempt to defend the core business's health by stripping out non-cash and one-time items, but the market remains focused on the Published PAT.

Another major theme was the "Broadband Stall." The drop to 15k net adds was a negative surprise, and management’s explanation (B2B glitches/World Cup) felt temporary but unquantified. The friction between the management and analysts on the "offline debate" regarding industry growth vs. GTPL growth indicates a valuation overhang where the market is no longer willing to give GTPL a growth multiple without a re-acceleration in subs.

Analyst Sentiment Verdict: The sentiment was characterized by "Skeptical Caution." While management's credibility on operational execution (reaching 1 Mn subs) is high, their ability to translate scale into earnings power is being questioned. The most significant friction point remains the 16% margin profile vs. the historical 20%+ profile. The credibility of the FY25 recovery plan is now the single biggest risk factor for investors.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Prior Q2 FY24)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
EBITDA Margins	20% by Q4 FY24.	17-18% by Q4 FY24.	~200-300 bps walk-back.	Lower valuation floor.
Broadband Adds	30k-35k run-rate per quarter.	15k in Q3.	50% volume miss in Q3.	Growth thesis stall.
Metro Cast Merger	Completion by end-Dec 2023.	Delayed to Jan/Feb 2024.	~2 month delay.	Integration delay risk.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2 FY24)	This Quarter (Q3 FY24)	Direction
Broadband Milestone	Sub-1 Mn (990k).	Crossed 1 Million (1.005 Mn).	↑ Improving
Quarterly Net Adds	25k additions.	15k additions.	↓ Deteriorating
CFO Appointment	Search/Transition.	Saurav Banerjee joined.	↑ Improving (Stability)
Margin Guidance	20% target for Q4.	17-18% target for Q4.	↓ Deteriorating
Metro Cast Status	Active consolidation.	Purposefully delayed to Q4.	↓ Deteriorating
Finance Costs	□5.0 Cr.	□6.5 Cr.	↓ Deteriorating
Project Income	Zero / Negligible.	□41.6 Cr (BharatNet).	↑ Improving (One-off)

STOP HERE.