GTPL Hathway Ltd — Jul 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline **One-line:** The pivot to a Broadband-led growth story continues with 24% ISP revenue growth, though the quarter was transitionary as CATV subscriber additions remained modest and one-off provisioning hit margins.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Broadband net adds (29k) slowed vs FY22 average, but ISP revenue grew 24% YoY.	□
Earnings Quality	Moderate	EBITDA impacted by □5 Cr one-time provision for doubtful debts following auditor policy alignment (Deloitte).	□
Guidance Confidence	Neutral	Management remains optimistic on B2B broadband expansion; vague on "Genie" conversion pace.	□
Management Credibility	Strong	Maintained Net Debt Free status; disciplined on Capex execution (□86 Cr spent in Q1).	□
Business Quality Signal	Improving	Revenue mix shifting toward higher-margin/stickier Broadband; EPC "noise" is now zero.	□
Key Q&A Exchange	Q#1 - Broadband Slowdown	Mgmt explains net add slowdown via WFH/Education-from-home reversal; gross adds remain high (76k).	□
The Street's Primary Anxiety	Broadband Deceleration	Net adds of 29k were lower than expectations; Mgmt pointed to gross-add strength as the "true" demand signal.	□
Capital Cycle Stage	Investment	Heavy investment in Home-pass (1.5 lakh added) and GPON infrastructure for high-speed fiber.	□
Margin / Return Ratio Trajectory	Deteriorating (Temp)	Consolidated EBITDA margin fell to 21% from 22.5% QoQ due to provisions and STB depreciation.	□
Pricing Power	Stable	Broadband ARPU rock-solid at □450; CATV ARPU flat at ~□119 despite inflationary pressure.	→
FCF Conversion & Quality	Strong	Net Debt Free status (-□5.6 Cr) maintained despite ongoing capex.	□
Competitive Moat Signals	Stable	Largest MSO in India with 8.4Mn subs; GPON upgrade makes fiber transition defensible.	□
Balance Sheet Strength	Strong	Net Worth at □1,032.4 Cr; Gross Debt effectively stagnant at □105.8 Cr.	□
Working Capital Efficiency	Improving	EPC wind-down complete; focus now on core CATV/Broadband collection.	□
Mgmt Guidance Track Record	Reliable	Consistent dividend payout and debt reduction over 6 years.	□
Key Vulnerability / Red Flag	CATV Saturation	CATV Paying Subs flat QoQ at 7.8Mn; business is now a cash cow to fund ISP expansion.	□
Management Tone	Confident	Upbeat on Gujarat fiber penetration and hybrid box enquiries.	□

Sentiment: □Neutral

Key Takeaways: * **Positives:** The business has successfully transitioned away from the low-quality EPC contract revenue (now □0), leaving a clean, high-quality subscription model. Broadband remains the primary engine, with 24% YoY revenue growth and healthy gross additions (76k). The balance sheet remains bulletproof with a Net Debt Free status for the second consecutive quarter. * **Negatives:** Broadband net additions (29k) saw a significant deceleration compared to the ~45k/quarter run rate of FY22, partly due to the "back to office" trend. EBITDA margins were squeezed by a □5 Cr one-time provision and higher depreciation (□69.1 Cr vs □65.4 Cr QoQ) as new STB capitalization hit the books. * **Street Concern:** Analysts were focused on the widening gap between gross and net additions in Broadband. Management's defense—that gross demand is higher than ever—will be tested in Q2 to see if churn stabilizes. * **Forward Watchpoint:** The success of the "B2B/Partner" model for Broadband and the adoption rate of the "GTPL Genie" hybrid box will determine if the company can maintain double-digit revenue growth as CATV reaches saturation.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q1FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Active CATV Subs (Mn)	8.40	↑ 5%	→ 0%	→	Maintained leadership; churn arrests observed post-COVID.
Paying CATV Subs (Mn)	7.80	↑ 7%	→ 0%	→	Volume-driven growth from rural expansion.
CATV ARPU (□)	~119	↓ 0.8%	↓ 0.8%	↓	Marginal drop due to mix shift toward lower-ARPU markets.
Broadband Subs ('000)	835	↑ 22%	↑ 4%	↑	Net adds of 29k; Gross adds were 76k (90% from Gujarat).
Broadband ARPU (□)	450	↑ 2%	→ 0%	→	Pricing held firm despite competitive intensity.
Data Consumption/ Sub	260 GB	↑ 17%	→ 0%	↑	Indicates high stickiness and "essential" nature of fiber.
Revenue (Ex-EPC) (□Cr)	645.4	↑ 10%	↑ 4%	↑	Driven by 24% ISP growth and 3% CATV sub growth.
EBITDA (Ex-EPC) (□ Cr)	135.4	↓ 1%	↓ 3%	↓	Impacted by □5 Cr provision and Deloitte policy alignment.
EBITDA Margin %	21.0%	↓ 160bps	↓ 150bps	↓	Compression from provisions and lower activation income.
PAT (□Cr)	43.3	↓ 9%	↓ 22%	↓	Hit by higher depreciation and marginal margin compression.
CFO/PAT (%)	Not Stated	N/A	N/A	N/A	Quarterly cash flow statement not provided in PPT.
Net Debt / (Cash) (□ Cr)	(5.6)	↑ 97%	↓ 67%	↓	Remained Net Debt Free; Cash position slightly lower vs Q4.
Interest Coverage	56.4x	↑ 18%	↑ 34%	↑	Finance costs fell 43% QoQ to □2.4 Cr.
Home-pass (Mn)	4.85	↑ 18%	↑ 3%	↑	Added 1.5 lakh home-pass; 65% available for FTTX.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Cable TV (CATV)	511.7*	↑ 7.4%	~18-20%	→	Below	Inorganic pipeline strong for Q2-Q4; 5k Genie boxes seeded.
Broadband (ISP)	113.9	↑ 24.1%	~35-40%	↑	Above	24% revenue growth; B2B partner model launching.
EPC Project	0.0	↓ 100%	N/A	↓	Below	Project complete; O&M income now in "Other Operating."
**Calculated as Subscription (272.7) + Placement/Carriage (211.4) + Activation (14.0) + Misc Operating (13.6).*						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Broadband Growth	Expect "good growth" to continue; aiming for earlier trends.	Needs ~40k-50k net adds/ qtr to match FY22 performance.	Slowdown this quarter (29k) vs FY22.	Moderate
Guidance	Capex Plan	₹450 Cr for FY23.	₹112.5 Cr/quarter; Q1 was ₹86 Cr (under-running).	FY22 spent ₹363 Cr.	Low
Guidance	EBITDA Margins	Expect margins to improve from here.	Requires reversal of one-off provisions (₹5 Cr) and scale.	Margin compression this quarter.	Moderate
Strategy	Expansion	Geographic entry into MP, North-East, and Tamil Nadu.	Already have 0.5Mn subs in TN; focus on MP/Tripura.	Delivered new market entry.	Low
Strategy	Product	GTPL Genie (OTT Combo) to drive stickiness.	Only 5k seeded; needs mass adoption to impact ARPU.	Early stage.	High
Strategy	Inorganic	Pipeline of acquisitions for Q2-Q4.	Dependent on valuation and LCO willingness.	None in Q1.	Moderate
Macro	Regulatory	NTO 2.0 implementation by Dec 2022.	Neutral stance; awaiting final TRAI contours.	Repeated delays (July to Dec).	Low
Balance	Debt	Maintain Net Debt Free status.	Achieved; cash flow supports capex.	Strong delivery.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Amitabh / Cera Capital	Broadband Deceleration	Business Overview	Why are broadband net additions only 29k despite 8.4Mn cable subs?	Management cited post-COVID normalization (people returning to offices/ schools) but emphasized that gross additions are actually increasing. The disconnect suggests high churn; investors must monitor if gross adds can outpace churn in Q2.	Specific churn percentage.	3.0	Directional
2	4.0	Amitabh / Cera Capital	Hybrid Box Performance	Business Overview	Have the technical delays (channel switching lag) in the hybrid box been fixed?	Management confirmed all technical issues are sorted, which had delayed the launch by 1.5 months. This clears a major operational hurdle for the "Genie" product's mass rollout.	None	4.0	Verified
3	4.5	Shailendra M / Veda Financials	Margin Flatness	Financials	Why were results flat QoQ despite growth?	EBITDA was hit by a □5 Cr one-time provision for doubtful debts due to policy alignment with the new auditor (Deloitte). Normalized EBITDA would have been ~□140	None	5.0	Quantified

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						Cr, showing underlying stability.			
4	4.0	Shailendra M / Veda Financials	Depreciation Spike	Financials	Why is depreciation so high this quarter?	Higher depreciation is due to the capitalization of newly procured hybrid set-top boxes (STBs) starting this quarter. This is a non-cash item but will continue to weigh on reported PAT in the near term.	None	5.0	Clear
5	3.5	Hardik Jain / ISJ Securities	Broadband Churn	Business Overview	What were the gross additions this quarter?	Gross additions were 76,000, implying a churn of ~47,000 subs. High churn is a risk, but 90% of additions coming from Gujarat shows continued home-turf dominance.	Non-Gujarat gross adds.	4.0	Specific
6	4.0	Hardik Jain / ISJ Securities	Scalability	Financials	Does bandwidth cost decrease with scale?	Management confirmed bandwidth costs can drop to 8-10% of revenue as scale increases through negotiation with telcos like Airtel/Jio. This provides a clear path	None	4.0	Direct

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						to margin expansion as the sub base grows.			
7	4.5	Bhupendra Tiwari / ICICI Direct	Core Stagnation	Management Commentary	Why has cable EBITDA been flat for 3 years?	Management argued that "activation revenue" (deferred accounting) has been depleting, masking underlying subscription EBITDA growth. The removal of accounting noise is essential to see the core business's 2-3% QoQ growth.	Precise sub-EBITDA growth.	3.0	Structural
8	4.0	Sanketh / Kedia Securities	Home-pass Utility	Business Overview	How should investors value home-pass?	Home-pass represents the "capability" to connect a customer within 24-48 hours. With 4.85Mn home-passes and only 835k subs, the company has massive "pre-invested" growth capacity.	Conversion cost per sub.	4.0	Conceptual
9	3.5	Keshav / RakSan Investors	Cost Structure	Financials	Are there escalation clauses in bandwidth costs?	No, management negotiates hard and treats bandwidth as a commodity, typically	None	5.0	Specific

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						achieving discounts even as volume increases. This insulates margins from inflationary cost spikes in data transit.			

PATTERN FLAGS & SENTIMENT

Themes: * **The Churn Dilemma:** Analysts were hyper-focused on the gap between 76k gross adds and 29k net adds in Broadband. Management's posture was defensive, attributing the gap to a one-time "post-COVID" normalization. This remains the most critical "live" concern for the growth thesis. * **Accounting Cleanliness:** The transition to Deloitte as auditor led to a ₹5 Cr provision and a policy shift. While it hit this quarter's numbers, management was transparent about it, which likely improved long-term credibility despite the short-term PAT miss. * **Cable TV Maturity:** There is a growing consensus that the CATV business is in a "maintenance" phase. Management's shift toward inorganic growth (M&A) and hybrid boxes ("Genie") indicates they are now focused on defending the base rather than organic volume expansion.

Analyst Sentiment Verdict: The room was skeptical regarding the Broadband net-add deceleration but relieved by the clarification on one-off provisions. Management's credibility remains high due to their debt-free status and transparent accounting of the "noisy" items. The primary unresolved risk is whether Broadband net additions can return to the 40k+ levels seen in previous quarters.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Prior Q)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Broadband Adds	Implied steady growth.	Net adds dropped to 29k.	Significant QoQ deceleration (from ~55k in Q4).	Growth trajectory questioning.
NTO 2.0	Expected implementation.	Now delayed to Dec 2022.	Regulatory timeline pushed back again.	Delayed catalyst for ARPU.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4 FY22)	This Quarter (Q1 FY23)	Direction
Broadband Net Adds	~55,000	29,000	↓ Deteriorating
EPC Revenue	□6.9 Crore	□0.0 Crore	↓ (Quality ↑)
EBITDA Margin	22.5%	21.0%	↓ Deteriorating
Depreciation	□65.4 Crore	□69.1 Crore	↓ Higher Charge
One-off Hits	□12 Cr Insurance Hit	□5 Cr Doubtful Debt Provision	↑ Improving
Finance Cost	□4.2 Crore	□2.4 Crore	↑ Improving
CATV Paying Subs	7.80 Million	7.80 Million	→ Stable
Net Cash Pos.	□17.1 Crore	□5.6 Crore	↓ Decreasing
Auditor Policy	Standalone policies	Deloitte Group-aligned	↑ Quality ↑
Management Tone	Cautiously Optimistic	Aggressively expanding B2B	↑ More Confident

Investor Notes: * **Broadband Deceleration:** The drop from 55k to 29k net adds is the most significant change. While management calls it a "post-COVID shift," another quarter of sub-30k adds would require a downward revision of the long-term growth terminal value. * **Quality of Earnings:** Removing the EPC segment completely results in a "purer" business model. The EBITDA margin, while lower, is now reflective of the core recurring subscription business. * **Hybrid Box Traction:** The seeding of 5,000 Genie boxes is the first measurable data point for this strategy. The "moderate" response suggests this is a long-term defense play rather than an immediate ARPU booster.