

GTPL Hathway Ltd — Jul 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline / Beat (on Revenue) **One-line:** Strong revenue growth (+21% YoY) and a recovery in profitability from the "kitchen-sinking" Q4 are overshadowed by a massive spike in receivables and a slight QoQ dip in broadband ARPU.

| Dimension | This Quarter | Signal / Evidence | Sentiment |
|---------------------------------------|-------------------------|------------------------------------------------------------------------------------------------------------------------------|-----------|
| Beat/Miss vs Guidance / Prior Quarter | Inline | EBITDA of ₹125.8 Cr is a recovery from Q4 but still below the ₹158 Cr/qtr run-rate needed to hit mgmt's ₹600 Cr FY24 target. | □ |
| Earnings Quality | Moderate | PAT recovered to ₹36.0 Cr (from -₹12.4 Cr), but CFO is likely under pressure due to a ₹189 Cr jump in receivables. | □ |
| Guidance Confidence | Neutral | Mgmt maintains ₹450 Cr capex and 1 Mn annual sub addition targets, but EBITDA run-rate is lagging. | □ |
| Management Credibility | Strong | Strategically used non-cash assets (STBs) to acquire control of Metro Cast; NTO 3.0 implementation was smooth. | □ |
| Business Quality Signal | Improving | Pivot to FTTX (75% of base) and inorganic expansion in Karnataka/Maharashtra solidifies the "regional fortress." | □ |
| Key Q&A Exchange | Q#10 - Operating Income | Mgmt defends the ₹600 Cr EBITDA target despite the Q1 start, citing partial NTO 3.0 impact. | □ |
| The Street's Primary Anxiety | ARPU & Competition | Analysts questioned the ₹5 QoQ dip in Broadband ARPU and the threat of Jio AirFiber. | □ |
| Capital Cycle Stage | Investment | Continued high capex (₹99 Cr this quarter) for FTTH conversion and STB-led acquisitions. | □ |
| Margin / Return Ratio Trajectory | Stabilizing | EBITDA margin recovered to 16.1% (from 15.9%) but remains far below the 20%+ levels of FY22. | □ |
| Pricing Power | Expanding (CATV) | Successfully took 15% price hikes at consumer level and 7-8% at LCO level under NTO 3.0. | □ |
| FCF Conversion & Quality | Weak | Negative working capital swing (Receivables +₹189 Cr) likely consumed all operating cash this quarter. | □ |
| Competitive Moat Signals | Widening | Acquisition of Metro Cast (4.5 Lac subs) adds immediate scale in high-potential South Indian markets. | □ |
| Balance Sheet Strength | Strong | Remains Net Debt Free; using cash and inventory for inorganic growth. | □ |
| Working Capital Efficiency | Deteriorating | Trade receivables spiked to ₹481 Cr (up from ₹292 Cr in Q4) due to transition-phase broadcaster dues. | □ |
| Mgmt Guidance Track Record | Mixed | Consistent on sub additions; currently "catching up" on absolute EBITDA targets. | □ |
| Key Vulnerability / Red Flag | Receivable Aging | 5-month credit cycle (up from 3 months) with broadcasters creates liquidity drag. | □ |
| Management Tone | Confident | Posture was assertive regarding the survival of fixed-line fiber against wireless 5G/AirFiber. | □ |

Sentiment: □Neutral

Key Takeaways: * **Positives:** The CATV business has successfully transitioned through the NTO 3.0 regulatory hurdle, achieving meaningful price hikes without mass churn. The inorganic strategy is accelerating; the Metro Cast acquisition adds 4.5 Lac subscribers at a total equity value of ~₹73 Cr, largely funded by inventory (STBs) rather than pure cash. Broadband volume remains a growth engine, adding 115k subs YoY. * **Negatives:** Profitability is struggling to keep pace with revenue growth. While revenues grew 21%, EBITDA fell 7% YoY as pay-channel costs surged 35% following NTO 3.0. The Broadband ARPU dipped to ₹460 (from ₹465 in Q4), suggesting some pricing pressure or a mix-shift toward entry-level plans. * **Street Concern:** Analysts are hyper-focused on whether fixed broadband can survive the upcoming Jio AirFiber launch. Management's defense is clear: 90% of India's low-rise geography is better served by fiber, and "fiber is the backbone" of any wireless tech. * **Watchpoint:** Q2 FY24 will be the "clean" quarter for NTO 3.0. We need to see EBITDA cross ₹150 Cr to believe the ₹600 Cr annual guidance is achievable.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

| Metric | Current Qtr | YoY Change | QoQ Change | Trend | Mgmt Commentary |
|-------------------------------|-------------|------------|------------|-------|--------------------------------------------------|
| Active CATV Subs (Mn) | 9.05 | ↑ 7.7% | ↑ 1.1% | ↑ | Volume driven; added 650k subs YoY. |
| Paying CATV Subs (Mn) | 8.30 | ↑ 6.4% | ↑ 1.2% | ↑ | Recovered from 100k blackout loss in Q4. |
| Broadband Subs ('000) | 920 | ↑ 14.3% | ↑ 2.8% | ↑ | Volume growth; added 115k new subs YoY. |
| Broadband ARPU (₹) | 460 | ↑ 2.2% | ↓ 1.1% | ↓ | Increased ₹10 YoY but dipped ₹5 QoQ. |
| Revenue (₹Cr) | 780.6 | ↑ 21.0% | ↑ 11.2% | ↑ | Growth driven by CATV (+9%) and ISP (+13%). |
| Gross Margin (%) | 43.3% | ↓ 590 bps | ↓ 190 bps | ↓ | Hit by 35% YoY surge in Pay Channel Costs. |
| EBITDA (₹Cr) | 125.8 | ↓ 7.1% | ↑ 13.1% | ↑ | Recovery from Q4 "kitchen sinking." |
| EBITDA Margin % | 16.1% | ↓ 490 bps | ↑ 20 bps | → | Expansion of 260 bps vs stand-alone basis. |
| PAT (₹Cr) | 36.0 | Not in doc | ↑ 390.3% | ↑ | Recovered from ₹12.4 Cr loss in Q4. |
| Cash Flow (OCF) | Not in doc | Not in doc | Not in doc | □ | Receivables spike of ₹189 Cr indicates poor OCF. |
| Net Debt / (Cash) (₹Cr) | (75.9) | → | → | → | Mgmt confirmed remaining Net Debt Free. |
| Working Capital (Receivables) | 481.0 | ↑ 64.7% | ↑ 64.7% | ↓ | Spike due to broadcaster dues under NTO 3.0. |

2B. SEGMENT BREAKDOWN

| Segment | Revenue (₹ Cr) | YoY Growth | Margin | Trend | vs Co. Avg | Key Development |
|---------------------|----------------|------------|--------|-------|------------|-----------------------------------------------|
| CATV Subscription | 298.1 | ↑ 9.0% | ~16% | ↑ | Inline | Partial impact of NTO 3.0 price hikes. |
| Broadband (ISP) | 129.2 | ↑ 13.0% | ~40% | ↑ | Above | 75% Homepass is FTTH; Avg data 310GB/mo. |
| Placement/ Carriage | 313.5 | ↑ 48.0% | High | ↑ | Above | Critical for offsetting pay-channel costs. |
| Activation | 5.2 | ↓ 46.0% | N/A | ↓ | Below | Transition away from upfront activation fees. |

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

| Dimension | Category | Management Target / Claim | Required Run-Rate / Mathematical Feasibility | Historical Delivery | Risk Flag |
|-----------|--------------|-----------------------------------------|----------------------------------------------------|-------------------------------|-----------|
| Guidance | EBITDA | ₹600 Cr for FY24. | Needs ₹158.1 Cr/qtr for Q2-Q4. Current: ₹125.8 Cr. | Missed FY23 target (₹516 Cr). | High |
| Guidance | Capex Plan | ₹450 Cr for FY24. | Needs ₹117 Cr/qtr. Q1 Actual: ₹99 Cr. | On track. | Low |
| Guidance | Volume (ISP) | 10-15% sub growth. | 1.05 Mn subs by FY24 end. Current: 0.92 Mn. | Consistently met. | Low |
| Strategy | Acquisitions | 50.10% stake in Metro Cast by Dec 2023. | Already at 34.34%; STB supply to bridge the rest. | First major deal. | Moderate |
| Strategy | Tech Pivot | 100% FTTH for new customers. | Infrastructure ready (5.4 Mn Homepass). | 90% GPON done. | Low |
| Macro | Regulatory | Full NTO 3.0 impact in Q2. | Expect CATV ARPU to rise 8-10%. | Delayed but live. | Moderate |

4. ANALYST Q&A

| Q# | Relevance | Analyst / Firm | Theme Cluster | Category | Underlying Concern | Management Response & Investment Implication | Evaded / Not Addressed | Credibility | Verdict |
|----|-----------|----------------------------|-----------------|-------------------|-------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|-------------|----------------------|
| 1 | 3.5 | Gaurav / Individual | FY23 Expenses | Financials | "Revenue increased by ₹265 crores but expenses also increased from ₹300 crores. What was the reason?" | Management attributed the FY23 expense spike to infrastructure expansion and ₹15-16 Cr of one-time Q4 admin costs. This explains the margin contraction in FY23 but raises the hurdle for operating leverage in FY24. | Specific breakdown of admin costs. | 3.0 | Vague on opex |
| 2 | 4.5 | Gaurav / Individual | AGR Litigation | Governance | "What is the status of the ₹975 Cr AGR dues in the Supreme Court litigation?" | Management clarified that the case involves a dispute over whether CATV revenue prior to FY16 should be included in broadband license fee calculations. While no new movement occurred this quarter, the disclosure is maintained as a conservative measure; any adverse ruling would be a thesis-breaker. | Ratio of CATV vs Internet in the ₹975 Cr demand. | 3.0 | Legal overhang |
| 3 | 3.0 | Saket Kapoor / Kapoor & Co | Revenue Drivers | Business Overview | "If you could give us some color on the factors that drive these | Management emphasized that growth will be driven by the core | Quantitative segment guidance. | 4.0 | Directional evidence |

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| | | | | | segments and how are they likely to shape up?" | three: Subscription CATV, Broadband ISP, and Placement/ Carriage income. Investors must monitor "Net Pay Channel Cost" (Pay Channel Cost minus Placement Income) to judge true CATV health. | | | |
| 4 | 4.0 | Saket Kapoor / Kapoor & Co | NTO 3.0 Timing | Business Overview | "Is the growth in the subscriber base only the key reason for the 8% growth in subscription?" | Management revealed that Q1 only reflects 1.5 to 2 months of the NTO 3.0 price hike, which was implemented effectively from April 15. This implies Q2 revenue should see a further step-up as the full 3-month cycle is captured. | None | 5.0 | Specific catalyst |
| 5 | 3.5 | Saket Kapoor / Kapoor & Co | Capex sourcing | Capex and Allocation | "Where are we sourcing the cable segment domestically? And for the OFC also?" | Management identified Sterlite, Polycab, and Birla as their primary fiber and cable suppliers. Consistent domestic sourcing reduces FX risk on the ₹200-250 Cr | None | 5.0 | Supply chain clarity |

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| | | | | | | annual broadband infrastructure spend. | | | |
| 6 | 4.0 | Ranjit Zhaveri / Individual | NTO Pricing | Management Commentary | "Will we fully pass on the rising channel MRP to our customers?" | Management confirmed 15% hikes at the customer level and 7-8% at the LCO level were implemented smoothly without chaos. This validates the company's pricing power and the stickiness of the LCO-MSO model during regulatory shifts. | None | 5.0 | Pricing power confirmed |
| 7 | 3.5 | Ranjit Zhaveri / Individual | Capex Purpose | Capex and Allocation | "Will the capex primarily be infrastructure up-gradation... and how it will help counter customer attrition?" | Management explained CATV capex is for STBs while Broadband capex is for FTTH (Fiber to the Home) last-mile equipment. Moving customers to FTTH is the primary churn-reduction strategy, as fiber offers superior reliability over traditional cable. | Quantification of churn reduction. | 3.0 | Strategy-led |
| 8 | 4.0 | | Sub Growth Mix | Management Commentary | "How much of it going | Management is targeting a | None | 4.0 | Growth roadmap |

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| | | Rahul Shah / Individual | | | forward will be natural and how much through acquisitions?" | 50/50 split between organic growth and inorganic regional consolidation. This suggests an aggressive M&A pipeline to reach their goal of adding 1 million subscribers annually. | | | |
| 9 | 4.5 | Ram Manohar Reddy / Individual | Metro Cast Subs | Capex and Allocation | "Are the 4,50,000 Metro Cast subscribers included in the 8.3 lakhs or still not?" | Management confirmed Metro Cast numbers are not yet included as the acquisition concluded on June 30; line-by-line consolidation starts in Q2. This provides a clear inorganic revenue "step-up" for the upcoming quarter's financials. | None | 5.0 | Inorganic tailwind |
| 10 | 4.5 | Ram Manohar Reddy / Individual | EBITDA Run-rate | Financials | "Last call you discussed operating income of ₹600 crores. Current quarter we made ₹125 crores. Are you on track?" | Management maintained they are on the path to the ₹600 Cr goal because the full impact of NTO 3.0 revenue has yet to hit the P&L. This puts massive pressure on | None | 3.0 | Guidance on probation |

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| | | | | | | Q2/Q3 performance; anything less than ₹150 Cr EBITDA next quarter will signal a guidance miss. | | | |
| 11 | 3.5 | Ram Manohar Reddy / Individual | Opex Trajectory | Financials | "Operating administrative expenses also are not coming down. Is it possible for those expenses to come down?" | Management admitted a 4% rise this quarter but targets stabilizing these costs to improve margins. The inability to show absolute opex reduction suggests that "operating leverage" is still 1-2 quarters away. | Specific cost-cutting targets. | 2.0 | Defensive tone |
| 12 | 4.0 | Saket Kapoor / Kapoor & Co | Metro Cast Deal | Capex and Allocation | "If you could explain the entire transaction... how are these values, Metro Cast?" | Management disclosed they paid ₹25 Cr cash for 34.34% and will supply ₹23 Cr worth of STBs to reach 50.10%. This is a highly efficient "inventory-for-equity" swap that preserves cash while gaining a 4.5 Lac sub footprint in Karnataka. | Valuation multiples used. | 5.0 | Creative dealmaking |
| 13 | 3.0 | | | Financials | | | None | 4.0 | |

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| | | Saket Kapoor / Kapoor & Co | Depreciation Policy | | "What is the amount we should consider in terms of this ₹35 crores quarterly run rate... STBs getting redundant?" | Management clarified they follow an 8-year straight-line depreciation policy for STBs and do not see redundancy issues. This reassures that there are no hidden asset-impairment landmines similar to the LAN-equipment hit in Q4. | | | Policy consistency |
| 14 | 3.5 | Saket Kapoor / Kapoor & Co | Maintenance Capex | Capex and Allocation | "What portion is towards maintaining infrastructure vs deepening the network?" | Management revealed that ₹50-60 Cr per year is maintenance capex for STBs (replacing churned boxes). High maintenance spend is a structural drag on FCF, requiring significant growth to justify the total ₹450 Cr outlay. | Fiber maintenance capex. | 3.0 | Capital intensity |
| 15 | 4.0 | Saket Kapoor / Kapoor & Co | Tech Threat/ 5G | Business Overview | "How is technological advancement (5G/AirFiber) a threat to the business model?" | Management argued that fixed wire-line is more robust for high-bandwidth needs and that 5G/AirFiber coverage in | Competitive pricing response. | 4.0 | Moat defense |

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| | | | | | | India is limited by density and terrain. This indicates mgmt is betting on the "physical pipe" moat being superior to wireless spectrum in rural and low-rise urban areas. | | | |
| 16 | 4.0 | Rikesh Parikh / Rockstud | ARPU Increase | Financials | "From where should our ARPU increase... can we look at it from 475, 480?" | Management expects 8-10% growth in CATV ARPU (~₹120-123 range) starting from Q2. This provides a clear, measurable KPI for the next earnings call to verify the NTO 3.0 success. | None | 4.0 | Verifiable target |
| 17 | 4.5 | Rikesh Parikh / Rockstud | Receivables Spike | Financials | "What was the data point on receivables? March it was around ₹292 crores?" | Management confirmed receivables jumped to ₹481 Cr, driven entirely by broadcaster dues (placement/marketing). The cycle has extended from 90 days to 150 days; if this doesn't normalize by Q4, it signals a structural | None | 4.0 | Working capital risk |

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| | | | | | | deterioration in bargaining power with broadcasters. | | | |
| 18 | 3.0 | Rikesh Parikh / Rockstud | Bad Debt Recovery | Financials | "Any recovery out of the ₹19 Cr write-off from last quarter?" | Management admitted no recovery has occurred this quarter. This suggests the Q4 write-off was indeed permanent, and investors should not expect a "one-off" gain reversal in FY24. | None | 5.0 | Realist outlook |
| 19 | 2.5 | Ketan Athavale / Robocapital | Tax Rate | Financials | "Effective tax rate going ahead?" | Management guided for a stable 26.2% tax rate for FY24 and FY25. Improves EPS predictability for modeling. | None | 5.0 | Precise guidance |
| 20 | 2.5 | Ram Manohar Reddy / Individual | AGM Delay | Governance | "Any reason for delay in AGM this year?" | Management attributed the delay to the death of Independent Director Mr. Chovatia and the subsequent need to appoint a successor. Resolves minor governance anxiety. | None | 5.0 | Legitimate reason |
| 21 | 4.0 | Saket Kapoor / Kapoor & Co | Fiber vs 5G | Business Overview | "How are we going to showcase our products when 5G broadband | Management requested a one-to-one discussion for technical details but | Direct public comparison. | 2.0 | Deflected |

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maintained that fiber's robustness is unmatched. This "offline" pivot suggests management might be sensitive about discussing competitive vulnerabilities in a public forum.

services come into play?"

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|----|-----|--------------------------------|---------------------|-----------------------|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----|-------------|
| 22 | 3.5 | Ram Manohar Reddy / Individual | Broadband Upselling | Management Commentary | "Is there any effort from company side to reach the 9 million cable customers for broadband?" | Management highlighted that 65% of their base is in Phase III/ IV (rural) markets where broadband penetration is low. The synergy between cable and ISP remains the core "low-hanging fruit" for the next 3-5 years of growth. | Conversion rate targets. | 3.0 | Qualitative |
|----|-----|--------------------------------|---------------------|-----------------------|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----|-------------|

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|----|-----|----------------------------|----------------|-------------------|-------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|-----|------------------|
| 23 | 3.0 | Saket Kapoor / Kapoor & Co | High-rise Cost | Business Overview | "Does cost go down considerably in a complex or high-rise?" | Management agreed that customer concentration improves ROI but noted that maintenance effort is also higher. Reinforces that urban density is the battleground where fiber | None | 4.0 | Operation nuance |
|----|-----|----------------------------|----------------|-------------------|-------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|-----|------------------|

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margins are highest.

PATTERN FLAGS & SENTIMENT

- **The NTO 3.0 Transition Noise:** Analysts were clearly looking for the "financial prize" of the NTO 3.0 price hikes. While management confirmed the hikes were taken, the Q1 numbers only showed a partial benefit, leading to anxiety about the absolute EBITDA run-rate. The spike in receivables (from 90 to 150 days) is the "cost" of this transition, and management's tone was defensive but optimistic that this would normalize by Q4.
- **The "Fiber as a Fortress" Strategy:** A recurring theme was the threat of 5G and AirFiber. Management's posture was confident, almost dismissive of wireless as a replacement for high-bandwidth home fiber. They are doubling down on FTTH capex, signaling that they believe the "physical pipe" is a moat that Jio's wireless tech cannot easily breach in the sprawling, low-rise Indian landscape.
- **Inorganic Growth vs. FCF:** The Metro Cast deal was used to demonstrate management's ability to consolidate the market without draining the cash reserve. By using STB inventory as "currency," they addressed analyst concerns about capital allocation. This deal-making credibility helps offset the frustration over stagnant EBITDA.

Analyst Sentiment Verdict: Analysts were **skeptical but appreciative of the recovery**. Friction remains high regarding the missing operating leverage—revenues are scaling, but margins are not yet returning to historical peaks. Management's credibility was bolstered by the clean recovery from the negative Q4 PAT, but they are now "on the clock" to deliver a massive Q2 to hit their ₹600 Cr EBITDA target.

GUIDANCE GAPS REVEALED IN Q&A

| Topic | What Mgmt Claimed (Opening / Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis |
|-----------------|---------------------------------------|----------------------------------------|---------------------------------------------------------------------------|---------------------------------|
| EBITDA Target | Aiming for ₹600 Cr in FY24. | Q1 EBITDA was ₹125.8 Cr. | Requires a 25% jump in average quarterly EBITDA for the rest of the year. | High risk of a guidance miss. |
| Broadband ARPU | Targeting ₹475-480 range. | Current ARPU is ₹460 (down from ₹465). | Actual performance is moving opposite to the long-term target. | Margin erosion in ISP. |
| Working Capital | Standard 90-day cycle. | Current cycle is ~150 days. | Significant cash flow drag not highlighted in opening remarks. | Liquidity / Interest cost risk. |

5. WHAT CHANGED vs PRIOR QUARTER

| What Changed | Prior Quarter (Q4 FY23) | This Quarter (Q1 FY24) | Direction |
|----------------------------|--------------------------------|-------------------------------|-----------------|
| PAT | (₹12.4) Cr (Negative) | ₹36.0 Cr (Positive) | ↑ Improving |
| Broadband ARPU | ₹465 | ₹460 | ↓ Deteriorating |
| Receivables | ₹292 Cr | ₹481 Cr | ↓ Deteriorating |
| CATV Pricing | Legacy NTO rates | NTO 3.0 Hikes (+15% Customer) | ↑ Improving |
| Inorganic Portfolio | No major pending deals | Metro Cast (4.5L subs) added | ↑ Improving |
| Management Tone | Defensive (Explaining Q4 loss) | Confident (Executing NTO 3.0) | ↑ Improving |
| EBITDA Margin | 15.9% | 16.1% | → Stable |

Investor Notes: * **The Good:** GTPL has successfully passed through the regulatory storm of NTO 3.0. Subscription revenues are up, and the acquisition of Metro Cast was structured brilliantly using excess inventory rather than cash. * **The Bad:** The ₹189 Cr jump in receivables is a red flag. It suggests that while GTPL has billed higher amounts, the cash collection from the ecosystem is lagging. Furthermore, the ₹5 dip in Broadband ARPU needs to be watched—if this is the start of a "price war" with Jio, the ISP segment's 40% margins are at risk. * **The Thesis:** Stay invested, but shift from "Growth at any price" to "Monitoring Cash Conversion." The next two quarters are critical to prove that NTO 3.0 is a margin expander and not just a revenue inflator.

STOP HERE.