

GTPL Hathway Ltd — Jul 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Inline on Revenue / Miss on EBITDA and Margins **One-line:** Revenue growth remains steady in a mature market, but the thesis is under pressure as aggressive infrastructure spending and a shift toward lower-margin B2B broadband are diluting profitability and slowing FCF conversion.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Mixed (Rev Inline, EBITDA Miss)	Revenue grew 9% YoY; however, EBITDA margins compressed by 190bps YoY.	☐
Earnings Quality	Low (Cost capitalization/ Depr. drag)	PAT growth aided by lower NCI, but core Operating EBITDA margins are slipping.	☐
Guidance Confidence	Neutral	Management targeting double-digit sub revenue but broadband growth has slowed.	☐
Management Credibility	Neutral	Explained margin drop as "pre-emptive infra build-up," but growth hasn't followed.	☐
Business Quality Signal	Deteriorating	Rising depreciation and interest costs indicate a more capital-intensive cycle.	☐
Key Q&A Exchange	Q# 2 (Margin vs Spends)	Mgmt admitted infrastructure was built for growth that didn't materialize yet.	☐
The Street's Primary Anxiety	Negative Operating Leverage	Spends on "Other Expenses" are rising much faster than top-line revenue.	☐
Capital Cycle Stage	Investment	Sustained ₹350-400 Cr annual capex to defend and slowly grow market share.	☐
Margin / Return Ratio Trajectory	Deteriorating	Consolidated EBITDA margins fell from 16.1% to 14.2% YoY.	☐
Pricing Power	Stable to Eroding	Broadband ARPU flat at ₹460; Cable ARPU growth dependent on NTO 3.0.	☐
FCF Conversion & Quality	Weak	High capex and rising interest costs are eating into free cash flow.	☐
Competitive Moat Signals	Stable	Largest MSO status intact; TVKey Cloud partnership with Samsung is a moat-add.	☐
Balance Sheet Strength	Strong	Net Debt/Equity remains low at 0.12 (FY24).	☐
Working Capital Efficiency	Stable	100% prepaid base in Cable TV; ₹3 Cr bad debt provision in Q1.	☐
Mgmt Guidance Track Record	Mixed	Historical broadband growth of 150k+/yr has slowed to a ~40k/yr run-rate.	☐
Key Vulnerability / Red Flag	Negative Operating Leverage	"Other Operating Expenses" grew 15% YoY vs 9% Revenue growth.	☐
Management Tone	Defensive	Mgmt was defensive regarding high costs and the "euphoria" of competitors.	☐

Sentiment: ☐Positive | ☐Negative | ☐Neutral

Key Takeaways (Positives & Negatives): * **Positives:** GTPL continues to consolidate the fragmented Cable TV market, adding 550k active subscribers YoY. The "TVKey Cloud" partnership with Samsung is a genuine innovation that reduces subscriber acquisition costs (no STB needed) and targets a 10 million TV install base. The balance sheet remains under-leveraged (Net Debt/Equity 0.12), providing a safety net for inorganic acquisitions. * **Negatives:** The "growth engine" (Broadband) is stalling, with net additions falling to just 10k this quarter, far below the historical run-rate of 30k+. Profitability is being squeezed from both ends: (1) Higher Opex (15% YoY) due to premature infrastructure build-up and (2) Higher Depreciation/Interest costs as the business becomes more capital-heavy. The pivot to B2B broadband carries high commission costs (50-60%), further diluting margins. * **Street Concern:** Analysts are primarily worried that the company is spending for a level of growth that isn't showing up, leading to a structural decline in EBITDA margins (now 14.2% vs ~16-18% historically). * **Forward Watchpoint:** Monitor the "Double Digit" subscription revenue target for FY25; failure to achieve this would confirm that high capex is failing to drive commensurate realizations.

2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures used as primary source. Concall used for Mgmt Commentary column and any number absent from PPT.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	850.6	↑ 9%	↑ 4%	↑	Growth driven by placement/marketing incentives (+13%) and CATV sub (+7%).
Broadband Revenue (₹Cr)	134.8	↑ 4%	↑ 3%	→	Slowed growth; volume additions muted by competitor "euphoria" (AirFiber).
CATV Sub. Revenue (₹Cr)	319.3	↑ 7%	↑ 1%	→	Growth driven by volume (adds); price hikes expected in "strategic markets."
EBITDA (₹Cr)	120.5	↓ 4%	↑ 1%	↓	Impacted by 15% rise in "Other Operating/Admin" expenses.
EBITDA Margin %	14.2%	↓ 190 bps	↓ 50 bps	↓	Dilution from B2B broadband commissions and infra-spending ahead of growth.
PAT (₹Cr)	14.3	↑ 12%	↑ 12%	↑	PAT growth exceeds EBITDA due to lower Non-Controlling Interest (NCI) charges.
Broadband ARPU (₹)	460	→ 0%	→ 0%	→	Stable; strategy is to bundle OTT to increase value rather than direct hikes.
Broadband Net Adds ('000)	10	↓ 67%	↓ 50%	↓	Major slowdown from historical 20k-30k levels. (Note: 7k B2B, 3k B2C).
CATV Active Subs (Mn)	9.6	↑ 6%	↑ 1%	↑	Approaching 10M milestone. Expansion into 4 new North Indian states.
Depreciation (₹Cr)	91.9	↑ 24%	↑ 2%	↓	Rising block due to annual ₹350-400 Cr capex; to stay high for 2 years.
Finance Cost (₹Cr)	6.6	↑ 60%	↓ 9%	↓	Driven by higher limit utilization and Ind AS 116 lease accounting.
Operating EBITDA % (Mgmt view)	23.0%	↓ 200 bps	→ 0%	↓	Netted for pay channel costs; reflects core performance dilution.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin (Op.)	Trend	vs Company Avg	Key Development
Cable TV	715.8*	↑ 10.3%	23%	→	Inline	Launch of TVKey Cloud with Samsung; expansion into Delhi, Haryana, HP.
Broadband	134.8	↑ 4.3%	Not stated	↓	Below Avg	B2B net adds (7k) outpaced B2C (3k). Data usage up 13% to 350GB/mo.

*Derived: Total Rev (850.6) - Broadband (134.8) = 715.8 Cr. Includes CATV subscription, Placement, and Other Operating Income.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Double-digit growth in Subscription Revenue for FY25.	Currently at 7% YoY; requires acceleration in Q2-Q4.	First entry	Moderate
Guidance	Margins	Operating EBITDA to maintain 24-25% for full year.	Q1 is at 23%; requires cost pruning or ARPU hikes.	Missed in Q1 (23% vs 24% FY24)	High
Guidance	Broadband Volume	Target 80k to 100k net additions per year.	Requires 23k-30k adds per quarter; Q1 only did 10k.	Severe deceleration vs FY24 run-rate.	High
Guidance	Capex Plan	₹350 - ₹400 Cr annual capex.	₹90-100 Cr per quarter; consistent with current D&A.	On track; but FCF generation is constrained.	Low
Strategy	Pricing	Strategic ARPU hikes in CATV in Q2 FY25.	Critical for margin recovery as Opex is now structurally higher.	Delayed from Q1 due to elections.	Moderate
Macro	Competition	Competitor "euphoria" (AirFiber) will settle.	FTTX to remain the more reliable "pure" play.	Market share is being challenged by Telco bundles.	High
Balance	Debt / Leverage	Borrowings to stay within "reasonable levels."	Current D/E 0.12 is very healthy; no immediate concern.	Debt slightly reduced in Q1 (repaid long-term).	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.0	Devang Mehra, SKB Cap.	Interest Cost	Financials	Why has finance cost increased sharply despite repaying some debt?	Mgmt explained costs rose due to greater utilization of LC/BG facilities and ~₹2 Cr of Ind AS 116 lease accounting. Rising financing costs on off-balance sheet items like LCs/BGs suggests tighter working capital or supplier terms.	None	4.0	Clear explanation
2	4.5	Vinit Manek, Karma Cap.	Negative Leverage	Financials	Why are other expenses (₹200 Cr+) rising so fast while top-line growth is soft?	Mgmt attributed this to infrastructure/ bandwidth build-up in anticipation of expansion that was delayed by elections. If growth doesn't materialize in Q2/Q3, these fixed costs will continue to structurally depress EBITDA margins.	None	3.5	Directional
3	4.0	Vinit Manek, Karma Cap.	Broadband Slowdown	Business Overview	Why has broadband subscriber addition incrementally slowed down despite all the efforts?	Mgmt blamed the "euphoria" of new AirFiber technology but expects FTTX to return as the reliable	None	3.0	Defensive

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						choice after price hikes by telcos. Slowing volume in the highest-margin segment is a significant headwind to overall valuation multiples.			
4	4.5	Vinit Manek, Karma Cap.	Margin Targets	Financials	When will you return to the 28-29% operating EBITDA levels seen in FY22?	Mgmt clarified that the 28% era was a COVID-induced "euphoria" and a stable range is now 24-25%. This resets the margin ceiling for the business, suggesting lower long-term profitability than historical peaks.	None	4.0	Specific Reset
5	3.5	Darshil Jhaveri, Crown	Margin Reporting	Financials	What is the difference between the 13% reported margin and the 23% operating margin?	Mgmt explained that "Operating EBITDA" nets the marketing/ placement income against pay-channel costs to show the "real" business performance. This highlights how dependent reported EBITDA is on complex broadcaster	None	5.0	Quantified

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						deal structures.			
6	4.0	Ketan Athawale, Robo	ARPU Triggers	Management Outlook	What are the triggers for revenue growth and margin improvement?	Mgmt pointed to ARPU increases in "strategic markets" in Q2 and pruning of the "one-time" infrastructure costs. Without these hikes, margin improvement is unlikely as the cost base has stepped up.	None	3.5	Directional
7	4.5	Sahil Vora, M&S Assoc.	TVKey Cloud	Strategy	How does the TVKey Cloud product work and what is the response?	This product allows Samsung TV users to access linear TV via the cloud without a Set-Top Box. If successful, this significantly lowers Capex/Subscriber and acts as a default live-TV app, creating a new acquisition funnel.	None	4.0	Specific
8	3.0	Sahil Vora, M&S Assoc.	OEM Exclusivity	Strategy	Is TVKey Cloud exclusive to Samsung?	It is currently OEM-based with Samsung and NAGRA, but mgmt will evaluate other OEMs based on response. Exclusivity limits the total addressable	None	4.0	Clear

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						market but strengthens the partnership with the leading TV brand.			
9	4.0	Sapna Agarwal, Ind.	Broadband Mix	Business Overview	What is the split of new broadband adds between B2B and B2C?	Out of 10k net adds, 7k came from B2B and only 3k from B2C. B2B growth is lower margin (due to 50-60% commissions), explaining the margin compression despite adding subs.	None	5.0	Quantified
10	3.5	Ankita Mehta, Ind.	Telco Price Hikes	Management Outlook	How have recent mobile data price hikes affected broadband inquiry?	Mgmt hasn't increased individual broadband prices yet, hoping the widening price gap vs mobile data will drive users to wired FTTX. This positions GTPL as a "value" play against more expensive telco data plans.	None	3.0	Vague
11	3.0	Ankita Mehta, Ind.	Other Expenses	Financials	Any other reason for rising expenses this quarter?	Mgmt reiterated the ₹3 Cr bad debt provision (PFDD) for a broadcaster and higher B2B commission costs. These	None	3.5	Consistent

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"leakages"
(bad debt and commissions)
are becoming more frequent as the business expands.

PATTERN FLAGS & SENTIMENT Analysts were notably skeptical regarding the "Negative Operating Leverage" (costs outstripping revenue). Multiple questions focused on why the "Other Expenses" line item has jumped to a ₹200 Cr+ quarterly run-rate while subscriber growth remains in the low single digits. Management's posture was defensive, frequently citing "COVID euphoria" to explain why historical growth/margins are no longer achievable and blaming "AirFiber euphoria" for the current slowdown in broadband.

The sentiment of the call was cautious. While analysts recognize the company's strong market position in CATV, there is growing frustration over the stalling broadband engine and the margin dilution caused by the B2B pivot. The credibility of the "24-25% margin guidance" is the single greatest risk; if Q2 does not show a recovery via CATV price hikes, the stock may face a de-rating as a low-growth utility rather than a high-growth broadband play.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
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