GTPL Hathway Ltd — Oct 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline **One-line:** GTPL continues its transition into a Broadband-led business, using its dominant CATV cash flows to fund fiber expansion, though Broadband net adds slowed for a second consecutive quarter due to seasonal headwinds.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Broadband net adds (25k) were lower than the ~40k-50k target, but CATV paying subs grew by 200k.	□
Earnings Quality	High (Core driven)	Clean quarter with no EPC noise; EBITDA margin held steady at 20.9% despite rising content costs.	□
Guidance Confidence	Neutral	Mgmt maintains the 1Mn Broadband sub target for FY23, requiring a significant H2 ramp-up.	□
Management Credibility	Strong	Consistently Net Debt Free; detailed explanation of "cyclical" receivable/payable spikes.	□
Business Quality Signal	Stable	CATV base proved resilient (+200k subs); ISP ARPU rock-solid at □450 despite competition.	□
Key Q&A Exchange	Q#3 & Q#7: BB Growth	Mgmt blamed monsoons for the BB slowdown and pointed to a 50k B2B pipeline.	□
The Street's Primary Anxiety	Broadband Deceleration	Second quarter of slowing net adds (25k vs 29k in Q1 vs 55k in Q4FY22).	□
Capital Cycle Stage	Investment	H1 Capex of □210 Cr focuses on GPON fiber and MPEG-4 STB migration.	□
Margin / Return Ratio Trajectory	Stable	EBITDA margin at 20.9% vs 21.0% QoQ; interest coverage remains irrelevant due to net cash.	→
Pricing Power	Stable	Broadband ARPU stagnant at □450; CATV ARPU stable at □120.	→
FCF Conversion & Quality	Moderate	PAT growth was positive, but OCF was likely dragged by □73.3 Cr increase in trade receivables.	□
Competitive Moat Signals	Stable	#1 MSO in India; leveraging Gujarat's GFGNL infrastructure for rural penetration.	□
Balance Sheet Strength	Strong	Net Cash increased to □56.4 Cr; Gross Debt reduced by □33.5 Cr in Q2.	□
Working Capital Efficiency	Deteriorating (Temp)	Receivables up □73.3 Cr; Payables up □130.2 Cr (cyclical broadcaster settlements).	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on debt reduction and CATV leadership.	□
Key Vulnerability / Red Flag	High Churn / Monopsony	Broadband net adds are low relative to 76k gross adds (from Q1 data), implying churn remains the primary drag.	□
Management Tone	Cautiously Optimistic	Defended the BB slowdown as weather-related while touting the "GTPL Genie" post-Diwali launch.	□

Sentiment: □Positive

Key Takeaways: * **Positives:** The Cable TV segment showed surprising volume strength, adding 200k paying subscribers QoQ, debunking the "cord-cutting" narrative in rural/semi-urban India for now. The balance sheet remains a fortress with a net cash position of □56.4 Cr and a total equity of □1,181.8 Cr. The complete exit from the EPC business has "cleaned" the P&L, leaving a high-margin subscription-only model. * **Negatives:** Broadband net additions (25k) hit a multi-quarter low. While management cited an "extended monsoon" in Gujarat, the consistent drop from 55k net adds in Q4FY22 suggests either market saturation in urban pockets or high competitive churn. Content costs (Pay Channel Cost) rose 12% YoY (H1-o-H1), outpacing subscription revenue growth. * **Street Concern:** Analysts are fixated on the Broadband growth rate. Management's response highlights a three-fold strategy: rural expansion via GFGNL, a 50k B2B pipeline, and the "GTPL Genie" OTT hybrid box launch. * **Forward Watchpoint:** The post-Diwali launch of "GTPL Genie" OTT bundles and the 50k B2B subscriber pipeline are the critical catalysts for H2 FY23.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Active CATV Subs (Mn)	8.60	↑ 6.8%	↑ 2.4%	↑	Leadership maintained; expansion via aggregation of smaller MSOs.
Paying CATV Subs (Mn)	8.00	↑ 8.8%	↑ 2.6%	↑	Volume driven growth; added 200k paying subs in Q2.
CATV ARPU (□)	120	→ 0%	↑ 0.8%	→	Stable; new market entries drag average, but offset by old market increases.
Broadband Subs ('000)	870	↑ 18.4%	↑ 3.0%	↑	Net adds of 25k (vs 29k in Q1); impacted by extended monsoons.
Broadband ARPU (□)	450	→ 0%	→ 0%	→	Management focus remains on volume over pricing for now.
Data Usage/Month (GB)	300	↑ 33.3%	↑ 15.4%	↑	Driven by hybrid work, social media, and digital education.
Revenue (Ex-EPC) (□Cr)	662.0	↑ 10.5%	↑ 2.6%	↑	Driven by 19% YoY ISP growth and resilient CATV volumes.
EBITDA (Ex-EPC) (□Cr)	138.3	↓ 4.2%	↑ 2.1%	→	Margin held at 20.9% despite rising content costs.
PAT (□Cr)	45.9	↑ 6.0%	↑ 6.0%	↑	Improved QoQ due to lower finance costs and clean operations.
Net Debt / (Cash) (□ Cr)	(56.4)	↑ 229%	↑ 907%	↑	Net Cash position significantly strengthened from -□5.6 Cr in Q1.
Interest Coverage (x)	60.1	↑ 24.1%	↑ 11.0%	↑	Finance costs fell 5% QoQ to □2.3 Cr.
Home-pass (Mn)	5.00	↑ 19.0%	↑ 3.1%	↑	Added 150k home-passes; 75% FTTX ready.
Pay Channel Cost (□Cr)	339.1	↑ 13.9%	↑ 3.4%	↓	Content cost inflation remains a drag on CATV margins.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Cable TV (CATV)	535.2	↑ 8.6%	~18.4%*	→	Below	Inorganic acquisitions planned for Q3/Q4; MPEG-4 migration active.
Broadband (ISP)	119.8	↑ 19.1%	~40.0%	↑	Above	25k net adds; B2B pipeline of 50k expected in H2.
EPC Project	0.0	↓ 100%	N/A	↓	N/A	Project complete; business now purely subscription/service-led.

**Estimated based on Standalone CATV EBITDA margins.*

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Broadband Subs	1.0 Mn by FY23 end.	Needs 65k net adds per quarter in Q3 & Q4 (current run rate is 25k-29k).	Missed run-rate in H1.	High
Guidance	CATV Subs	1.0 Mn net additions for FY23.	Needs 350k adds in H2 (H1 delivered 650k YoY, but only 200k QoQ).	On track.	Low
Guidance	Capex Plan	₹450-470 Cr for FY23.	Needs ₹240-260 Cr in H2 (H1 spent ₹210 Cr).	On track.	Low
Strategy	GTPL Genie	Post-Diwali mass rollout with OTT bundling.	Dependent on LCO adoption and consumer appetite for hybrid boxes.	Delayed (was Q1 target).	Moderate
Strategy	B2B Broadband	50k pipeline to convert in Q3/Q4.	Critical for meeting the 1Mn sub target.	New initiative.	Moderate
Strategy	Inorganic	Large acquisitions expected in Q3/Q4.	"Big acquisitions" mentioned in concall; timing is key.	No major deals in H1.	Moderate
Balance	Debt	Maintain Net Debt Free status.	Supported by cash flows; borrowings reduced by ₹33.5 Cr in Q2.	Strong.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdic
1	4.0	Pratiksha / Aequitas	CATV ARPU	Financials	"We have been seeing some softening of ARPU since a couple of quarters now so just wanted your view on the outlook on ARPU here?"	Management explained that entry into new markets with lower ARPUs drags down the average, but old markets are seeing increases. Stabilization in new markets takes 6-12 months, suggesting ARPU expansion is a FY24 story.	None	4.0	Directi with timelir
2	3.5	Pratiksha / Aequitas	CATV Growth	Business Overview	"If you could just elaborate a little about the growth plan in subscribers in this business... and on its quarterly trend?"	Management targets 1Mn net adds annually and has delivered 650k YoY so far, noting that churn is under control but higher than pre-COVID. This confirms CATV is a volume-growth business, not a pricing-power one.	Specific gross vs net additions for the current quarter.	3.0	Vague churn
3	5.0	Pratiksha / Aequitas	BB Deceleration	Management Commentary	"The pace of growth [in Broadband] has come down drastically in the last two quarters so how do you want to describe the	Management attributed the slowdown (25k net adds) to an extended three-month monsoon in Gujarat that hampered physical installations. If Q3 does	None	4.0	Seaso defens

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdic
					outlook here?"	not show a sharp rebound, the 1Mn sub target for FY23 will likely be missed.			
4	3.0	Pratiksha / Aequitas	Home-pass Growth	Capex and Allocation	"I think last two quarters H1 per se we have done 30,000 so how do I look at growth plan here on homepass basis?"	Management plans to ramp up home-passes to 5.5-5.6Mn by year-end, effectively doubling the H1 run-rate in H2. This indicates a heavy H2 investment cycle.	None	4.0	Quant target
5	4.5	Pratiksha / Aequitas	Genie Box Traction	Business Overview	"How has [Genie box] been going... that really is not showing in the numbers?"	Management has seeded only 10k boxes so far and is launching smaller OTT bundles and hybrid products post-Diwali to drive traction. This suggests the OTT strategy is still in the "pilot" phase.	Why margins haven't improved yet from OTT.	3.0	Pilot p confir
6	3.0	Pratiksha / Aequitas	Capex Breakdown	Capex and Allocation	"How much capex has been incurred in each division in this quarter?"	H1 total capex was □210 Cr (□110 Cr CATV, □100 Cr BB). This keeps the company on track for its □450-470 Cr annual guidance.	None	5.0	Quant
7	4.5						None	4.0	

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdic
		Raj Ojha / Individual	BB Sub Strategy	Management Commentary	"How do we plan to increase our broadband subscriber base and especially which area we will be targeting?"	Strategy involves B2C, rural Gujarat expansion via GFGNL infrastructure, and a 50k B2B pipeline. Success here is vital to diversifying revenue away from CATV.			Multi-p strateg
8	4.0	Raj Ojha / Individual	EBITDA Margin	Financials	"What will be the impact of [exiting EPC] on our EBITDA margin going ahead?"	Management expects EBITDA margins to improve as the low-margin (8-9%) EPC business is replaced by the higher-margin (20%+) core segments. This supports a margin expansion thesis for FY24.	None	5.0	Positiv margir signal
9	3.5	Karan Mehta / Nirzar	Recurring Capex	Capex and Allocation	"What is the amount of recurring capex... for the first half FY2023?"	CATV recurring capex is ~22% (higher due to MPEG-2 to MPEG-4 migration), while BB is 15-17%. Investors should expect elevated CATV capex until the box migration is complete.	None	4.5	Specif breakd

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdic
10	4.0	Akshay Jain / Equity Res.	Working Capital	Financials	"We have increased receivable and even payables... just wanted to know the reason for the same?"	Management described the spike as "cyclical," involving marketing and carriage incentives with broadcasters that typically settle by year-end. This suggests a temporary cash flow drag that should reverse by March.	None	4.0	Reass on cyc
11	4.0	Dharmavenkatesan	Inorganic M&A	Capex and Allocation	"Is there any particular region that you want to expand through inorganic acquisition?"	Management is targeting acquisitions across all 19 states where they operate, with "big acquisitions" expected in Q3 and Q4. This could be the primary catalyst for the CATV volume target.	None	4.0	Aggre tone

PATTERN FLAGS & SENTIMENT * **The Broadband Deceleration Narrative:** For the second quarter, analysts pressed on the slowing Broadband net adds. Management's posture was defensive but provided a clear seasonal (monsoon) and technical (B2B pipeline) path for recovery. The concern remains live and is the #1 risk to the "growth stock" valuation. * **CATV Resilience:** There was a shift in analyst tone regarding CATV; questions moved from "is it dying?" to "how are you growing it?" Management's focus on inorganic aggregation and MPEG-4 migration appears to have convinced the room of CATV's longevity as a cash cow. * **Working Capital Volatility:** Significant balance sheet spikes in receivables/payables were questioned. Management's transparency regarding broadcaster settlement cycles appears to have pacified concerns about earnings quality.

Analyst Sentiment Verdict: Analysts were largely "wait-and-watch" regarding Broadband growth but positive on the CATV volume surprise. The most friction occurred around the Broadband net-add slowdown. Management’s credibility was bolstered by the clean exit from EPC and the net-cash balance sheet, but the 1.0Mn sub target for Broadband now carries a heavy "burden of proof" for Q3.

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 | Implied steady 40k+ net adds. | Actual net adds: 25k. | Significant slowdown blamed on weather. | Miss on FY23 sub targets. | | GTPL Genie | Launching to drive margins. | Only 10k seeded so far. | Pace of adoption is slower than expected. | Delayed ARPU/margin catalyst. | | CATV Capex | Maintenance levels. | 22% is "recurring" due to box migration. | Higher for longer due to MPEG-4 shift. | Lower FCF conversion in short term. |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY23)	This Quarter (Q2 FY23)	Direction
Broadband Net Adds	29,000	25,000	↓ Deteriorating
CATV Paying Sub Growth	Flat (7.8Mn)	+200k (8.0Mn)	↑ Improving
Net Cash Position	□5.6 Cr	□56.4 Cr	↑ Improving
Gross Debt	□146.3 Cr	□111.5 Cr	↑ Improving
ISP Revenue Growth	24% YoY	19% YoY	↓ Deteriorating
One-off Provisions	□5 Cr (Doubtful Debts)	None (Clean)	↑ Improving
Receivables Spike	□283.6 Cr (Mar-22)	□356.9 Cr (Sep-22)	↓ Deteriorating
Management Tone	Cautious (Post-COVID)	Aggressive (Inorganic/B2B)	↑ More Confident

Investor Notes: * **The Pivot Paradox:** While the thesis relies on Broadband growth, the quarter was saved by the "legacy" CATV business. The unexpected 200k paying sub add in CATV provides a buffer for the Broadband slowdown. * **Monsoon Alibi:** Management's reliance on the monsoon excuse for BB adds means Q3 (Oct-Dec) is a "must-deliver" quarter. Anything less than 40k net adds in Q3 will signal structural saturation. * **M&A Catalyst:** The mention of "big acquisitions" in Q3/Q4 is a new, aggressive signal. This suggests management is using its massive cash pile (net cash free) to buy growth in the fragmented MSO market. * **Content Cost Pressure:** Pay Channel costs grew 12% YoY while CATV revenue grew only 8.6%. This margin squeeze in the core business makes the high-margin ISP expansion even more critical.