GTPL Hathway Ltd — Oct 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline **One-line:** Sequential margin recovery and robust subscriber additions from the Metro Cast consolidation are offset by a massive working capital ballooning (receivables and payables) and a steep hill to climb to hit FY24 EBITDA guidance.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	EBITDA of □135.1 Cr is an improvement over Q1 (□125.8 Cr) but H1 total (□260.9 Cr) is only 43% of the □600 Cr FY24 target.	□
Earnings Quality	Moderate	PAT of □34.4 Cr is supported by a massive □266.9 Cr jump in payables (broadcaster float), though receivables also rose □62.5 Cr.	□
Guidance Confidence	Weak	Achieving the □600 Cr EBITDA target requires a 25.4% jump in sequential run-rate for H2; management cites "outsourced projects" as the driver.	□
Management Credibility	Neutral	Successfully integrated Metro Cast (adding 350k active subs), but Broadband ARPU remains stagnant at □460 despite "higher package" claims.	□
Business Quality Signal	Improving	Pivot to FTTX (75% of homepass) and regional dominance in Gujarat/WB remains intact; World Cup is driving a Q3 volume surge.	□
Key Q&A Exchange	Q#1 - Margin Walk	Mgmt maintains a 20% EBITDA margin target for Q4, citing cost stabilization post-NTO 3.0.	□
The Street's Primary Anxiety	Operating Leverage	Why expenses (Pay Channel + Other) are rising as fast as subscription revenue, preventing margin expansion.	□
Capital Cycle Stage	Investment	Continued high capex for FTTH and regional M&A; balance sheet is expanding with broadcaster-related accruals.	□
Margin / Return Ratio Trajectory	Stabilizing	EBITDA margin improved 100 bps QoQ to 17.1% as the implementation costs of NTO 3.0 began to stabilize.	□
Pricing Power	Stable	CATV subscription revenue up 8% QoQ, reflecting the full-quarter impact of NTO 3.0 price hikes.	□
FCF Conversion & Quality	Distorted	Net working capital inflow from a massive spike in payables (broadcaster dues) is masking the slow collection of receivables.	□
Competitive Moat Signals	Widening	Metro Cast consolidation adds scale in South India; 120k subs returned within one week of the World Cup starting.	□
Balance Sheet Strength	Adequate	Remained net debt free; however, Trade Receivables at □543.5 Cr (up from □292 Cr in March) pose a liquidity risk.	□
Working Capital Efficiency	Deteriorating	DSO remains elevated; management admits to a settlement cycle of ~150 days with broadcasters.	□
Mgmt Guidance Track Record	Mixed	Consistent on volume (added 800k CATV subs YoY); historically optimistic on absolute EBITDA targets.	□
Key Vulnerability / Red Flag	Broadcaster Float	The business is increasingly dependent on the delta between Broadcaster Payables (□869.4 Cr) and Receivables (□543.5 Cr).	□
Management Tone	Confident	Aggressive on consolidation and dismissive of 5G/AirFiber as a threat to fixed-line fiber robustness.	□

Sentiment: □Neutral

Key Takeaways: * **Positives:** GTPL has successfully digested the NTO 3.0 regulatory shift, with CATV subscription revenue growing 17% YoY. The inorganic strategy is yielding results, with the Metro Cast acquisition adding 350k active subscribers and strengthening the South Indian footprint. Broadband remains a volume engine, crossing 5.55 Mn homepasses with 310 GB/month data usage, indicating high customer engagement. * **Negatives:** The "operating leverage" thesis is on probation. Despite a 19% YoY revenue jump, EBITDA margins are still stuck at 17.1% (vs. 20.9% in Q2 FY23) due to a 28% surge in pay-channel costs and 19% growth in other opex. Working capital is bloated; trade receivables have nearly doubled since March 2023, reaching □543.5 Cr. * **Street Concern:** Analysts are skeptical of the □600 Cr FY24 EBITDA guidance. Management's defense relies on "stabilized costs" and undisclosed "new projects" in H2. The Street is also watching the Broadband ARPU plateau at □460, fearing that Jio AirFiber will cap pricing power. * **Watchpoint:** H2 FY24 must deliver □339.1 Cr in EBITDA to hit guidance—a run-rate of ~□170 Cr per quarter. Any miss in Q3 will likely lead to a significant valuation de-rating.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Active CATV Subs (Mn)	9.40	↑ 8.5%	↑ 3.9%	↑	Added 350k sequentially, largely due to Metro Cast consolidation.
Paying CATV Subs (Mn)	8.70	↑ 8.8%	↑ 4.8%	↑	Increased 400k QoQ; 100% of base is now in prepaid business.
Broadband Subs ('000)	990	↑ 13.8%	↑ 3.1%	↑	Volume driven; added 30k sequentially (25k B2C, 5k B2B).
Broadband ARPU (□)	460	↑ 2.2%	→ 0.0%	→	Increased □10 YoY but stable QoQ; focus remains on volume.
Revenue (□Cr)	790.0	↑ 19.3%	↑ 1.2%	↑	Driven by CATV Subscription (+17% YoY) and ISP (+10% YoY).
Gross Margin (%)	45.1%	↓ 370 bps	↑ 180 bps	↑	Improved QoQ as NTO 3.0 pricing realization overtook cost.
EBITDA (□Cr)	135.1	↓ 2.3%	↑ 7.4%	↑	Sequential recovery but still below FY23 quarterly peaks.
EBITDA Margin %	17.1%	↓ 380 bps	↑ 100 bps	↑	100 bps QoQ expansion as cost implementation stabilized.
PAT (□Cr)	34.4	↓ 25.2%	↓ 4.4%	↓	Hit by higher Depreciation (+□8.1 Cr) and Finance Costs (+□0.9 Cr).
ROCE (%)	Not in doc	Not in doc	Not in doc	□	Not reported quarterly; H1 PBT is down 24% YoY.
Cash Flow (OCF)	Not in doc	Not in doc	Not in doc	□	CFO-to-PAT likely high due to □266.9 Cr jump in payables.
Net Debt / (Cash)	(49.0)	↓ 35.4%	↓ 50.6%	↓	Net cash reduced as total borrowings rose to □117.1 Cr.
Interest Coverage (x)	10.6	↓ 54.3%	↓ 11.6%	↓	Sharp decline YoY due to Finance costs rising 96%.
Working Capital (DSO)	63 Days	↑ 57.5%	↑ 12.5%	↓	Receivables jumped to □543.5 Cr from □481 Cr in Q1.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
CATV Subscription	322.6	↑ 17.3%	~15%	↑	Below	Full realization of NTO 3.0 price hikes; volume gains.
Broadband (ISP)	131.7	↑ 10.0%	~40%	↑	Above	310 GB usage/mo; 75% of homepass is FTTX ready.
Placement/ Carriage	296.7	↑ 32.0%	High	↓	Above	Dipped 5% QoQ; critical for offsetting pay channel costs.
Activation	3.9	↓ 61.0%	N/A	↓	Below	Accounting shift to deferred revenue over 5 years.

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 □169.5 Cr/qtr for H2. Current: □135.1 Cr.	Missed FY23 target; H1 is only □260.9 Cr.	High
Guidance	Margins	20% EBITDA margin by Q4 FY24.	Needs 300 bps expansion from current 17.1%.	Volatile; currently recovering from 16.1% in Q1.	Moderate
Guidance	Volume (CATV)	10 Mn Active Subs by FY24 end.	Needs 300k additions/qtr. Current: 9.4 Mn.	On track; added 350k this quarter (inorganic).	Low
Guidance	Volume (BB)	1.05 - 1.07 Mn Subs by FY24 end.	Needs 40k additions/qtr. Current: 0.99 Mn.	On track; added 30k this quarter.	Low
Strategy	Acquisitions	Regional consolidation strategy.	Case-by-case; Metro Cast (4.5L subs) integrated.	Successful execution in Karnataka/Maharashtra.	Low
Macro	5G Threat	Fiber is "backbone" and superior for bandwidth.	N/A - Qualitative claim.	Consistently defensive on this topic.	Moderate
Balance	Leverage	Maintain negligible net debt.	CFO needs to cover □450 Cr annual capex.	Historically net debt free.	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	Vinit Manek / Karma Capital	EBITDA Margins	Financials	"How do you plan to achieve this 20% margin journey by Q4 with expenses increasing faster than revenue?"	Management indicated costs have stabilized post-NTO 3.0 and that undisclosed outsourced projects in H2 will drive the jump from 17% to 20%. This implies a massive reliance on operating leverage in Q4, making that quarter a binary event for the thesis.	Specifics of the "outsourced projects."	3.0	Vague but confident
1a	4.0	Vinit Manek / Karma Capital	Pay Channel Cost	Financials	"Do you expect the 434 Crore expense to be at a steady rate versus revenue growth?"	Management confirmed that pay channel cost increases will now decelerate while revenues continue to rise as price hikes are fully captured. This should lead to gross margin expansion in the next two quarters.	None	4.0	Directional evidence
1b	3.5	Vinit Manek / Karma Capital	Broadband Growth	Business Overview	"Our growth rate is now coming down to 10%... how are you looking at growth there?"	Management attributed the slowdown to technical problems in B2B network but expects YoY growth to return to 15% as B2B stabilizes. Investors should watch for sequential BB sub adds to cross 40k/	Specific "technical problems" details.	3.0	Monitoring point

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						qtr to validate this recovery.			
1c	3.5	Vinit Manek / Karma Capital	Depreciation	Financials	"Slight acceleration in depreciation... is this a steady state number?"	Management confirmed the 82 Cr run-rate is the new steady state following the consolidation of Metro Cast's assets. This higher non-cash charge will continue to weigh on PAT even as EBITDA recovers.	None	5.0	Clear accounting
2	4.0	Rahul Jain / Individual	World Cup Impact	Management Commentary	"Typical structure between advertiser and broadcaster... do we get margins on advertisement?"	Management clarified they do not share in ad revenue but saw 120k inactive customers return in the first week of October due to the World Cup. This suggests a significant "paying sub" volume spike in Q3 FY24.	None	4.0	Specific catalyst
3	3.0	Urvi Shah / Dolat Capital	Interest Costs	Financials	"Reason for higher increase in depreciation and interest on Q-o-Q basis?"	Management attributed both to the Metro Cast consolidation, which brought both assets and associated liabilities/ financing into the consolidated books. Confirms the inorganic expansion is the primary	None	5.0	Transactio impact

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						driver of the current balance sheet expansion.			
4	4.0	Rahil Shah / Crown Capital	Broadband ARPU	Business Overview	"ARPU stayed flattish... do you see this increasing?"	Management emphasized that broadband is a volume/ penetration game (like telecom) and ARPU will likely remain in the ₹400-460 range. This signals that margin expansion must come from cost efficiencies and scale, not pricing power.	None	4.0	Strategic clarity
5	3.5	Saloni Sha / Individual	Activation Revenue	Financials	"Activation revenue is lower despite increase in subscribers?"	Management explained that activation revenue is now a normal course of business and amortized over 5 years under Ind AS, vs. the bulk DAS implementation phase. Expect this line item to remain negligible at ₹3-4 Cr per quarter.	None	5.0	Technical clarity
5a	4.5	Saloni Sha / Individual	Bharat Net Projects	Management Commentary	"What is the tenure left on existing EPC contracts and do we expect to win new ones?"	Management highlighted that 3 years of O&M remain on current projects and they are bidding for new ₹1.4 Lakh Cr Bharat Net	None	4.0	Pipeline visibility

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						Phase 3 tenders starting Dec/ Jan. Success in these bids would provide a significant high-margin "Other Operating Income" boost in FY25.			
6	4.5	Madhur Rathi / Counter Cyclical	Metro Cast Valuation	Capex and Allocation	"What multiples/ valuations are you looking at for acquisitions?"	Management noted that Metro Cast valuation was subscriber-based (implied ~□1,600/sub based on □73 Cr total value) and they target an IRR >14% for all M&A. This confirms a disciplined but aggressive consolidation strategy using internal accruals and inventory.	None	4.0	M&A discipline
7	3.0	Karan Mehta / Mirzar Securities	Gaming/ LAN Sports	Business Overview	"Do we have plans to enter LAN sports/ online gaming stream?"	Management indicated they have considered gaming as a "layering" service but have no immediate plans to enter LAN sports directly. Indicates management is focused on the "pipe" rather than content creation for now.	None	3.0	Strategy-led

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
7a	3.5	Karan Mehta / Mirzar Securities	5G Threat	Management Commentary	"Reliance has initiated RISE program... potential benefit we can gain?"	Management appeared to deflect, stating they have not yet talked about content sharing with the parent company (Reliance/ Hathway). Suggests the synergy with the RIL ecosystem remains underutilized.	Synergy specifics.	2.0	Evasive

PATTERN FLAGS & SENTIMENT

- **The Margin "Catch-Up":** Analysts are laser-focused on the delta between current 17.1% margins and the 20% target. Management's posture was confident, repeatedly claiming that NTO 3.0 costs have "stabilized" and revenue realization is lagging. However, the reliance on "new projects" in H2 to bridge the gap suggests that organic CATV growth alone might not be enough.
- **The Volume Pivot:** Management has successfully pivoted the narrative from ARPU expansion to "Digital India" volume growth. By comparing India's 10% wired broadband penetration to China (55%) and Europe (60%), they are positioning the current ARPU stagnation as a necessary trade-off for long-term scale.
- **Broadcaster Float Dynamics:** The massive jump in both receivables and payables (now nearly ₹1,400 Cr combined gross) indicates a shift in the power dynamic with broadcasters. Management is effectively using broadcaster payables to fund their working capital, a strategy that works only as long as subscriber growth remains robust.

Analyst Sentiment Verdict: Analysts were **cautiously optimistic** about the subscriber numbers but **deeply skeptical** about the margin guidance. The most friction occurred around the "Other Opex" and the "Outsourced Projects" needed to hit H2 targets. Management's credibility on volume is high, but they are now "on the clock" to prove that the recent 100 bps margin expansion can be tripled in the next two quarters.

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.	H1 Actual is ₹260.9 Cr.	Requires sequential growth of ~25% in H2.	High risk of a guidance miss.
Broadband ARPU	Targeting ₹475-480 range.	Current ARPU is ₹460 and management says it is a "volume game" now.	Qualitative shift away from value-driven growth.	Stagnant ISP margins.
Opex Trajectory	Opex will stabilize.	Other opex rose 19% YoY.	Inflation in admin/marketing (brand ambassadors) is offsetting scale.	Operating leverage delay.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY24)	This Quarter (Q2 FY24)	Direction
Active CATV Subs	9.05 Mn	9.40 Mn	↑ Improving
EBITDA Margin	16.1%	17.1%	↑ Improving
Trade Receivables	□481.0 Cr	□543.5 Cr	↓ Deteriorating
Trade Payables	□602.5 Cr	□869.4 Cr	↑ Improving (Float)
Broadband Subs	960k	990k	↑ Improving
Depreciation	□73.9 Cr	□82.0 Cr	↓ Deteriorating (Metro Cast)
Interest Coverage	12.0x	10.6x	↓ Deteriorating
B2B Strategy	Technical evaluation	B2B expansion via Metro Cast	↑ Improving

Investor Notes: * **The Thesis:** GTPL is doubling down on being the "Last Mile King" through regional consolidation. The Metro Cast deal proves the inorganic playbook works. However, the thesis has shifted from a "Margin Play" to a "Consolidation & Float Play." * **The Working Capital Lever:** The business is currently being funded by a □326 Cr net payable position to broadcasters. If this float shrinks, GTPL will need to draw on its □117 Cr borrowing limit or slow down capex. * **Broadband Reality:** Forget the □500 ARPU dream; management has pivoted to a "Telecom-style" volume model. The real value is in the 11 Mn CATV households yet to be converted to ISP. * **The Watchpoint:** Q3 EBITDA must hit □155-160 Cr to keep the □600 Cr guidance credible. Failure to do so will signal that NTO 3.0 price hikes were entirely swallowed by broadcaster costs.

STOP HERE.