

GTPL Hathway Ltd — Oct 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Weak Miss / Deteriorating **One-line:** The long-term thesis is under significant pressure as the high-margin broadband growth engine stalls and core cable subscription revenue declines, leaving the bottom line increasingly dependent on volatile broadcaster placement incentives.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	EBITDA (₹113.8 Cr) fell 16% YoY; Revenue growth (9%) was driven by placement fees, not subscriptions.	□
Earnings Quality	Low (Incentive-driven)	Subscription revenue (Core) fell 3% YoY; 44% of total revenue now comes from Placement/Marketing incentives.	□
Guidance Confidence	Weak	Management walked back revenue guidance from 20% to ~15-17%; Broadband additions (10k) are far below the 25k+ quarterly run-rate needed.	□
Management Credibility	Neutral	Management transparently admitted to rain-related churn but struggled to justify the sharp slowdown in B2C broadband.	□
Business Quality Signal	Deteriorating	Core CATV paying subscribers fell by 100k QoQ; Broadband growth has shifted to a lower-margin B2B model (80% of adds).	□
Key Q&A Exchange	Q# 4 (Broadband Margins)	Management confirmed B2B broadband has 30-35% lower margins than B2C, explaining the segment's profit dip.	□
The Street's Primary Anxiety	Structural Churn	Analysts are worried about Cord Cutting/DD Free Dish impact on CATV; Mgmt cited "lack of events" and "weather."	□
Capital Cycle Stage	Investment (High Intensity)	High capex (₹185 Cr in H1) continues despite slowing growth; FCF being used for "HITS" project preparatory works.	□
Margin / Return Ratio Trajectory	Deteriorating	Consolidated EBITDA margins compressed to 13.2% from 17.1% YoY.	□
Pricing Power	Eroding	Cable subscription revenue is down YoY despite higher STB counts, indicating lower realization per sub or down-trading.	□
FCF Conversion & Quality	Weak	High capex and a spike in Broadcaster receivables/payables (Working Capital bloat) are constraining cash.	□
Competitive Moat Signals	Stable	Remains the largest MSO; however, the pivot to B2B broadband suggests weakening direct-to-consumer pull.	□
Balance Sheet Strength	Adequate	Net Debt/Equity remains healthy at ~0.1x, but short-term borrowings rose to fund the HITS project.	□
Working Capital Efficiency	Deteriorating	Trade Receivables spiked by ₹350.1 Cr (Broadcaster-related), mirrored by a ₹375.4 Cr rise in Trade Payables.	□
Mgmt Guidance Track Record	Mixed	Historical delivery on broadband volume (15% CAGR) has broken down this quarter (1% QoQ growth).	□
Key Vulnerability / Red Flag	High Op. Leverage	Total Expenditure grew 14% YoY, far outstripping the 9% Revenue growth (Negative Operating Leverage).	□
Management Tone	Defensive	Attributed performance issues to external factors (floods, lack of sports events) rather than structural shifts.	□

Sentiment: Negative

Key Takeaways: * **Positives:** GTPL maintains its dominant market position as India's #1 MSO with a massive 9.5 Mn active STB base. The balance sheet remains under-leveraged (Net Debt/Equity 0.1x), and the upcoming "Header in the Sky" (HITS) project offers a long-term play to capture rural "cable dark" areas without traditional fiber constraints. * **Negatives:** The core business is leaking. Paying CATV subscribers dropped by 100,000 in a single quarter, and subscription revenue declined 3% YoY. Broadband, the supposed high-growth driver, saw a severe slowdown in B2C (only 2k adds), while the B2B pivot (8k adds) is diluting margins due to 60% revenue sharing with local partners. Profitability is being squeezed by negative operating leverage, with employee and operating costs rising while core revenues stagnate. * **Street Concern:** Analysts are focused on the structural decline of linear TV and whether the Broadband business can scale fast enough to offset it. Management's response that "lack of cricket events" caused the churn suggests the business is becoming increasingly seasonal and event-dependent. * **Forward Watchpoint:** Monitor the launch of the HITS project and the GTPL Buzz app's ability to arrest churn; failure to recover paying subscribers in Q3 (festive/cricket heavy) would signal a permanent structural decline.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures are primary. Concall used for commentary and missing data.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	862.0	↑ 9%	↑ 1%	→	Growth driven by 28% jump in Placement/ Marketing incentives.
CATV Sub. Revenue (₹Cr)	312.9	↓ 3%	↓ 2%	↓	Realization/Volume pressure; 100k paying sub loss QoQ.
Broadband Revenue (₹Cr)	136.7	↑ 4%	↑ 1%	→	Muted growth; B2C segment slowing down significantly.
EBITDA (₹Cr)	113.8	↓ 16%	↓ 5%	↓	Impacted by ₹6.5 Cr lower ad income and high fixed costs.
EBITDA Margin %	13.2%	↓ 390 bps	↓ 100 bps	↓	Negative operating leverage; high B2B broadband mix.
PAT (₹Cr)	12.9	↓ 62%	↓ 9%	↓	Sharp drop due to higher depreciation and lower margins.
Broadband ARPU (₹)	460	→ 0%	→ 0%	→	Stuck at 460 for multiple quarters; no pricing power.
CATV Paying Subs (Mn)	8.80	↑ 1%	↓ 1%	↓	Churn spike due to rains/floods and end of T20 WC.
Broadband Subs (Mn)	1.04	↑ 5%	↑ 1%	→	80% of net adds came from lower-margin B2B partners.
Net Debt / Equity (x)	0.1	→ 0%	→ 0%	→	Balance sheet remains a key strength; Net Debt/ Equity low.
Capex (₹Cr)	95.0	↑ 5%	↑ 5%	↓	Total H1 Capex ₹185 Cr; ₹110 Cr CATV / ₹75 Cr Broadband.
Depreciation (₹Cr)	90.5	↑ 10%	↓ 2%	↓	Rising due to conservative policy and sustained capex.
Finance Cost (₹Cr)	6.0	↑ 21%	↓ 9%	↓	Utilization of OD facilities for HITS project preparatory works.
CFO / PAT Ratio	4.8x	-	-	↑	Distorted by massive ₹375 Cr spike in Trade Payables.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin (Op)	Trend	vs Co. Avg	Key Development
Cable TV	719.1	↑ 11%	22%	↓	Inline	Lost 100k paying subs; reliant on Placement income (₹379 Cr).
Broadband	136.7	↑ 4%	Not stated	↓	Below	Transitioning to B2B model in Delhi/UP/Bihar.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	FY25 Total Revenue growth of ~15-17%.	Needs ~18-20% growth in H2; high risk given current 9% YoY.	Downward revision from 20%.	High
Guidance	Margins	Operating EBITDA margin of 24%.	Q2 at 22%; requires significant cost pruning or ARPU hikes.	Missed (declining trend).	High
Guidance	Volume	Add 100k-120k Broadband subs/year.	Only 40k added in H1; needs 60k-80k in H2. Feasibility low.	Missed Q2 target.	High
Guidance	Capex	₹350 Cr for FY25.	₹185 Cr done in H1; ₹165 Cr remaining for H2.	On track.	Low
Strategy	Broadband	Shift toward B2B model (60/40 share).	80% of Q2 adds were B2B; successful volume shift but margin dilutive.	New Strategy.	Moderate
Strategy	HITS Project	Expansion into "cable dark" rural areas.	Launch expected in H2; capex already being deployed.	Preparatory stage.	Moderate
Macro	Industry	FTTX will beat AirFiber after price hikes.	Relies on competitor pricing behavior; GTPL ARPU remains stagnant.	Persistent Headwind.	High
Balance	Debt	Taper down borrowings in H2.	Short-term debt of ₹218 Cr needs repayment from FCF.	Utilization increased.	Moderate

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Sahil Vora, M&S Associates	Broadband Mix	Business Overview	"Can you share how much of the subscriber addition in broadband have been through the B2B route in this quarter?"	Management stated that out of 10k adds, 8k were B2B and only 2k were B2C. This confirms the B2C engine has stalled, forcing the company into a lower-margin partnership model to maintain volume.	None	5.0	Quantified shift
2	4.5	Sahil Vora, M&S Associates	B2B Economics	Financials	"Are the margins on similar margins with your organic broadband business? Or should we expect segment margin to be lower going ahead?"	Management admitted B2B margins are 30-35% lower than B2C because they share 60% of revenue with the operator. This structural shift towards B2B will permanently cap segment profitability despite revenue growth.	None	4.0	Margin dilution
3	4.0	Sahil Vora, M&S Associates	CATV Churn	Business Overview	"Cable TV business has seen a decrease in subscribers compared to the previous quarter. Can you provide some light on what happened?"	Management blamed extended rains, floods, and the lack of major sporting events for the 100k paying sub loss. If sub-loss continues in Q3 (festive), it confirms structural cord-cutting	None	3.0	Seasonal vs Structural

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						rather than seasonal weather impact.			
4	4.0	Aditya Jain, SM Capital	Borrowings	Financials	"Any specific reason for like rise in the short-term borrowings? All your cash levels remain healthy, but... rising short-term debt levels have gone up."	Management clarified the increase is due to overdraft facilities used for the HITS project preparatory activities and vendor advances. Rising interest costs will continue to eat into PAT until the HITS project begins generating revenue.	None	4.0	OD usage explained
5	3.5	Disha Shah, PVC Capital	ARPU Guidance	Management Outlook	"You had guided us that you may take some price hike in some markets... how should we look at the ISP revenue growth in the future?"	Management noted that while data costs are rising in wireless, the traction for wired broadband hikes is still "to come." This indicates a continued delay in the margin recovery thesis.	None	2.5	Vague on timing
6	4.5	Mausam Agarwal, Investor	Segment Margins	Financials	"What led to this fall in the segment contribution of Cable TV... the margin comes around 1.4% versus 4.2%	Management attributed the EBITDA dip to a ₹6.5 Cr drop in advertisement income (post-cricket season) and higher churn.	None	4.0	Ad-dependent P&L

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					year-on-year?"	This highlights the business's extreme sensitivity to non-subscription (ad/ placement) revenue for profitability.			
7	4.0	Mausam Agarwal, Investor	Depreciation	Financials	"What has led to falling broadband margin despite us recording both subscriber growth and revenue growth?"	Management pointed to a change in depreciation policy (more conservative) and the B2B mix shift. Accounting changes are now masking the underlying operational slowdown in the high-margin B2C segment.	None	4.5	Accounting drag
8	3.5	Sahil, Sirius Advisors	Government Bids	Management Outlook	"For BharatNet Phase-III, could you please confirm whether the bid was submitted or not?"	Management confirmed participating in a consortium for the technical bid but refused to disclose specifics. Successful BharatNet bids would provide a massive revenue pop but likely at much lower margins than the core business.	Bid specifics	2.0	Evasive / Hedged
9	4.0	Ketan Athavale, Robo Cap	Rev. Guidance	Management Outlook	"I wanted to know revenue and	Management lowered FY25 revenue	FY26 specifics	3.0	Guidance walk-back

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					margin guidance for FY '25 and FY '26."	growth expectations to ~15% (down from 20%) and targeted an absolute EBITDA close to last year (₹11 Cr). Flat EBITDA guidance against 15% revenue growth implies significant margin contraction ahead.			
10	3.5	Sahil Vora, M&S Associates	DD Free Dish	Strategy	"What exactly do we attribute this slow growth to? Is it the higher competition from the DD Free Dish... or under penetration?"	Management acknowledged competition from Prasar Bharati/Free Dish in rural areas due to FTA private channels. The HITS project is the designated counter-strategy to fight this low-cost competition in rural India.	None	3.5	Rural battle

PATTERN FLAGS & SENTIMENT

The recurring theme of the call was the **"B2B Pivot"** in broadband. Analysts expressed clear anxiety regarding the margin profile of this segment, given the 60% revenue share with local partners. Management's posture was defensive, framing B2B as a way to maintain volume without high capex, but they could not hide the resulting 30-35% margin dilution. This concern is likely to remain live as B2B continues to dominate new additions.

The second major theme was **Structural vs. Seasonal Churn**. Analysts repeatedly questioned the 100k loss in paying cable subscribers. Management attributed this entirely to weather and the end of the IPL/T20 World Cup "euphoria." This creates a high-stakes Q3; if subscribers do not return during the festive season, management's "weather" explanation will lose all credibility.

Analyst Sentiment Verdict: Analysts were skeptical and focused on the deteriorating quality of the P&L. There was friction regarding the spike in short-term debt and the rising broadcaster receivables. Management's

credibility took a hit as they walked back revenue guidance and admitted to a significant slowdown in B2C broadband. The unresolved issue of cord-cutting/churn remains the single greatest risk to the thesis.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Q1 FY25)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Revenue Growth	20% Growth for FY25.	Now targeting ~15-17%.	300-500 bps reduction in growth outlook.	High - indicates slower market penetration.
Broadband Adds	25k-30k per quarter.	Only 10k added in Q2.	60%+ miss on quarterly volume target.	High - stalling of the primary growth engine.
CATV Price Hikes	Hikes expected in Q2.	Traction is still "to come."	Delay in pricing power realization.	Moderate - margin recovery delayed.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY25)	This Quarter (Q2 FY25)	Direction
Revenue Guidance	20% YoY Growth.	15-17% YoY Growth.	↓ Deteriorating
Broadband Momentum	20k-30k net adds run-rate.	10k net adds (mostly B2B).	↓ Deteriorating
CATV Subscriber Base	Adding subscribers (up 100k).	Losing paying subscribers (down 100k).	↓ Deteriorating
Ad Income	Robust (IPL/World Cup impact).	₹6.5 Cr lower (No major events).	↓ Deteriorating
Borrowing Profile	Normal limit utilization.	₹47.8 Cr spike in ST-borrowings for HITS.	↓ Deteriorating
Working Capital	Stable.	₹350 Cr bloat in Broadcaster trade balances.	↓ Deteriorating
Management Tone	Optimistic on FTTX vs AirFiber.	More cautious; acknowledging "churn pressure."	↓ Deteriorating
Thesis Status	Growth story intact.	Transitioning to a defensive/incentive-led model.	↓ Deteriorating