

## Broadband to be key growth driver ahead...

**About the stock:** GTPL Hathway (GTPL) is a leading MSO (No. 1 in terms of subscribers) offering cable television (CATV) and broadband services with a strong presence in Gujarat (No. 1 in terms of subscribers).

- Expansion into new states and digitisation has led to strong topline and earnings growth of ~27% and ~86% CAGR, respectively, over FY16-21

### Q3FY22 Results: GTPL reported a muted operating performance

- Core (Ex-EPC) revenue grew 9.7% YoY to ₹ 597.2 crore, driven by ~35% YoY growth in broadband revenues to ₹ 105.4 crore, driven by 30,000 subscriber addition and 13.4% YoY growth in cable placement/carriage revenues at ₹ 185.9 crore
- EBITDA was at ₹ 133.5 crore with margins at 22.3%, up 50 bps YoY
- Reported PAT was at ₹ 54.6 crore, up ~21% YoY, mainly aided by lower depreciation and higher other income

**What should investors do?** GTPL's share price has grown by ~48% over the past five years (from ~₹ 179 in January 2017 to ~₹ 265 levels in January 2022).

- We maintain HOLD rating on the stock as cable growth is yet to pick up and we would monitor broadband trajectory ahead

**Target Price and Valuation:** We roll over to FY24 and value GTPL at ₹ 290 i.e. 14x FY24E P/E

### Key triggers for future price performance:

- The pace of broadband segment expansion both in terms of existing markets and new market entry
- Change in pricing share between LCOs and GTPL, currently lower than peer
- Implementation and impact of *NTD 2*, which will have implications for the overall channel pricing for broadcasters and, thus, their strategy ahead will be key for distribution/placement for GTPL

**Alternate Stock Idea:** Besides GTPL, we like Inox Leisure in the media sector

- A play on recovery of multiplex with strong balance sheet
- BUY with a target price of ₹ 495



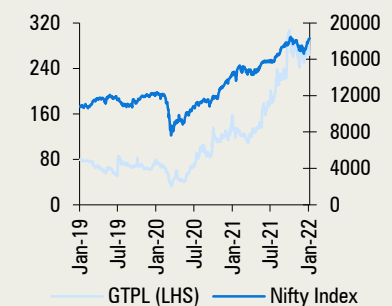
### Particulars

Particular	Amount
Market Capitalization	₹ 2967 Crore
Total Debt (FY21)	₹ 146.5 Crore
Cash & Investments (FY21)	₹ 154.6 Crore
EV	₹ 2959 Crore
52 week H/L (₹)	314/ 110
Equity capital (₹ crore)	112.5
Face value (₹)	10.0

### Shareholding pattern

	Mar-21	Jun-21	Sep-21	Dec-21
Promoters	75.0	75.0	75.0	75.0
DII	0.5	0.5	0.5	0.4
FII	9.9	9.9	10.2	9.9
Others	14.6	14.6	14.3	14.7

### Price Chart



### Key risks

**Key Risk:** (i) Slower than expected ramp up of broadband, (ii) Quicker than expected improvement in pricing share in cable

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### Key Financial Summary

(₹ Crore)	FY20	FY21	5 yr CAGR (FY16-21)	FY22E	FY23E	FY24E	3 yr CAGR (FY21-24E)
Net Sales	2,394.8	2,467.0	27.4%	2,403.0	2,570.0	2,792.3	4.2
EBITDA	461.6	509.5	27.4%	539.2	591.1	638.4	7.8
PAT	77.7	188.1		200.3	218.3	234.6	
Adjusted PAT	122.7	188.1		209.6	218.3	234.6	
P/E (x)	38.2	15.8		14.8	13.6	12.7	
Price / Book (x)	4.1	3.4		2.9	2.5	2.2	
EPS (₹)	6.9	16.7	86.1%	17.8	19.4	20.9	7.6
EV/EBITDA (x)	6.7	5.8		5.3	4.7	4.2	
RoCE (%)	28.7	30.4		28.6	26.9	25.3	
RoE (%)	16.8	21.4		20.4	18.3	17.1	

## Key business highlights

- **Cable business performance:** Subscription revenues were down 0.6% YoY at ₹ 270.2 crore. Placement/carriage income jumped ~13.4% YoY at ₹ 185.9 crore, driving growth in CATV business. Active subscribers (8.2 million) were up by 150,000 QoQ while paying subscribers (7.5 million) were also up by 150,000 QoQ. The company expects overall ARPU to jump from ₹ 123 currently to ₹ 140 once it increases its share from LCOs. The company is awaiting NTO 2 implementation. Hence, it has not yet increased its share. However, we will monitor the same before incorporating it. We conservatively build in ~6% subscription revenues CAGR in FY21-24E
- **Broadband business performance:** Broadband segment reported robust growth of 35.5% YoY to ₹ 105.4 crore, driven by healthy addition of 30,000 subscribers to 765,000 subscribers of which 290,000 subscribers are FTTx) with ARPU growth of flattish YoY at ₹ 445. The launch of hybrid box (single package including cable, broadband and OTT services) was done October and the company expects healthy traction. We estimate healthy broadband revenue growth of 26% CAGR in FY21-24E, on a higher base

## Key takeaways of conference call

- **Broadband guidance:** During Q3, some impact of festivities led to tad lower than expected subscriber addition. The management expects healthy addition of broadband subscribers to continue going forward (run rate of 1.5-1.6 lakh subscriber addition/annum). In the broadband segment, it is expanding in Gujarat (including Rural Gujarat) directly & in other states through partners. The broadband home pass is 4.4 mn, and it expects to end FY23 at 5.2-5.3 million. It has mid and long term plan to reach 25% penetration in the broadband home pass
- **Cable growth guidance:** During Q3, it also extended footprint in Karnataka & Odisha in the CATV segment. On a medium term, the management targeting to reach ~9 mn paying subscriber base by FY23 end vs 7.5 mn currently, led by expansion in Maharashtra, Andhra Pradesh, Telangana, Tamil Nadu & Northeast alongwith current market of leadership
- **Capex guidance:** For Q3FY22, capex was ₹ 75 crore, of which ₹ 32 crore was for broadband and ~₹ 43 crore was for cable. It has so far done capex of ₹ 237 crore in 9MFY22, of which ₹ 126 crore was for broadband and ~₹ 111 crore was for cable. It also guided for capex of ₹ 120-130 crore in Q4, and thus overall capex at ₹ 360-370 crore for FY22 to be lower than earlier guided level of ₹ 400 crore, owing to covid impact. It has given capex guidance of ₹400 crore for FY23E wherein Broadband capex is expected to be ₹ 225-230 crore while rest will be deployed towards CATV segment. We highlight that the company had incurred a capex of ₹ 335 crore in FY21 (₹ 175 crore in broadband and ₹ 160 crore in CATV)
- **Receivables status:** The total receivables were at ₹ 315 crore (₹ 323 crore in Q2). **Receivables breakup:** placement & activation at ₹ 144 crore (vs. ~₹ 167 crore in Q2), subscription ₹ 35 crore, EPC at ₹ 97 crore vs. ₹ 98 crore in Q2, and remaining being others
- **Hybrid box launch:** The management informed that launch of hybrid box (single package including cable, broadband and OTT services) was done in Q3 in Gujarat market. The response has been very good as per the management. The company also wishes to expand and offer the same across different states, going ahead. It would outline guidance for the same post Q4

**Exhibit 1: Variance Analysis**

	Q3FY22	Q3FY21	Q2FY22	YoY (%)	QoQ (%)	Comments
Revenue	599.1	647.2	595.9	-7.4	0.5	Topline was driven by ~35% YoY growth in broadband revenues to ₹ 105.4 crore, driven by 30K subscriber addition and 13.4% YoY growth in cable placement/carriage revenues at ₹ 185.9 crore
Other Income	13.8	8.4	9.3	64.0	48.8	
Operating Expenses	360.9	317.9	354.4	13.5	1.8	
EPC Cost	4.2	95.2	8.3	-95.6	-49.2	
Employee Expenses	30.5	28.0	29.6	9.2	3.0	
Other expenses	70.0	65.0	68.1	7.7	2.9	
EBITDA	133.5	141.0	135.5	-5.4	-1.5	
EBITDA Margin (%)	22.3	21.8	22.7	48 bps	-45 bps	
Depreciation	63.6	68.9	62.5	-7.7	1.8	
Interest	5.3	5.0	3.3	5.8	60.9	
Total Tax	19.5	22.6	15.8	-13.7	23.6	
PAT	54.6	45.2	43.1	20.8	26.9	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

(₹ Crore)	FY22E			FY23E			FY24E	Comments
	Old	New	% Change	Old	New	% Change	Introduced	
Revenue	2,412.1	2,403.0	-0.4	2,596.9	2,570.0	-1.0	2,792.3	Realigned estimates post Q3 performance
EBITDA	544.7	539.2	-1.0	622.3	591.1	-5.0	638.4	
EBITDA Margin (%)	22.6	22.4	-14 bps	24.0	23.0	-96 bps	22.9	
PAT	183.3	200.3	9.3	208.0	218.3	5.0	234.6	
EPS (₹)	16.3	17.8	9.3	18.5	19.4	5.0	20.9	

Source: ICICI Direct Research

## Financial Summary

Exhibit 3: Profit and loss statement					₹ crore
(₹ Crore)	FY21	FY22E	FY23E	FY24E	
<b>Total operating Income</b>	<b>2,467.0</b>	<b>2,403.0</b>	<b>2,570.0</b>	<b>2,792.3</b>	
Growth (%)	3.0	-2.6	6.9	8.6	
Operating Expenses	1,209.3	1,429.7	1,503.4	1,623.4	
EPC Costs	370.3	37.1	0.0	0.0	
Employee Expenses	114.8	119.7	133.6	145.2	
Other Expenses	263.1	277.3	341.8	385.3	
Total Operating Expenditure	1,957.5	1,863.8	1,978.9	2,153.9	
<b>EBITDA</b>	<b>509.5</b>	<b>539.2</b>	<b>591.1</b>	<b>638.4</b>	
Growth (%)	10.4	5.8	9.6	8.0	
Depreciation	260.4	253.7	277.6	301.6	
Interest	23.2	15.1	13.9	11.6	
Other Income	63.0	42.0	38.0	40.0	
Exceptional Items	-	12.4	-	-	
PBT	288.9	300.1	337.6	365.2	
MI/PAT from associates	23.3	21.6	24.8	28.4	
Total Tax	77.5	78.1	94.5	102.3	
<b>PAT</b>	<b>188.1</b>	<b>200.3</b>	<b>218.3</b>	<b>234.6</b>	
Growth (%)	141.9	6.5	9.0	7.4	
<b>Adjusted PAT</b>	<b>188.1</b>	<b>209.6</b>	<b>218.3</b>	<b>234.6</b>	
EPS (₹)	16.7	17.8	19.4	20.9	

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Profit after Tax	188.1	200.3	218.3	234.6	
Add: Depreciation	260.4	253.7	277.6	301.6	
Add: Interest Paid	23.2	15.1	13.9	11.6	
(Inc)/dec in Current Assets	-31.5	81.3	-37.9	-50.4	
Inc/(dec) in CL and Provisions	78.4	-109.1	73.7	98.2	
<b>CF from operating activities</b>	<b>518.7</b>	<b>441.3</b>	<b>545.7</b>	<b>595.5</b>	
(Inc)/dec in Investments	4.5	0.0	0.0	0.0	
(Inc)/dec in Fixed Assets	-284.8	-365.0	-400.0	-400.0	
Others	4.5	0.0	0.0	0.0	
<b>CF from investing activities</b>	<b>-275.8</b>	<b>-365.0</b>	<b>-400.0</b>	<b>-400.0</b>	
Issue/(Buy back) of Equity	-2.4	2.4	0.0	0.0	
Inc/(dec) in loan funds	-69.3	-30.5	0.0	0.0	
Interest paid	-23.2	-15.1	-13.9	-11.6	
Dividend outflow	-33.8	-54.2	-54.2	-54.2	
Others	26.8	0.0	0.0	0.0	
<b>CF from financing activities</b>	<b>-102.0</b>	<b>-97.4</b>	<b>-68.1</b>	<b>-65.8</b>	
<b>Net Cash flow</b>	<b>140.8</b>	<b>-21.1</b>	<b>77.6</b>	<b>129.8</b>	
Opening Cash	87.9	228.7	207.6	285.2	
<b>Closing Cash</b>	<b>228.7</b>	<b>207.6</b>	<b>285.2</b>	<b>415.0</b>	

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Liabilities</b>					
Equity Capital	112.5	112.5	112.5	112.5	
Reserve and Surplus	767.7	916.2	1,080.4	1,260.9	
Total Shareholders funds	880.1	1,028.7	1,192.9	1,373.3	
Minority Interest	72.5	72.5	72.5	72.5	
Total Debt	146.5	116.0	116.0	116.0	
Deferred Revenue	21.5	21.5	21.5	21.5	
Lease Liabilities	15.7	15.7	15.7	15.7	
Deferred Tax Liabilities (Net)	-40.3	-40.3	-40.3	-40.3	
<b>Total Liabilities</b>	<b>1,096.0</b>	<b>1,214.0</b>	<b>1,378.2</b>	<b>1,558.6</b>	
<b>Assets</b>					
Gross Block	2,576.5	2,941.5	3,341.5	3,741.5	
Less: Acc Depreciation	1,256.2	1,594.0	1,871.5	2,173.1	
Net Block	1,320.2	1,347.5	1,469.9	1,568.4	
Capital WIP	71.0	71.0	71.0	71.0	
Goodwill on consolidation	73.0	73.0	73.0	73.0	
Total Fixed Assets	1,464.2	1,491.5	1,613.9	1,712.4	
Investments	9.9	9.9	9.9	9.9	
Debtors	383.3	296.3	316.8	344.3	
Loans and Advances	98.2	95.7	102.3	111.2	
Other Current Assets	166.3	174.6	185.3	199.5	
Cash	144.7	207.6	285.2	415.0	
Total Current Assets	792.6	774.2	889.7	1,069.9	
Creditors	688.0	592.5	633.7	688.5	
Provisions	10.1	8.7	9.3	10.1	
Other Current Liabilities	472.5	460.3	492.3	534.8	
Total Current Liabilities	1,170.7	1,061.5	1,135.3	1,233.5	
Net Current Assets	-378.1	-287.3	-245.6	-163.6	
<b>Application of Funds</b>	<b>1,096.0</b>	<b>1,214.0</b>	<b>1,378.2</b>	<b>1,558.6</b>	

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios					
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Per share data (₹)</b>					
EPS	16.7	17.8	19.4	20.9	
Cash EPS	39.9	40.4	44.1	47.7	
BV	78.3	91.5	106.1	122.1	
DPS	2.5	4.0	4.0	4.0	
Cash Per Share	12.9	18.5	25.4	36.9	
<b>Operating Ratios (%)</b>					
EBITDA Margin	20.7	22.4	23.0	22.9	
PBT / Total Operating income	10.1	11.9	12.2	12.1	
PAT Margin	7.6	8.7	8.5	8.4	
Inventory days	1.2	3.0	3.0	3.0	
Debtor days	56.7	45.0	45.0	45.0	
Creditor days	101.8	90.0	90.0	90.0	
<b>Return Ratios (%)</b>					
RoE	21.4	20.4	18.3	17.1	
RoCE	30.4	28.6	26.9	25.3	
RoIC	32.1	34.4	34.2	34.8	
<b>Valuation Ratios (x)</b>					
P/E	15.8	14.9	13.6	12.7	
EV / EBITDA	5.8	5.3	4.7	4.2	
EV / Net Sales	1.2	1.2	1.1	1.0	
Market Cap / Sales	1.2	1.2	1.2	1.1	
Price to Book Value	0.0	0.0	0.0	0.0	
<b>Solvency Ratios (x)</b>					
Debt/EBITDA	0.3	0.2	0.2	0.2	
Net Debt / Equity	0.0	-0.1	-0.2	-0.2	
Current Ratio	0.5	0.5	0.5	0.5	
Quick Ratio	0.5	0.5	0.5	0.5	

Source: Company, ICICI Direct Research

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Sell: <-15%



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