

Recent run-up leaves limited room for upsides...

About the stock: GTPL Hathway (GTPL) is a leading MSO (No. 2 in terms of subscribers) offering cable television (CATV) and broadband services with a strong presence in Gujarat (No. 1), West Bengal (No. 2) and 13 other states.

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

Q2FY22 Results: GTPL reported mixed Q2FY22 results.

- Core (Ex-EPC) revenue grew 18.6% YoY to ₹ 589.8 crore, driven by sharp jump of ~50% YoY in broadband revenues to ₹ 100.6 crore owing to addition of 45,000 subscribers and 36% YoY growth in cable placement/carriage revenues at ₹ 180 crore
- EBITDA was at ₹ 135.5 crore with margins at 22.7%, flattish YoY
- Reported PAT was at ₹ 47.5 crore, down 4.5% YoY, owing to writeback of insurance claim of ₹ 12.4 crore

What should investors do? GTPL's share price has grown by ~58% over the past five years (from ~₹ 179 in October 2016 to ~₹ 282 levels in October 2021).

- Given the sharp run up (up 108% in last six months), we maintain HOLD

Target Price and Valuation: We value GTPL at ₹ 275 i.e. 15x FY23E 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 *NTO 2*, which will have an impact on the overall channel pricing for broadcasters and, thus, their strategy ahead will impact distribution/placement for GTPL

Alternate Stock Idea: Besides GTPL, within telecom & media coverage we like Tata Communication

- Cash flow generation consistency and growth levers like cloud, edge & security, IOT
- BUY with a target price of ₹ 1725



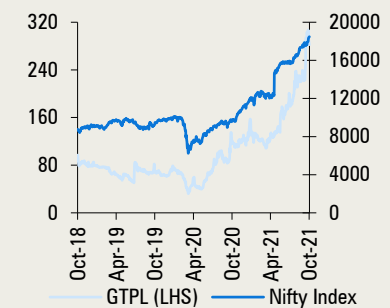
Particulars

Particular	Amount
Market Capitalization	₹ 3175 Crore
Total Debt (FY21)	₹ 146.5 Crore
Cash & Investments (FY21)	₹ 154.6 Crore
EV	₹ 3167 Crore
52 week H/L (₹)	314/ 110
Equity capital (₹ crore)	112.5
Face value (₹)	10.0

Shareholding pattern

	Dec-20	Mar-21	Jun-21	Sep-21
Promoters	75.0	75.0	75.0	75.0
DII	0.5	0.5	0.5	0.5
FII	10.5	9.9	9.9	10.2
Others	14.0	14.6	14.6	14.3

Price Chart



Key risks

Key Risk: (i) slower than expected ramp up of broadband (ii) NTO 2 uncertainty

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Key Financial Summary

(₹ Crore)	FY19	FY20	FY21	5 yr CAGR (FY16-21)	FY22E	FY23E	2 yr CAGR (FY21-23E)
Net Sales	1,245.8	2,394.8	2,467.0	27.4%	2,412.1	2,596.9	2.6
EBITDA	318.2	461.6	509.5	27.4%	544.7	622.3	10.5
PAT	18.9	77.7	188.1		183.3	208.0	
Adjusted PAT	61.8	122.7	188.1		192.4	208.0	
P/E (x)	168.2	40.8	16.9		17.3	15.3	
Price / Book (x)	4.8	4.4	3.6		3.1	2.7	
EPS (₹)	1.7	6.9	16.7	86.1%	16.3	18.5	5.2
EV/EBITDA (x)	10.6	7.1	6.2		5.9	5.0	
RoCE (%)	15.8	28.7	30.4		27.9	26.9	
RoE (%)	9.3	16.8	21.4		19.0	17.8	

Key business highlights

- **Cable business performance:** Subscription revenues was up 1.4% YoY at ₹ 271.5 crore. Placement/carriage income jumped ~36% YoY at ₹ 180 crore, driving growth in CATV business. Active subscribers (8.05 million) was up by 50,000 subscribers QoQ while paying subscribers (7.35 million) was also up by 50,000 subscriber QoQ. The company expects overall ARPU to jump from ₹ 120 currently to ₹ 150 once it increases its share from LCOs. However, we will monitor the same before incorporating it. We build in ~5% subscription revenues CAGR in FY21-23E
- **Broadband business performance:** Broadband segment reported strong growth of 50% YoY to ₹ 100.6 crore, driven by strong addition of 45,000 subscribers to 735,000 subscribers of which 275,000 subscribers are FTTx) with ARPU growth of 2.3% YoY at ₹ 440. The soft launch of hybrid box (single package including cable, broadband and OTT services) was done in August, 2021 as planned earlier and full-fledged launch is likely by October end-November first week. We estimate healthy broadband revenue growth of 32% CAGR in FY21-23E, on a higher base

Key takeaways of conference call

- **Broadband & cable growth guidance:** The management expects healthy addition of broadband subscribers to continue, going forward. In the CATV segment, in the medium term, the management is aiming to reach 8 mn paying subscriber base by Q2FY23
- **Capex guidance:** For Q2FY22, capex was ₹ 80 crore (for H1 - ₹ 162 crore), of which ₹ 45 crore was for broadband and ~₹ 35 crore was for cable. It has maintained capex guidance of ₹ 400 crore for FY22E wherein broadband capex is expected to be ₹ 225-230 crore while rest will be deployed towards CATV segment. The company had incurred a capex of ₹ 335 crore in FY21 (₹ 175 crore in broadband and ₹ 160 crore in CATV)
- **EPC payment, receivables status:** Total receivables were at ₹ 323 crore (₹ 352 crore in Q1). **Receivables breakup:** placement & activation at ₹ 167 crore (vs. ~₹ 165 crore in Q1), EPC at ₹ 98 crore vs. ₹ 120 crore in Q1 and remaining being others
- **Hybrid box launch:** The management said soft launch of hybrid box (single package including cable, broadband and OTT services) was done in August, 2021 as planned earlier and full-fledged launch is likely by October end-November first week. The management declined to share the details regarding pricing, launch strategy, etc, and added that it would be disclosed at the time of launch

Exhibit 1: Variance Analysis

	Q2FY22	Q2FY21	Q1FY22	YoY (%)	QoQ (%)	Comments
Revenue	595.9	575.6	601.8	3.5	-1.0	Topline was driven by sharp jump of ~50% YoY in broadband revenues to ₹ 100.6 crore, owing to addition of 45K subscribers and 36% YoY growth in cable placement/carriage revenues at ₹ 180 crore
Other Income	9.3	9.1	8.9	2.5	4.8	
Operating Expenses	354.4	282.9	356.7	25.3	-0.6	
EPC Cost	8.3	72.7	24.5	-88.6	-66.1	
Employee Expenses	29.6	26.5	27.9	11.9	6.1	
Other expenses	68.1	63.6	63.4	7.0	7.3	
EBITDA	135.5	129.9	129.1	4.3	4.9	
EBITDA Margin (%)	22.7	22.6	21.5	16 bps	127 bps	
Depreciation	62.5	63.1	61.4	-0.9	1.9	
Interest	3.3	5.7	1.6	-42.0	103.3	
Total Tax	15.8	19.9	22.0	-20.4	-28.0	
PAT	43.1	45.1	47.5	-4.5	-9.2	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	2,333.3	2,412.1	3.4	2,515.1	2,596.9	3.3	Realigned estimates post Q2 performance
EBITDA	527.6	544.7	3.2	603.8	622.3	3.1	
EBITDA Margin (%)	22.6	22.6	-3 bps	24.0	24.0	-4 bps	
PAT	178.7	183.3	2.6	206.7	208.0	0.6	
EPS (₹)	15.9	16.3	2.6	18.4	18.5	0.6	

Source: ICICI Direct Research

Financial Summary

Exhibit 3: Profit and loss statement				
	₹ crore			
(₹ Crore)	FY20	FY21	FY22E	FY23E
Total operating Income	2,394.8	2,467.0	2,412.1	2,596.9
Growth (%)	92.2	3.0	-2.2	7.7
Operating Expenses	940.5	1,209.3	1,411.6	1,476.0
EPC Costs	601.7	370.3	32.9	0.0
Employee Expenses	142.5	114.8	121.4	135.0
Other Expenses	248.5	263.1	301.5	363.6
Total Operating Expenditure	1,933.2	1,957.5	1,867.3	1,974.6
EBITDA	461.6	509.5	544.7	622.3
Growth (%)	16.8	10.4	6.9	14.2
Depreciation	231.7	260.4	265.3	311.6
Interest	44.7	23.2	11.6	11.6
Other Income	40.7	63.0	35.2	34.0
Exceptional Items	68.0	-	12.4	-
PBT	157.8	288.9	290.6	333.1
MI/PAT from associates	10.3	23.3	27.8	31.8
Total Tax	69.8	77.5	79.5	93.3
PAT	77.7	188.1	183.3	208.0
Growth (%)	32.7	141.9	-2.5	13.5
Adjusted PAT	122.7	188.1	192.4	208.0
EPS (₹)	6.9	16.7	16.3	18.5

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit after Tax	77.7	188.1	183.3	208.0
Add: Depreciation	231.7	260.4	265.3	311.6
Add: Interest Paid	44.7	23.2	11.6	11.6
(Inc)/dec in Current Assets	-75.5	-31.5	79.3	-41.9
Inc/(dec) in CL and Provisions	210.3	78.4	-105.1	81.7
CF from operating activities	489.0	518.7	434.4	571.0
(Inc)/dec in Investments	0.4	4.5	0.0	0.0
(Inc)/dec in Fixed Assets	-315.3	-368.8	-400.0	-400.0
Others	-45.9	4.5	0.0	0.0
CF from investing activities	-360.8	-359.9	-400.0	-400.0
Issue/(Buy back) of Equity	-0.7	-2.4	2.4	0.0
Inc/(dec) in loan funds	-129.4	-69.3	-30.5	0.0
Interest paid	-44.7	-23.2	-11.6	-11.6
Dividend outflow	-13.5	-33.8	-54.2	-54.2
Others	9.3	26.8	0.0	0.0
CF from financing activities	-179.0	-102.0	-93.9	-65.8
Net Cash flow	-50.9	56.7	-59.5	105.2
Opening Cash	138.8	87.9	144.7	85.2
Closing Cash	87.9	144.7	85.2	190.4

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Equity Capital	17.4	17.4	17.4	17.4
Reserve and Surplus	381.4	488.4	582.3	712.4
Total Shareholders funds	398.8	505.8	599.7	729.8
Total Debt	9.2	0.0	0.0	0.0
Minority Interest	2.3	3.1	3.1	3.1
Deferred Tax Assets	45.8	50.5	50.5	50.5
Total Liabilities	456.1	559.4	653.4	783.4
Gross Block	253.3	266.9	276.9	286.9
Less: Acc Depreciation	34.5	40.1	46.9	54.8
Net Block	218.8	226.7	229.9	232.0
Capital WIP	-	-	-	-
Total Fixed Assets	218.8	226.7	229.9	232.0
Investments	75.4	136.6	171.6	206.6
Other non current Assets	2.8	12.3	12.3	12.3
Debtors	108.5	87.4	111.3	141.8
Loans and Advances	5.0	13.5	17.3	22.0
Other Current Assets	106.6	93.4	113.8	139.6
Cash	9.0	145.0	185.9	269.6
Inventories	93.6	69.2	92.7	118.2
Total Current Assets	322.8	408.5	521.0	691.2
Creditors	58.0	56.3	69.6	88.6
Provisions	51.6	70.9	87.6	111.7
Other Current Liabilities	54.1	97.3	124.2	158.3
Total Current Liabilities	163.7	224.6	281.4	358.6
Net Current Assets	159.1	183.9	239.6	332.6
Application of Funds	456.1	559.4	653.4	783.4

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
	FY20	FY21	FY22E	FY23E
Per share data (₹)				
EPS	25.2	64.6	73.9	94.6
Cash EPS	27.9	67.8	77.8	99.2
BV	229.1	290.2	344.1	418.7
DPS	1.5	20.0	20.0	20.0
Cash Per Share	5.2	83.2	106.7	154.7
Operating Ratios (%)				
Adj. EBITDA Margin	11.6	29.4	29.7	30.0
PBT / Total Operating income	10.7	28.2	28.5	28.9
PAT Margin	8.4	25.5	22.8	22.9
Inventory days	65.5	57.1	60.0	60.0
Debtor days	75.9	72.1	72.0	72.0
Creditor days	40.6	46.5	45.0	45.0
Return Ratios (%)				
RoE	11.0	22.3	21.5	22.6
RoCE	14.7	27.8	27.4	29.3
RoIC	16.7	48.2	58.2	72.2
Valuation Ratios (x)				
P/E	175.9	68.7	60.1	46.9
EV / EBITDA	126.7	57.3	44.0	33.7
EV / Net Sales	14.7	16.9	13.1	10.1
Market Cap / Sales	14.8	17.5	13.7	10.8
Price to Book Value	0.0	0.0	0.0	0.0
Solvency Ratios				
Debt/EBITDA	0.2	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.7	1.1	1.2	1.2
Quick Ratio	1.1	0.8	0.8	0.8

Source: Company, ICICI Direct Research

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