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# GTPL Hathway Limited

"Neutral"
21th June 2017

*IPO Note*

## ISSUE DETAIL :

| | |
|---|---|
| Type | 100% Book Building |
| Issue Size | Rs. 484 Crore |
| Offer Price | *Rs(167-170)/Equity Share |
| Min App Size | 88 Shares |
| Issue Open | 21-Jun-17 |
| Issue Close | 23-Jun-17 |
| Shares Offer | 2.85 Cr. |
| Face Value | Rs 10 |
| Lead Mgrs | BNP Paribas, JM Financial Consultants Pvt Ltd, Motilal Oswal Investments Advisors Pvt Ltd, Yes Securities (India) Limited |
| Listing | BSE, NSE |
| Registrar | Link Intime India Private Ltd |
| Market Cap (Post Issue) | 1911.9 |

## No of shares ( Post & Pre Issue)

| | |
|---|---|
| Noof Shares(Pre Issue) | 983,45,388 |
| Offer for Sale | 144,00,000 |
| Fresh Issue | 14117647 |
| No of Shares (Post Issue) | 112463035 |

| Bid allocation pattern | |
|---|---|
| QIB | 50% |
| Non-Institutional | 15% |
| Retail | 35% |

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## COMPANY OVERVIEW:

GTPL Hathway Limited is Gujrat based Multi System Operator offering cable television and broadband services. Company was incorporated in 2006. GTPL Hathway is number 1 cable service provider in Gujarat with a market share of 67% of cable television subscribers.

GTPL Hathway provides digital cable television services in 169 towns across India. We provide cable television signals in both digital and analog modes of re-transmission. GTPL's source of revenue for cable services is subscription income received from subscribers and carriage and placement revenues received from broadcasters for carrying their channels and placing their channels on their preferred channel number or position. GTPL also have the right to place the 'Gujarat News' channel on our network, which is produced by our Group Company, Gujarat Television Private Limited. GTPL produce its own content and also offer third-party content on its local channels to ensure that it has a suitable mix of content that appeals to a range of demographics.

## COMPANY STRATEGIES :

- ☑ Company is one of the leading regional MSOs in India offering cable television and broadband services. Company is the number 1 MSO in Gujarat with a market share of 67% of cable television subscribers in 2015, accounting for approximately 3.7 million of 5.6 million cable television households in Gujarat . Company has 24% market share of cable television subscribers in Kolkata and Howrah in West Bengal.
- ☑ Company is supported by owned and leased fiber optic cable network (using HFC), digital head-ends, analog head-ends, advanced CAS, SMS and advanced internet nodes facilitating seamless delivery of service. Company improve and maintain network infrastructure to keep pace with the constantly evolving subscriber preferences and technology landscape is a competitive advantage.
- ☑ Company owned and operated 27 channels offering localized content developed for the states in which company broadcast, including 4 religious channels, 9 movie channels, 3 music channels and 11 regional channels. Company believe that subscribers will continue to subscribe for services in part due to the specific local and regional interests to which company cater through own channels

## OBJECTS OF ISSUE:

- ☑ Company proposes to utilise the funds repayment/pre-payment, in full or part, of certain borrowings; and general corporate purposes.
- ☑ Company will not receive any proceeds from the Offer for Sale by the Selling Shareholders.

## RECOMMENDATION :

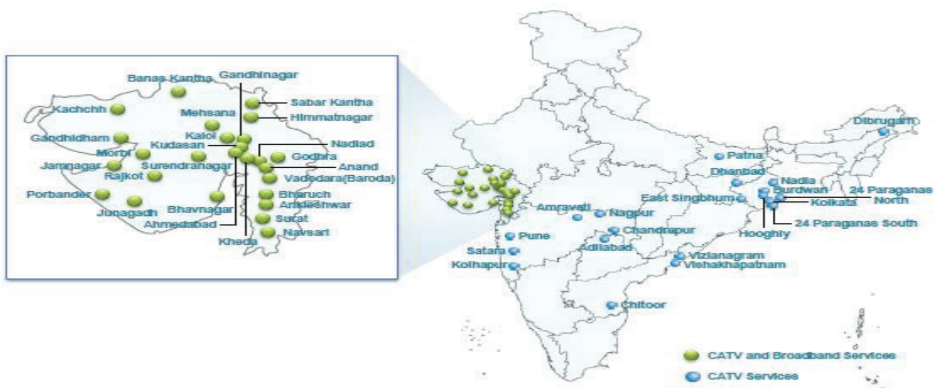
GTPL Hathway Limited Is a 50-50 JV between GTPL and Hathway limited. It is the leading Multi System Operator in Gujarat and second largest player in Kolkata and Howrah.GTPL’s digital cable television services reaches 189 towns across India and has around 2,28,000 broadband subscribers. Amongst all listed peers like DEN , Hathway resulting into losses, GTPL financials are encouraging. Though on the valuation front, company is being offered at higher valuations.The company post listing Mkt capt to CFO is ~ 8.5 times and price to book is greater than 5times FY17E BV. We maintain Neutral. Main trackable would be Capex cycle getting over for the company as that could be the main trigger for improvement in Profitability for the company.

## State-wise distribution of active STBs and broadband subscribers as of January 31, 2017

*(in millions)*

| State | Number of active STBs[1] | Number of broadband subscribers[2] |
|---|---|---|
| Gujarat | 3.33 | 0.22 |
| West Bengal | 0.88 | 0.00 |
| Maharashtra | 0.60 | 0.00 |
| Bihar | 0.13 | 0.00 |
| Jharkhand | 0.15 | 0.00 |
| Madhya Pradesh | 0.04 | 0.00 |
| Assam | 0.14 | 0.00 |
| Andhra Pradesh | 0.22 | 0.00 |
| Telangana | 0.08 | 0.00 |
| New Delhi | 0.00 | 0.00 |
| Rajasthan | 0.08 | 0.00 |
| Odisha | 0.01 | 0.00 |
| UT Daman | 0.02 | 0.00 |
| **Total** | **5.69** | **0.23** |

## Provided services as of January 31, 2017:




## COMPETITIVE RISKS

- ☑ Company's Directors, Subsidiaries, Promoters and Group Companies are involved in certain legal proceedings such as criminal, tax related & Civil case which are pending at different level. Any outcome against them, may adversely affect business

- ☑ Company is required to obtain certain approvals, licenses, registrations and permissions for operating business, some of which have not been applied for, have expired or may expire and require renewals in the future. Failure to obtain any of the approvals, licenses, registrations or permissions or renewals thereof in a 19 timely manner, or at all, or failure to comply with the conditions set forth therein, could adversely affect business, results of operations and financial condition.

- ☑ TRAI may soon auction all available spectrum of frequencies in the wireless 700 MHz band for use in the telecommunication sector. Telecommunication companies to which such spectrum is allocated will carry out wireless transmission in those frequencies, which may lead to interference of signals in the coaxial pockets of networks and limit transmission to the spectrum of up to the 700 MHz frequency or require to adopt technological systems to stop such interference. This may adversely affect business, results of operation and financial condition.

- ☑ The business model requires significant capital investment primarily for acquiring equipment for operating HFC networks . If return on capital investment does not meet company or market expectations, this could materially and adversely affect business, results of operations and financial condition.

# GTPL Hathway Limited

## Financials Snap Shot

### Income Statement

Rs in Crores

| Y/E March | FY14 | FY15 | FY16 | 9MFY17 |
|---|---|---|---|---|
| **Revenue from Operation** | 527 | 618 | 738 | 652 |
| *Change (%)* | | *17%* | *20%* | *-12%* |
| *Total Operating Expense* | 422 | 477 | 583 | 491 |
| EBITDA | *105* | *141* | *156* | *161* |
| Change (%) | | 35% | 10% | 4% |
| **Margin (%)** | **20%** | **23%** | **21%** | **25%** |
| *Dep & Amortization* | *72* | *84* | *104* | *101* |
| *EBIT* | 33 | 57 | 52 | 60 |
| *Interest & other finance cost* | *40* | *41* | *45* | *44* |
| Other Income | 2 | 10 | 8 | 12 |
| EBT | (4) | 26 | 14 | 27 |
| Tax | 4 | 10 | 10 | 9 |
| Minority Int & P/L share of Ass | 0.04 | 0.01 | 0.36 | 1.37 |
| *Reported PAT* | *(8.54)* | *15.46* | *3.88* | *16.30* |
| *Change (%)* | | *-281%* | *-75%* | *320%* |
| Margin(%) | -2% | 3% | 1% | 3% |

### Key Ratios

| Y/E March | FY14 | FY15 | FY16 | 9MFY17 |
|---|---|---|---|---|
| EPS | -0.76 | 1.38 | 0.35 | 1.46 |
| Book Value Per share | 24.31 | 25.29 | 31.21 | 33.16 |
| **Valuation(x)** | | | | |
| P/E ( Upper Band ) | -223.03 | 123.14 | 490.34 | 116.81 |
| P/E ( Lower Band ) | -219.09 | 120.97 | 481.69 | 114.75 |
| Price / Book Value | 7.02 | 6.75 | 5.47 | 5.15 |
| EV | 2098 | 2017 | 2080 | 2121 |
| *EV/Sales* | 3.98 | 3.27 | 2.82 | 3.25 |
| EV/EBITDA | 20.03 | 14.30 | 13.37 | 13.16 |
| ***Profitability Ratios*** | | | | |
| RoE | -3.1% | 5.5% | 1.1% | 4.4% |
| RoCE | -1.7% | 3.4% | 0.6% | 2.4% |
| **Liquidity Ratios** | | | | |
| Net Debt/Equity | 0.84 | 0.59 | 0.72 | 0.83 |
| Interest Coverage Ratio | 0.84 | 1.39 | 1.15 | 1.34 |
| Current Ratio | 0.66 | 0.61 | 0.59 | 0.62 |

### Balance Sheet

Rs in Crores

| Y/E March | FY14 | FY15 | FY16 | 9MFY17 |
|---|---|---|---|---|
| Share Capital | 2.00 | 2.00 | 98.35 | 98.35 |
| Reserves | 270 | 281 | 251 | 273 |
| **Networth** | **272** | **283** | **350** | **371** |
| **Minority Interest** | *38.47* | *42.26* | *49.11* | *42.55* |
| **Non Current Liabilities** | | | | |
| Long term borrowing | 228 | 167 | 252 | 307 |
| Long term Provision | 1 | 3 | 4 | 5 |
| Deferred Revenue | *66* | *65* | *143* | *165* |
| **Current Liabilities** | | | | |
| *Creditors* | 234 | 292 | 332 | 316 |
| Other Current Liabilities | 208 | 237 | 294 | 403 |
| Short Term Provision | 26 | 35 | 66 | 87 |
| **Total Liabilities** | **1,074** | **1,125** | **1,490** | **1,697** |
| Fixed Asset | 646 | 660 | 929 | 1,013 |
| Goodwill | 48 | 45 | 49 | 51 |
| Non current Imvestment | 17 | 23 | 18 | 17 |
| Long term loan & Advances | 19 | 32 | 25 | 28 |
| Deferred Tax Assets | 8 | 5 | 29 | 47 |
| Other non-current assets | 24 | 12 | 33 | 41 |
| **Non Current Assets** | | | | |
| Current Investment | *0* | *0* | *1* | *0* |
| Trade Receivable | *198* | *226* | *245* | *322* |
| Cash & Cash equivalent | *41* | *61* | *84* | *97* |
| *Short term loans & Advances* | *2* | *3* | *8* | *2* |
| *Other Current assets* | *69* | *56* | *72* | *79* |
| **Total Asset** | ***1,072*** | ***1,123*** | ***1,491*** | ***1,697*** |

### Cash Flow Statement

Rs in Crores

| Y/E March | FY14 | FY15 | FY16 | 9MFY17 |
|---|---|---|---|---|
| PBT | (4) | 26 | 14 | 27 |
| Depreciation | 72 | 84 | 104 | 101 |
| Bad and doubtful debts | 11 | 15 | 19 | 21.43 |
| Interest Income | (1.17) | (2.96) | (2.40) | (4.54) |
| Interest Expenses | 32.70 | 31.84 | 32.18 | 33.30 |
| Provisionfor Long Term Employee Be | 0.43 | 1.28 | 3.85 | 1.28 |
| *Foreign Exchange (Gain) / loss* | *(4)* | *(7)* | *(5)* | *(6)* |
| *Profit / (Loss) from JVs* | *(0)* | *(2)* | *(0)* | *(3)* |
| **Change in Working Capital** | | | | |
| *Increse in operating assets* | *(79)* | *(24)* | *(67)* | (106) |
| *Increse in operating Lab ilities* | *241* | *95* | *206* | *136* |
| **Cash generated from operation** | 267 | 216 | 305 | 202 |
| Income Tax Paid | 42.8 | 7.1 | 33.7 | 27.3 |
| **Net Cash for Operating Profit** | **225** | **209** | **271** | **174** |
| Purchase of Fixed asset & WPI | (262) | (96) | (377) | (187) |
| Bank Deposit | (8) | (3) | 10 | 1 |
| Interest Income | 1 | 3 | 2 | 5 |
| **Net Cash for Investing Activities** | **(269)** | **(96)** | **(365)** | **(182)** |
| Repayment of borrowings | 34 | (60) | 85 | 54 |
| Finance costs | 38 | - | 63 | - |
| Interim dividend paid | (33) | (32) | (32) | (33) |
| **Net Cash for Financing Activities** | **40** | **(92)** | **116** | **21** |
| **Net Cash & Cash equivalent** | **(5)** | **21** | **22** | **13** |
| Cash & Cash Equivalent at the begin | 46 | 41 | 61 | 84 |
| **Cash & Cash Equivalent at the end** | **41** | **61** | **84** | **97** |