GMR Airports Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures   Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	**GMR Airports maintains a dominant market position, controlling 27% of total Indian passenger traffic and securing a near-monopoly through high-performing assets like the new Goa airport.**	□
2	**Revenue grew by 42.18% to □14,807 Cr, driven by a strategic pivot toward high-margin retail and duty-free concessions which doubled inventory turnover from 4.16 to 9.10.**	□
3	Operating margins improved significantly, facilitating a bottom-line turnaround to a Net Profit of □472 Cr, though this was heavily supported by □6,314.50 Cr in non-cash Level 3 fair valuation gains.	□
4	***The company faces technical insolvency with a Debt Service Coverage Ratio (DSCR) of 0.23, indicating that core earnings cover less than one-fourth of its immediate debt obligations.***	□
5	***Net Debt stands at a staggering 43.3k Cr, with a Net Debt/EBITDA of 7.5x, well above the sustainable threshold of 5x required for long-term financial stability.***	□
6	**Cash Flow from Operations (CFO) reached a five-year high of □4,884 Cr, demonstrating the strong cash-generative nature of the underlying airport assets despite the leveraged structure.**	□
7	***Capital allocation is inefficient as the Return on Capital Employed (ROCE) of 12% remains below the cost of debt, while interest expenses consume 80% of all generated operating cash flow.***	□
8	***Earnings quality is compromised by a 1,216% spike in current debt maturities to 1,880.76 Cr and significant exposure to 3,605.74 Cr in Euro-denominated debt vulnerable to FX volatility.***	□
9	***Governance concerns are acute due to a disabled audit trail at the database level for cash-intensive segments and a 56% hike in KMP pay now representing 15.7% of PAT.***	□
10	***Strategic risks involve significant capital diversion, with 1,883 Cr lent to fellow subsidiaries via related-party transactions (RPTs) while the parent entity itself requires 5k Cr in funding.***	□
11	The outlook depends entirely on a successful deleveraging roadmap, specifically the refinancing of October 2026 bonds and the reduction of the Net Debt/EBITDA ratio.	□
12	***Stance: WATCH; the operational brilliance of the retail pivot is currently eclipsed by a debt-heavy structure and governance flags, with DSCR > 1.0x being the primary recovery monitorable.***	□

1. BUSINESS OVERVIEW

- **Business Segments:** Transitioning from a leveraged infrastructure utility to a consumer-centric retail platform. Key segments include Aeronautical services, Non-Aeronautical services (Duty-Free, Retail, F&B, Cargo, Car Parking), and Airport Land Development (ALD).
- **Revenue Drivers:** Structural stranglehold on Indian aviation (27% of domestic traffic); pivot to "Airport Adjacencies" (Duty-Free/Retail) to capture full consumer wallet share; Hub-and-Spoke maturation at Delhi (DIAL).

- **Cost Drivers:** High Finance Costs (**Interest**) consuming 67% of **Operating Profit**; scale-up of duty-free and cargo infrastructure increasing lease-related impacts; significant Euro-denominated debt exposure.
- **Industry Position:** Control of major hubs (Delhi, Hyderabad, Goa); evolution of Goa (Manohar International) into a high-yield leisure hub (47% system traffic share).
- **Expansion Plans:** Strategic shift toward asset-light O&M contracts and consultancy; scaling Maintenance, Repair, and Overhaul (MRO) sector; expanding Master Concession model to Bhogapuram (GVIAL) and Crete.
- **Acquisitions/Inorganic Growth:** Structural takeover of Delhi Duty-Free (July 2025) and Hyderabad Duty-Free (Sept 2025); acquisition of Delhi Cargo Concession (Terminal 1).
- **Capacity Additions: CWIP** increased 42% to ₹5,433 Cr, primarily for Nagpur and Bhogapuram projects; Delhi Aerocity development including Waldorf Astoria and AIG Hospitals.
- **Geographical Presence:** Strong domestic footprint (Delhi, Hyderabad, Goa, Nagpur, Bhogapuram) and international presence (Crete, Greece).

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management characterizes the company as an "institution in perpetuity," moving beyond simple infrastructure to a "consumer-centric, technology-led platform."
- **Strategy Shift:** Aggressive expansion into asset-light portfolios and airport-adjacent businesses, specifically insourcing high-margin Duty-Free and Cargo operations.
- **Growth Guidance:** Banking on massive fleet orders from Indian carriers (Air India/Indigo) and the emergence of GIFT City aircraft leasing to drive sustained traffic.
- **Hub Ambition:** Commitment to government vision for a global aviation hub, cementing Delhi as the central nervous system of Indian aviation.
- **Real Estate Strategy:** Transitioning Airport Land Development (ALD) from simple leasing to a self-development real estate play (e.g., Delhi Aerocity IGBC Platinum district).
- **Management Acknowledged Challenges:** Geopolitical volatility in West Asia impacting fuel/routes, airline counterparty credit risk (distressed carriers), and unhedged Euro debt exposure.
- **Financial Resolutions:** Seeking a ₹5,000 Cr fund-raising resolution to manage leverage and address the looming maturity wall.
- **Management Tone:** Promotional and Resilient. The tone is highly optimistic regarding "Innovation" and "Operating Leverage," using technology narratives to deflect from technical insolvency. It remains evasive regarding a clear deleveraging roadmap while focusing on physical project progress.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

Basis: CONSOLIDATED.

P&L Statement (Crores)

Line Item	Mar 2026	Mar 2025
Sales -	14,807.00	10,414.00
Sales Growth %	42.18	18.96
Expenses -	9,050.00	6,639.00
Material Cost % -	6.63	3.03
Raw material cost	1,336.00	328.00
Change in inventory	-354.00	-12.00
Manufacturing Cost %	0.00	34.50
Employee Cost %	11.60	14.28
Other Cost %	42.90	11.94
Operating Profit	5,757.00	3,775.00
OPM %	39.00	36.00
Other Income -	524.00	1,205.00
Exceptional items	-108.00	598.00
Other income normal	633.00	606.00
Interest	3,859.00	3,705.00
Depreciation	1,837.00	1,910.00
Profit before tax	586.00	-635.00
Tax %	19.00	29.00
Net Profit -	472.00	-817.00
Profit from Associates	0.00	0.00
Minority share	-297.00	424.00
Exceptional items AT	-87.00	598.00
Profit excl Excep	560.00	-1,415.00
Profit for PE	208.00	-681.00
Profit for EPS	175.00	-393.00
Profit Growth %	131.00	-7.00
EPS in Rs	0.17	-0.37
Dividend Payout %	0.00	0.00

Balance Sheet (□Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	1,056.00	1,056.00
Reserves	-3,536.00	-3,559.00
Borrowings -	43,283.00	38,218.00
Long term Borrowings	34,498.00	33,724.00
Short term Borrowings	7,698.00	3,910.00
Lease Liabilities	1,087.00	584.00
Preference Capital	0.00	12.00
Other Borrowings	0.00	-12.00
Other Liabilities -	13,962.00	12,845.00
Non controlling int	931.00	715.00
Trade Payables	1,328.00	1,005.00
Advance from Customers	0.00	305.00
Other liability items	11,703.00	10,820.00
Total Liabilities	54,764.00	48,559.00
Fixed Assets -	29,016.00	28,218.00
Land	0.00	30.00
Building	0.00	26,504.00
Plant Machinery	0.00	6,656.00
Equipments	0.00	408.00
Furniture n fittings	0.00	3,860.00
Vehicles	0.00	59.00
Intangible Assets	1,054.00	1,015.00
Other fixed assets	0.00	102.00
Gross Block	0.00	38,634.00
Accumulated Depreciation	0.00	10,417.00
CWIP	5,433.00	3,808.00
Investments	5,959.00	4,288.00
Other Assets -	14,357.00	12,246.00
Inventories	540.00	162.00
Trade receivables -	596.00	531.00
Receivables over 6m	0.00	86.00
Receivables under 6m	0.00	454.00
Prov for Doubtful	0.00	-9.00
Cash Equivalents	993.00	944.00
Loans n Advances	5,724.00	119.00
Other asset items	6,504.00	10,489.00

Line Item	Mar 2026	Mar 2025
Total Assets	54,764.00	48,559.00

Cash Flow Statement (Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	4,884.00	3,443.00
Profit from operations	5,696.00	3,491.00
Receivables	0.00	0.00
Inventory	0.00	0.00
Payables	487.00	691.00
Loans Advances	0.00	0.00
Other WC items	-1,125.00	-623.00
Working capital changes	-638.00	68.00
Direct taxes	0.00	-117.00
Other operating items	-174.00	0.00
Cash from Investing Activity -	-3,577.00	-3,673.00
Fixed assets purchased	-3,329.00	-4,129.00
Fixed assets sold	27.00	106.00
Investments purchased	-1,463.00	0.00
Investments sold	96.00	368.00
Interest received	957.00	251.00
Dividends received	219.00	232.00
Redemp n Canc of Shares	0.00	4.00
Acquisition of companies	-200.00	-1,069.00
Other investing items	116.00	564.00
Cash from Financing Activity -	-1,238.00	-1,010.00
Proceeds from shares	118.00	0.00
Redemption of debentures	0.00	0.00
Proceeds from borrowings	11,661.00	5,679.00
Repayment of borrowings	-9,444.00	-3,488.00
Interest paid fin	-3,867.00	-2,993.00
Dividends paid	-98.00	-74.00
Financial liabilities	-154.00	-134.00
Other financing items	547.00	0.00
Net Cash Flow	69.00	-1,241.00
Free Cash Flow	1,582.00	-581.00
CFO/OP	85.00	94.00

Key Ratios (₹Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	15.00	19.00
Inventory Days	201.00	0.00
Days Payable	494.00	0.00
Cash Conversion Cycle	-278.00	19.00
Working Capital Days	-96.00	-232.00
ROCE %	12.00	7.00

3.2 Financial Analysis Summary

- The company reported a significant turnaround in **Net Profit** to **₹472.00 Cr** in FY2026 from a loss of **-₹817.00** Cr, driven by a 42.18% surge in **Sales** to **₹14,807.00 Cr**, following structural takeovers of Delhi and Hyderabad Duty-Free operations.
- **Operating Profit** (EBITDA) grew to **₹5,757.00 Cr** with **OPM** expanding to 39.00%, though **Other Costs** jumped to 42.90% of revenue due to the scale-up of duty-free infrastructure and lease-related impacts.
- The **Balance Sheet** reflects severe liquidity pressure as the **Current Ratio** deteriorated to **1.16** from 2.04 due to the reclassification of **₹1,880.76 Cr** of long-term debt into current maturities.
- **Total Debt** climbed to **₹43,283.00 Cr**, and the **Debt Service Coverage Ratio (DSCR)** collapsed by 65% to a critical **0.23**, indicating **Operating Profit** is insufficient to meet repayment obligations.
- **Cash Flow from Operating Activity (CFO)** improved to **₹4,884.00 Cr**, resulting in a **CFO/PAT** ratio of **10.35**, bolstered by a negative **Cash Conversion Cycle** of -278 days and a 230% improvement in **Trade Receivables** turnover.
- Significant capital allocation risk remains with **₹1,883.00 Cr** in **Loans and Advances** extended to fellow subsidiaries (Power/Generation) despite the company's own high leverage.
- **Fixed Assets** stood at **₹29,016.00 Cr**, but **CWIP** increased to **₹5,433.00 Cr**, with massive off-balance sheet Sponsor Support Undertakings totaling over **₹5,800 Cr** for Goa and Visakhapatnam.
- Earnings quality is tempered by a non-cash fair valuation gain of **₹6,314.50 Cr** recognized in **Other Equity** (Level 3 DCF), while a 5% Euro appreciation would hit profit by **₹217.15 Cr** due to **₹3,605.74 Cr** in foreign **Borrowings**.
- **Auditor Notes** reveal a critical governance failure: the audit trail was not enabled for Cargo, Parking, and Duty-Free databases until May 20, 2025, limiting verification of revenue integrity during peak growth.
- **Other Assets** (Financial) of **₹780.80 Cr** include unbilled revenue and security deposits which could mask collection delays; **Other Liabilities** include a **₹310.80 Cr** Put Option liability sensitive to volatility.
- **Other Expenses** were impacted by an exceptional **₹7.61 Cr** provision for gratuity due to new Labour Code rules, while FY25 margins were inflated by a one-time **₹106.91 Cr** interest waiver gain.
- The dominant financial theme of the year is a structural pivot to a high-velocity retail model that generates robust **CFO**, yet leaves the **Balance Sheet** in a fragile state of technical insolvency with a collapsed **DSCR** and massive refinancing risk.

3.3 Contingent Liabilities & Commitments

- **Sponsor Support Undertakings:** Massive off-balance sheet exposure including commitment to fund project cost overruns and debt service shortfalls for GMR Goa (**₹2,475 Cr**) and GMR Visakhapatnam (**₹3,365 Cr**).

- **Direct Tax Disputes: □242.89 Cr** primarily relating to repetitive disallowances and transfer pricing adjustments.
- **MAF Dispute (DIAL):** Ongoing litigation with AAI regarding Monthly Annual Fee excusal (Mar 2020-Feb 2022); AAI appeal poses a massive future liability risk.
- **Corporate Guarantees: □939.86 Cr** outstanding; however, a **□2,353.20 Cr** guarantee related to GREL was released following a one-time settlement.
- **Capital Commitments: □18.70 Cr** in unexecuted contracts.

3.9 Earnings Quality & Forensic Checks

Read	Question	Verdict	Confidence	Checked
1	Is the growth real?	***FLAG***	high	6/6
2	Does profit become cash?	***FLAG***	high	5/5
3	Is the P&L being manufactured?	***FLAG***	high	6/6
4	Is value leaving to insiders?	***FLAG***	high	6/6
5	Can the balance sheet take a hit?	***FLAG***	high	5/5

Read 1 — Is the growth real? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Consolidated Sales growth	Rs 10,414.00 Cr	Rs 14,807.00 Cr	42.18% increase	□ CLEAN	Adds Rs 4,393.00 Cr to top line	Note P&L Statement
Trade Receivables vs Sales growth	Rs 531.00 Cr	Rs 596.00 Cr	12.24% increase vs 42.18% sales growth	□ CLEAN	Receivables growing significantly slower than sales suggesting high-velocity cash collections	Note Balance Sheet
Unbilled revenue (Contract Assets)	Rs 425.20 Cr	Rs 492.64 Cr	15.86% increase	□ WATCH	Rs 492.64 Cr of revenue recognized but not yet invoiced	Note Note 10, p.120
Revenue from related parties (Standalone)	Rs 1,063.13 Cr	Rs 3,029.21 Cr	184.93% increase	□ WATCH	Significant portion of standalone revenue growth is intra-group/ related party	Note Note 34 (Standalone), p.187
Customer concentration (Consolidated)	Rs 1,381.56 Cr	Rs 3,447.03 Cr	149.5% increase in top-2 customer concentration	□ WATCH	Two customers now account for 23.2% of consolidated revenue	Note Note 43(xxvi), p.150
Advances from customers	Rs 305.00 Cr	Rs 0.00 Cr	100% decrease	□ WATCH	Elimination of customer advances on the balance sheet face	Note Balance Sheet
Audit Trail Governance	not disclosed	not enabled until May 20, 2025	New disclosure of control failure	□FLAG	Prevents verification of historical transaction logs for Goa Duty Free and Cargo revenue	Note Note 46/43(xxiii), p.203

Mechanism: Revenue growth is driven by the structural consolidation of Duty-Free operations and Cargo concessions, which has shifted the mix toward cash-generative retail, evidenced by the receivables growth lagging sales. However, the lack of an audit trail for primary revenue databases at the start of the year and high concentration in two customers create forensic risks regarding the integrity and sustainability of these logs. **Aggregate impact:** Revenue increased by Rs 4,393.00 Cr, but Rs 492.64 Cr remains unbilled and a significant portion of standalone growth is related-party driven. **Direction:** stable · **Watch next:** Status of Audit Trail compliance in the next quarterly limited review · **Corroborates:** insider_leakage

Read 2 — Does profit become cash? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
cfo_ebitda (CFO / clean EBITDA)	0.82	0.79	Slight deterioration in conversion	☐ WATCH	CFO of Rs 4,884.00 Cr vs EBITDA of Rs 6,150.25 Cr	Note Cash Flow/Note 59, p.66
op_conversion_pretax ((CFO + tax paid) / EBITDA)	0.85	0.82	300 bps decline in pre-tax conversion	☐ WATCH	Excludes the Rs 174.39 Cr cash tax drag	Note Note 59/Cash Flow, p.101
Inventory absorption of cash	Rs 162.00 Cr	Rs 540.00 Cr	233% increase in inventory	☐ WATCH	Absorbs Rs 378 Cr of liquidity primarily for duty-free stock	Note Balance Sheet
Working capital movement	Rs 68.00 Cr	Rs -638.00 Cr	Swing from source to use of cash	☐FLAG	Working capital became a significant drag on cash flow despite higher OPM	Note Cash Flow Statement
Cash tax paid vs book tax	Rs 116.60 Cr paid / Rs 181.59 Cr book	Rs 174.39 Cr paid / Rs 113.70 Cr book	Cash tax now exceeds book tax	☐ WATCH	Higher cash outflow for tax than P&L charge, reducing available liquidity	Note Note 59/Cash Flow, p.101

Mechanism: While EBITDA grew by 47%, the cash conversion efficiency dropped because the business shifted from a working capital neutral model to a heavy inventory-holding model (Duty-Free). The surge in inventory and 'Other WC items' caused a Rs 638 Cr cash drag, preventing the full realization of operating profits into cash. **Aggregate impact:** Net working capital changes consumed Rs 638.00 Cr of cash compared to a Rs 68.00 Cr generation in the prior year. **Direction:** deteriorating · **Watch next:** Inventory turnover ratio in the duty-free segment · **Corroborates:** bs_stress

Read 3 — Is the P&L being manufactured? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Exceptional items effect on PBT	Rs 598.00 Cr (Gain)	Rs -108.00 Cr (Loss)	Net swing of Rs 706 Cr	□ CLEAN	Current year PBT is 'cleaner' of exceptional gains than prior year	Note P&L Statement
Non-operating income as % of PBT	Negative PBT	89.4%	Extremely high reliance	□FLAG	Rs 524 Cr of Other Income nearly equals the Rs 586 Cr PBT	Note P&L Statement
Deferred tax movement	Rs 70.06 Cr (Expense)	Rs -50.14 Cr (Credit/ Income)	Swing to tax credit	□ WATCH	Adds Rs 50.14 Cr to Net Profit through non-cash accounting	Note Note 34(b), p.130
Provision reversals credited to income	Rs 7.65 Cr	Rs 25.27 Cr	230% increase	□ WATCH	Non-cash gain contributing to Other Income	Note Note 22, p.125
Depreciation policy / useful-life change	not disclosed	30 years to 50 years for Buildings	Significant extension of useful life	□FLAG	Reduced depreciation charge for the year by Rs 150.97 Cr	Note Note 43(xii), p.148
Fair Valuation Gains (Non-cash)	Rs 150.79 Cr	Rs 165.96 Cr	10% increase	□ WATCH	Embedded in operating profit but represents non-cash model adjustments	Note Cash Flow Statement, p.101

Mechanism: The reported PBT of Rs 586.00 Cr is significantly aided by non-operational levers: a Rs 150.97 Cr saving from extending asset useful lives and Rs 524 Cr of Other Income. Without these accounting changes and non-operating credits, the company would likely report a pre-tax loss, as Finance Costs (Rs 3,859 Cr) continue to consume the bulk of Operating Profit. **Aggregate impact:** Useful life extension and other income combined provide a Rs 674.97 Cr benefit to PBT, which exceeds the total reported PBT. **Direction:** deteriorating · **Watch next:** Finance cost as a percentage of operating profit · **Corroborates:** bs_stress

Read 4 — Is value leaving to insiders? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Related-party loans (Fellow Subsidiaries)	Rs 2,044.39 Cr	Rs 1,883.00 Cr	7.8% decrease	□ WATCH	Rs 1,883.00 Cr remains locked in non-core power/ infra group entities	Note Note 191, p.191
Omnibus approval for Related Party Transactions	Rs 1,700.00 Cr (est.)	Rs 2,500.00 Cr	47% increase in pre-approved limit	□ WATCH	Enables massive intra-group transactions with a Rs 695.08 Cr 'buffer' for unforeseen items	Note Note 212, p.212
KMP Remuneration vs Net Profit	Rs 47.60 Cr	Rs 74.34 Cr	56.2% increase	□FLAG	Remuneration grew much faster than the 42% sales growth; represents 15.7% of PAT	Note Note 129, p.138
Security Deposits given to related parties	Rs 7.33 Cr	Rs 254.26 Cr	3,368% increase	□FLAG	Large cash outflow to DIAL categorized as security deposit	Note Note 192/42 (Standalone), p.153
CSR Spend and Shortfall	Rs 0.00 Cr	Rs 0.00 Cr	Neutral	□ CLEAN	Company reports no requirement to spend due to prior average losses	Note Note 147 (Standalone), p.184
Cost of related-party funding	Rs 251.21 Cr (accrued)	Rs 669.79 Cr (accrued)	166% increase in accrued interest	□FLAG	Highlights the mounting cost of debt from Aeroports De Paris (ADP)	Note Note 192/42, p.139

Mechanism: There is a clear pattern of capital being diverted to support the wider GMR Group (Rs 1,883 Cr in loans) and increased cash outflows to related parties via non-standard 'Security Deposits' (Rs 254 Cr). Simultaneously, the cost of insider funding from ADP is ballooning, with accrued interest rising to Rs 669.79 Cr, suggesting the airport business is carrying a high burden for the group's capital structure. **Aggregate impact:** Total related-party financial exposure (Loans + Deposits + Accrued Interest) exceeds Rs 2,800 Cr. **Direction:** deteriorating · **Watch next:** Refund of the Rs 254 Cr security deposit from DIAL · **Corroborates:** revenue_real, bs_stress

Read 5 — Can the balance sheet take a hit? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Current maturities of Long-term debt	Rs 142.88 Cr	Rs 1,880.76 Cr	1,216% increase in 12-month obligations	□FLAG	Refinancing risk is critical; current cash of Rs 105.32 Cr is insufficient	Note Note 38iii, p.200
Debt Service Coverage Ratio (DSCR)	0.67	0.23	65.6% collapse in coverage	□FLAG	Earnings cover only 23% of debt service obligations	Note Note 36c, p.194
Contingent Liabilities (Sponsor Support)	Rs 5,530 Cr (Goa/ Vizag)	Rs 5,840 Cr	Increase in off-balance sheet commitments	□ WATCH	Ongoing commitment to fund cost overruns for Goa and Visakhapatnam projects	Note Note 37II, p.195
Foreign Exchange Sensitivity (Euro)	Rs 162.80 Cr (5% move)	Rs 204.55 Cr (5% move)	25% increase in forex risk exposure	□ WATCH	Single 5% Euro fluctuation could wipe out ~35% of reported PBT	Note Note 38(b)ii / 45, p.152
CWIP ageing and expansion	Rs 3,808.00 Cr	Rs 5,433.00 Cr	42.6% increase in unfinished assets	□ WATCH	Capital locked in construction, not yet generating aero-revenue	Note Balance Sheet

Mechanism: The balance sheet is under extreme stress due to a 'maturity wall' where current debt obligations (Rs 1,880.76 Cr) have increased 12-fold, far outstripping cash on hand (Rs 105.32 Cr). With a DSCR of only 0.23 and ballooning contingent liabilities for project overruns, the company is entirely dependent on immediate refinancing or external equity to remain solvent. **Aggregate impact:** Short-term liquidity gap (Current Maturities minus Cash) is approximately Rs 1,775 Cr. **Direction:** deteriorating · **Watch next:** Net Debt/EBITDA ratio and successful refinancing of current maturities · **Corroborates:** profit_to_cash, pnl_levers

Material notes captured

Note	Discloses	Prior	This year	Impact	Signal
Note 38	**Fair valuation gain on unquoted investments**	not disclosed	Rs 6,314.50 Cr	Boosts Other Equity (non-cash)	neutral
Note 46	**Inorganic growth takeover of Duty-Free**	not disclosed	Rs 14,807.41 Cr	Explains revenue jump/WC shift	positive
Note 43(xvii)	***Terminal 1D roof collapse & refurbishment***	Rs 8.65 Cr write off	Rs 35.00 Cr credit	Operational disruption/ insurance	negative
Note 37II	**Release of GREL guarantee**	Rs 2,353.20 Cr	Nil	Reduction in contingent liability	positive
Note 46	***Audit Trail Failure***	not disclosed	***Enabled May 2025***	Profit ↑ — Limits verification of historical logs	negative
Note 38	***Level 3 Investment Valuation***	not disclosed	□75,967.22 Cr	Profit ↑ — Non-cash DCF model gains	negative

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters

- **Audit Opinion Type:** Unqualified.

- **KAM: Deferred Tax Assets (GHIAL):** ₹656.71 Cr in MAT Credit and ₹30.26 Cr in DTA contingent on future aeronautical tariffs; risk of asset write-down.
- **KAM: Valuation of Derivative Financial Instruments:** Group holds derivatives hedging ₹9,708.80 Cr (DIAL) and ₹3,309.67 Cr (GHIAL) debt; sensitive to Level 2/3 inputs.
- **KAM: MAF Dispute (DIAL):** Ongoing litigation with AAI regarding Monthly Annual Fee excusal for Mar 2020-Feb 2022. Potential reversal poses a massive future liability risk.
- **Emphasis of Matter: Audit Trail Failure:** Audit trail feature was **not enabled at the database level** for Cargo, Car Parking, and Goa Duty-Free revenue segments until May 20, 2025.
- **Emphasis of Matter: Merger Accounting:** "Pooling of Interest" method for the GIDL/GAL merger resulted in a **₹3,367.81 Cr Amalgamation adjustment deficit** in Other Equity.

B. Related Party Transactions

Party	Relationship	Nature	Amount (Cr)	Concern
GPUIL	Fellow Subsidiary	Loans Given	900.57 Cr	***Capital diversion to group power entity***
GMR Generation Assets	Fellow Subsidiary	Loans Given	358.03 Cr	***Lending despite high parent debt***
ADP S.A.	Shareholder	Borrowings	2,618.30 Cr	High-cost funding; 669.79 Cr accrued interest
DIAL	Subsidiary	Security Deposit	254.26 Cr	3,368% increase from 7.33 Cr
GHIAL	Subsidiary	Dividend Received	218.49 Cr	**Essential cash flow for holding co. debt**
DIAL	Subsidiary	Proposed Omnibus	2,500.00 Cr	***High dependency on intra-group transactions***

- **RPT Revenue %:** 6.70% of total revenue.
- **RPT Loan % of CFO:** 38.55% (₹1,883 Cr lent to fellow subsidiaries).
- **RPT Verdict:** ***Governance Concern*** — Entity functions as a liquidity conduit for the wider group, diverting 38.5% of CFO away from deleveraging.

C. Shareholding

- **Promoters:** 66.33% (stable from 66.24%)
- **FPI/Foreign Corp:** 20.15% (down from 27.73%)
- **Mutual Funds:** 2.32% (up from 1.16%)
- **Foreign Companies (ADP):** 5.04%
- **Pledged Shares:** Note 34/K(iii) indicates shares of certain JVs are pledged as security for loan facilities.

D. Board Composition + KMP Compensation

- **Board:** 20 Directors; 50% Independent (10 directors); 3 Women Directors.
- **Family Relations:** G.M. Rao (Chairman) is father to Grandhi Kiran Kumar (MD) and G.B.S. Raju (VC); Srinivas Bommidala (Director) is son-in-law.
- **KMP Compensation:**
- **Grandhi Kiran Kumar (MD):** ₹6.20 Cr (down 33.7% YoY).

- **Total KMP Remuneration:** 74.34 Cr (up 56.2% YoY), representing 15.7% of PAT despite technical insolvency.

F. Capital Allocation & Capex

Action	FY Current (Cr)	FY Prior (Cr)	% of CFO	Signal
Capex (Fixed Assets)	3,329.00 Cr	4,129.00 Cr	68.16	□
Interest Payments	3,867.00 Cr	2,993.00 Cr	79.17	□
Net Debt Change	2,217.00 Cr	2,313.00 Cr	45.39	□
Dividends Paid	98.00 Cr	74.00 Cr	2.01	□
Loans to Fellow Subs	1,883.00 Cr	2,431.61 Cr	38.55	□

CAPEX Analytical Notes: - CFO Coverage of Capex: Ratio is 1.46, but including interest payments, it drops to **0.67**, meaning operations cannot self-fund total commitments. **- Deployment Efficiency:** Sales grew 42.18% following Duty-Free/Cargo consolidation, showing strong conversion of retail capex. **- Key Takeaway:** Balance sheet is trapped in a **high-leverage loop** where interest costs consume nearly 80% of CFO.

H. Risks

- ***Debt Maturity (Liquidity):*** 1,880.76 Cr maturing in <1 year; **DSCR at 0.23** is a critical red flag for solvency.
- ***Audit Trail (Governance):*** Disabled database logs for Cargo/Parking/Duty-Free; risks revenue leakage/manual override.
- ***Forex Exposure (Financial):*** 3,605.74 Cr in Euro debt; 5% move impacts profit by **217.15 Cr**.
- ***MAF Dispute (Litigation):*** AAI appeal could trigger massive back-payment liability.
- ***Group Lending (Governance):*** 1,883 Cr diversion to fellow subsidiaries strains core airport liquidity.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	↑	27% Indian traffic share; 42% Sales growth	Strong monopoly assets with high-margin retail pivot.
Financial Health	1	↓	DSCR 0.23; Net Debt 43.3k Cr	Technically insolvent; debt service exceeds earnings.
Earnings Quality	2	↓	CFO > PAT but audit trail failed	Strong cash flows marred by digital transparency gaps.
Management & Governance	2	→	1.8k Cr RPT lending; 56% KMP pay hike	Strategic vision exists but RPT circularity persists.
Capital Allocation	1	↓	ROCE 12% < Debt Cost; Interest 80% CFO	Value-destroying loop of borrowing to fund interest/RPT.

BUSINESS POSITIVES - □**[Turnaround]:** Net Profit pivot to **472 Cr** from a loss of 817 Cr. - □**[Revenue Growth]: 42.18% Sales growth** to 14,807 Cr driven by retail/duty-free concessions. - □**[Cash Flow Strength]: CFO of 4,884 Cr** is at a 5-year high with a CFO/PAT ratio of 10.35. - □**[Monopoly Position]:** Controls **27% of**

Indian traffic with Goa capturing 47% system share. - □**[Asset Efficiency]:** Inventory turnover doubled from **4.16 to 9.10** due to retail shift.

BUSINESS NEGATIVES / CONCERNS - □**[Debt Service Failure]: DSCR collapsed to 0.23**, meaning earnings cover only 23% of obligations. - □**[Governance Flag]: Audit trail disabled** at database level for high-cash segments (Cargo/Parking). - □**[Liquidity Wall]:** Current maturities of debt spiked **1,216% to □1,880.76 Cr**. - □**[Capital Diversion]: □1,883 Cr lent to fellow subsidiaries** while parent requires □5k Cr funding. - □**[Non-Cash Gains]:** Profit supported by **□6,314.50 Cr** Level 3 non-cash fair valuation gains. - □**[Forex Risk]: □3,605.74 Cr** in Euro debt with high P&L sensitivity to FX moves.

OVERALL SCORECARD SUMMARY GMR Airports is a study in operational brilliance versus financial fragility. While the business has successfully pivoted to a high-margin retail model generating record CFO, it remains technically insolvent with a balance sheet that cannot service its own debt. Earnings quality is severely compromised by digital governance failures (audit trails) and non-cash valuation gains. Consequently, the business is on a stable but high-risk trajectory, dependent entirely on continuous refinancing and related-party circularity.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified (p.91)
2	Promoter pledge = 0?	□	Shares of JVs pledged for facilities (p.137)
3	KMP pay < 5% of PAT?	□	KMP remuneration = 15.7% of PAT (□74.3 Cr)
4	RPT quantum < 5% of revenue?	□	6.70% of revenue (□993 Cr)
5	Board > 50% independent?	□	50% (10 of 20 directors)
6	At least 1 woman director?	□	3 Women Directors (p.53)
7	No statutory dues outstanding?	□	No major flags in CARO snippets
8	No fraud reported?	□	Not reported in KAM/Auditor notes
9	Audit trail enabled?	□	**Disabled at database level until May 2025**
10	Frequent Auditor change	□	No change reported
Final line: "Total: 6/10 □— Governance Rating: 2"			

Part C: Investor Verdict

THESIS: GAL is a world-class airport monopoly trapped in a debt-heavy holding structure that diverts core cash to support a wider industrial conglomerate. **OVERALL STANCE:** WATCH **RATIONALE:** Explosive retail growth is offset by a collapsed DSCR (0.23) and high governance risk regarding RPTs and audit trails. **RE-EVALUATE WHEN:** DSCR exceeds 1.0x OR Related Party Loans to non-airport subsidiaries drop below □500 Cr. **BULL CASE:** Successful deleveraging via equity infusion and refinancing of Oct 2026 bonds leads to □1,000 Cr+ clean PAT. **BEAR CASE:** 10% Euro appreciation combined with failed refinancing of □1,880 Cr current maturities triggers technical default. **KEY MONITORABLE:** Net Debt/EBITDA ratio: Current 7.5x → Watch threshold < 5x.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation Phase	Project capitalization phase; focus on commissioning Bhogapuram.	Aggressive expansion reboot; CWIP surged 42% to ₹5,433 Cr for Nagpur and real estate.	The company has re-entered a heavy construction cycle before the previous expansion could provide meaningful deleveraging.
Margin Trajectory	OPM at 36%; recovering from post-merger integration.	OPM expanded to 39% following Duty-Free structural takeovers.	Operational leverage is being successfully extracted from high-margin retail insourcing, though it is entirely offset by finance costs.
Liquidity & Solvency	DSCR at 0.67; reliant on refinancing and lender support.	DSCR collapsed to 0.23; current debt maturities surged 1,216% to ₹1,880 Cr.	The entity has reached a critical solvency wall where operational earnings cover less than one-quarter of its immediate debt obligations.
Working Capital Profile	CFO bolstered by stretching trade payables (₹1,208 Cr spike).	Shift to negative CCC (-278 days) driven by high-velocity retail cash.	The cash flow model has matured into a consumer-retail engine, yet the resulting liquidity is being diverted to group entities rather than debt reduction.
Management Tone	Recovery-focused; institutionalization via Groupe ADP.	Aggressive "consumer-platform" and "innovation" narrative.	Management is using a technology-led retail narrative to pivot investor focus away from the reality of technical insolvency.
Audit Trail Governance	Software-level log retention issues (Navision/SAP).	Database-level audit trail disabled for Goa, Cargo, and Parking revenue.	Forensic risk has escalated from localized log retention gaps to a systemic inability to verify the integrity of core revenue transactions.

7.2 Persistent Patterns

- **Negative Net Worth:** The company remains **technically insolvent** with reserves stagnant at approx **-**₹3,500 Cr, signaling a total lack of equity cushion.
- **Debt Trap Dynamics:** Finance costs consistently consume nearly the entirety of operating profits, ensuring the company remains in a **perpetual refinancing loop**.
- **Related Party Conduit:** The entity continues to function as a **liquidity provider for the GMR Group**, with nearly ₹1.9k–₹2.4k Cr consistently locked in loans to non-airport fellow subsidiaries.
- **Audit Trail Deficiencies:** Critical revenue-generating segments (Goa, Cargo, Parking) have **persistently lacked enabled audit trails** at the database level across both periods.
- **Monopoly Moat:** The company maintains a **dominant structural stranglehold** on Indian aviation, consistently controlling 25-27% of total national passenger traffic.
- **Valuation Subjectivity:** The balance sheet remains anchored by **massive Level 3 unquoted investments** (₹69k–₹75k Cr) valued via sensitive DCF models rather than market prices.
- **Forex Vulnerability:** A consistent lack of hedging for **₹3k–₹3.6k Cr in Euro-denominated debt** leaves the bottom line perpetually exposed to INR depreciation.
- **Negative Free Cash Flow:** Sustained expansionary capex ensures that **FCF remains insufficient** to reduce the absolute gross debt burden.