GMR Airports Ltd — Aug 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Beat **One-line:** Strong traffic recovery and the normalization of aero tariffs at Hyderabad have finally pushed the consolidated entity into PAT positivity, signaling the start of the "harvesting" phase as major capex peaks.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	EBITDA grew 2x QoQ; PAT turned positive at □15.5 Cr (Continuing Ops).	□
Earnings Quality	High (Core driven)	Growth driven by 26% YoY traffic surge and improved Aero YPP.	□
Guidance Confidence	Strong	Expansion projects at Delhi/Hyd are >90% complete; timelines reaffirmed.	□
Management Credibility	Strong	Delivered on Mopa (Goa) international start and merger milestones.	□
Business Quality Signal	Improving	Non-Aero IPP growing (+11% YoY) despite higher passenger base.	□
Key Q&A Exchange	Not applicable	Concall transcript not provided.	□
The Street's Primary Anxiety	Leverage & TDSAT outcome	Net Debt remains high at □23,100 Cr; TDSAT order is mixed.	□
Capital Cycle Stage	Harvesting (Late Investment)	Capex for DIAL/GHIAL peaking; focus shifting to FCF.	□
Margin / Return Ratio Trajectory	Improving	EBITDA Margin expanded to 51% from 19% in Q4FY23.	□
Pricing Power	Expanding	Aero YPP up 20% YoY; Hyderabad Aero revenue up 67% YoY.	□
FCF Conversion & Quality	Distorted	High interest costs (□593.8 Cr) consume 79% of EBITDA.	□
Competitive Moat Signals	Widening	26% share of India's domestic and 33% of international traffic.	□
Balance Sheet Strength	Adequate	Net Debt stable at □23,100 Cr; corporate level is net cash.	□
Working Capital Efficiency	Stable	Asset monetization (Hyd warehouse) providing liquidity.	□
Mgmt Guidance Track Record	Reliable	Project execution (ECT/4th Runway in Delhi) delivered.	□
Key Vulnerability / Red Flag	TDSAT Appeal Risk	Legal uncertainty over 2nd/3rd control period tariff claims.	□
Management Tone	Confident (based on PPT)	Focus on "Breakout Growth" and "Pure Airport Player" status.	□

Key Takeaways (Positives & Negatives): * **Positives:** The business has reached an operational inflection point with consolidated EBITDA margins hitting 51%. Passenger traffic (27mn) has surpassed pre-pandemic levels significantly, while the "Aero Yield Per Pax" (YPP) grew 20% YoY, reflecting better tariff realizations. The successful commencement of international operations at Goa (Mopa) and the completion of the 4th runway in Delhi de-risk the growth thesis. * **Negatives:** Despite operational excellence, the massive debt burden (₹23,100 Cr) remains the primary overhang, with quarterly interest outgo of nearly ₹600 Cr keeping net profit margins razor-thin. The TDSAT order regarding Delhi Airport's tariffs is a "mixed bag," meaning some anticipated revenue recoveries may remain contested or disallowed, potentially impacting future cash flow catch-ups. * **Street Concern:** Analysts remain focused on the deleveraging timeline and the specific impact of the TDSAT order on Delhi's 2nd and 3rd control period revenue. Management's response via PPT emphasizes refinancing and asset monetization (like the Hyderabad warehouse sale) as the primary tools for debt reduction. * **Watchpoint:** Completion of the DIAL/GHIAL merger in FY24, which will simplify the corporate structure and potentially trigger a valuation re-rating as a pure-play airport platform.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures primary. Concall not available — commentary absent.

Metric (Consolidated)	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (₹Cr)	2,017.6	↑ 40%	↑ 7%	↑	Volume/Pricing: Growth driven by strong traffic recovery (+26% YoY) and tariff hikes.
EBITDA (₹Cr)	752.5	↑ 77%	↑ 196%	↑	Operational leverage kicking in as traffic scales against fixed costs.
EBITDA Margin %	51%	↑ 1000 bps	↑ 3200 bps	↑	Q4FY23 was an outlier due to one-off opex/ adjustments.
PAT (₹Cr)	15.5	Turnaround	Turnaround	↑	Profit from continuing operations vs loss of ₹120 Cr in Q1FY23.
Net Debt (₹Cr)	23,100	↓ 3%	↑ 1%	→	Stable; gross debt declined by ₹800 Cr but cash levels adjusted.
Passenger Traffic (Mn)	27.0	↑ 26%	↑ 5%	↑	Volume: 22% of total traffic is now international (high margin).
Aero Yield/Pax (₹)	229	↑ 20%	↑ 15%	↑	Realization: Driven by tariff revisions at DIAL and GHIAL.
Non-Aero Income/ Pax(₹)	341	↑ 11%	↓ 2%	→	Realization: Strong retail/duty-free performance (+38% at DIAL).
Interest Coverage (x)	1.27	↑	↑	↑	Calculated as EBITDA / Interest (752.5 / 593.8).

2B. SEGMENT BREAKDOWN (Airport Level Standalone)

Segment (Airport)	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Delhi (DIAL)	1,166.8	32%	54%	↑	Above	4th Runway & ECT operational as of July 14, 2023.
Hyderabad (GHIAL)	423.3	54%	68%	↑	Above	Aero revenue surged 67% YoY; warehouse divested for □188 Cr.
Goa (Mopa)	35.2	N/A	Negative	↓	Below	International ops started July 21; still in gestation.
Medan (Indonesia)	114.9	62% (Pax)	20%	↑	Below	PSC (Tariff) increased by 27% for domestic; revamping duty-free.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Capex Progress	DIAL (91.6%), GHIAL (89.9%) complete.	Need ~10% completion in 2-3 quarters. Highly feasible.	Reaffirmed targets.	Low
Guidance	Merger Timeline	Complete GAL with GIL merger in FY24.	NCLT filing is the next major hurdle; NOCs from RBI/SE in hand.	On track.	Moderate
Guidance	Expansion Completion	DIAL (Q3FY24), GHIAL (Q2FY24).	Physical progress supports this timeline.	Reaffirmed.	Low
Strategy	Deleveraging	Refinancing/Reduction of GAL debt.	Requires □1,000Cr+ annual FCF or asset sales to move needle.	Mixed (Net debt flat).	High
Strategy	Non-Aero Growth	Strengthen adjacencies (Duty-free, Retail).	Retail grew 38-43% at major airports; run-rate is strong.	Delivered.	Low
Macro	Industry Growth	7% p.a. Indian aviation growth till 2040.	Current growth exceeding this; sustainability is key.	N/A (Industry)	Low
Balance	Fund Raise	DIAL raised □1,200 Cr at 9.75% in Q1.	Demonstrates market access despite high leverage.	Delivered.	Moderate

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

STOP HERE.