# GMR Airports Ltd — Feb 2022 Quarterly Analysis

## 1. VERDICT & BUSINESS QUALITY SNAPSHOT

**Result:** Inline (Baseline Quarter) **One-line:** GMR is pivoting from COVID-19 resilience to a massive capital harvesting phase as it doubles capacity to 179mn pax, underpinned by a mature regulatory framework and a strategic partnership with Groupe ADP.

| Dimension | This Quarter | Signal / Evidence | Sentiment |
|---|---|---|---|
| Beat/Miss vs Guidance / Prior Quarter | Inline | Traffic recovered to 90%+ of pre-COVID levels by Dec-21. | □ |
| Earnings Quality | High (Core driven) | Performance driven by passenger volume recovery and non-aero spend. | □ |
| Guidance Confidence | Strong | Clear visibility on capacity expansion (94mn to 179mn pax). | □ |
| Management Credibility | Strong | Strategic partnership with Groupe ADP adds global governance standards. | □ |
| Business Quality Signal | Improving | Asset-light ancillary platform and RE monetization gain traction. | □ |
| Key Q&A Exchange | Not applicable | PPT_ONLY mode. | □ |
| The Street's Primary Anxiety | Leverage and Capex Timing | Net Debt at □20,340 Cr ($2,712 mn) amid peak expansion phase. | □ |
| Capital Cycle Stage | Investment | Major expansions at DIAL and GHIAL; Greenfield projects in Goa/Crete. | □ |
| Margin / Return Ratio Trajectory | Stable | EBITDA margins historically 49-56%; recovery trajectory holds. | □ |
| Pricing Power | Stable | Regulated Aero returns (BAC + 10% floor at DIAL) provide safety. | □ |
| FCF Conversion & Quality | Weak | High capex cycle keeps FCFE negative; recovery expected post-2024. | □ |
| Competitive Moat Signals | Widening | 44% market share of India's private airport traffic; first-mover in SE Asia. | □ |
| Balance Sheet Strength | Adequate | Refinancing at lower yields (5.5%-6.7% bonds) via ADP synergy. | □ |
| Working Capital Efficiency | Stable | Not explicitly detailed; recovery in traffic aids cash flow. | □ |
| Mgmt Guidance Track Record | Reliable | Timely delivery of airport concessions and expansion milestones. | □ |
| Key Vulnerability / Red Flag | High Leverage | Net Debt/EBITDA spiked to 9.7x due to COVID impact/ capex. | □ |
| Management Tone | Confident | Focused on "India's inflection point" and hub potential. | □ |

**Key Takeaways (Positives & Negatives):**

**Positives:** * **Structural Traffic Recovery:** Domestic traffic proved resilient to the 3rd wave, requiring only 5 months to recover vs. 8 months after the 1st wave. * **Capacity Explosion:** GAL is on track to nearly double capacity (94mn to 179mn pax) in the next 2-3 years, positioning it to capture the "China 2010 moment" of Indian aviation. * **Non-Aero Upside:** Significant headroom in Duty-Free Spend per Passenger (SPP) at Delhi ($10-11) vs. peers like Dubai/Changi ($19-20), with an asset-light ancillary platform being built. * **Real Estate Monetization:** Large-scale land parcels (Delhi: 230 acres, Hyderabad: 1,500 acres) offer long-term, high-yield rental income via thematic development (Logistics, Hospitality, Retail).

**Negatives:** * **Debt Overhang:** Consolidated Net Debt of ₹20,340 Cr ($2,712 mn) remains high, although refinancing at lower costs is a mitigant. * **Capex Intensity:** The business remains in a heavy investment phase, with significant FCFE generation not expected until the post-2024 harvesting period. * **International Traffic Lags:** While domestic is at ~90% of pre-COVID levels, international traffic recovery remains dependent on global travel guideline easing.

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## 2. BUSINESS PERFORMANCE

### 2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent. Values converted from USD (1 USD = ₹75 as per document).

| Metric | Current Qtr (9M FY22) | YoY Change | QoQ Change | Trend | Mgmt Commentary |
|---|---|---|---|---|---|
| Passenger Traffic (Mn pax - Consol) | 49.0 | First entry | First entry | ↑ | Recovery to ~90% of pre-COVID domestic levels by Dec-21. |
| Total Net Revenue (₹Cr) | 2,677.5 ($357mn) | First entry | First entry | ↑ | Driven by domestic traffic and non-aero recovery. |
| EBITDA (₹Cr) | 937.5 ($125mn) | First entry | First entry | ↑ | Improvement as operating leverage kicks in with traffic. |
| EBITDA Margin % | 35.0% | First entry | First entry | ↑ | Significant recovery from FY21 lows (26% margin). |
| PAT (₹Cr) | Not in document | First entry | First entry | → | PPT focuses on EBITDA and Revenue. |
| Net Debt (₹Cr) | 20,340 ($2,712mn) | First entry | First entry | ↓ | High due to ongoing capex for capacity expansion. |
| Net Debt / EBITDA (x) | 9.7x (annualized) | First entry | First entry | ↓ | Elevated due to temporary COVID-led EBITDA suppression. |
| Non-Aero Rev / Pax (Delhi - ₹) | 375 ($5) | First entry | First entry | → | Significant headroom compared to Changi ($18). |
| Duty-Free SPP (Delhi - ₹) | 750-825 ($10-11) | First entry | First entry | → | Goal to bridge gap with global hubs ($19-20). |
| Real Estate Land (Acres) | 1,962 | First entry | First entry | → | Delhi (230), Hyderabad (1500), Goa (232). |

### 2B. SEGMENT BREAKDOWN

| Segment | Traffic (Mn Pax) | YoY Growth | Revenue (□ Cr) | Trend | vs Co. Avg | Key Development |
|---|---|---|---|---|---|---|
| DIAL (Delhi) | 33.1 (9M FY22) | First entry | Not stated | ↑ | Core | Expansion to 100mn pax capacity in progress. |
| GHIAL (Hyderabad) | 10.1 (9M FY22) | First entry | Not stated | ↑ | Growth | Expansion to 34mn pax; major logistics park dev. |
| Mactan Cebu (Intl) | 0.8 (9M FY22) | First entry | Not stated | → | Lagging | Slower recovery in SE Asia vs India domestic. |
| Real Estate | N/A | First entry | Not stated | ↑ | Yield-play | 5 mn sq ft Bharti Realty dev in DIAL. |

## 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

| Dimension | Category | Management Target / Claim | Required Run-Rate / Mathematical Feasibility | Historical Delivery (Baseline) | Risk Flag |
|---|---|---|---|---|---|
| Guidance | Volume / Capacity | Double capacity to 179mn pax in 2-3 years. | Requires COD of MOPA (Goa) and completion of DIAL/GHIAL ph3. | First entry | Execution of simultaneous large projects. |
| Guidance | Margins | Return to 50%+ EBITDA margins. | Requires international traffic to hit 100% of pre-COVID levels. | First entry | Timing of intl bubble removals. |
| Guidance | Capex Plan | Peak capex through 2024. | FCFE to remain negative until cycle ends. | First entry | Interest rate hikes on floating debt. |
| Strategy | Real Estate | Transition to thematic leasing/development. | Focus on Logistics (Amazon) and Education (K-12). | First entry | Commercial RE market absorption. |
| Strategy | Asset Light Platform | Monetize non-aero via ancillary services. | Expand duty-free and O&M to non-network airports (e.g. Kuwait IT). | First entry | Competitive bidding for master concessions. |
| Strategy | Capital Allocation | Asset recycling via Investment Platform. | Churn stakes in mature assets to fund new greenfield projects. | First entry | Valuation at exit for mature stakes. |
| Balance | Debt Cost | Leverage ADP to reduce borrowing costs. | Bond yields currently 5.5%-6.7%. | First entry | Global credit spread widening. |

## 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.

| What Changed | Prior Quarter | This Quarter | Direction |
|---|---|---|---|
| Traffic Momentum | First entry | Domestic 90%+ of pre-COVID | ↑ |
| Vaccination Status | First entry | 1.5bn doses; Metro coverage 95% | ↑ |
| Portfolio Expansion | First entry | Medan (Indonesia) CA signed | ↑ |
| Debt Refinancing | First entry | GAL/DIAL/GHIAL bonds issued at 5.5-7.4% | ↑ |
| Regulatory Clarity | First entry | Supreme Court clarity on RE land use | ↑ |

STOP HERE.