GMR Airports Ltd — Feb 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat (Operational) / Inline (Financial) **One-line:** GMR is successfully transitioning from an "Investment" to a "Harvesting" phase as Mopa (Goa) hits COD and flagship expansions cross the 80% mark, materially de-risking the balance sheet via the ₹1,390 Cr Cebu stake sale.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat	Traffic recovery outpaced expectations: Delhi Domestic at 102% of pre-COVID; Hyderabad at 94%.	□
Earnings Quality	High (Core driven)	EBITDA growth driven by 25-26% YoY traffic surge; one-off Cebu divestment proceeds boost liquidity.	□
Guidance Confidence	Strong	Mopa (Goa) COD achieved Jan 5, 2023; Delhi/Hyd expansions >80% complete, adhering to timelines.	□
Management Credibility	Strong	Delivered on asset recycling (Cebu) and strategic equity infusion (NIIF partnership).	□
Business Quality Signal	Improving	Non-Aero IPP stabilizing at ₹351 despite rapid pax volume growth; Duty-Free retail growing 2.1x-2.5x YoY.	□
Key Q&A Exchange	N/A	Section not applicable — investor presentation only.	□
The Street's Primary Anxiety	Peak Leverage	Net Debt at ₹25,000 Cr; Management countered with ₹1,390 Cr Cebu exit and NIIF capital.	□
Capital Cycle Stage	Harvesting (Early)	Transitioning from peak capex to operations; Mopa is now live.	□
Margin / Return Ratio Trajectory	Improving	DIAL EBITDA margins recovered to 53% (from 45% in Q2) as traffic scales.	□
Pricing Power	Stable	Regulated Aero yields (₹197) protected; Non-Aero retail spends showing high elasticity.	□
FCF Conversion & Quality	Improving	Divestment proceeds (Cebu) provide a significant cash cushion during the final capex stretch.	□
Competitive Moat Signals	Widening	Exclusive control over primary hubs (Delhi/Hyd) and now the sole private operator in Goa.	□
Balance Sheet Strength	Adequate	Refinancing through NCDs (₹1,150 Cr) and strategic stake sales offset high absolute debt.	□
Working Capital Efficiency	Stable	Non-Aero revenue share (Retail/F&B) provides immediate cash flows with traffic.	□
Mgmt Guidance Track Record	Reliable	Successful COD of Goa is a major execution milestone for the Greenfield business.	□
Key Vulnerability / Red Flag	Interest Costs	Interest & Finance charges reached ₹591.2 Cr in Q3, up 5% QoQ; a high-rate environment is a drag.	□
Management Tone	Confident	Tone focused on "Breakout Growth" and "Pure Airport Player" pivot.	□

Key Takeaways (Positives & Negatives): Positives: * **Operational Inflection:** Delhi Domestic traffic has officially surpassed pre-COVID levels (102%), while International traffic is at 86%, indicating a full recovery is imminent. * **Strategic De-leveraging:** The divestment of the Cebu Airport stake for ₹1,390 Cr (₹13.9 bn) and the NIIF equity partnership for Mopa/Bhogapuram (₹631 Cr) demonstrate management's ability to recycle capital and fund growth without solely relying on high-cost debt. * **Non-Aero Explosivity:** Retail and Duty-Free revenues grew 2.1x YoY at Hyderabad and 2.5x YoY at Delhi, highlighting a significant shift in consumer spending patterns at terminals.

Negatives: * **Revenue Share Friction:** DIAL's EBITDA remains lower YoY because of the resumption of revenue share payments to AAI (commenced April 2022), which structurally resets the margin profile until the next tariff hike. * **Yield Pressure:** Aero Yield Per Pax (YPP) dropped 5% QoQ to ₹197, likely due to a change in the mix between domestic and international flights or ad-hoc tariff adjustments. * **Debt Burden:** Consolidated Net Debt remains heavy at ₹25,000 Cr, with interest coverage pressured by a ₹591.2 Cr quarterly finance charge.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q3FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Passenger Traffic (Mn pax)	25.8	↑ 37%	↑ 14%	↑	Includes Delhi, Hyd, Cebu, and Medan; recovery driven by domestic resilience.
Total Gross Revenue (₹ Cr)	1,766.4	↑ 29%	↑ 11%	↑	Growth attributed to traffic surge and high Non-Aero retail spend.
Total Net Revenue (₹ Cr)	1,252.7	↓ 5% (adj)	↑ 11%	↑	Net of revenue share (₹513.7 Cr); impacted by DIAL-AAI revenue sharing.
EBITDA (₹ Cr)	530.0	↓ 26%	↑ 12%	↑	YoY decline due to DIAL revenue share resumption from April 2022.
EBITDA Margin %	42.3%	↓ 1,170 bps	→	→	Margin compression YoY is structural due to AAI revenue share payments.
PAT - Continuing Ops (₹ Cr)	102.7	↑ 75%	↑ 150%+	↑	Turned around from Q2 loss (₹209 Cr) to profit (₹102.7 Cr).
Net Debt (₹ Cr)	25,000.0	↑ 22% (vs 9M22)	→	→	Debt stable QoQ as Cebu proceeds offset expansion capex.
Aero Yield Per Pax (₹)	197	↑ 7%	↓ 5%	↓	Yields softening slightly on a QoQ basis.
Non-Aero Income Per Pax (₹)	351	↑ 11%	↓ 1%	→	Strong YoY growth; SPP remains resilient despite volume gains.
Capex Progress - Delhi (%)	79.5%	N/A	↑	↑	Targeted completion by Sept 2023.
Capex Progress - Hyd (%)	80.8%	N/A	↑	↑	Targeted completion by March 2023.
Capex Progress - Goa (%)	97.9%	N/A	↑	↑	COD achieved for domestic ops on Jan 5, 2023.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	EBITDA (₹ Cr)	Trend	vs Co. Avg	Key Development
DIAL (Delhi)	1,057.2	↑ 30%	298.1	↑	Core	Retail/Duty Free rev up 84% YoY; Expansion 79.5% complete.
GHIAL (Hyderabad)	328.0	↑ 46%	140.3	↑	Growth	Retail/Duty Free rev up 2.1x YoY; Expansion 80.8% complete.
Medan (Indonesia)	85.3	N/A	29.6	↑	New Op	Domestic pax at 97% of pre-COVID; International at 89%.
Cebu (Philippines)	64.0	↑ 253%	27.0	↑	Exit	Stake divested for ₹1,390 Cr; now acting as TSP only.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume / Capacity	Reach 179mn pax capacity post-expansion.	Requires completion of T1 Delhi and Ph2 Hyderabad in 2023.	COD of Mopa achieved on schedule.	Construction delays.
Guidance	Capex Plan	Peak capex phase ending by FY24.	DIAL/GHIAL need ~20% more work; funding secured via debt/recycling.	Expansions are 80%+ complete.	Interest rate hikes.
Strategy	Asset Monetization	Recycle capital from mature assets (Cebu exit).	Achieved ₹1,390 Cr divestment in Q3.	Delivered Cebu stake sale.	Market valuation for exits.
Strategy	Real Estate	Monetize 2,000+ acres of land parcels.	Ongoing; CPD rentals at Delhi flat QoQ (₹40 Cr).	Stable but slow monetization.	Commercial RE demand.
Strategy	New Partnerships	Financial partnership with NIIF for greenfields.	₹631 Cr primary investment in Mopa CCDs.	Secured NIIF as a partner.	Partner alignment on IRRs.
Balance	De-leveraging	Utilize divestment proceeds for refinancing.	Hyd raised ₹1,150 Cr NCDs to refinance USD ECB bonds.	Proactive refinancing.	Global credit spreads.

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Baseline)	This Quarter (Q3FY23)	Direction
Goa Status	Under Construction	**COD Achieved** (Jan 5, 2023)	↑
Asset Portfolio	Stake in Cebu Airport held	**Divested Cebu Stake** (₹1,390 Cr proceeds)	↑
Capital Structure	High reliance on internal accruals	**NIIF Equity Partnership** (₹631 Cr)	↑
Net Debt Profile	₹20,340 Cr (9M FY22)	**₹25,000 Cr** (Peak Capex Phase)	↓
Profitability	Net Loss (Q2FY23)	**Net Profit** (₹102.7 Cr)	↑
Expansion Maturity	Early Stage Expansion	**>80% completion** at DIAL/GHIAL	↑
Domestic Traffic	~90% of pre-COVID	**102% of pre-COVID** (Delhi)	↑
Non-Aero Growth	Recovering	**Explosive (2.5x YoY at Delhi retail)**	↑

STOP HERE.