GMR Airports Ltd — Feb 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Miss (on PAT) / Operational Beat **One-line:** While operational metrics (traffic and non-aero yields) hit record highs, the bottom line swung to a heavy loss as the "harvesting" phase was offset by a spike in depreciation and interest following the operationalization of major capex.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Miss (PAT)	PAT Loss of □486.4 Cr vs □15.5 Cr profit in Q1FY24.	□
Earnings Quality	Low (Accounting Drag)	Loss driven by non-cash Depreciation (↑47% QoQ) and Interest.	□
Guidance Confidence	Strong	Capex progress at DIAL (97.2%) and GHIAL (98.7%) nearing finish line.	□
Management Credibility	Strong	Mopa (Goa) EBITDA turned positive; major capex timelines held.	□
Business Quality Signal	Improving	Non-Aero IPP grew to □360 (+5.5% vs Q1); traffic up 16% YoY.	□
Key Q&A Exchange	Not applicable	Investor Presentation only; no concall transcript provided.	□
The Street's Primary Anxiety	Leverage & Net Loss	Net debt rose to □25,400 Cr; high interest consumes all EBITDA.	□
Capital Cycle Stage	Harvesting (Late)	Capex for DIAL/GHIAL targeted for completion in Q4FY24.	□
Margin / Return Ratio Trajectory	Deteriorating (QoQ)	EBITDA Margin fell to 46% from 51% in Q1.	□
Pricing Power	Expanding	Aero Yield Per Pax (YPP) stable at □232 despite higher volumes.	□
FCF Conversion & Quality	Distorted	High interest outgo (□857.2 Cr) exceeds EBITDA (□792.6 Cr).	□
Competitive Moat Signals	Widening	GMR airports handle 23% of domestic and 35% of international India traffic.	□
Balance Sheet Strength	Stressed	Net Debt increased □2,300 Cr vs Q1; Interest coverage < 1x.	□
Working Capital Efficiency	Stable	Non-aero revenue growth (↑20% at DIAL) provides liquidity.	□
Mgmt Guidance Track Record	Reliable	Physical project completion (97-98%) aligns with targets.	□
Key Vulnerability / Red Flag	Interest Burden	Quarterly interest cost (□857.2 Cr) is now 108% of EBITDA.	□
Management Tone	Confident	Focused on "Breakout Growth" and "Platform Adjacencies."	□

Key Takeaways (Positives & Negatives): * **Positives:** The operational performance remains exceptionally strong. Passenger traffic (28.2mn) grew 16% YoY, with international traffic now comprising 24% of the total, which is high-margin. Non-Aero Income Per Pax (IPP) improved to □360, proving the monetization potential of the expanded terminals. Critically, Goa (Mopa) airport turned EBITDA positive for the first time in Q3 (□17.2 Cr). * **Negatives:** The transition from "Investment" to "Harvesting" is proving painful for the P&L. Total comprehensive income is a loss of □1,099.9 Cr this quarter. The increase in Net Debt to □25,400 Cr and the resulting interest burden (up 44% vs Q1) means the business is currently unable to service debt from core operations without further refinancing or asset monetization. * **Street Concern:** Investors are likely concerned about the widening net loss and the timing of the merger. Management's response is a focus on "refining/optimizing debt at GMR Airport Limited" and completing the merger by Q1FY25 to simplify the structure. * **Watchpoint:** Q4FY24 completion of expansion works at Delhi and Hyderabad. This should mark the absolute peak of the capex cycle, allowing management to pivot entirely toward deleveraging in FY25.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures used as primary source. Concall not available — commentary absent.

Metric	Current Qtr (Q3FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (□Cr)	2,350.7	↑ 22%	↑ 9%	↑	Driven by traffic growth; Delhi +18% and Hyd +35% YoY.
Net Income (□Cr)	1,738.2	↑ 23%	↑ 10%	↑	After revenue share; growth in high-margin non-aero.
EBITDA (□Cr)	792.6	↑ 16%	↓ 4%	↓	Impacted by higher operating exp as new areas opened.
EBITDA Margin %	46%	↓ 300 bps	↓ 600 bps	↓	Margin compression due to expansion stabilization costs.
PAT - Continuing (□Cr)	(486.4)	Turnaround	↓ 155%	↓	Impacted by ↑Depreciation and ↑Interest post-Mopa ops.
Net Debt (□Cr)	25,400.0	↑ 2%	↑ 8%	↓	Increased by □18.2bn QoQ due to ongoing capex.
Passenger Traffic (Mn)	28.2	↑ 16%	↑ 6%	↑	Record highs; Int'l traffic at 24% of total.
Aero Yield/Pax (□)	232	↑ 18%	↓ 3%	→	Higher YoY due to tariff hikes in DIAL/ GHIAL.
Non-Aero Income/ Pax(□)	360	↑ 3%	→	→	Retail/Duty Free driving consistent growth.
Duty-free SPP (□)	1,005	↑ 1%	N/A	→	Delhi Duty Free SPP (9M basis).
Interest Coverage (x)	0.92	↓	↓	↓	EBITDA/Interest; below 1.0 indicates debt stress.
Capex Progress (DIAL)	97.2%	↑	↑	↑	Completion targeted for Q4FY24.

2B. SEGMENT BREAKDOWN (Airport Standalone)

Segment (Airport)	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Delhi (DIAL)	1,322.9	18%	56%	↑	Above	Expansion 97.2% complete; CPD rentals ↑39% YoY.
Hyderabad (GHIAL)	495.5	35%	60%	↑	Above	Expansion 98.7% complete; Aero revenue ↑51% YoY.
Goa (GGIAL)	70.3	N/A	24%	↑	Below	EBITDA turned positive (□17.2 Cr); Pax ↑34% QoQ.
Medan (Indonesia)	126.0	↓ 8% (QoQ)	18%	↓	Below	Seasonal dip post-Hajj; new routes added (Qatar/Batik).

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Capex Completion	DIAL and GHIAL to complete expansion in Q4FY24.	Requires completing last 1.3%-2.8% of work. Highly feasible.	On track	Low
Guidance	Merger Timeline	Merger of GAL with GIL expected in Q1FY25.	NCLT approval received Dec '23; final stages. Feasible.	Delayed from FY24	Moderate
Guidance	Goa Expansion	Increase capacity from 4.4mn to ~8mn pax by FY25.	Current progress 23.8%; needs rapid acceleration.	New target	Moderate
Strategy	Deleveraging	Refinance/optimize debt at GAL platform level.	Requires lowering □46.8bn gross debt at GAL. Feasible.	Mixed	High
Strategy	Adjacencies	Strengthen non-aero via platform-level participations.	Duty-free contracts won at Mopa; transit lounge at Hyd.	Delivered	Low
Macro	Traffic Growth	Market to grow avg 7% p.a. till 2040 (Boeing).	GIL current growth (16-27%) far outpaces this.	N/A	Low
Balance	Fund Raising	Bhogapuram debt (□3,215 Cr) and NIIF investment (□675 Cr).	Financing secured; EPC works signed with L&T.	Delivered	Low

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

Comparison vs Q1FY24 Prior Context

What Changed	Prior Quarter (Q1FY24)	This Quarter (Q3FY24)	Direction
PAT (Continuing)	₹15.5 Cr Profit	(₹486.4 Cr) Loss	↓ Severe
Net Debt	₹23,100 Cr	₹25,400 Cr	↓ Deteriorating
EBITDA Margin	51%	46%	↓ Compressing
Quarterly Interest	₹593.8 Cr	₹857.2 Cr	↓ Deteriorating
Goa (Mopa) Status	Gestation	EBITDA Positive (₹17.2 Cr)	↑ Improving
Non-Aero IPP	₹341	₹360	↑ Improving
DIAL Capex	91.6% Complete	97.2% Complete	↑ Improving
GHIAL Capex	89.9% Complete	98.7% Complete	↑ Improving
Merger Status	NOCs in hand	NCLT Majority Approval Recvd	↑ Improving

Thesis-Level Investor Notes: * **The "Profitability Paradox":** The business is operationally more valuable today than a year ago (higher traffic, better yields, Goa stabilized), but the P&L is uglier due to the capitalization of interest and depreciation that was previously being capitalized during construction. * **Working Capital/ Leverage:** The CFO-to-PAT ratio is not directly calculable without the full cash flow statement, but the interest-to-EBITDA ratio (1.08x) is the critical forensic trigger. The business is currently paying interest out of capital/ refinancing, not just operating cash. * **Asset Monetization:** Management is successfully using adjacencies (Duty Free, Courier Terminals) to boost Non-Aero IPP, which is the long-term valuation driver. However, the ₹2,300 Cr increase in Net Debt since Q1 indicates that the cash flow from operations is still being swallowed by the final construction push.

STOP HERE.