GMR Airports Ltd — Jan 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat (Strategic & Operational) **One-line:** GMR has reached a structural inflection point, transitioning from an infrastructure developer in a high-capex cycle to a high-margin consumer services and real estate platform just as its major capacity expansions (Delhi and Hyderabad) enter the harvesting phase.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Traffic exceeded pre-pandemic levels; Mopa (Goa) commenced operations ahead of schedule.	□
Earnings Quality	High (Core driven)	Growth is now driven by non-aero SPP (Spend Per Passenger) expansion and regulatory certainty.	□
Guidance Confidence	Strong	Specific COD (Commissioning) dates given: GHIAL Mar-23, DIAL Sep-23.	□
Management Credibility	Strong	Delivered Mopa (Goa) within 5 years despite COVID; strategic pivot to self-operated adjacencies.	□
Business Quality Signal	Improving	Pivot to asset-light "Adjacency Platforms" (Duty-Free/Cargo) transforms the margin profile.	□
Key Q&A Exchange	N/A — PPT_ONLY	N/A	□
The Street's Primary Anxiety	Leverage/Capex Peak	Mgmt responded with COD timelines for 100mn/34mn pax projects, signaling the end of the investment cycle.	□
Capital Cycle Stage	Transitioning to Harvesting	Major capex at DIAL/GHIAL 80%+ complete; Goa operational.	□
Margin / Return Ratio Trajectory	Improving	Non-aero EBITDA margins for self-operated segments (Duty Free: 15-17%, Car Park: 20-25%).	□
Pricing Power	Expanding	Master concession model at new airports allows GMR to capture 3-5% additional margin retention.	□
FCF Conversion & Quality	Improving	Shift from land lease to self-development in ALD increases long-term yield.	□
Competitive Moat Signals	Widening	Largest private airport operator in India (26% traffic share); 1st Indian operator in Europe (Crete).	□
Balance Sheet Strength	Adequate	Refinancing via ADP synergy; ALD monetization recycling capital (e.g., Amazon Case Study).	□
Working Capital Efficiency	Improving	Digital push (Omni-channel, GMR Brand) to drive pre-travel retail conversions.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on greenfield assets (Cebu, Clark, Goa).	□
Key Vulnerability / Red Flag	Project Concentration	Success is heavily weighted on the smooth Sep-23 transition of Delhi T1.	□
Management Tone	Aggressive / Confident	Focus on "Economics of Scale" and "3E Strategy" (Enhance, Expand, Emerge).	□

Key Takeaways (Positives & Negatives):

Positives: * **The "China 2001-10" Moment:** India is currently in the domestic boom phase that China saw in 2001, with international traffic expected to explode as GDP per capita nears $4,500. GMR is the primary gatekeeper of this trend. * **Asset-Light Pivot:** GMR is consolidating adjacencies (Duty Free, Cargo, F&B) into a separate platform to bid for external airports (e.g., Kuwait IT infra bid), diversifying revenue away from regulated aero returns. * **Massive Non-Aero Real Estate Unlock:** Total commercial area at DIAL and GHIAL is nearly doubling/tripling. DIAL T1 F&B/Retail area is moving from 3,476 sqm to 7,683 sqm, with a 10% CAGR in sales per passenger expected through FY26. * **Operational Readiness:** Mopa (Goa) is operational (Domestic: Jan-23, Intl: Mar-23). It holds a 2,000-acre land bank compared to only 44 acres for the competing Dabolim airport, ensuring long-term dominance in the Goa market.

Negatives: * **Execution Risk:** Simultaneous integration of new terminals at Delhi and Hyderabad while maintaining operational stability remains a high-wire act for the next 6-9 months. * **Seasonality at Crete:** The international business in Greece is highly seasonal, which may lead to quarterly volatility in consolidated international contributions. * **Debt Servicing:** While the investment cycle is ending, the high interest burden remains a drag until FCF from expanded capacities fully ramps up post-2024.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *Concall not available — commentary absent. Converted to Billion.*

Metric	Current Qtr (Jan-23 Update)	YoY Change (vs 9M FY22)	Trend	Mgmt Commentary
Passenger Traffic (Consol Mn)	Exceeded Pre-COVID	90% Recovery in Prior Q	↑	Domestic traffic is close to 2019 levels; international recovering.
DIAL Capacity (Mn Pax)	100.0	66.0	↑	Phase 3A expansion to reach 100mn capacity by Sep-23.
GHIAL Capacity (Mn Pax)	34.0	12.0	↑	Expansion substantially completed; target Mar-23.
Non-Aero Area - DIAL T1 (Sqm)	7,683	3,476	↑	Area doubling to boost Sales per Passenger (SPP).
Non-Aero Area - GHIAL (Sqm)	29,685	10,569	↑	Massive 180% increase in commercial footprint.
Duty Free SPP (USD)	$10 - $11	$10 - $11	→	Significant headroom vs Changi ($19) and Dubai ($20).
ALD Land Monetized - Hyd (Acres)	260	260	→	Shift to BTS (Build-to-Suit) and self-development.
Medan Traffic Recovery (%)	86%	N/A (Greenfield)	↑	Domestic traffic at Medan is close to 100% of 2019 levels.
Net Debt (□Billion)	Not in document	203.4	→	PPT focuses on operational milestones and ALD recycling.
CSR Spend (□Billion)	0.222	Not stated	→	Total beneficiaries: 120,000.

2B. SEGMENT BREAKDOWN

Segment	Capacity / Status	Non-Aero Growth Strategy	Trend	vs Co. Avg	Key Development
DIAL (Delhi)	100mn Pax (Sep-23)	10% CAGR Sales/Pax target; doubling T1 retail area.	↑	Core	Dual Elevated Cross Taxiway (ECT) - 1st in India.
GHIAL (Hyd)	34mn Pax (Mar-23)	180% area expansion; focus on Aeroplaza & Drive-in.	↑	High Growth	"Gurgaon of Hyderabad" ALD ecosystem.
GGIAL (Goa)	4.4mn Pax (Phase 1)	Master concession for all retail/non-aero services.	↑	New Entry	Domestic ops started Jan-23; 24/7 ops vs Dabolim.
Intl (Medan/ Crete)	15mn - 65mn Cap	3E Strategy: Enhance, Expand, Emerge.	↑	Strategic	Medan 49% stake; Western Indonesia gateway.
Adjacencies	Platform Play	Self-operation of Duty Free/ Cargo/Car Park.	↑	Margin Accretive	Targeted EBITDA margins: Car Park 20-25%, DF 15-17%.

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 via ongoing expansions.	Requires timely Sep-23 COD for Delhi T1; Mopa ramp-up.	Goa delivered on time.	Execution at DIAL T1.
Guidance	Margins	Shift to self-operation to capture 15-25% EBITDA margins in adjacencies.	Post-revenue share margins depend on passenger penetration (ATV).	First entry (New strategy).	SPP penetration rates.
Guidance	Capex Plan	Complete major India airport expansions by end of 2023.	DIAL at 80.1% progress; GHIAL at 80.9%.	On track for 2023 COD.	Monsoon delays.
Strategy	Capital Allocation	Recycle capital from leased land to BTS (Build-to-Suit) projects.	Successfully demonstrated with Amazon Fulfillment Center.	Proven in Hyd Aerocity.	Interest rate on debt.
Strategy	Asset Light	Expand Engineering/O&M services to external airports.	Won Kuwait IT infra bid; bidding for NMP airports.	New revenue stream.	Competitive bidding.
Balance	Debt / Leverage	Leverage Groupe ADP partnership to reduce cost of debt.	Targeting sub-7% interest costs on new issuances.	Refinancing active.	Global credit spreads.

5. WHAT CHANGED vs PRIOR QUARTER

Comparison vs. December 2021 (9M FY22) Context.

What Changed	Prior Quarter	This Quarter	Direction
Traffic Status	90% of Pre-COVID (Domestic)	Exceeded Pre-Pandemic Levels	↑
Mopa (Goa)	Greenfield project under construction	Domestic Operations Commenced (Jan-23)	↑
Regulatory Risk	"Regulatory risks remain"	"Regulatory risks addressed; CP3 stable"	↑
Strategy Focus	Airport Developer/Landlord	Full-service Platform (Adjacencies)	↑
DIAL T1 Progress	Early stage expansion	80.1% Progress; Arrival part operational	↑
Non-Aero Strategy	Concessioned to 3rd parties	Moving to Self-Operation for key categories	↑
International Footprint	Focused on SE Asia	1st Indian operator in Europe (Crete progress)	↑
ALD Business Model	Pure land lease	Mix of land lease, BTS, and Self-Development	↑

One-line Thesis Verdict: The thesis has materially strengthened. GMR is no longer just a proxy for Indian air traffic; it is now a play on **transit retail and real estate value capture**, with the peak of its capital intensity behind it. The Sep-23 completion of Delhi's expansion is the final hurdle before significant free cash flow generation begins.STOP HERE.