GMR Airports Ltd — Jan 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline **One-line:** Fundamental de-risking through the ADIA promoter-pledge deal and the resumption of dividends from Hyderabad Airport outweigh the tactical delay in Delhi’s tariff reset, confirming the transition to a cash-harvesting platform.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Revenue (□27.5B) and EBITDA (□10.9B) aligned with traffic growth (+10% YoY); Delhi tariff delay was expected by the Street.	□
Earnings Quality	Moderate	PAT (□2.0B) is bolstered by a □4.1B exceptional gain from Cebu divestment; excluding this, the business remains in a P&L loss due to the interest-depreciation "J-curve."	□
Guidance Confidence	Neutral	Delhi CP4 Tariff timeline pushed to Q1FY26 (from late FY25); Goa expansion (7.7mn pax) and Hyderabad expansion are now fully operational.	□
Management Credibility	Strong	Delivered on the ADIA transaction to collapse promoter debt and resumed dividends at GHIAL after a 5-year hiatus.	□
Business Quality Signal	Improving	Non-aero yields are expanding (Delhi Duty Free SPP □1,063); the business is successfully verticalizing high-margin services (F&B, Duty-Free).	□
Key Q&A Exchange	Q2 + Q8 - Refinancing & Tariffs	Management confirmed refinancing high-cost USD debt into 9.5% domestic paper and remains firm on CP4 yield expansion despite regulatory delays.	□
The Street's Primary Anxiety	Delhi CP4 Tariff Timing	Analysts pressed on the "consultation paper" delay; Mgmt responded it is a regulatory bottleneck, not a business hurdle, with a Q1FY26 final order target.	□
Capital Cycle Stage	Harvesting	Major capex at Delhi/Hyderabad/Goa is complete; focus is now on operationalizing capacity and ramping up non-aero income.	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins expanded to 52% (vs 49% QoQ and 46% YoY) due to better yield management and non-aero growth.	□
Pricing Power	Expanding	Aero Yield per Pax up 7% YoY; successful premiumization of F&B and Duty-Free across hubs.	□
FCF Conversion & Quality	Improving	Resumption of subsidiary dividends (□2.1B from GHIAL) marks the start of upstreaming cash to service GAL corporate debt.	□
Competitive Moat Signals	Widening	Captured 28% of India's total traffic; signed Nagpur concession (adding 2.1mn base pax) to expand the domestic hub-and-spoke network.	□
Balance Sheet Strength	Adequate	Net Debt rose to □297B (+3% QoQ) due to Bhogapuram capex and USD MTM, but ADIA deal reduced promoter pledge risk significantly.	□
Working Capital Efficiency	Stable	Revenue share (□6.7B) tracks gross revenue growth (24% of Gross Income); no divergence.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on expansion commissioning (Goa 7.7mn) and divestment targets (Cebu).	□
Key Vulnerability	P&L Drag	Interest costs (□8.3B) still consume ~76% of EBITDA; P&L remains sensitive to the timing of the Delhi tariff hike.	□
Management Tone	Confident	Focused on "inflection points," "de-risking," and the "breakout growth" of adjacency businesses.	□

Sentiment: □Positive

Key Takeaways (Positives & Negatives): * **Positives:** The ADIA-led refinancing of promoter debt (□63B) collapses multiple lenders into a single source of long-term capital and reduces the promoter pledge from 53.9% to 34.8%, removing a major equity overhang. Hyderabad Airport's interim dividend (□7.5/share) validates the ability of mature assets to service corporate-level debt. Non-Aero IPP is growing steadily, and the upcoming direct operation of Delhi Duty Free (Q2FY26) provides a high-margin revenue lever. * **Negatives:** The P&L remains red (excluding exceptional items) as the company navigates the peak of its depreciation and interest cycle following the capitalization of □120B-130B in Delhi capex. Net debt continues a slow climb to □297B, driven by ongoing greenfield construction at Bhogapuram. * **Street Concern:** Analysts are hyper-focused on the Delhi CP4 tariff. Management's delay in the consultation paper (pushed to "next few weeks") suggests a 3-6 month lag in revenue realization compared to early-year expectations. * **Forward-looking watchpoint:** The notification of the Delhi CP4 Consultation Paper in Feb/March 2025 will be the definitive catalyst for a re-rating, as it will quantify the exact "yield expansion" expected for the next 5 years.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q3FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (□ Bn)	□27.48	↑ 17%	↑ 6%	↑	Driven by 10% traffic growth and higher Aero yields.
EBITDA (□Bn)	□10.87	↑ 37%	↑ 13%	↑	Margin expansion to 52% on better operating leverage.
EBITDA Margin %	52%	↑ 600 bps	↑ 300 bps	↑	Expansion driven by high-margin non-aero IPP growth.
PAT (□Bn)	□1.43	↑ (Loss to Profit)	↑ (Loss to Profit)	↑	Includes □4.08Bn exceptional gain (Cebu sale); core P&L still soft.
Net Debt (□Bn)	□297.0	↑ 17%	↑ 3%	↓	Increased by □10Bn due to Bhogapuram capex and USD MTM.
Passenger Traffic (Mn)	31.0	↑ 10%	↑ 8%	↑	Domestic and Int'l both up 10%; record traffic in Dec-24.
Aero Yield Per Pax (□)	□248	↑ 7%	↓ 5%	→	Pricing growth YoY; QoQ decline due to mix/ seasonal factors.
Non-aero Income/ pax (□)	□367	↑ 2%	↑ 1%	↑	Driven by Duty-Free and F&B growth at Delhi and Hyderabad.
Duty-free SPP - Delhi (□)	□1,063	↑ 7.2%	↑ 7.3%	↑	Significant SPP jump; GAL takes over operations in July 2025.
Interest & Finance (□Bn)	□8.29	↓ 3%	↓ 20%	↑	Refinancing high-cost USD debt into domestic paper is lowering costs.
Depreciation (□Bn)	□4.79	↑ 22%	↑ 1%	↓	Stabilization of expansion capex capitalization.

2B. SEGMENT BREAKDOWN (Standalone Entities)

Segment	Revenue (□ Bn)	YoY Growth	EBITDA Margin	Trend	vs Co. Avg	Key Development
Delhi (DIAL)	□14.30	↑ 8%	55%	→	Above	Record 20mn+ pax handled; first Indian airport to connect 150 destinations.
Hyderabad (GHIAL)	□6.10	↑ 23%	66%	↑	High	Traffic up 22%; interim dividend declared (first in 5 years).
Goa (Mopa)	□1.24	↑ 77%	55%	↑	Inline	39% market share in Goa; capacity expansion to 7.7mn pax completed.
Medan (Indonesia)	□1.30	↑ 7%	20%	↓	Below	Traffic down 1.5% YoY; airline fleet reactivation delays impacting growth.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Delhi Tariff (CP4)	Consultation paper in "next few weeks"; Order in Q1FY26.	High feasibility for paper; regulatory process usually takes 2-4 months for final order.	Delayed	Medium
Guidance	Volume/ Capacity	Bhogapuram physical progress to continue toward COD.	~55% complete; needs ~1.5% monthly progress to meet FY26 targets.	Consistent	Low
Strategy	Adjacencies	Scaling "GAL Platform" (F&B, Duty-Free).	Taking over Delhi Duty Free in Q2FY26; F&B outlets in Goa/Hyd now 70%+ operational.	Strong	Low
Strategy	Asset Takeover	Nagpur Airport takeover in Q1FY26.	Concession signed Oct-24; integration underway.	Reliable	Low
Balance	Debt Target	Peak gross debt of □300B-310B by end-FY26.	Currently at □297B; □13B headroom is tight given Bhogapuram/Nagpur capex.	New Target	Medium
Strategy	Real Estate	Monetize 2,510 acres across portfolio.	Hyd retail interchange and Goa hotel parcels (4 hotels now) moving to construction.	Improving	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Mohit Kumar, ICICI Sec	Delhi Tariff	Outlook	Exact timeline for the Delhi CP4 tariff order.	Consultation paper is expected in a few weeks, followed by a 2-month regulatory process, aiming for a Q1FY26 tariff order. This delays the revenue reset by one quarter versus prior expectations, impacting FY25 exit-runway.	None	4.0	Specific timeline given
2	4.5	Mohit Kumar, ICICI Sec	Finance Cost	Financials	Scope to reduce the interest burden as capex cycles end.	Management refinanced $450m of high-cost debt at 9.5% in June and is eyeing the $522m bond due Oct-26 for further reduction. Continued refinancing into domestic paper will structurally lower interest costs as the "construction risk" premium vanishes.	None	4.5	Clear and quantified
3	4.0	Mohit Kumar, ICICI Sec	Duty Free	Financials	Contribution of Delhi Duty Free and timing of takeover.	9M top line was □16.46Bn with PBT of □2.04Bn; GAL takes 100% control on July 27, 2025. Vertical integration of Duty Free will	None	5.0	Specifics provided

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						shift it from a JV-line to a consolidated revenue-line, boosting reported EBITDA.			
4	3.5	Prateek Kumar, Jefferies	Subs/ Other Rev	Financials	Source of high growth (+26%) in "subsidiaries and others" segment.	Growth is driven by MRO (significant scale-up), Cargo, and F&B entities now managed at the platform level. This validates the "Platform" thesis where non-aero services outgrow airport passenger traffic.	None	4.0	Directional evidence
5	3.0	Prateek Kumar, Jefferies	Goa Real Estate	Capex/Alloc	Recurring nature of Goa commercial land income.	Income from hotel monetization (4 hotels total) is lumpy, but lease rentals will start flowing from FY26 onwards. Real estate transition from "upfront premium" to "stable lease" models will improve long-term cash flow predictability.	None	3.5	Vague on lease yield
6	3.5	Prateek Kumar, Jefferies	Noida Airport	Business Ov.	Impact of Noida Airport commissioning	Management welcomes Noida to	None	3.0	Confident/ Strategic

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					(April 2025) on DIAL.	release capacity constraints, stating DIAL will focus on high-yield international traffic while Noida absorbs low-yield domestic churn. This positioning de-risks DIAL from over-congestion and preserves international hub status.			
7	4.0	Karthik C., Indus Cap	Traffic Mix	Business Ov.	Divergence between Delhi (+8%) and Hyderabad (+22%) growth rates.	Hyderabad has a lower base and ample slot availability, whereas Delhi was slot-constrained during expansion and hit by wide-body delivery delays. As wide-body deliveries (Air India/IndiGo) resume, Delhi’s international hub traffic is expected to accelerate.	None	4.5	Specific logic given
8	5.0	Karthik C., Indus Cap	Delhi Tariff	Financials	Likelihood of yield expansion given the delay.	Yield is "bound to go up" due to the □120B+ capex addition to the regulated	None	3.5	Directional but hedged

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						base, though CP3 negative true-ups must be factored in. This confirms the valuation floor for CP4 is higher, regardless of the temporary regulatory delay.			
9	4.5	Karthik C., Indus Cap	Debt / Capex	Capex/Alloc	Peak debt levels and FY26 capex guidance.	Gross debt is expected to peak at □300B-310B by end-FY26; no fresh major capex planned except Bhogapuram and Nagpur. Defining a "peak debt" window provides a clear horizon for when FCF will begin dedicated deleveraging.	None	4.0	Quantified target
10	4.0	Dario M., BNP	ADIA Deal	Governance	Implications of ADIA transaction on voting and debt.	ADIA is a long-term lender with no coupon for 5-8 years; conversion to equity will happen at SEBI-determined future prices with no special voting rights. This deal removes refinancing risk and promoter-	None	5.0	High clarity

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						pledge volatility without immediate equity dilution.			
11	3.5	Aditya M., Kotak	CP3 Residual	Financials	Impact of CP3 actuals on CP4 yield.	Management noted that regulator will look at CP3 performance, including any over-achievement which could lead to a negative true-up. This acts as a slight dampener to the bullish CP4 yield expansion expectations.	True-up quantum	2.5	Neutral/ Hedged
12	3.5	Aditya M., Kotak	Non-Top 3 EBITDA	Financials	Sustainability of □2.0Bn quarterly EBITDA from other assets/ MRO.	The run-rate is sustainable and "northward" as Delhi Duty Free and more F&B outlets move to the platform level. The "Other" segment is becoming a material EBITDA contributor, reducing reliance on core DIAL/ GHIAL aero cycles.	Segmental split	3.5	Consistent

PATTERN FLAGS & SENTIMENT Analyst questioning was heavily concentrated on the **Delhi CP4 Tariff** and **Debt Sustainability**. There was a palpable shift from "construction risk" to "regulatory risk," with analysts digging into the mechanics of the consultation paper delay. Management maintained a very confident, almost dismissive tone regarding Noida Airport’s competition, viewing it as a capacity relief rather than a market threat.

The **ADIA transaction** was a major trust-builder. By explaining that the deal involves zero-coupon debt for 5-8 years, management convinced the Street that the promoter pledge issue is structurally solved, not just kicked down the road.

Analyst Sentiment Verdict: Analysts appeared cautiously optimistic. While the tariff delay is a short-term irritation, the resumption of dividends from Hyderabad and the de-risking of the promoter level pledge were seen as massive strategic wins. Management's credibility has improved this quarter due to the delivery of these two long-promised de-risking events. The single greatest risk remains a "lower-than-expected" yield in the CP4 consultation paper.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Delhi Tariff | Expected by late FY25. | Consultation paper expected in "next few weeks"; final order in Q1FY26. | 3-month slippage in timeline. | Minor revenue/CF shortfall in H1FY26. | | Peak Debt | General deleveraging focus. | Gross debt to peak at ₹300B-310B by end-FY26. | Explicit cap provided for the first time. | Upside cap on interest expense. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2FY25)	This Quarter (Q3FY25)	Direction
Promoter Pledge	53.9% (High risk/multiple lenders)	34.8% (Consolidated via ADIA)	↑ (Significant de-risking)
Subsidiary Payouts	GHIAL Dividend: Nil (5-year hiatus)	GHIAL Interim Dividend: ₹2.8B	↑ (Resumption of upstreaming)
Tariff Timeline	Delhi CP4 reset imminent	Consultation paper delayed; now Q1FY26	↓ (Short-term delay)
Non-Aero Yield	Delhi Duty Free SPP: ₹1,005	Delhi Duty Free SPP: ₹1,063	↑ (Yield expansion)
Cebu Investment	Divestment in progress	Divestment completed (₹4.1B gain)	↑ (Asset recycling)
Medan Traffic	Stable growth	-1.5% YoY (Fleet delays)	↓ (Operational headwind)
Debt Mix	High-cost USD bonds dominant	Refinancing into 9.5% domestic paper	↑ (Lower cost of capital)