GMR Airports Ltd — Jul 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Inline **One-line:** Q1FY23 marks the pivot from "COVID-recovery" to "normalized operations," characterized by a significant accounting reset at Delhi (DIAL) due to the resumption of revenue sharing with AAI, offset by robust traffic momentum hitting 90-104% of pre-COVID levels.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	Traffic recovery is strong; DIAL at 91%, GHIAL at 104% of pre-COVID levels.	□
Earnings Quality	Moderate (Regulatory Reset)	DIAL EBITDA appears lower due to the resumption of Monthly Annual Fee (MAF) payments.	□
Guidance Confidence	Strong	Goa (Mopa) Airport physical progress at 85%; inauguration expected Aug-22.	□
Management Credibility	Strong	Successful execution of Medan takeover and SC victory on Nagpur concession.	□
Business Quality Signal	Improving	Non-Aero SPP at Delhi crossed □1,000 for the first time, signaling high-intent spend.	□
Key Q&A Exchange	Not applicable	PPT_ONLY mode.	□
The Street's Primary Anxiety	DIAL Margin Compression	Resumption of MAI/Revenue share significantly impacts reported Net Revenue/EBITDA.	□
Capital Cycle Stage	Harvesting / Investment	Peak capex phase for DIAL/GHIAL expansion (67-75% complete); Mopa near completion.	□
Margin / Return Ratio Trajectory	Stable (Underlying)	Reported margins fell due to MAF, but operational leverage on gross revenue is rising.	□
Pricing Power	Stable	Regulatory tariff filings (MYTP) for Goa and expansion at major hubs provide floor returns.	□
FCF Conversion & Quality	Weak	Negative FCF continues due to □5,17.1 Cr quarterly interest and ongoing capex.	□
Competitive Moat Signals	Widening	Consolidating footprint with Medan (Indonesia) and confirmed Nagpur rights.	□
Balance Sheet Strength	Adequate	Fresh □1,000 Cr NCD issuance in DIAL for liquidity/ refinancing.	□
Working Capital Efficiency	Stable	Improving traffic volumes aiding immediate cash inflows at terminals.	□
Mgmt Guidance Track Record	Reliable	Consistent progress on infrastructure milestones (DIAL 67.6%, GHIAL 75%).	□
Key Vulnerability / Red Flag	Interest Burden	Interest costs consumed >100% of Consol EBITDA this quarter.	□
Management Tone	Confident	Bullish on "breakout growth" and asset-light ancillary platforms.	□

Key Takeaways (Positives & Negatives):

Positives: * **Operational Momentum:** Traffic has decisively moved past COVID-era constraints. Hyderabad (GHIAL) is now operating at 104% of pre-COVID daily averages, while Delhi (DIAL) is at 91%. * **Non-Aero Breakthrough:** Spend per Passenger (SPP) at DIAL reached ₹1,003 (vs ₹901 YoY). This is a critical thesis point, proving that higher international traffic and luxury retail are driving superior monetization. * **Portfolio Expansion:** The takeover of Medan (Indonesia) in July 2022 and the Supreme Court upholding Nagpur rights adds ~13-14 mn pax potential to the long-term footprint. * **Asset-Light Pivot:** Clear strategy emerging to scale ancillary businesses (Duty Free, Cargo, Car Park) across non-network airports (e.g., Kuwait IT bid).

Negatives: * **The MAF Reset:** The resumption of the Monthly Annual Fee (MAF) payment to AAI at DIAL (prospectively from April 2022) led to a ~₹401.5 Cr revenue share hit, which halved DIAL's EBITDA margin from 60% in Q4FY22 to 44% in Q1FY23. * **Net Loss Persistence:** Despite a 3x increase in traffic, the company reported a Consolidated Total Comprehensive Loss of ₹320.2 Cr (Post-Minority Interest), primarily due to high finance costs (₹517.1 Cr). * **Cebu Lag:** While India is booming, the Cebu (Philippines) asset remains a laggard with international traffic at only 10% of pre-COVID levels.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q1FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Passenger Traffic (Mn pax)	20.3 (DIAL+GHIAL)	↑ 207.6%	↑ 27.7%	↑	Recovery driven by 75 domestic and 56 intl destinations at Delhi.
Total Income (₹Cr)	1,444.0	↑ 57.1%	↑ 12.5%	↑	Driven by 3x YoY volume growth and Duty-Free SPP expansion.
EBITDA (₹Cr)	428.5	↑ 21.2%	↓ 19.8%	↓	QoQ decline due to DIAL MAF resumption (₹401.5 Cr share).
EBITDA Margin %	29.7%	↓ 870 bps	↓ 1195 bps	↓	Converted from Gross Revenue basis; impacted by DIAL MAF.
PAT (₹Cr)	(113.0)	↑ 37.3%	↑ 12.4%	↑	Losses narrowing but remain high due to interest burden.
Net Debt (₹Cr)	Not in document	First entry	First entry	→	DIAL successfully issued ₹1,000 Cr NCDs in the quarter.
DIAL Aero Yield (₹/pax)	143.4	↓ 41.3%	↓ 5.3%	↓	Volume growth outpacing aero revenue growth; interim tariff impact.
DIAL Non-Aero Inc/pax (₹)	343.5	↓ 54.1%	↓ 12.8%	↓	Calculated on gross basis; impacted by rental contract amendments.
DIAL Duty-free SPP (₹)	1,003	↑ 11.3%	Not stated	↑	Significant improvement from ₹901 in Q1FY22.
GHIAL Non-Aero Inc/pax (₹)	191.6	↓ 27.2%	↓ 6.5%	↓	Occupancy in Advt. up to 52% vs 42% YoY.

2B. SEGMENT BREAKDOWN (Airport Standalone Metrics)

Segment	Revenue (₹ Cr)	YoY Growth	EBITDA (₹ Cr)	Trend	vs Co. Avg	Key Development
DIAL (Delhi)	886.6	↑ 42.6%	215.4	↓	Below	MAF resumption reduced EBITDA from ₹470.8 Cr in Q4.
GHIAL (Hyd)	274.6	↑ 169.5%	157.3	↑	Above	Margin expanded to 57% as traffic hit 104% of pre-COVID.
Cebu (Intl)	30.2	↑ 85.3%	(9.5)	→	Below	Int'l traffic still only 10% of pre-COVID; domestic at 60%.
Medan (Int'l)	N/A	New	N/A	↑	New	Operations commenced July 2022 (post-quarter end).

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 179 mn pax.	Requires Mopa (Goa) and Ph3 expansions to go live in FY23-24.	DIAL expansion 67.6% complete.	Timing of COD for Mopa.
Guidance	Margins	Pure Airport player "breakout growth."	Needs non-aero SPP to sustain >₹1,000 as int'l travel normalizes.	SPP hit ₹1,003 (Target achieved).	Sustaining spend.
Guidance	Capex Plan	Goa Airport inauguration Aug-22.	Physical progress is 85%; requires rapid finishing in 2 months.	On track (85% progress).	Minor delay risk to Sep-22.
Strategy	Asset Light	Scale "Engineering & Mgmt" platform.	Won IT infrastructure bid for Kuwait airport; first external win.	First entry.	Competitive bidding risks.
Strategy	Real Estate	Monetization of 2,000+ acres.	Bharti Realty DIAL transaction now reflecting in lower CPD rentals.	Rental hit taken this quarter.	Lease absorption rates.
Balance	Debt Target	Refinancing via NCDs.	₹1,000 Cr DIAL NCDs completed in Q1.	Delivered.	Rising interest rate cycle.

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 (9M FY22 baseline)	This Quarter (Q1FY23)	Direction
Traffic Benchmarking	90% of Domestic pre-COVID	104% (Hyderabad) and 91% (Delhi)	↑
DIAL Revenue Share	Suspended/Settlement Pending	Resumed (₹401.5 Cr impact)	↓
Goa (Mopa) Progress	Early-stage construction	85% Physical Progress	↑
Non-Aero Efficiency	SPP around ₹800-850	DIAL Duty Free SPP ₹1,003	↑
Portfolio Scope	Medan (LOI stage)	Medan (Operations taken over July-22)	↑
Nagpur Concession	Legal uncertainty (High Court)	Supreme Court Upholds Concession	↑
Consol. Profitability	COVID-impacted baseline	Revenue ↑ but MAF/Interest keeps PAT negative	→

Investor Notes: * **The "Clean" Number:** Stripping out the ₹401.5 Cr MAF at DIAL, the underlying operational EBITDA is significantly stronger than the reported ₹428.5 Cr. The business is generating high cash at the gross level. * **Working Capital / Cash Flow:** There is a divergence between EBITDA and PAT due to the massive interest load (₹517.1 Cr). The "Capital Harvesting" phase is dependent on COD of the expansion projects, which will allow for interest capitalization to cease and operational cash flows to cover debt service. * **Regulatory Watch:** The filing of the Multi-Year Tariff Proposal (MYTP) for Goa is a key upcoming catalyst for valuation.

STOP HERE.