GMR Airports Ltd — Mar 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Inline (Transaction Announcement) **One-line:** This quarter represents a structural pivot from a complex holding company to a "Pure Play" airport major, removing the multi-layered valuation discount and securing □29.00 Billion in low-cost capital from Groupe ADP to deleverage the balance sheet.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	Execution of stated objective to unlock shareholder value via GAL-GIL merger.	□
Earnings Quality	N/A (Structural Reset)	Focus shifts from quarterly P&L to pro-forma balance sheet and simplified cash upstreaming.	□
Guidance Confidence	Strong	Clear roadmap for merger completion within FY24.	□
Management Credibility	Strong	Delivering on the "Pure Play" promise following the successful GPUIL demerger in 2021.	□
Business Quality Signal	Improving	Elimination of HoldCo/Subsidiary discount and direct access to airport cash flows for GIL shareholders.	□
Key Q&A Exchange	Not applicable	PPT_ONLY mode.	□
The Street's Primary Anxiety	Complexity & Debt	Management addressing both through merger and □29.00 Billion FCCB issuance.	□
Capital Cycle Stage	Consolidation	Shifting from asset-heavy build-out to corporate structure optimization.	□
Margin / Return Ratio Trajectory	Improving	Removal of corporate layers and interest cost reduction (6.76% FCCB) to boost ROE.	□
Pricing Power	Stable	Portfolio includes Tier-1 hubs (Delhi, Hyderabad) with regulatory-driven returns.	□
FCF Conversion & Quality	Improving	Merger allows for efficient upstreaming of free cash flows from operating airports to the listed entity.	□
Competitive Moat Signals	Widening	Deepening strategic partnership with Groupe ADP (co-promoters) strengthens global bidding position.	□
Balance Sheet Strength	Adequate	Fresh capital used to repay corporate debt and settle GPUIL contingent liabilities.	□
Working Capital Efficiency	Stable	Simplified structure reduces inter-company reconciliation complexities.	□
Mgmt Guidance Track Record	Reliable	Consistent progress from non-airport demerger (Dec-21) to airport platform merger (current).	□
Key Vulnerability / Red Flag	Regulatory Approvals	Merger remains subject to NCLT, SEBI, and creditor approvals.	□
Management Tone	Confident	Focused on "unlocking value" and "breakout growth."	□

Key Takeaways (Positives & Negatives):

Positives: * **Structural Simplification:** The merger of GMR Airports Ltd (GAL) into the listed GMR Airports Infrastructure Ltd (GIL) collapses the structure, moving minority shareholders closer to the underlying assets (DIAL, GHIAL) and eliminating the persistent HoldCo discount. * **Strategic Capital Injection:** Raising ₹29.00 Billion (€331 Mn) via 10-year FCCBs at a low 6.76% coupon from Groupe ADP significantly reduces the weighted average cost of capital (WACC) and provides immediate liquidity for deleveraging. * **Deleveraging Roadmap:** Proceeds will be utilized to repay GIL's corporate debt and settle the majority of contingent liabilities related to the previously demerged non-airport business (GPUIL). * **Asset Footprint:** Consolidates a world-class portfolio including Delhi, Hyderabad, Goa (Mopa), and international assets (Medan, Crete), positioning GIL as the 2nd largest private airport operator globally.

Negatives: * **Equity Dilution:** Public shareholding reduces from 41.1% to 34.0% post-merger, with GMR Promoters and Groupe ADP taking significant stakes (33.7% and 32.3% respectively). * **Transaction Complexity:** The merger involves multiple regulatory hurdles (NCLT, SEBI, Stock Exchanges) and a target completion date in FY24, leaving execution risk on the timeline. * **Earnout Settlements:** Settling cash earnouts at ₹5.50 Billion (₹550 Cr) to GIL represents a cash inflow but marks the conclusion of certain contingent value captures.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — Mgmt Commentary column will be sparse or absent.

Metric	Current Qtr (Pro-forma/Merger)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (□Billion)	Not in document	N/A	N/A	→	Document focused on merger structure/valuation.
EBITDA (□Billion)	Not in document	N/A	N/A	→	Focus is on "Greater Financial Efficiencies" post-merger.
PAT (□Billion)	Not in document	N/A	N/A	→	Goal is to reduce interest burden via FCCB.
Net Debt (□Billion)	Not in document	N/A	N/A	→	Strategy to use □29.00 Bn FCCB for deleveraging.
Passenger Traffic (Mn pax)	Not in document	N/A	N/A	→	Refer to prior context for traffic recovery trends.
Aero Yield Per Pax (□/pax)	Not in document	N/A	N/A	→	Regulatory tariff filings (MYTP) are ongoing.
Non-aero Income/pax (□/pax)	Not in document	N/A	N/A	→	Ancillary business integration is a key objective.
Duty-free SPP (□/pax)	Not in document	N/A	N/A	→	Prior context noted SPP > □1,000 at DIAL.
Merger FCCB Size (□ Billion)	29.00 (□2,900 Cr)	First entry	First entry	↑	Euro 331 Mn from Groupe ADP at 6.76% coupon.
Cash Earnout Settlement (□Billion)	5.50 (□550 Cr)	First entry	First entry	↑	Settlement to GIL to increase stake in GAL to 55%.
Promoter Stake Post-Merger (%)	33.7%	↓ vs 58.9%	↓ vs 58.9%	↓	Dilution due to merger and ADP entry at listed level.
Public Stake Post-Merger (%)	34.0%	↓ vs 41.1%	↓ vs 41.1%	↓	Calculated post-merger pro-forma shareholding.

2B. SEGMENT BREAKDOWN (Pro-forma Portfolio)

Segment	Revenue (□ Billion)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Delhi Airport (DIAL)	Not in document	N/A	N/A	→	Core Hub	64% ownership; Phase 3 expansion ongoing.
Hyderabad Airport (GHIAL)	Not in document	N/A	N/A	↑	High Growth	63% ownership; includes Duty Free, MRO, Hotel.
Goa Airport (GGIAL)	Not in document	N/A	N/A	↑	New Asset	100% ownership; Physical progress 85% (Prior Context).
Bhogapuram Airport	Not in document	N/A	N/A	→	Development	100% ownership; Under development.
International (Crete/ Medan)	Not in document	N/A	N/A	↑	Strategic	Medan operations commenced July-22.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Merger Completion	Expected to be completed within FY24.	Requires approvals from SEBI/NCLT/Creditors within ~12 months.	Demerger of GPUIL delivered on schedule (Dec-21).	Regulatory delay.
Guidance	Deleveraging	Repay corporate debt & settle GPUIL contingent liabilities.	Uses □29.00 Billion FCCB proceeds; feasibility is high.	First entry.	Timing of FCCB inflow.
Guidance	Cost of Capital	Reduce cost of capital through 6.76% coupon FCCBs.	Replacing high-cost corporate debt; mathematical certainty of savings.	First entry.	Currency risk (Euro-denominated).
Strategy	Structure	Eliminate HoldCo/ Subsidiary discount.	Dependent on market perception post-merger completion.	GPUIL demerger was the first step; this is the final step.	Market valuation lag.
Strategy	Relationship	Strengthen "Groupe ADP" strategic partnership.	ADP becomes co-promoter with 32.3% stake in listed GIL.	Stake in GAL increased from 49% to pro-forma 32.3% GIL.	Alignment on global bids.

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 (Q1FY23)	This Quarter (Merger Update)	Direction
Corporate Structure	Complex 2-tier structure (GIL holding 51% of GAL).	"Pure Play" merger (GAL merging into listed GIL).	↑
Groupe ADP Positioning	Partner at the unlisted subsidiary level (GAL).	Co-promoter at the listed parent level (GIL).	↑
Balance Sheet Catalyst	High interest burden consuming EBITDA (Prior Context).	□29.00 Billion FCCB at 6.76% to refinance debt.	↑
Shareholding Pattern	Promoter-heavy (58.9%).	Balanced: Promoters (33.7%), ADP (32.3%), Public (34%).	→
Valuation Thesis	Discounted for complexity and debt overhang.	Rationale based on eliminating HoldCo discount.	↑
Asset Consolidation	MIHAN (Nagpur) in legal dispute.	Nagpur confirmed (SC verdict) and included in pro-forma.	↑

Investor Notes: * **The "Pure Play" Reset:** This is the most significant structural change since the 2021 demerger. For a long-term investor, the thesis moves from "Turnaround/Recovery" to "Compounding Infrastructure Play." * **Cash Flow Upstreaming:** The removal of the "GAL" layer between the listed "GIL" and the operating airports (DIAL/GHIAL) is critical. It allows free cash flows to flow directly to the entity responsible for debt service and eventual dividends. * **FCCB Terms:** The conversion price of ₹43.67 provides a floor for management’s internal valuation of the airport business. At 6.76% (simple interest), this is significantly cheaper than domestic corporate debt. * **GPUIL Tail Risk:** By using merger proceeds to settle contingent liabilities related to the non-airport business (GPUIL), management is effectively "cleaning" the airport entity of historical legacy risks.

STOP HERE.