GMR Airports Ltd — May 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline **One-line:** GMR is entering a critical "inflection year" as peak capex coincides with a massive tariff reset in Hyderabad and the imminent commissioning of the Goa (Mopa) airport.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	Traffic recovery hit by Omicron in Jan/Feb but rebounded to 100% domestic levels by Apr-22.	□
Earnings Quality	High (Core driven)	Performance driven by a 74% YoY increase in Delhi traffic and strong non-aero SPP.	□
Guidance Confidence	Strong	Goa (Mopa) airport 72% complete; inauguration confirmed for August 2022.	□
Management Credibility	Strong	Successfully secured Medan (Indonesia) and won SC judgement for Nagpur airport.	□
Business Quality Signal	Improving	Non-aero yield expanding; Duty-Free SPP at Delhi ($13) is now exceeding pre-COVID levels ($11-12).	□
Key Q&A Exchange	Not applicable	PPT_ONLY mode.	□
The Street's Primary Anxiety	Leverage & MAF Restart	Delhi (DIAL) resumes Monthly Annual Fee (MAF) to AAI from FY23; concern on cash flow absorption.	□
Capital Cycle Stage	Investment (Late Stage)	Expansion works at DIAL (61%) and GHIAL (73%) are well-advanced; Goa nearing COD.	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins recovered to 63% at Delhi (FY22) vs 33% in FY21.	□
Pricing Power	Expanding	Significant tariff hike at Hyderabad (Domestic: □480–750 vs □281 earlier).	□
FCF Conversion & Quality	Weak	Negative FCF due to □15 bn reduction in cash for capex and debt repayment this quarter.	□
Competitive Moat Signals	Widening	Consolidating position as India's largest private operator; entry into 4th largest Indonesian city.	□
Balance Sheet Strength	Adequate	Net Debt increased due to capex; DIAL debt at □87 bn, GHIAL at □56 bn.	□
Working Capital Efficiency	Stable	Inventory/DSO not material for airports; focus remains on aero-receivables.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on construction milestones despite pandemic waves.	□
Key Vulnerability / Red Flag	Debt Servicing	Interest costs at Delhi stood at □862.5 Cr for FY22 (up 24% YoY).	□
Management Tone	Confident	Focused on "Breakout Growth" and "Asset Light Ancillary Platforms."	□

Key Takeaways (Positives & Negatives): Positives: * **Regulatory Tailwinds:** The AERA tariff order for Hyderabad (CP3) provides a massive realization jump (Domestic yield up ~1.7x to 2.6x), providing high-visibility cash flow for the next cycle. * **Non-Aero Elasticity:** Duty-Free Spend per Passenger (SPP) is outperforming traffic recovery. Delhi SPP of $13 is ~13% above pre-COVID levels, validating the "consumption hub" thesis. * **Portfolio Expansion:** The Supreme Court victory for Nagpur and the addition of Medan (10mn+ pax potential) strengthens the long-term volume pipeline. * **Asset-Light Pivot:** Initial success in the "Platform" strategy (Duty-Free at Kannur, IT at Kuwait) suggests a shift toward higher ROCE ancillary businesses.

Negatives: * **Delhi MAF Impact:** The holiday on Monthly Annual Fee (MAF) payments to AAI has ended. Resumption in FY23 will act as a significant headwind to DIAL's net cash flow. * **Leverage Peaks:** Group net debt is rising as expansion capex continues. Consolidated interest charges reached □2,018.7 Cr in FY22, consuming a large portion of operating EBITDA. * **International Lag:** While domestic traffic is at 90-100%, international remains at ~60% of pre-COVID levels, delaying the full recovery of high-margin retail revenue.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q4FY22)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Passenger Traffic (DIAL - Mn)	11.9	↑ 23%	↓ 13.8%	↓	Q4 impacted by 3rd COVID wave (Omicron).
Passenger Traffic (GHIAL - Mn)	3.8	↑ 13%	↓ 11.6%	↓	Rebounded to 96% of pre-COVID levels by Apr-22.
Net Revenue (DIAL - □ Cr)	789.3	↓ 16%	↑ 1.1%	→	YoY decline due to base effect of Ind AS 116 in FY21.
Net Revenue (GHIAL - □ Cr)	184.5	↑ 6%	↓ 14.1%	↓	Impacted by seasonally lower traffic in Jan/Feb.
EBITDA (DIAL - □Cr)	470.6	↓ 31%	↓ 14.0%	↓	FY22 Standalone EBITDA reached □1,713.7 Cr.
EBITDA (GHIAL - □Cr)	59.3	↓ 23%	↓ 45.8%	↓	Expansion in non-aero partially offset traffic dip.
PAT (DIAL - Standalone - □Cr)	88.3	↓ 97%	↓ 62.3%	↓	FY21 PAT had significant one-off accounting gains.
PAT (GHIAL - Standalone - □Cr)	(35.7)	↓ 105%	↓ 122.5%	↓	Slid into loss due to higher interest/ depreciation.
Net Debt (DIAL - □Cr)	8,700	First entry	First entry	→	Excludes FCCB of □180 Cr.
Net Debt (GHIAL - □Cr)	5,600	First entry	First entry	→	Reflects peak expansion funding phase.
Non-Aero Income/pax (DIAL - □)	400	↑ 30%	First entry	↑	Total FY22 Non-aero revenue: □1,658 Cr.
Duty-Free SPP (DIAL - $)	$13	↑ 18%	First entry	↑	Outperforming pre-COVID SPP of $11-12.
Aero Yield/Pax (DIAL - □)	154	↓ 25%	First entry	↓	Lower due to domestic/international mix shift.

2B. SEGMENT BREAKDOWN

Segment (Airport)	Traffic (Mn Pax)	FY22 Growth	EBITDA (□ Cr)	Trend	vs Co. Avg	Key Development
DIAL (Delhi)	39.3	↑ 74%	1,713.7	↑	Outperformer	Phase 3A expansion achieved 60.8% progress.
GHIAL (Hyd)	12.4	↑ 54%	221.3	↑	Laggard	Tariff reset to drive massive FY23 jump.
Cebu (Philippines)	1.3	↓ 52%	(19.4)	↓	Weakest	Traffic severely hit by SE Asia restrictions.
MOPA (Goa)	N/A	N/A	N/A	↑	Growth Driver	Physical progress at 72%; COD in Aug-22.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume / Capacity	Double capacity to 179 Mn pax via current expansions.	Requires completion of DIAL (100mn) and GHIAL (34mn) by FY24.	Reliable	Timing of intl. recovery.
Guidance	Timelines	Goa (Mopa) inauguration in August 2022.	On track; 72% construction complete as of March 31.	High	Monsoon delays.
Guidance	Regulatory	Secure Medan (Indonesia) and Nagpur operations.	Medan SPV to start operations by Q2FY23.	Met	Local regulatory hurdles.
Strategy	Non-Aero	Pivot to asset-light ancillary platform.	Target is to manage external airport retail/IT (e.g., Kuwait).	Emerging	Bidding competition.
Balance	Debt	Utilization of cash for debt repayment and capex.	Cash dropped from □63bn to □48bn QoQ; shows high burn.	Ongoing	Rising interest rates.
Strategy	Real Estate	Restructured Bharti Realty deal at Delhi.	Monetizing CPD (Commercial Property Development) parcels.	Mixed	Commercial RE absorption.

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)	This Quarter (FY22 / Q4)	Direction
Hyderabad Tariffs	Old Tariff (□281 Domestic)	New Tariff (□480–750 Domestic)	↑
Portfolio Scope	Bidding for Medan	Letter of Award (LOA) for Medan received	↑
Regulatory Status	Nagpur rights in litigation	Supreme Court upholds Nagpur rights for GMR	↑
Traffic Recovery	90% Domestic (Dec-21)	100% Domestic (Apr-22)	↑
Cash Reserves	□63 Billion (Dec-21)	□48 Billion (Mar-22)	↓
Construction Progress	50-60% range	Goa at 72%, Hyd at 73%	↑
Delhi Obligations	MAF Moratorium active	MAF Payments to AAI resume (Apr-22)	↓

INVESTOR NOTES: * **The Thesis Holding:** GMR is successfully transitioning from a "recovery play" to a "structural growth play." The Hyderabad tariff reset is a game-changer for the group's internal accruals. * **Cash Flow Pivot:** Watch the Q1FY23 results closely to see the net impact of the Delhi MAI resumption vs. the Hyderabad tariff hike. * **Goa Trigger:** The August 2022 commissioning of Goa (Mopa) is the next major re-rating trigger, as it marks the end of a major capex cycle and the start of a new revenue stream. * **Leverage Monitoring:** While EBITDA is recovering, the interest cost remains a significant drag; refinancing via the Groupe ADP partnership remains the key strategy to watch.

STOP HERE.