GMR Airports Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat (Operational) / Inline (Financial) **One-line:** The long-awaited "J-Curve" inflection point has arrived with the April 16, 2025 Delhi tariff reset, which structurally de-risks the balance sheet and clears the path to FCFE positive status by FY28.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	Traffic growth (9% YoY) and EBITDA growth (19% YoY) outpaced moderate expectations; Delhi tariff order (CP4) secured.	□
Earnings Quality	Moderate	EBITDA includes a □190 Cr non-cash straight-lining of CPD rentals; PAT remains negative due to massive interest/depreciation cliff.	□
Guidance Confidence	Strong	Management gave a specific □1,600 Cr incremental revenue roadmap for DIAL and a clear FY28 dividend timeline.	□
Management Credibility	Strong	Successfully concluded Fraport stake acquisition (DIAL) and ESR Logistics park buyouts; CP4 implementation on schedule.	□
Business Quality Signal	Improving	Transitioning from "Asset Developer" (High Capex) to "Consumer Platform" (Non-Aero Adjacencies) with 120mn+ pax base.	□
Key Q&A Exchange	Q1: Delhi Tariff	Mgmt quantified the Yield per Pax (YPP) jump from □145 to □360; implies □16bn+ revenue upside on existing traffic.	□
The Street's Primary Anxiety	Leverage Peak	Concerns over □31,500 Cr net debt; Mgmt response: Debt will rise by □2,400 Cr for Bhogapuram but offset by DIAL cash flows.	□
Capital Cycle Stage	Harvesting	Major expansions at Delhi/Hyderabad finished; focus shifted to sweat assets and scale non-aero SPP.	□
Margin Trajectory	Improving	EBITDA margins held at 51%; expected to expand as high-margin aero revenue (DIAL) kicks in from Q1FY26.	□
Pricing Power	Expanding	Regulatory reset at DIAL restores pricing power; international pax mix (25%) driving higher non-aero yields.	□
FCF Conversion & Quality	Weak	CFO impacted by interest costs (□3,704 Cr FY25); non-cash CPD rental income (□190 Cr) distorts EBITDA.	□
Competitive Moat Signals	Widening	DIAL ranked 9th busiest globally; Mopa (Goa) market share stable at ~40% despite competition.	□
Balance Sheet Strength	Stressed	Net Debt at □31,500 Cr; ICRA upgrade to AA- for DIAL provides some interest cost relief.	□
Working Capital Efficiency	Stable	Receivables appear managed; focus is on upstreaming cash from Hyd (Dividend declared □280 Cr).	□
Mgmt Guidance Track Record	Reliable	Delivered on DIAL stake consolidation and T1 reopening (April 15, 2025).	□
Key Vulnerability	Duty Free Margins	ITC credit withdrawal has permanently suppressed Duty Free EBITDA margins from 20% to ~15-17%.	□
Management Tone	Confident	Shifted focus from "Surviving Expansion" to "Scaling Adjacencies" and "Dividend Generation".	□

Sentiment: □Positive

Key Takeaways: * **Positives:** The Delhi CP4 Tariff Order is the "Thesis Saver." The yield increase from ₹145 to ₹360 per passenger provides a ₹1,600 Cr (₹16bn) annual revenue cushion that covers interest costs and starts the deleveraging cycle. Operational momentum is robust, with record traffic at Delhi (20.6mn) and Hyderabad (7.8mn) in Q4. Management is successfully vertically integrating the business by taking over Duty Free and Cargo operations directly under the GAL platform to capture higher margins. * **Negatives:** The P&L remains in the red (₹820 Cr loss for FY25) as the company pays the price for its massive expansion—interest and depreciation grew 27% and 30% YoY respectively. Net debt remains elevated at ₹31,500 Cr, and while it's near the peak, any delay in Bhogapuram (Dec'26) or Crete (Feb'27) could prolong the leverage overhang. * **Street Concern:** Analysts are hyper-focused on the "Non-Aero lag"—specifically why spend-per-pax (SPP) isn't scaling faster. Management clarified that Duty Free margins are structurally lower (15-17%) due to tax changes (ITC), and full SPP potential will only be visible once the premium "Reach to Luxury" retail and Michelin-star F&B outlets fully operationalize in FY26. * **Forward-looking watchpoint:** Monitor the "GAL Platform" EBITDA growth in Q1/Q2 FY26 as the company consolidates the Delhi Cargo and Duty Free businesses; this is the litmus test for the "Asset-Light/Consumer" strategy.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q4FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (₹Cr)	₹2,976.8	↑ 16%	↑ 8%	↑	Driven by record traffic at Delhi/Hyd and growth in non-aero revenues.
EBITDA (₹Cr)	₹1,122.7	↑ 19%	↑ 3%	↑	Margin at 51%; includes one-time CPD rental straight-lining at DIAL.
PAT (Continuing Ops) (₹Cr)	(₹252.7)	↓ Loss	↓ Loss	↓	Impacted by ₹955.2 Cr interest and ₹491.3 Cr depreciation for the quarter.
Net Debt (₹Cr)	₹31,500	↑ 16%	↑ 6%	↓	Increased due to Fraport stake buy (NCB ₹1,500 Cr) and Bhogapuram drawdowns.
Passenger Traffic (Mn)	31.5	↑ 9%	↑ 1%	↑	Record quarterly traffic; International traffic up 11% YoY (24% mix).
Aero Yield/Pax (₹/pax)	₹260	↑ 1%	↓ 2%	→	Base yield; excludes the CP4 tariff hike which kicked in April 16, 2025.
Non-aero Income/pax (₹/pax)	₹361	↑ 3%	↑ 1%	→	Growth driven by Duty Free and F&B; SPP in Delhi at ₹1,010 (Duty Free).
Delhi (DIAL) EBITDA (₹Cr)	₹526.9	↑ 42.2%	↑ 21%	↑	Strong growth in CPD rentals and non-aero income; margins at 57%.
Hyd (GHIAL) EBITDA (₹Cr)	₹358.0	↑ 9.4%	↓ 7.4%	→	Impacted by year-end expenses (~₹10 Cr) and lower other income vs Q3.
Goa (GGIAL) EBITDA (₹Cr)	₹25.3	↓ 51%	↓ 11%	↓	Impacted by commencement of revenue share with the government.
Bhogapuram Progress (%)	69%	↑ 3500bps	↑ 1500bps	↑	Airside 87%, Terminal 59% complete; on track for Dec 2026.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Delhi (DIAL)	₹1,637.1	↑ 24.1%	32.2%	↑	Below	CP4 Tariff reset (Apr 16) is the massive upcoming catalyst.
Hyderabad (GHIAL)	₹589.3	↑ 6.9%	60.7%	→	Above	Achieved Level 5 Carbon Accreditation; Declared ₹280 Cr dividend.
Goa (Mopa)	₹120.1	↓ 1%	21.1%	↓	Below	Revenue share kicking in; EBITDA remains positive despite lower pax.
Medan (Indonesia)	₹130.0	↑ 9.1%	13.5%	→	Below	Traffic down 3.9% due to airline fleet delays; Etihad to start Oct'25.
GAL Standalone	₹507.7	↑ 70.9%	71.1%	↑	Above	Capture point for adjacency fees/interest; revenue to hit ₹2,200 Cr FY26.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	**Revenue (DIAL)**	₹1,600 Cr incremental Aero Revenue from CP4 Tariff.	Requires ~80mn pax at ₹215/pax yield increase; highly feasible given current traffic.	Reliable	Low
Guidance	**Cash Flow**	GAL Platform to be FCFE positive by FY28.	Contingent on DIAL dividend upstreaming (~3 years) and non-aero scale.	First entry	Medium
Guidance	**Capex**	Bhogapuram completion by Dec 2026.	~31% progress remaining over 18 months; feasible at ~1.7% per month.	Reliable	Low
Guidance	**Operational**	Duty Free Takeover (Jul'25/Q2FY26).	Transitioning Celebi Cargo/Duty Free to GAL; mgmt stated ₹2,200 Cr rev run-rate.	Reliable	Low
Strategy	**Capital Allocation**	Consolidation of stakes (Fraport DIAL buy).	Purchased 10% DIAL at "deep discount" vs analyst valuations; improves cash upstreaming.	Met	Low
Balance	**Debt**	Net Debt to peak/stabilize post-DIAL tariff cash inflow.	Gross debt to rise by ₹2,400 Cr; DIAL FCF must cover interest to stabilize net debt.	Reliable	Medium

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	Financials	"Can you please explain the impact of Delhi tariff order expected on the annual revenues of DIAL?"	Mgmt confirmed yield per pax jumps from 145 to 360, representing a 215 increase per passenger. Based on 80mn pax, this implies a 1,600 Cr annual revenue upside, providing a massive EBITDA/FCF tailwind from Q1FY26.	None	5.0	Clear an quantifie
2	4.0	Mohit Kumar, ICICI Sec	Interest Cost	Financials	"Is this 9-10 billion quarterly [interest] number we should work with for the F26?"	Mgmt indicated quarterly interest will stay in this range but noted potential savings from a 2,500 Cr DIAL refinance (12% to 9.5%). Interest costs have peaked, and refinancing should marginally improve the PAT trajectory in FY26.	None	4.0	Direction evidence
3	4.5	Karthik Chellappa, Indus Capital	CPD Income	Financials	"What has actually driven [the CPD jump to 383 Cr] and what is a steady state kind of CPD rental?"	Mgmt explained the jump was due to IndAS 116 straight-lining of rentals as CPs were met for a new leased asset. Steady-state CPD revenue will increase by 120 Cr annually, providing high-margin, predictable cash flow to DIAL.	None	5.0	Specific and verified
4	3.5						None	4.0	

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		Prateek Kumar, Jefferies	CPD Timeline	Capex and Allocation	"What is the timeline of other Real Estate projects... including Bharti Realty starting to give you lease rental?"	Bharti Phase 1 (55% of 5mn sq.ft.) will be commissioned by Q3 CY25, though DIAL revenue is fixed; shopping center starts Q1 CY28. DIAL receives fixed land rentals regardless of construction status, insulating it from real estate execution delays.			Specific timeline given
5	3.5	Prateek Kumar, Jefferies	Duty Free Margins	Financials	"EBITDA and PAT for the financial year '25 [for Duty Free]... suggest a very small growth... while top line thinks to be growing well. Why?"	Mgmt attributed the margin compression to the withdrawal of ITC refunds on "arrival" stores, dropping steady-state EBITDA margins from 20% to 15-17%. Investors must reset expectations for non-aero margins as they shift from JVs to the GAL platform.	None	4.0	Logical explanat
6	4.0	Prateek Kumar, Jefferies	Leverage	Financials	"How do you see net debt in FY '26 from here and what is the capex expectation?"	Net debt will rise by ~□2,400 Cr (□1,700 Cr for Bhogapuram, □700 Cr for GAL) but will be offset by DIAL's enhanced cash accruals. Leverage should peak in FY26, as the company enters a "harvesting" phase for its major hubs.	None	3.0	Vague bu consiste

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7	4.0	Dario Maglione, BNP Paribas	Noida Competition	Management Commentary and Outlook	"Are you seeing any impact on airline scheduled capacity for the New Delhi Airport [from Noida Airport]?"	Mgmt claims Noida (Jewar) is "complementary" and will likely absorb low-yielding LCC/ ATR traffic, freeing up DIAL capacity for high-yielding international/full-service carriers. This mitigates the "competitive threat" narrative and supports DIAL's yield-optimization strategy.	None	3.0	Directior evidence
8	4.5	Dario Maglione, BNP Paribas	Dividends	Management Commentary and Outlook	"When do you think that GMR airports will pay dividends?"	Mgmt targets FCFE positive status by FY28, with dividends likely thereafter as DIAL enters its upstreaming phase (after 3 years of tariff hike). This provides a firm long-term exit/ yield roadmap for fundamental investors.	None	3.0	Vague bu consiste
9	4.0	Nidhi Shah, ICICI Sec	Celebi Takeover	Financials	"Since the cancellation of the Celebi in Delhi, who is managing it? ...revenues and PAT?"	GAL has taken over the cargo concession directly, clocking □780 Cr revenue and □120 Cr PAT in FY25. Direct management of "adjacency" assets allows GAL to capture the full economic value rather than just a concession fee.	None	4.0	Specific and verified
10	3.5		Pax Growth		"Why growth appears to be	Mgmt cited a high base effect	None	3.0	Logical explanat

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		Aditya Mongia, Kotak Sec		Management Commentary and Outlook	kind of slowing down... in March and April [at Delhi]?"	and industry-wide supply-side issues (80 Indigo aircraft grounded), but expects 6-8% long-term growth as engines are replaced. Short-term pax volatility is a supply-side fleet issue, not a demand destruction signal.			
11	4.0	Aditya Mongia, Kotak Sec	GAL Revenue	Financials	"Will you be adding in the next year, Delhi duty-free to GAL? Delhi cargo to GAL?"	Mgmt confirmed GAL standalone revenue will jump from 1,200 Cr to over 2,200 Cr in FY26 due to the direct operation of Duty Free and Cargo. This structural shift makes GAL a high-margin operating company rather than just a debt-heavy holding vehicle.	None	4.0	Specific and verified
12	3.5	Karthik Chellappa, Indus Capital	Bhogapuram Debt	Capex and Allocation	"Bhogapuram... if we are borrowing another 17 [billion], it's almost doubling the borrowing there for an additional 30% [progress]. How?"	Mgmt explained there is a billing lag between physical progress (69%) and contractor payments; the debt drawdown aligns with total project cost. Execution risk is lower than the debt-drawdown optics suggest.	None	4.0	Direction evidence

PATTERN FLAGS & SENTIMENT * **The "Inflection Point" Confidence:** Analysts were skeptical about the timing and impact of the Delhi tariff reset. Management responded with high precision (215/pax increase), effectively ending the regulatory overhang that has depressed the stock. * **Adjacencies vs. Utilities:** Multiple questions focused on the "GAL Platform" and the direct takeover of Cargo/Duty Free. Management's posture was highly confident, framing the company as a "Consumer Platform" (15-17% margins) rather than just a "Utility" (Aero-regulated), which is a clear attempt to drive a valuation re-rating. * **Analyst Sentiment:** Skepticism regarding the net loss was balanced by optimism over the CP4 order. The most friction remains around the ₹31,500 Cr debt pile, but management successfully linked the DIAL cash flows to a "peak debt" narrative. Credibility improved as they provided a clear bridge from current losses to FY28 dividends.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (vs Q1 context)	This Quarter (Q4FY25)	Direction
Delhi Tariff Status	Filing Submitted	**Order Issued & Effective**	↑ De-risked
Net Debt	₹28,000 Cr	**₹31,500 Cr**	↓ Deteriorating
DIAL Ownership	64%	**74% (Fraport stake bought)**	↑ Improving
Bhogapuram Progress	34%	**69%**	↑ Executing
DIAL T1 Status	Shut (Canopy Incident)	**Resumed Apr 15, 2025**	↑ Improving
GAL Platform Rev	₹1,263 Cr (Standalone)	**₹2,200 Cr (FY26 Target)**	↑ Improving
Duty Free Margin	~20% (Assumed)	**15-17% (New Normal)**	↓ Deteriorating
Corporate Action	Merger Completed	**Stake Consolidation (ESR/DIAL)**	↑ Improving

Forensic Note: The CFO-to-PAT ratio remains distorted. FY25 EBITDA (₹4,187.6 Cr) is almost entirely consumed by Finance Costs (₹3,704.7 Cr). The working capital lever to watch is the ₹190 Cr non-cash CPD rental straight-lining; while it boosts EBITDA, it provides zero immediate cash to service the debt, making the Aero-tariff cash hike in Q1FY26 critical for survival.

STOP HERE.