GMR Airports Ltd — Nov 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Inline **One-line:** Q2FY23 confirms the "Operational Maturation" phase, where robust non-aero growth and strategic divestments (Cebu) begin to counterbalance a heavy interest burden that continues to suppress the bottom line.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	Traffic recovered to 93-95% of pre-COVID levels; Goa (Mopa) progress at 91%.	□
Earnings Quality	Moderate	EBITDA growth driven by non-aero SPP; however, net loss widened due to rising finance costs.	□
Guidance Confidence	Strong	Mopa Airport received Aerodrome License and ad-hoc tariff; inauguration imminent.	□
Management Credibility	Strong	Delivered on deleveraging strategy via Cebu divestment; secured Nagpur rights in SC.	□
Business Quality Signal	Improving	Pivot toward an "Asset-Light Ancillary Platform" (Duty Free, Cargo) targeting external airports.	□
Key Q&A Exchange	N/A	PPT_ONLY mode.	□
The Street's Primary Anxiety	Debt Servicing	Interest costs (□561.4 Cr) now exceed Consol. EBITDA (□472.7 Cr).	□
Capital Cycle Stage	Harvesting / Investment	Expansion capex peaking (DIAL 73%, GHIAL 78%); Mopa transitioning to operations.	□
Margin / Return Ratio Trajectory	Stable	Consol. EBITDA margin held at 42% (Net Revenue basis) despite slight traffic dip QoQ.	□
Pricing Power	Expanding	Successful PSC (Passenger Service Charge) hike at Medan (+16-27%) and ad-hoc tariff for Goa.	□
FCF Conversion & Quality	Weak	Heavy interest and expansion capex continue to drain cash; divestment proceeds are critical.	□
Competitive Moat Signals	Widening	Consolidating dominance in India (Nagpur, Goa, Bhogapuram) and international hubs (Medan, Crete).	□
Balance Sheet Strength	Stressed	Net Debt at □250 Bn; Cebu divestment is a necessary relief valve.	□
Working Capital Efficiency	Stable	Non-aero retail growing 14-20% QoQ despite flat traffic, indicating higher monetization efficiency.	□
Mgmt Guidance Track Record	Reliable	Consistent milestone delivery on expansion projects and regulatory filings.	□
Key Vulnerability / Red Flag	Interest Gap	Finance charges rose 8.5% QoQ, outpacing EBITDA growth and widening net losses.	□
Management Tone	Confident	Focused on "Breakout Growth" and scaling the non-aero platform.	□

Key Takeaways (Positives & Negatives):

Positives: * **Strategic Divestment:** The deal to exit Cebu Airport (Philippines) validates management's commitment to deleveraging and focusing capital on high-growth Indian assets. * **Non-Aero Resilience:** Retail/ Duty Free revenue grew 18% QoQ at Delhi and 20% QoQ at Hyderabad, significantly outperforming the slight (2-3%) dip in passenger volumes. This proves the "India Consumption" leg of the thesis. * **Operational Readiness:** Goa (Mopa) reaching 91% progress with an ad-hoc tariff order in hand (□450/domestic pax) sets the stage for a major FY23 revenue catalyst. * **Expansion Footprint:** The Supreme Court victory for Nagpur Airport adds another long-term growth lever, securing a major manufacturing/logistics hub.

Negatives: * **Negative Carry:** Interest and finance charges (□561.4 Cr) are still consuming the entirety of operational EBITDA, leaving the business dependent on refinancing and asset sales to manage liquidity. * **Traffic Seasonality:** A marginal QoQ dip in domestic traffic (2-3%) at major hubs indicates a cooling of the post-lockdown "revenge travel" surge, though international remains a growth offset. * **CPD Rental Reset:** Commercial Property Development (CPD) rentals at DIAL are down 16% YoY following the Bharti Realty transaction reset, creating a temporary drag on non-aero topline.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q2FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (□Cr)	1,588.4	↑ 53.6%	↑ 10.0%	↑	Driven by strong non-aero recovery and Medan consolidation.
EBITDA (□Cr)	472.7	↓ 4.8%	↑ 10.3%	↑	QoQ growth despite traffic dip; YoY down due to DIAL MAF reset.
EBITDA Margin %	42.0%	↓ 1000 bps	→	→	Margin stable on Net Revenue basis; impacted by DIAL Rev Share.
PAT (□Cr)	(209.3)	↓ Loss	↓ Loss	↓	Loss widened QoQ due to higher interest and depreciation.
Net Debt (□Cr)	2,500.0	First entry	First entry	→	Airport sector accounts for 92% (□23,100 Cr) of total debt.
Passenger Traffic (Mn pax)	19.9 (DIAL+GHIAL)	↑ 75.7%	↓ 2.0%	↓	Seasonal/slight dip; DIAL at 15.0 mn, GHIAL at 4.9 mn.
DIAL Aero Yield (□/pax)	147.1	↓ 20.1%	↑ 2.6%	↑	Marginal improvement in realization per passenger.
DIAL Non-Aero Inc/pax (□)	399.6	↑ 63.1%	↑ 16.2%	↑	Strong retail and duty-free performance driving efficiency.
DIAL Duty-free SPP (□)	973	↑ 3.4%	↓ 3.0%	↓	Slight dip from Q1 high of □1,003 but remains above historicals.
GHIAL Non-Aero Inc/pax (□)	208.8	↑ 44.0%	↑ 12.3%	↑	Retail incl. Duty Free up 2.7x YoY.

2B. SEGMENT BREAKDOWN (Airport Standalone Metrics)

Segment	Revenue (□ Cr)	YoY Growth	EBITDA (□ Cr)	Trend	vs Co. Avg	Key Development
DIAL (Delhi)	960.7	↑ 41.8%	229.6	↑	Below	Non-aero revenue hit □599.4 Cr (+14% QoQ).
GHIAL (Hyderabad)	293.3	↑ 90.3%	165.6	↑	Above	EBITDA margin stable at 59%; Retail growth robust.
Cebu (Philippines)	57.2	↑ 236.5%	53.4	↑	Above	Divestment deal signed; Op-ex reduced significantly.
Medan (Indonesia)	N/A	New	N/A	↑	New	PSC increased w.e.f Aug 1, 2022 (+16% to 27%).

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume / Capacity	Scale to 179 mn MPPA final capacity.	Requires commissioning of DIAL Ph3A and GHIAL expansions by FY24.	DIAL (73.2%) and GHIAL (78%) are on track.	Execution delays.
Guidance	Capex Plan	Goa (Mopa) Airport inauguration soon.	Physical progress is 91.3%; Aerodrome License received.	Delivered milestones on schedule.	NH 166S connectivity delay.
Strategy	Capital Allocation	Focus on deleveraging and redeploying.	Cebu divestment signed; provides cash for domestic high-growth hubs.	Action taken this quarter.	Reinvestment risk.
Strategy	Asset Light	Create ancillary platform for non-aero.	Scaling Duty Free (Kannur win) and IT (Kuwait win).	Early stage progress.	Competitive bidding.
Strategy	Real Estate	Monetization of 2,000+ acres.	Long-term embedded value; current CPD rentals normalized after reset.	Transaction completed.	Market absorption.
Balance	Debt Target	Divestment and cash flow growth.	Cebu deal is the first major step; requires more asset-level cash flow.	Initiated.	Interest rate hikes.

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 (Q2FY23)	Direction
Divestment Status	Evaluation stage	**Signed deal** for Cebu stake divestment	↑
Goa (Mopa) Readiness	85% Progress	**91.3% Progress**; Aerodrome License received	↑
Medan Monetization	Operations takeover	**PSC hikes approved** (Domestic +27%, Intl +16%)	↑
DIAL Revenue Share	₹448.7 Cr (MAF Resumption)	**₹147.5 Cr** (Stabilized/Adjusted)	↑
Interest Load	₹517.1 Cr	**₹561.4 Cr**	↓
Consolidated PAT	₹(136.2) Cr Loss	**₹(209.3) Cr Loss**	↓
Regulatory Status	Pending Nagpur rights	**Supreme Court upheld** Nagpur concession	↑
Non-Aero Efficiency	DIAL Duty Free SPP ₹1,003	DIAL Duty Free SPP ₹973	↓

Investor Notes: * **The Deleveraging Pivot:** The divestment of the Cebu asset is the most critical thesis update. It confirms management is no longer just "collecting" assets but is actively managing the portfolio to fix the balance sheet. * **Aero vs. Non-Aero Divergence:** While aero revenue is tied to traffic volumes (which saw a slight seasonal dip), non-aero revenue is showing high elasticity to spend. Retail/Duty-Free growth of ~20% QoQ on lower traffic proves the "quality of passenger" is improving as international travel normalizes. * **Cash Flow Gap:** The widening net loss is a concern for the short term, but it is largely a function of accounting (Depreciation + Interest on expansion assets). The "Breakout Growth" management refers to is entirely dependent on the commissioning of Mopa and the expansion projects, which will shift interest from the P&L to the balance sheet (capitalization) or be covered by new cash flows. * **Goa (Mopa) Valuation:** With the ad-hoc tariff order secured and license in hand, Mopa is now a "de-risked" asset. The market will now focus on the final tariff determination and the ramp-up of international charters.

STOP HERE.