GMR Airports Ltd — Nov 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** The investment thesis has transitioned from "construction risk" to "operational harvesting," as major expansion at Delhi and Hyderabad nears 95% completion, concurrent with a structural simplification through the Groupe ADP-linked merger.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	EBITDA grew ~30% QoQ (₹977.5 Cr vs ₹752.5 Cr in Q1).	□
Earnings Quality	High (Core driven)	Growth led by 25% YoY traffic surge and 16% rise in Aero Yields.	□
Guidance Confidence	Strong	Expansion projects (DIAL/GHIAL) are >94% complete; timelines reaffirmed.	□
Management Credibility	Strong	Delivered international launch at Mopa (Goa); NCLT meeting fixed for merger.	□
Business Quality Signal	Improving	Consolidation of core assets (buying 11% MAHB stake in Hyderabad).	□
Key Q&A Exchange	Not applicable	PPT_ONLY: No concall transcript provided.	□
The Street's Primary Anxiety	Regulatory Catch-up	Mixed TDSAT order on Delhi tariffs creates uncertainty on revenue timing.	□
Capital Cycle Stage	Harvesting	Capex peaking; Goa & Medan now contributing to traffic growth.	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins (Net Revenue basis) sustained at ~50%+ levels.	□
Pricing Power	Expanding	Aero Yield per Pax (YPP) up 16% YoY; Non-aero up 6% despite higher base.	□
FCF Conversion & Quality	Distorted	Massive interest outgo (₹290 Cr FCCB coupon accrual) weighs on PAT.	□
Competitive Moat Signals	Widening	Largest private operator in Asia; 2nd globally (120mn+ pax capacity).	□
Balance Sheet Strength	Adequate	Net Debt stable at ₹23,600 Cr; corporate level deleveraging via merger.	□
Working Capital Efficiency	Stable	Inventory/DSO management focused on adjacency (Retail/ Duty-Free).	□
Mgmt Guidance Track Record	Reliable	Consistent project execution; Bhogapuram groundbreaking ritual completed.	□
Key Vulnerability / Red Flag	Legal Overhang	TDSAT order disallowance of certain Delhi Airport tariff claims.	□
Management Tone	Confident	Tone focused on "Platform Play" and "Adjacency Businesses."	□

Key Takeaways (Positives & Negatives): * **Positives:** GMR has reached a critical structural inflection point. Operationally, the 25% YoY traffic growth is being amplified by higher Aero Yields (₹234) and a burgeoning non-aero business (□350 per pax). Strategically, the merger with GAL and the acquisition of the additional 11% stake in Hyderabad (taking GIL to 74%) consolidates cash-flow generating assets under one roof. The 4th runway in Delhi is a massive capacity de-risking event. * **Negatives:** The debt burden remains heavy at □23,600 Cr. While Net Debt is down 6% YoY, interest costs consume a significant portion of operating profit, keeping PAT fragile. The TDSAT regulatory order for Delhi's 2nd and 3rd control periods is a "mixed bag," suggesting that some anticipated revenue "catch-ups" might be delayed or lower than expected. * **Street Concern:** Investors are hyper-focused on the merger timeline and the "adjacency" monetization strategy (Duty-free, Cargo, MRO). Management has responded by setting a hard date for the NCLT shareholder meeting (Dec 2, 2023), proving the merger is on the home stretch. * **Watchpoint:** Completion of the DIAL/GHIAL expansion in Q3/Q4FY24. This will mark the formal end of the high-intensity capex cycle for GMR's primary cash cows.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *Data Source: All numbers from PPT H1FY24 Results at a Glance. Q2 derived by subtracting Q1 Prior Context.*

Metric	Current Qtr (Q2)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (□Cr)	2,312.4	↑ 34% (H1)	↑ 15%	↑	**Volume:** Traffic up 25% YoY (53.6mn H1).
EBITDA (□Cr)	977.5	↑ 38% (H1)	↑ 30%	↑	**Pricing:** Aero Yield up 16% YoY.
EBITDA Margin %	42.3%	↑ 300 bps	↑ 500 bps	↑	Calculated on Gross Income; Net Rev margin >50%.
PAT (□Cr)	Not Stated	N/A	N/A	→	H1 remains pressured by interest costs.
Net Debt (□Cr)	23,600	↓ 6%	↑ 2%	→	H1 Net Debt □236 Bn.
Pax Traffic (Mn)	26.6	↑ 25% (H1)	↓ 1.5%	→	Q2 is a seasonally lighter travel quarter.
Aero Yield/Pax (□)	234	↑ 16%	↑ 2%	↑	Realization: Higher tariffs at Delhi/Hyd.
Non-Aero IPP (□)	350	↑ 6%	↑ 3%	↑	Driven by retail and duty-free growth.
Interest Coverage	1.46x	↑	↑	↑	Improving but still narrow margin for error.
Capex Progress (DEL)	94.3%	↑	↑	↑	Target completion: Q4FY24.

2B. SEGMENT BREAKDOWN (Airport Level)

Segment	Revenue (H1-□ Cr)	YoY Growth	Margin (H1)	Trend	vs Co. Avg	Key Development
Delhi (DIAL)	2,512 (est)	~30%	~55%	↑	Above	4th Runway/ECT operational July '23.
Hyderabad (GHIAL)	920 (est)	~50%	~65%	↑	Above	GAL increasing stake to 74%.
Goa (Mopa)	88 (est)	New	Neg	↑	Below	Int'l ops started July 21, 2023.
Medan (Indonesia)	240 (est)	↑	~20%	↑	Below	Qatar Airways to start Jan 2024.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Capex Progress	Delhi (94.3%), Hyd (94.9%) complete.	Needs <6% completion in next 2 quarters. Highly feasible.	Reaffirmed targets.	Low
Guidance	Merger Timeline	Complete merger in FY24.	Dec 2nd NCLT meeting is the critical path. On track.	Delivered NOCs.	Moderate
Strategy	Stake Consolidation	Acquisition of 11% in GHIAL for $100mn.	Fully funded; simplifies ownership ahead of merger.	New initiative.	Low
Strategy	Adjacencies	Win external O&M/Duty-free bids.	Won Kuwait IT bid & Kannur Duty Free. Scalability is key.	Consistent wins.	Low
Strategy	Deleveraging	Debt reduction via FCCB conversion.	Depends on stock price vs □43.67 conversion price.	ADP on board.	Moderate
Macro	Traffic Growth	India to double seats per capita by 2030.	Industry-wide trend; GMR capturing 45% private share.	In-line.	Low
Balance	Refinancing	Optimize funding costs for DIAL/GHIAL.	Recent NCDs priced at 8.7%-9.7%.	On-going.	Moderate

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	This Quarter	Direction
Hyderabad Stake	63% stake in GHIAL.	74% stake (Acquiring 11% from MAHB).	↑ Strategic
Project Status	Construction in progress.	4th Runway & ECT Operational at DIAL.	↑ De-risked
Regulatory	Awaiting TDSAT order.	TDSAT order received (Mixed outcome).	□Mixed
Merger Stage	Filed with NCLT.	NCLT meeting convened for Dec 2, 2023.	↑ Visibility
Goa Operations	Domestic only.	International flights started (London/Abu Dhabi).	↑ Revenue
Bhogapuram	EPC bids finalization.	Bhumi Pujan (Groundbreaking) completed Nov 1.	↑ Execution
Non-Aero IPP	□341 per pax (Q1).	□350 per pax (Q2).	↑ Realization

STOP HERE.