# GMR Airports Ltd — Oct 2024 Quarterly Analysis

## 1. VERDICT & BUSINESS QUALITY SNAPSHOT

**Result:** Inline **One-line:** Robust operational growth in traffic (+8% YoY) and Aero Yields (+9% YoY) is currently being swallowed by the "J-curve" of the capital cycle—specifically the massive spike in interest and depreciation following the capitalization of Delhi and Hyderabad expansions.

| Dimension | This Quarter | Signal / Evidence | Sentiment |
|---|---|---|---|
| Beat/Miss vs Guidance | Inline | Revenue (□2,600 Cr) and EBITDA (□960 Cr) grew 20% and 17% YoY, matching the trajectory of capacity expansion. | □ |
| Earnings Quality | Moderate | Core EBITDA is strong, but P&L is impacted by non-cash depreciation and high interest; includes □108.7 Cr exceptional income. | □ |
| Guidance Confidence | Strong | Expansion at Delhi and Hyderabad is commissioned; Goa expansion (4.4 to 7.7 MPPA) is 99% complete. | □ |
| Management Credibility | Strong | Successfully completed the GAL-GIL merger and secured a □630 Cr ADIA deal to refinance promoter debt and reduce pledge. | □ |
| Business Quality Signal | Improving | Transitioning from a construction-heavy firm to an operator with a unified platform for high-margin adjacencies (Duty-Free, Cargo). | □ |
| Key Q&A Exchange | N/A | Section not applicable — investor presentation only. | □ |
| The Street's Primary Anxiety | Leverage & Tariffs | Total Net Debt rose to □28,700 Cr; clarity on Delhi CP4 tariff remains the primary valuation catalyst. | □ |
| Capital Cycle Stage | Harvesting | Shifting from heavy capex at major hubs to operationalizing new capacity (Delhi T1 and Hyderabad expansion). | □ |
| Margin / Return Ratio Trajectory | Stable | Consolidated EBITDA margins held at 49-50% despite increased operating expenses from new terminal areas. | □ |
| Pricing Power | Expanding | Aero Yield per Pax rose 9% YoY; winning the Delhi Duty Free concession allows for better vertical integration. | □ |
| FCF Conversion & Quality | Weak | Negative at the PAT level due to interest costs (□1,031 Cr) exceeding EBITDA (□961.8 Cr); OCF is utilized for balance capex. | □ |
| Competitive Moat Signals | Widening | Captured 28% of India's total passenger traffic in H1FY25; signed Nagpur concession, expanding the hub-and-spoke network. | □ |
| Balance Sheet Strength | Stressed | Net Debt increased to □28,700 Cr (+21% YoY) as final expansion bills were settled. | □ |
| Working Capital Efficiency | Stable | Revenue share payments to AAI/MoCA track revenue growth without significant divergence. | □ |
| Mgmt Guidance Track Record | Reliable | Delivery on terminal operationalization (Delhi T1, Hyd Expansion) remains on schedule. | □ |
| Key Vulnerability | P&L Drag | The timing gap between terminal capitalization (immediate interest/depr hit) and tariff resets (future revenue hit). | □ |
| Management Tone | Confident | Tone focused on "Breakout Growth" and "Unlocking Real Estate" via self-development. | □ |

**Sentiment: □Positive**

**Key Takeaways (Positives & Negatives):** * **Positives:** Traffic growth remains resilient (+8% YoY) despite a high base; International traffic growth (+12% YoY) is outperforming, boosting higher-margin Aero Yields and Duty-Free Spend per Pax. The ADIA transaction (₹630 Cr) is a structural positive, removing the "promoter pledge" overhang and consolidating lenders. Vertical integration is accelerating, with GAL winning the Delhi Duty-Free concession and taking over car parking at Hyderabad. * **Negatives:** The P&L loss widened to ₹430 Cr (from ₹190.4 Cr YoY) due to the "interest cliff"—interest and finance charges jumped 53% YoY to ₹1,031 Cr as capitalization ended. Net Debt continues to climb, reaching ₹28,700 Cr. * **Forward-looking watchpoint:** The upcoming Delhi CP4 tariff determination by AERA is the most critical driver for deleveraging and turning the P&L green.

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## 2. BUSINESS PERFORMANCE

### 2A. KEY METRICS

DATA SOURCE: PPT figures used as primary source. Concall available as directory/summary; commentary absent for Q&A.

| Metric | Current Qtr (Q2FY25) | YoY Change | QoQ Change | Trend | Mgmt Commentary |
|---|---|---|---|---|---|
| Total Income (₹Cr) | ₹2,600 | ↑ 20% | ↑ 3% | ↑ | Driven by 8% traffic growth and higher Aero Yields. |
| EBITDA (₹Cr) | ₹961.8 | ↑ 17% | ↓ 5% | → | Margin compression (49% vs 52% last qtr) due to revenue share on JV dividends and annual increments. |
| EBITDA Margin % | 49% | ↓ 300bps | ↓ 300bps | ↓ | Seasonal and employee cost impacts; expansion opex ramp-up. |
| PAT (₹Cr) | (₹428.8) | ↓ (Loss) | ↓ (Loss) | ↓ | Impacted by ₹1,031 Cr interest and ₹474.2 Cr depreciation. |
| Net Debt (₹Cr) | ₹28,700 | ↑ 21% | ↑ 2.5% | ↓ | Increased by ₹700 Cr due to Delhi balance capex and Bhogapuram borrowings. |
| Passenger Traffic (Mn) | 31.5 | ↑ 8% | ↓ 1% | → | Strong growth in International traffic (+12% YoY) offset by seasonal domestic softness. |
| Aero Yield Per Pax (₹) | ₹260 | ↑ 9% | ↑ 4% | ↑ | Pricing increase driven by higher international pax mix. |
| Non-aero Inc/Pax (₹) | ₹363 | ↑ 1% | ↑ 3% | ↑ | Driven by Duty-Free spend and F&B growth at major hubs. |
| Duty-free SPP - Delhi (₹) | ₹1,005 | ↑ 1.4% | ↓ 1.4% | → | SPP grew vs H1 last year; GAL to take over direct operations in July 2025. |
| Delhi (DIAL) EBITDA (₹Cr) | ₹398.3 | ↓ 0.7% | ↑ 1.5% | → | Margin pressure from expansion opex and higher revenue share. |
| Hyderabad (GHIAL) EBITDA (₹Cr) | ₹368.8 | ↑ 8.7% | ↑ 2% | ↑ | Strong operational performance following expansion commissioning. |
| Goa (GGIAL) EBITDA (₹Cr) | ₹40.6 | ↑ 776% | ↓ 11% | ↑ | YoY comparison vs base; QoQ decline reflects monsoon seasonality in Goa. |

### 2B. SEGMENT BREAKDOWN

| Segment | Revenue (₹ Cr) | YoY Growth | Margin | Trend | vs Co. Avg | Key Development |
|---|---|---|---|---|---|---|
| Delhi (DIAL) | ₹1,378.7 | ↑ 10.0% | 52% | → | Above | New T1 operationalized Aug '24; Delhi Duty Free license signed for 2025. |
| Hyderabad (GHIAL) | ₹576.5 | ↑ 14.8% | 67% | ↑ | High | Expansion to 34Mn capacity commissioned; launched new Pod Hotel. |
| Goa (Mopa) | ₹97.8 | ↑ 134% | 41% | ↑ | Below | 40% market share in Goa system; 7.7Mn capacity expansion 99% done. |
| Medan (Indonesia) | ₹130.0 | ↑ 19.5% | 21% | → | Below | Traffic down 6% YoY due to airline fleet reactivation delays; EBITDA up 27% QoQ. |

## 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

| Dimension | Category | Management Target / Claim | Required Run-Rate / Mathematical Feasibility | Historical Delivery | Risk Flag |
|---|---|---|---|---|---|
| Guidance | Capex Plan | Complete Goa expansion to 7.7MPPA in Q3FY25. | 99% physical progress achieved; highly feasible. | Strong | Low |
| Guidance | Volume / Capacity | Bhogapuram (Vizag) Airport construction. | 41.8% physical progress; design complete. | Consistent | Medium |
| Strategy | Adjacencies | Foray into adjacency businesses (Platform level). | Won Delhi Duty Free and Nagpur Concession; integration underway. | Improving | Medium |
| Strategy | Real Estate | Monetize 2,520 acres of high-value land. | Self-development and thematic monetization strategy announced. | Historical Slow | High |
| Balance | Debt Target | Optimize debt at GAL level and reduce pledge. | ADIA deal (₹6,300 Cr) solves promoter level pledge/debt issues. | Strong (New) | Low |

*(N/A — no concall dialogue available for Q&A section)*

## 5. WHAT CHANGED vs PRIOR QUARTER

| What Changed | Prior Quarter (Q1FY25) | This Quarter (Q2FY25) | Direction |
|---|---|---|---|
| Net Debt | ₹28,000 Cr | ₹28,700 Cr | ↓ (Increasing) |
| Interest Expense | ₹889.4 Cr | ₹1,031.0 Cr | ↓ (Spiking) |
| Aero Yield (YPP) | ₹249 | ₹260 | ↑ (Improving) |
| Corporate Status | Merger in progress | Merger complete (GIL renamed GAL) | ↑ (Simplified) |
| Asset Portfolio | Bidder for Nagpur | Concession Agreement signed for Nagpur | ↑ (Expanding) |
| Promoter Leverage | High Pledge/Multiple Lenders | ADIA ₹6,300 Cr deal to consolidate/reduce pledge | ↑ (De-risked) |
| Operational Capacity | Delhi T1 expansion ongoing | Delhi T1 operationalized (Aug 17) | ↑ (Capacity up) |
| Regulatory Outlook | AERA appeals pending | SC rules AERA appeals maintainable; heard on merits | → (Clarity pending) |

STOP HERE.