

16 August 2024

India | Equity Research | Q1FY25 results review

GMR Airports Infrastructure

Airport

A simplified corporate structure; tariff order for Delhi awaited

GMR Airports Infrastructure's (GMRI) deal with strategic investor has reached its conclusion with strategic investor now holding shares of the listed entity. This will also lead to simplification of group structure. Grupo ADP, the strategic investor, had invested in Feb'20 in the subsidiary of the listed company. Also, the existing FCCB from KIA has been converted into equity. Total share capital being issued has increased from INR 6bn to INR 10.5bn. As a result, market cap of listed entities is now close to INR 1trn. In Q1FY25, traffic grew 7% YoY, a tad lower than the recent growth trajectory. We believe GMRI should be a profitable entity in FY26E with new tariff order likely by FY25-end. We maintain **REDUCE** on expensive valuations with TP of **INR 85** (vs INR 75 earlier).

Operating profit grew 8% YoY

Traffic at the airport grew by 7% YoY at Delhi Airport (18mn pax), 10% YoY at Hyderabad Airport (6mn pax) and 18% YoY at Mopa Airport (1mn pax). Overall, pax grew 7% YoY to 32mn pax. As a result, EBITDA grew 19% YoY to INR 9bn. However, the commissioning of new capacities also led to rise in costs (interest and depreciation by ~INR 4bn (YoY) to INR 13.5bn). Thus, it made a loss of INR 1.4bn (vs loss of INR 297mn in Q1FY25).

Merger leads to simplified corporate structure

Grupo ADP, the strategic investor, is now holding shares of the listed company which has now merged with GMR Airports Limited, a subsidiary (where Grupo ADP was holding stake). Now, the listed company holds stake directly in Delhi and Hyderabad Airports (details later).

The path to profitability

We expect new tariff order at Delhi Airport to aid in improving aero charges on account of new interpretation of concession by appellate authority and commissioning of new terminals at Delhi Airport. Also, we expect the rise in traffic and improvement in non-aero revenue. As a result, we expect GMRI to be profitable on sustainable basis in FY26E.

Maintain REDUCE with TP of INR 85

We maintain **REDUCE** on expensive valuations with TP of **INR 85**/ share.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	66,738	86,777	1,04,503	1,16,811
EBITDA	20,957	34,648	42,642	49,836
EBITDA Margin (%)	0.3	0.4	0.4	0.4
Net Profit	(8,484)	(7,305)	(4,098)	(3,646)
EPS (Rs)	(0.8)	(0.6)	(0.3)	0.3
EPS % Chg YoY	0.1	(0.2)	(0.3)	(1.0)
P/E (x)	(104.8)	(127.7)	(184.5)	3,789.3
EV/EBITDA (x)	57.9	42.7	36.1	30.7
RoCE (%)	0.0	0.1	0.1	0.0
RoE (%)	(0.1)	(1.4)	0.3	17.8

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Market Data

Market Cap (INR)	979bn
Market Cap (USD)	11,672mn
Bloomberg Code	GMRI IN
Reuters Code	GMRI BO
52-week Range (INR)	104 /52
Free Float (%)	41.0
ADTV-3M (mn) (USD)	44.0

Price Performance (%)	3m	6m	12m
Absolute	11.1	3.2	75.3
Relative to Sensex	2.9	(6.9)	54.3

Previous Reports

03-06-2024: [Q4FY24 results review](#)

05-02-2024: [Q3FY24 result review](#)

Outlook and valuation

We value GMR Airports Infra's business on SoTP methodology and maintain **REDUCE** rating with target price of **INR 85** (vs INR 75 earlier) due to the recent run up in the stock price. We believe the stock price has run ahead of its fundamental value. We increase the target price with the expectation that the company may increase its stake in Delhi Duty Free business to 100% in near future.

Value creation at airports is a sum of: 1) Aero business (regulated and subsidised from non-aero); 2) non-aero business (unregulated; specialists pay rent or revenue share to the airports); and 3) city-side development. Further, GMR also owns stake in various non-aero businesses with JVs.

GMR is undergoing merger with its subsidiary and will be issuing: 1) 3,410mn new equity shares to the shareholders of the listed entity; and 2) optionally convertible preference shares which, upon conversion, will translate into 2,605m shares; and 3) existing FCCB will get converted into 1,112mn equity shares. Currently, there are 6,035mn outstanding shares. Post-merger, there will be 10.6bn equity shares, and after OCRPS conversion there will be 13.2bn equity shares. Total shares upon conversion will be 13.2bn. For our forecast period, FY26, we are publishing merged financials and have taken the number of fully diluted equity shares at 13.2bn.

The methodology for valuing the business is: 1) DCF for airport business in Delhi, Hyderabad and Goa; 2) land at the airports being valued on the basis of recent transactions value; and 3) Delhi Duty Free business being valued at INR 631bn (80x FY26E earnings). After arriving at total value, we have subtracted the FCCB (worth INR 25bn), which is not accounted for in DCF.

Upside risks: 1) Improved duty-free sales at Delhi and Hyderabad airports; 2) improved non-aero revenue across airport portfolio.

Downside risks: 1) Muted traffic growth; 2) delay in improvement of non-aero revenue; and 3) rise in competition for Delhi airport from Jewar Airport in Noida (Uttar Pradesh).

Exhibit 1: SoTP-based valuation

Business	Methodology	Equity value of assets (INR bn)	GMR's stake (%)	Stake adj value (INR bn)	INR per share
DIAL	DCF (CoE of 10.5%)	546	64%	349	26
DIAL - unused land	Valuing at Rs1.4bn/acre	105	64%	67	5
Delhi Duty Free	80x FY26 earnings	284	100%	284	22
DIAL - JV's - non aero business	35x FY25 PE	345	74%	255	19
GHIAL	DCF (CoE of 10.5%)	70	74%	52	4
GHIAL - unused land	Valuing at Rs60mn/acre	45	100%	45	3
GHIAL - JV's - non aero business	35x FY25 PE	19	100%	19	1
Goa	DCF (CoE of 10.5%)	42	100%	42	3
Goa - unused land	Valuing at Rs180mn/acre	42	100%	42	3
Medan	12.5x EV/EBITDA (on pre-covid EBITDA)	35	49%	17	1
Earn - outs from Groupe ADP		6	100%	6	0
GIL net debt - corporate and others				(29)	(2)
Airports business		1,512		1,122	85

Source: I-Sec research

Exhibit 2: Business pro-forma EBITDA (INR mn)

Business EBITDA	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY24	FY23	YoY (%)
EBITDA Proforma	11,185	8,688	29%	8,685	29%	38,799	21,579	80%
EBITDA	10,163	7,525	35%	7,516	35%	34,182	17,238	98%
JV share	1,022	1,163	-12%	1,169	-13%	4,617	4,341	6%

Source: I-Sec research, Company data

Exhibit 3: Consolidated financial highlights (INR mn)

Consolidated	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY24	FY23	YoY (%)
Gross Revenue	24,022	20,176	19%	24,468	-2%	87,546	66,738	31%
Less: Revenue Share	5,563	5,488	1%	6,071	-8%	23,466	19,147	23%
Net Revenue	18,459	14,688	26%	18,397	0%	64,080	47,591	35%
EBITDA	8,963	7,525	19%	8,167	10%	29,644	17,057	74%
EBITDA margin	48.6%	51.2%	-268bps	44.4%	416bps	46.3%	35.8%	1042bps
Other Income	8,894	5,938	50%	8,230	8%	29,698	23,382	27%
Interest & Finance Charges	4,662	2,956	58%	4,048	15%	14,659	10,381	41%
Depreciation	4,662	2,956	58%	4,048	15%	14,659	10,381	41%
PBT before exceptional items	(3,392)	(113)	2913%	(2,874)	18%	(9,765)	(10,754)	-9%
Exceptional Income/(Expense)	-	776		1,008		1,166	2,628	
PBT	(3,392)	664	-611%	(1,867)	82%	(8,599)	(8,126)	6%
Tax	378	970	-61%	192	97%	1,926	1,133	70%
Profit after Tax (PAT)	(3,771)	(306)	1131%	(2,059)	83%	(10,526)	(9,259)	14%
Add: Share in Profit / (Loss) of JVs / Associates	395	476	-17%	383	3%	2,252	860	162%
PAT from Continuing Operations	(3,376)	169	-2093%	(1,676)	101%	(8,274)	(8,399)	-1%
Less: Minority Interest (MI)	(1,959)	466		(466)		(2,682)	(6,607)	
Total Comprehensive Income (Post MI)	(1,417)	(297)	377%	(1,210)	17%	(5,592)	(1,793)	212%

Source: I-Sec research, Company data

Exhibit 4: Delhi International airport financials (INR mn)

DIAL	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY24	FY23	YoY (%)
Gross Revenue	12,493	11,669	7%	12,633	-1%	48,053	39,899	20%
Aero	2,793	2,563	9%	2,840	-2%	10,618	9,376	13%
Non-aero	7,705	7,032	10%	7,753	-1%	29,417	21,972	34%
Cargo	-	-	-	-	-	-	2,800	-100%
CPD Rentals	1,995	2,074	-4%	2,040	-2%	8,018	5,751	39%
Less: Revenue Share	5,329	5,297	1%	5,856	-9%	22,652	18,577	22%
Net Revenue	7,164	6,372	12%	6,777	6%	25,401	21,322	19%
EBITDA	3,530	3,459	2%	3,144	12%	12,696	9,837	29%
EBITDA margin	49%	54%	-501bps	46%	288bps	50%	46%	385bps
Other Income	393	319	23%	563	-30%	2,897	2,643	10%
Interest & Finance Charges	4,035	2,088	93%	3,294	22%	11,271	8,103	39%
Depreciation	2,837	1,550	83%	2,276	25%	7,922	6,558	21%
PBT before exceptional items	-2,949	140	-2206%	-1,863	58%	-3,600	-2,181	65%
Exceptional Income/(Expense)	0	0		2397		0	0	
PBT	-2,949	140	-2206%	534	-652%	-3,600	-2,181	65%
Tax	0	0		0		0	76	
Profit after Tax (PAT)	-2,949	140	-2206%	534	-652%	-3,600	-2,257	60%

Source: I-Sec research, Company data

Exhibit 5: Hyderabad airport financials (INR mn)

GHIAL	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY24	FY23	YoY (%)
Gross Revenue	5,172	4,234	22%	4,901	6%	19,596	12,462	57%
Aero	3,718	2,993	24%	3,362	11%	12,292	7,852	57%
Non-aero	1,454	1,241	17%	1,539	-6%	7,304	4,610	58%
Less: Revenue share	226	184	23%	208		784	544	44%
Net Revenue	4,946	4,050	22%	4,693	5%	18,813	11,918	58%
EBITDA	3,032	2,752	10%	2,661	14%	11,930	5,202	129%
EBITDA margin	61%	68%	-665bps	57%	460bps	63%	44%	1977bps
Other Income	586	507	16%	610	-4%	691	1,381	-50%
Interest & Finance Charges	1,661	985	69%	1,610	3%	7,573	3,403	123%
Depreciation	1,193	1,032	16%	1,215	-2%	5,229	2,600	101%
PBT before exceptional items	764	1,242	-38%	446	71%	-182	580	-131%
Exceptional Income/(Expense)	0	0		0		0	0	
PBT	764	1,242	-38%	446	71%	-182	580	-131%
Tax	257	854		107		0	251	
Profit after Tax (PAT)	507	388	31%	339	50%	-182	329	-155%
Passenger Count	7	6	10%	7	5%	25	21	19%
Domestic	6	5	9%	5	5%	21	18	18%
International	1	1	14%	1	4%	4	3	24%

Source:

Exhibit 6: Goa airport financials (INR mn)

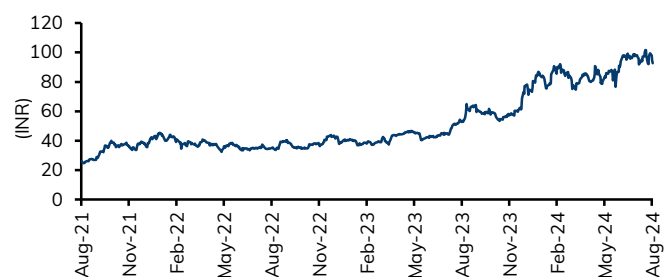
MOPA	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY24	FY23	YoY (%)
Gross Revenue	946	352	169%	1,160	-18%	2,449	267	817%
Aero	742	272	173%	760	-2%	1,729	211	719%
Non-aero	165	80	106%	187	-12%	507	56	805%
Less: Revenue share	-	-	-	-		-	-	#DIV/0!
Net Revenue	946	352	169%	1,160	-18%	2,449	267	817%
EBITDA	397	-108	-468%	464	-14%	284	-289	-198%
EBITDA margin	42%	-31%	7265bps	40%	197bps	12%	-108%	11984bps
Other Income	-	76	-100%	56	-100%	316	-10	-3260%
Interest & Finance Charges	651	518	26%	659	-1%	2,751	561	390%
Depreciation	382	338	13%	286	34%	1,479	329	350%
PBT before exceptional items	-636	-888	-28%	-425	50%	-3,630	-1,189	205%
Exceptional Income/(Expense)	0	0		0		0	0	
PBT	-636	-888	-28%	-425	50%	-3,630	-1,189	205%
Tax	0	0		0		0	0	
Profit after Tax (PAT)	-636	-888	-28%	-425	50%	-3,630	-1,189	205%
Passenger Count	1	1	NM	1	-	4	-	-
Domestic	1	1	NM	1	-	4	-	-
International	-	-	NM	0	-	0	-	-

Source: I-Sec research, Company data

Exhibit 7: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	59.1	49.9	66.1
Institutional investors	32.8	26.7	18.2
MFs and others	3.1	2.3	1.7
FIs/Banks	1.2	1.0	0.7
Insurance	1.7	1.5	1.0
FIIIs	26.8	21.9	14.8
Others	8.1	23.4	15.7

Source: Bloomberg

Exhibit 8: Price chart

Source: Bloomberg

Financial Summary

Exhibit 9: Profit & Loss

(INR bn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	66.7	86.8	104.5	116.8
Concession Fees	19.1	23.0	30.7	34.4
Operating Expenses	26.6	29.2	31.1	32.6
EBITDA	21.0	34.6	42.6	49.8
Depreciation & Amortization	10.4	16.0	18.7	18.7
EBIT	10.6	18.6	24.0	31.1
Interest expenditure	23.4	28.3	31.9	31.0
Other Income	6.0	4.8	2.4	2.3
Recurring PBT	(6.9)	(4.9)	(5.5)	2.4
Add: Extraordinaries	-	-	-	-
ADD: Share in JVs	(1.4)	(2.7)	-	-
PBT	(8.2)	(7.6)	(5.5)	2.4
Less: Taxes	1.1	1.9	1.5	2.0
Less: Minority Interest & Share in Associates	(6.6)	(2.4)	(3.2)	(1.0)
Net Income (Reported)	(8.5)	(7.3)	(4.1)	3.6
Net Income (Adjusted)	(8.5)	(7.3)	(4.1)	3.6

Source Company data, I-Sec research

Exhibit 10: Balance sheet

(INR bn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	133.0	101.3	98.9	107.9
of which cash & cash eqv.	40.2	7.2	9.2	18.2
Total Current Liabilities & Provisions	110.1	96.7	87.1	72.6
Net Current Assets	22.9	4.6	11.8	35.3
Investments	44.8	44.8	44.8	44.8
Net Fixed Assets	147.2	240.1	223.9	207.7
ROU Assets	-	-	-	-
Capital Work-in-Progress	111.7	4.5	6.5	8.5
Total Intangible Assets	-	-	-	-
Other assets	4.4	16.0	16.0	16.0
Deferred Tax assets	-	-	-	-
Total Assets	331.0	309.9	303.0	312.3
Liabilities				
Borrowings	319.4	310.5	304.7	306.3
Deferred Tax Liability	-	-	-	-
provisions	-	-	-	-
other Liabilities	1.9	1.9	1.9	1.9
Equity Share Capital	6.0	10.6	10.6	10.6
Reserves & Surplus	(14.0)	(17.0)	(14.8)	(6.2)
Total Net Worth	(7.9)	(6.4)	(4.3)	4.4
Minority Interest	17.6	4.0	0.7	(0.3)
Total Liabilities	331.0	309.9	303.0	312.3

Source Company data, I-Sec research

Exhibit 11: Cashflow statement

(INR bn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	(14.0)	17.7	19.8	37.6
Working Capital Changes	(12.5)	14.7	5.1	14.5
Capital Commitments	69.6	0.3	4.5	4.5
Free Cashflow	(83.6)	17.4	15.3	33.1
Other investing cashflow	(5.9)	(11.6)	-	-
Cashflow from Investing Activities	63.7	(11.3)	4.5	4.5
Issue of Share Capital	-	2.6	-	-
Interest Cost	23.4	28.3	31.9	31.0
Inc (Dec) in Borrowings	54.3	(9.0)	(5.8)	1.6
Dividend paid	-	-	-	-
Others	178.2	(40.2)	12.9	8.6
Cash flow from Financing Activities	255.8	(18.3)	38.9	41.2
Chg. in Cash & Bank balance	22.7	(33.1)	2.1	9.0
Closing cash & balance	40.2	7.2	9.2	18.2

Source Company data, I-Sec research

Exhibit 12: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	(0.8)	(0.6)	(0.3)	0.3
Adjusted EPS (Diluted)	(0.8)	(0.6)	(0.3)	0.3
Cash EPS	0.8	0.8	1.3	1.7
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	(0.8)	(0.5)	(0.3)	0.3
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	0.5	0.3	0.2	0.1
EBITDA	0.0	0.7	0.2	0.2
EPS (INR)	0.1	(0.2)	(0.3)	(1.0)
Valuation Ratios (x)				
P/E	(104.8)	(127.7)	(184.5)	3,789.3
P/CEPS	115.1	109.7	72.3	55.1
P/BV	(123.5)	(190.9)	(300.1)	293.1
EV / EBITDA	57.9	42.7	36.1	30.7
P / Sales	14.7	14.1	12.3	11.0
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	1.0	1.0	1.0	1.0
EBITDA Margins (%)	0.3	0.4	0.4	0.4
Effective Tax Rate (%)	(0.2)	(0.4)	(0.3)	0.9
Net Profit Margins (%)	(0.1)	(0.1)	(0.1)	0.0
NWC / Total Assets (%)	0.1	0.1	0.1	-
Net Debt / Equity (x)	(29.6)	(40.4)	(58.4)	55.4
Net Debt / EBITDA (x)	11.2	7.5	5.9	4.9
Profitability Ratios				
RoCE (%)	0.0	0.1	0.1	0.0
RoE (%)	(0.1)	(1.4)	0.3	17.8
RoC (%)	0.0	0.1	0.1	0.0
Fixed Asset Turnover (x)	0.5	0.4	0.5	0.5
Inventory Turnover Days	9	7	5	5
Receivables Days	24	24	2	2
Payables Days	2	1	1	1

Source Company data, I-Sec research

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