GMR AIRPORTS LIMITED

ISIN :INE776C01039 | NSE :GMRAIRPORT

Price: 82.2
Recommendation: Buy
Industry: Transport
Sector: Services
Report Date: 07-Apr-2025

GMR Airports Infrastructure Limited has recently completed a significant merger, marking a new chapter as a unified entity. The company is optimistic about the travel sector's growth, supported by projections from global institutions like the World Bank and RBI, which foresee India as the fastest-growing major economy. GMR Airports is strategically positioned within the Nifty Tourism India Index, holding a substantial weightage. The company is accelerating the development of aviation infrastructure, including new airports.

Sales		Profit & Loss		Profitability Matrix	
Current Year	1053 Cr	Operating Profit(Year)	421 Cr	Operating Profit Margin	40.0 %
Previous Year	623 Cr	Operating Profit(Quarter)	121 Cr	EBITDA Margin	34.38 %
Current Quarter	271 Cr	PAT (Year)	-537 Cr	Net Profit Margin	-65.3 %
Previous Quarter	282 Cr	PAT (Quarter)	-49.4 Cr	EPS	-0.60
Revenue (QYoY)	197 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E		Sales Growth	139 %	Sales Growth	-3.9 %
PEG Ratio		PAT Growth	-0.0 %	Sales Growth QYoY	37.56 %
EV/EBITDA	219	EPS Growth	33.33 %	PAT Growth	-70.94 %
P/B	1.82	Dividend Yield	0.00	PAT Growth QYoY	-74.54 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	-1.23 %	Promoter	66.1 %	Debt/Equity	0.16
RoA	-0.82 %	FII	14.9 %	Debt	7744 Cr
RoCE	0.67 %	DII	4.32 %	Market Cap	86784 Cr
RoIC	68.1 %	Public	14.7 %	Enterprise value	94459 Cr
		No of Shares	1056 Cr	Cash Equivalents	68.1 Cr

source : Company filings

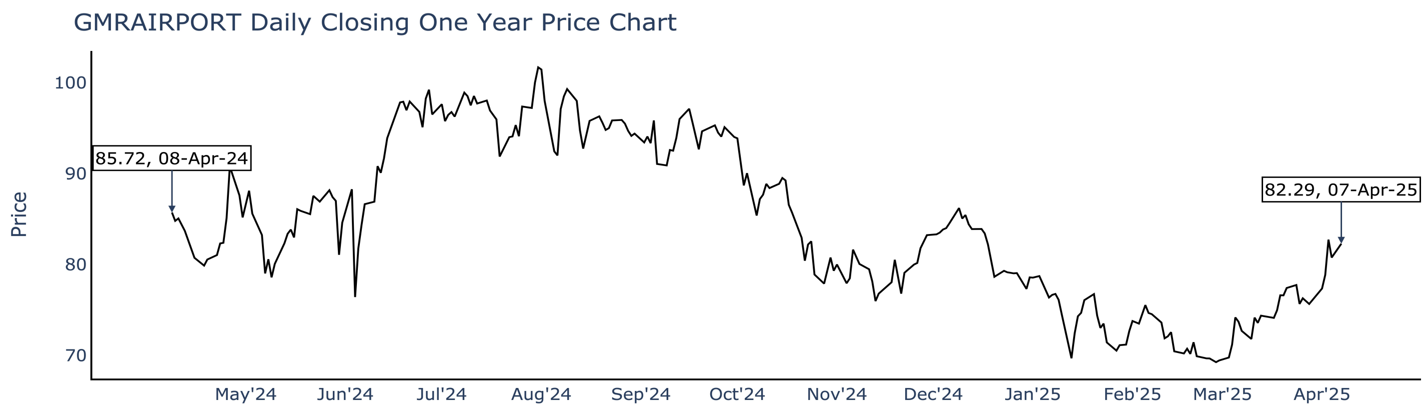
Company's Overview Based on Recent Concall and Performance:

GMR Airports Infrastructure Limited has recently completed a significant merger, marking a new chapter as a unified entity. The company is optimistic about the travel sector's growth, supported by projections from global institutions like the World Bank and RBI, which foresee India as the fastest-growing major economy. The company is strategically positioned within the Nifty Tourism India Index, holding a substantial weightage. To meet the anticipated demand, the company is accelerating the development of aviation infrastructure, including new airports. The focus remains on establishing India as a global hub, with data showing a rise in point-to-point travel and increased international spending by Indian travelers.

The company has launched several initiatives to enhance passenger experience, such as biometric kiosks and metro check-in facilities at Delhi Airport. Financially, GMR Airports reported a 19% year-on-year increase in total income for Q1 FY25, driven by traffic growth, resulting in an 18% rise in EBITDA. However, higher finance costs and depreciation led to a loss from continuing operations. The company is managing a consolidated net debt of INR 280 billion, with strategic borrowings for ongoing projects like Bhogapuram Airport. Passenger traffic has shown robust growth across major airports, with Delhi and Hyderabad achieving record numbers.

GMR Airports is actively pursuing diversification through airport adjacencies, with new retail and F&B; outlets at Hyderabad and Goa airports. The company is also exploring international opportunities, focusing on asset-light contracts in the Middle East. The expansion of Delhi and Hyderabad airports is complete, with new terminals set to commence operations. The company is committed to ESG principles, aiming for net-zero emissions by 2030 and maintaining high ASQ scores. The merger has streamlined corporate governance, enhancing the company's readiness for future growth.

Looking ahead, GMR Airports is focused on cash flow generation and balance sheet strength, with plans to leverage its expanded capacity for future opportunities. The company is targeting free cash flow generation at Delhi Airport in the next 3-4 years, with expectations of significant cash contributions once new tariffs are implemented. While the company is well-positioned for growth, challenges remain, such as managing high operational expenses and ensuring non-aero revenue growth. The company's strategic initiatives and strong market position provide a solid foundation for future expansion and shareholder value creation.



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
GMR Airports	86783.65		-1.23%	-4.07%	37.50%	70.98%	74.47%
CMS Info Systems	7487.66	20.44	19.35%	-6.89%	-0.14%	2.50%	7.02%
RattanIndia Ent	5364.74	14.96	-10.39%	6.71%	2.20%	29.48%	-190.81%
OneSource Speci.	15758.86		-45.62%	17.52%	598.38%	167.53%	146.85%
International Ge	15698.20	35.74	32.49%	0.55%	3.40%	3.59%	26.79%

Aspect	Commentary
Revenue	The company shows a strong revenue increase with a 139% YoY growth, indicating robust sales performance. However, a slight QoQ decline of 3.9% suggests potential seasonal or market fluctuations. The revenue growth is a positive indicator of the company's market position and demand for its services.
Profit & Loss	Despite a strong operating profit margin of 40%, the company faces challenges with a net loss, as indicated by a negative PAT. This suggests high operational costs or other financial burdens impacting net profitability, requiring strategic cost management to improve bottom-line results.
Profitability Matrix	The company maintains a healthy operating profit margin, but the negative net profit margin highlights issues in converting revenue into profit. The EPS growth of 33.33% is promising, yet the overall profitability is hindered by significant losses, necessitating efficiency improvements.
Valuation Matrix	The company's valuation metrics, such as EV/EBITDA of 219 and P/B ratio of 1.82, suggest a high market valuation relative to earnings. This could indicate investor confidence or overvaluation, requiring careful analysis of growth prospects and financial health to justify these ratios.
Growth (YoY)	The company exhibits impressive sales growth of 139% YoY, reflecting strong market demand and effective sales strategies. However, the stagnant PAT growth indicates challenges in translating sales growth into profit, highlighting the need for improved cost management and operational efficiency.
Growth (QoQ)	The QoQ analysis reveals a 3.9% decline in sales, suggesting potential short-term challenges or market volatility. The significant drop in PAT growth by 70.94% QoQ indicates financial strain, necessitating strategic adjustments to stabilize and enhance quarterly financial performance.
Capital Allocation	The company's capital allocation shows a negative RoE and RoA, indicating inefficiencies in generating returns on equity and assets. However, a high RoIC of 68.1% suggests effective capital utilization in core operations, requiring strategic focus on improving overall return metrics.
Holdings	The promoter holds a significant 66.1% stake, indicating strong insider confidence. FII and public holdings are balanced, suggesting diversified investor interest. The shareholding pattern reflects stability, but strategic investor engagement could enhance market perception and liquidity.
Leverage	With a low debt/equity ratio of 0.16, the company maintains a conservative leverage position, reducing financial risk. However, the substantial debt of 7744 Cr requires careful management to ensure sustainable financial health and support future growth initiatives without over-leveraging.

Analyst viewpoint: GMR Airports Infrastructure Limited stands prominently in the transportation sector with exemplary growth potential underscored by robust financial and strategic metrics. The company has marked an impressive 139% YoY sales growth, signifying a strong market position and effective sales strategies. Despite a minor QoQ dip in sales by 3.9%, the strategic forecast from recent concalls indicates a resilient recovery trajectory supported by a focus on airport infrastructure and passenger experience enhancement initiatives. Furthermore, the valuation metrics, including a P/B ratio of 1.82 and EV/EBITDA of 219, suggest notable investor confidence, underpinning its market strategy aligned with future growth prospects and strong shareholder value creation.

From a capital allocation perspective, GMR Airports demonstrates a compelling case of effective resource management with a significant Return on Invested Capital of 68.1% amidst managing net debt strategically for ongoing projects. While high operational expenses pose challenges, the company's conservative debt position with a low debt/equity ratio of 0.16 supplements financial stability. The peer comparison highlights its competitive edge with initiatives tailored for non-aero revenue growth and international expansion. Nonetheless, attention to improving net profitability and navigating operational inefficiencies could further bolster performance.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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