19 December 2025

INDIA | PORTS AND LOGISTICS | INITIATING COVERAGE

JM Financial

Airports a play on rising affluence

GMR Airports

Regulated return model on investments de-risks aero capex

Potential for rise in non-aero revenue

Land monetisation provides further upside

JM Financial Institutional Securities Limited

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Airports a play on rising affluence

Initiating coverage GMR Airports

GMR Airports is a play on Indian aviation and passenger spending prowess. It is a logical extension to our earlier ports and liquid logistics thematic, which delved into the cargo sector. Airports are an asset-based logistics infra play but on passengers and on their spending capacity.

We believe Indian aviation is at the cusp of strong growth given rising affluence and leisure-spending propensity. Further, a strong project pipeline of new airports and a healthy orderbook of aircraft to be delivered makes us believe that airlines expect a sharp growth in domestic and international passenger growth. Rising affluence leads to strong growth in international traffic, while increased penetration into non-metro drives domestic traffic leading to overall strong traffic growth.

The spending power of metro passengers drives a strong 10% CAGR in non-aero revenue at JV airports over FY26-28, leading to a balanced share of aero/non-aero, resulting in attractive economics. The relative attractiveness rises with commercial land development further adding to valuations.

However, we do not share the optimism on cargo due to lack of hub traffic and infrastructure. Selective pockets may witness MRO-linked growth but development of broad-based capabilities (full engine overhauls and C-checks) are still some time away.

Key differentiated themes in the report

- **We discuss reasons behind the mechanism of duty-free spend pattern in India, including shifts in trend from arrival only and alcohol only to other categories**
- **An alternative scenario where Mumbai develops as a hub airport for internationals flights vs. DIAL following closure of western airspace and winter-linked disruptions.**
- **Analysis of air cargo and MRO dynamics that, we believe, is an area less addressed. The lack of dedicated freighters and mostly narrow-body fleet has its challenges.**

We initiate with BUY as, despite a recent rally, a surge in non-aero revenue streams driven by rising affluence in India and commercial development of real estate is not fully factored in yet. GMR Airports could witness robust PAT growth (>100% CAGR) over FY26-28 as it exits a capex-intensive phase, which, in turn, drives significant deleveraging.

India appears to be on the cusp of strong air traffic growth after a lull due to Covid-linked restrictions. Large-scale ordering of aircraft by airlines underpins expectation of rapid air traffic growth over FY26-30. Further, with increase in USD millionaires and rise in upper-middle class affluence, we expect a rise in international travel around metro cities and an associated increase in duty-free/retail spends by such passengers. We expect the JV airports to deliver 10% non-aero revenue CAGR over FY26-28.

A regulated return model on investments de-risks aero capex: JV model airports like DIAL, GHIAL for GMR and MIAL/NMIAL for Adani Airports have a built-in regulated return model that assures 15.5% RoE on regulated asset base (RAB). Regulated returns significantly de-risk from lower passenger traffic by higher tariffs in subsequent traffic control periods. Since 85-90% of capex is aero, bulk of the capital investments are, thus, de-risked.

GMR to witness positive PAT and strong growth in profitability: We estimate that DIAL airport will complete its final expansion over FY26-30, which will result in GMR exiting a capex-intensive phase. This should support deleveraging of the stock, leading to overall GMR maintaining PAT positive. The consolidation of non-aero revenue streams into the GAL standalone platform will increase revenue/EBITDA visibility. We estimate 19% EBITDA CAGR over FY26-28E, resulting in PAT CAGR of 111%.

Initiate with BUY and SOTP based TP of INR 120: We value the operational airports in India at GMR's long-term average 12-month forward EV EBITDA of 21.2x and add to it the valuation for monetisable land at airports, the upcoming Bhogapuram airport and the Medan airport to arrive at our TP of INR 120. The risk-reward is favourable considering potential for commercial land development, but we see risks arising from MIAL/NMIAL emerging as an alternate hub for airlines due to ongoing capacity additions and competition to DIAL from Noida/Hindon.

Recommendation and Price Target	
Current Reco.	BUY
Current Price Target (12M)	120
Upside/(Downside)	18.1%

Key Data – GMRAIRPO IN	
Current Market Price *	INR102
Market cap (bn) *	INR1,072.1/US$12.0
Free Float	27%
Shares in issue (mn)	13,834.0
Diluted share (mn)	13,834.0
3-mon avg daily val (mn)	INR1,875.6/US$21.0
52-week range	110/68
Sensex/Nifty	84,929/25,966
INR/US$	89.3

Price Performance			
%	1M	6M	12M
Absolute	-1.9	25.1	28.5
Relative*	-1.1	22.1	19.7

To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	64,080	77,795	108,594	124,716	142,686
Sales Growth (%)	34.6	21.4	39.6	14.8	14.4
EBITDA	29,658	37,659	58,257	67,541	82,712
EBITDA Margin (%)	46.3	48.4	53.6	54.2	58.0
Adjusted Net Profit	-10,541	-10,017	3,100	7,851	17,073
Diluted EPS (INR)	-1.3	-0.7	0.2	0.6	1.2
Diluted EPS Growth (%)	0.0	0.0	0.0	153.2	117.5
ROIC (%)	9.1	10.1	13.0	13.6	15.6
ROE (%)	NM	NM	NM	NM	NM
P/E (x)	-74.9	-139.5	450.7	178.0	81.8
P/B (x)	-36.5	-55.8	-57.9	-63.1	-77.4
EV/EBITDA (x)	57.2	46.0	29.9	26.4	21.9
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 19/Dec/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

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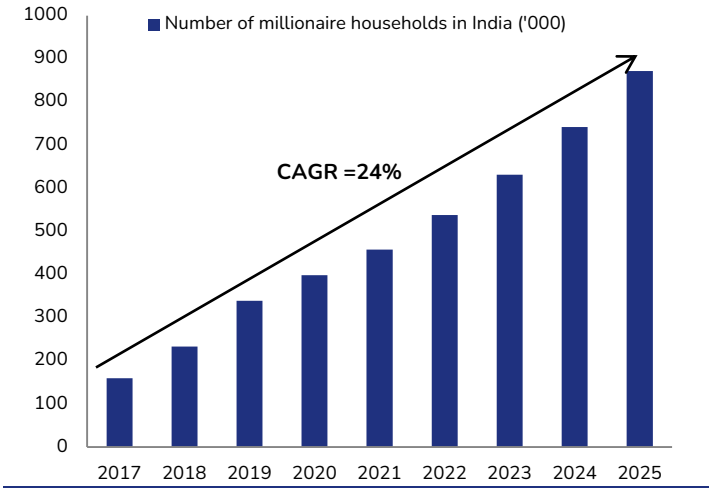
GMR Airports [BUY. Target Price- INR 120]

GMR Airports is a play on Indian aviation and passenger spending prowess. We expect it to deliver strong growth in EBITDA and maintain PAT positive by FY28 as it exits the capex-intensive phase with DIAL completing its final expansion over FY26-30. This should support deleveraging of the stock, leading to overall GMR maintaining PAT positive. The consolidation of non-aero revenue streams into the GAL standalone platform should increase revenue/EBITDA visibility. We estimate 19% EBITDA CAGR over FY26-28E, resulting in PAT CAGR of 111%. We value GMR Airports on an SOTP basis. We value the operational airports in India at GMR's long-term average 12-month forward EV EBITDA of 21.2x and add to it the valuation for monetisable land at airports, the upcoming Bhogapuram airport and the Medan airport to arrive at our TP of INR 120. We initiate with BUY.

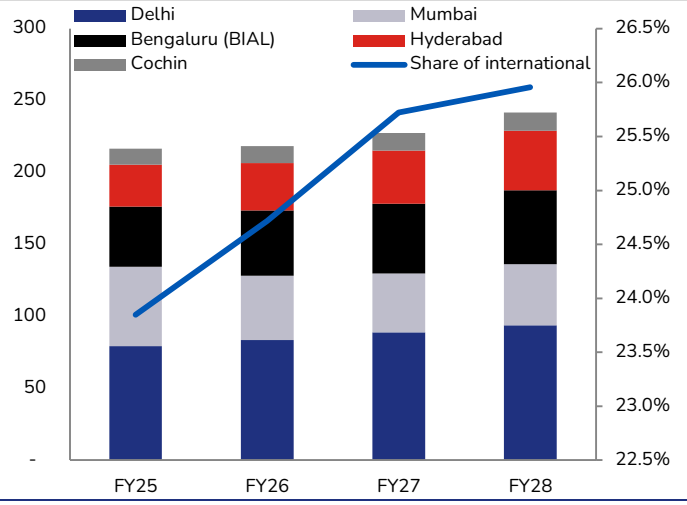
Focus charts

Exhibit 1. Sharp rise in number of USD millionaires in India



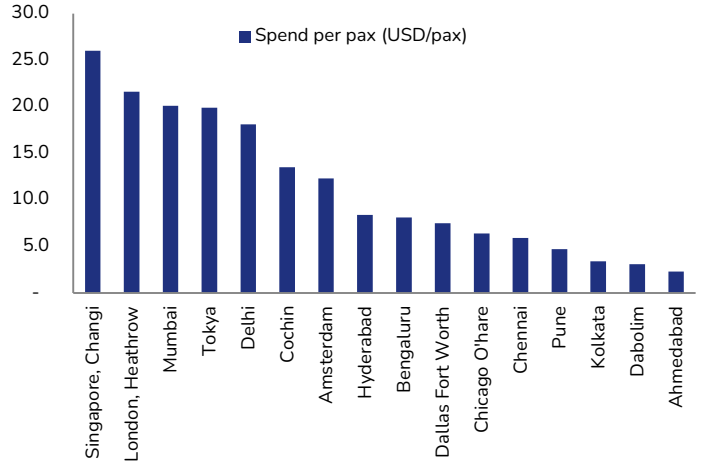
Source: Industry, JM Financial

Exhibit 2. Rising affluence to raise international pax (JV airports)



Source: Industry, JM Financial. LHS=no. of pax in mn. RHS=%

Exhibit 3. Scope of rise in spend per pax in Tier-2 cities in India; Mumbai/Delhi SPP healthy on a PPP-adjusted basis



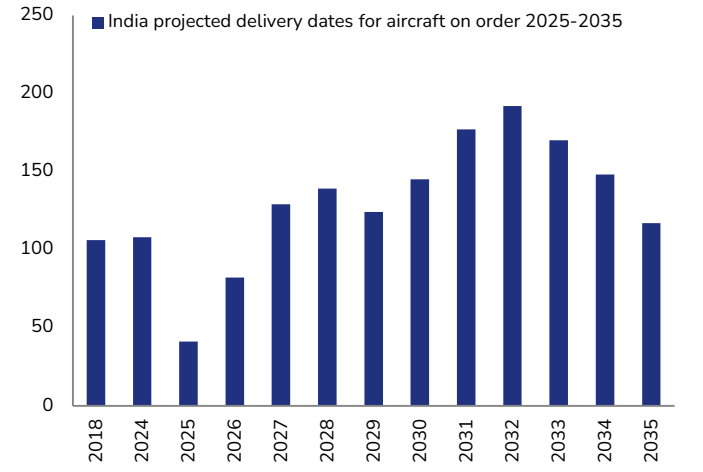
Source: Industry, JM Financial

Exhibit 4. Indian duty-free spends largely on alcohol unlike other regions where cosmetics/fragrances dominate

Share of TR and DF sales	India	China	Turkey	UAE	Saudi Arabia
Watches, jewelry, fine writing	2%	7%	5%	16%	18%
Fashion and accessories	4%	15%	7%	7%	12%
Fragrance and cosmetics	16%	61%	18%	21%	29%
Wine and spirits	58%	5%	19%	17%	1%
Tobacco goods	5%	7%	36%	14%	9%
Confectionary and fine foods	10%	1%	11%	9%	13%
Electronics, gifts and others	5%	5%	5%	15%	18%

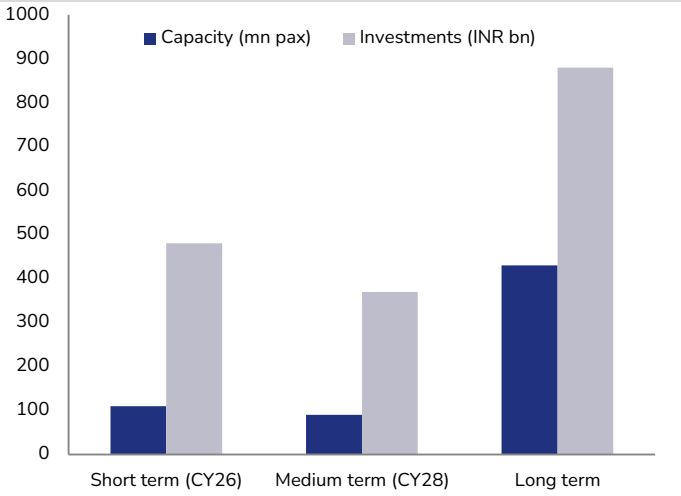
Source: Industry, JM Financial

Exhibit 5. Rise in in aircraft fleet in India to pave way for pax growth



Source: Industry, JM Financial

Exhibit 6. Capex of ~INR 2.0trln proposed, supporting 600mn+ pax



Source: Industry, JM Financial

Exhibit 7. Snapshot of key assumptions for GMR Airports

INR mn except passengers	FY25	FY26	FY27	FY28	CAGR (FY26-28)
PAX (mn)					
Delhi	**79**	**80**	**85**	**89**	**6%**
Domestic	58	58	62	65	6%
International	22	21	23	24	6%
Hyderabad	**29**	**33**	**37**	**41**	**12%**
Domestic	24	28	31	35	12%
International	5	5	6	6	12%
Goa	**8**	**10**	**12**	**13**	**18%**
Domestic	6.9	8.6	10.7	12.1	19%
International	0.9	1.0	1.1	1.2	11%
Delhi					
Aero Revenue	11,526	29,955	32,332	34,783	8%
Non aero revenue	33,013	35,170	39,641	44,313	12%
Commercial development	9,789	11,501	12,651	15,618	17%
EBITDA	14,518	28,202	31,145	38,079	16%
Hyderabad					
Aero Revenue	15,596	17,556	19,663	24,709	19%
Non aero revenue	6,107	7,634	9,234	10,859	19%
Commercial development	198	198	198	198	0%
EBITDA	13,151	15,763	18,671	24,291	24%
Goa					
Aero Revenue	3,163	3,379	3,990	4,695	18%
Non aero revenue	792	862	960	1,083	12%
EBITDA	1,486	900	1,417	2,008	49%
Cargo and MRO Hyderabad					
Revenue	7,530	10,267	11,718	13,381	14%
EBITDA	2,496	3,901	4,687	5,352	17%
Standalone- GAL Platform					
Revenue	12,634	43,900	53,104	58,970	16%
EBITDA	6,816	10,299	12,428	13,790	16%
Consol revenue	**1,04,142**	**1,43,803**	**1,63,669**	**1,86,525**	**14%**
Consol EBITDA	**37,659**	**58,257**	**67,541**	**82,712**	**19%**

Source: Company, JM Financial

Investment Thesis

Rising affluence drives air traffic growth as well as rising non-aero spends; GMR only listed name to play this trend

India has witnessed a sharp increase in wealth, especially in the more affluent sections. This is reflected in the increase in number of millionaires in recent years. The rise in the affluent section has led to significant premiumisation in consumption. This is reflected in rising international travel (largely driven by metro cities), and also rise in non-aero spends. The rise in non-aero spends is in duty free and airport retail. We expect this trend to sustain, especially with airports located in metro cities (Delhi, Mumbai, Bengaluru and Hyderabad).

GMR, with its presence in two of the critical airports (Delhi and Hyderabad) is well-placed to benefit from this trend. We believe Adani Airports (unlisted) and Fairfax also benefit from their holdings in Mumbai (including Navi Mumbai) and Bengaluru airports respectively. However, since **GMR Airports is the only listed entity at present, it benefits from investor interest in this space till other entities list on the stock exchanges.**

Change in spending patterns in international travel drives strong spends at the airport, including penetration into new categories

Our analysis highlights that there has been a rise in domestic air traffic, but this increase is led by non-metros and often by first-time flyers. This segment does not lead to rise in high RoCE non-aero revenue due to limited spending power. The domestic passenger segment will continue to witness robust growth as the government embarks on a large expansion drive in regional connectivity airports.

The rise in international travel is, thus, a critical driver due to limited spending means of domestic passengers at non-metro airports. The metro airports are the ones where we expect a strong rise in non-aero revenue. In particular, we are already witnessing some changes; for instance, compared to arrival only duty-free spends we are witnessing purchases even at departures. The spends are also rising from penetration into new categories as well; for e.g., from generally alcohol-only sales we are witnessing a gradual increase in sales in cosmetics, fragrances and confectionaries.

We estimate that non-aero sales across the key metro or JV airports can grow at a CAGR of 10% over FY26-28E. This is driven by both higher air passengers and increased spending penetration, especially in metro airports (non-AAI).

Benefits from regulated returns on past investments; capex intensity tapers off for GMR supporting deleveraging

The airports JV model assures an RoE of 15.5% on a regulated asset base (RAB). Generally, 85-90% of capex incurred on airport capacity expansion is considered as aero capex, which boosts the RAB base, and this, in turn, supports high EBITDA levels in subsequent years. This RoE is partly subsidised by non-aero revenue (to the extent of 30%).

Since GMR Airport will exit its capex-intensive phase in the current control period for DIAL, we expect the capex intensity to come off. Further, while Hyderabad airport may continue in a capex mode for the next 10 years, passenger traffic has been strong. This, coupled with low royalties (4% vs. 46% for DIAL) will support cash generation at GHIAL as well.

Thus, with sliding capital intensity, we expect deleveraging at the GMR consolidated level, which, in turn, reduces interest cost, leading to sustainable positive PAT from FY26 onwards.

Commercial exploitation of land bank at key airports adds further upside

GMR Airports has a substantial yet to be utilised land bank of 100+ acres at DIAL which the management expects to monetise via a development model. We believe the proposed monetisation is negative for AAI on a NPV basis but significantly positive for GMR. In the event GMR is able to go ahead with the monetisation, we believe there is an incremental positive trend that is not factored in.

Hyderabad, due to its low royalty of 4% (vs. 46% DIAL) is more amenable to land development since it is NPV-positive for AAI. The development of commercial office space in DIAL, if successful, can be a key driver for unlocking value.

MRO and cargo can also emerge as new opportunities

The establishment of the Safran Leap engine overhaul facility at Hyderabad can drive business at GMR MRO operations. While GMR focuses on line and component maintenance (not on C checks

and large overhauls) the presence of Safran can crowd in MRO revenue. However, development of full-fledged capabilities for complete engine overhaul is still some years away.

Focus on cargo hub at Hyderabad and DIAL can drive additional upside. However, we are not too optimistic on cargo given weak transhipment focus of the airports and high level of manual operations at leading airports. The US tariff situation had hit air cargo the most compared to port cargo.

Governance levels are improving with a simplified capital structure

The corporate structure has been gradually simplified. This addresses concerns of investors about investing in a holding company level, as was the case previously. Promoter share pledges have been coming off as well as leverage metrics witness improvement. The separation of urban development entity and airport entity post Covid has been a key step as well.

Further, simplification has occurred as well with several non-aero joint ventures being gradually subsumed into the overall GAL standalone platform. These steps are positive from a governance-metrics perspective.

Risks are emerging from competition from Noida as well as Mumbai emerging as an alternate hub

GMR Airports have been rewarded by the market with its shares significantly outperforming the Nifty. The materialisation of a positive tariff order for DIAL for the next control period boosting yield per passenger (YPP) has been a key booster for earnings outlook.

However, we also see challenges emerging:

A) Commercial operations at Noida or Jewar airport can divert as much as 15%+ of the DIAL traffic, which can moderate passenger growth estimates. Initiatives by Noida to offer lower cost peak hour slots for airlines can also have an impact.

B) Hindon airport has impacted domestic passenger traffic. We are not too concerned as these domestic passengers are low spend in nature.

C) Closure of Pakistan aerospace and winter smog conditions: Post Operation Sindoor, the closure of Pakistan airspace has caused some destination traffic, especially to Middle East and Europe, to consider Mumbai as an alternate hub. This comes at a time when Navi Mumbai airport will also start operations (planned on 25th Dec'25).

D) Mumbai and Navi Mumbai emerge as credible alternate hubs.

Listing of Adani Airports can pose an additional challenge

Currently, an investor cannot play the airports theme without an exposure to GMR Airports. This is due to lack of listed names in the space. However, Adani Enterprises has built a robust airport platform with strong growth outlook. In the event Adani Airports is listed as envisioned by the Adani Group, we expect competition from it for investor wallet share.

We believe this can be a key risk event for the stock as well, given Mumbai controlled by Adani can emerge as the alternate challenge hub for international travel, especially to the western routes.

Valuation: Initiate at BUY with a TP of INR 120

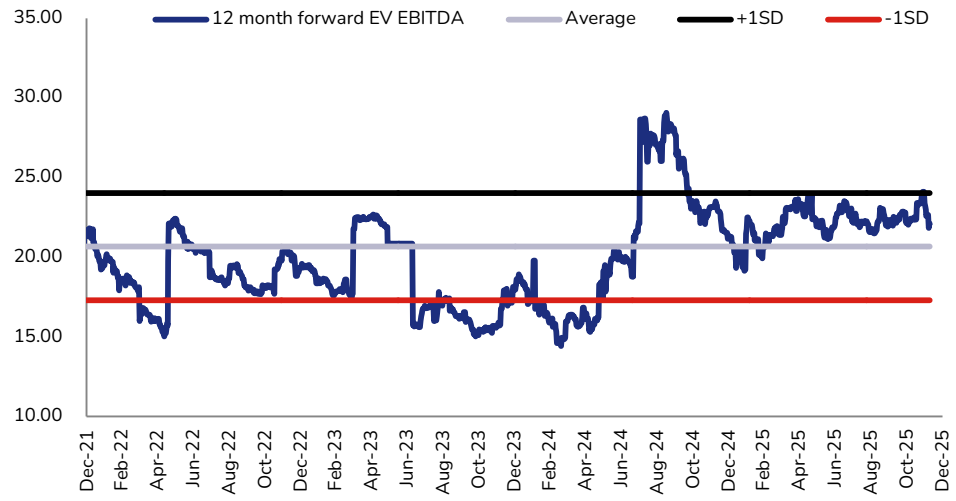
We value GMR Airports on an SOTP basis. We value the operational airports in India at GMR's long-term average 12-month forward EV EBITDA of 21.2x. To this, we add value of land yet to be monetised. We value assets under construction at Bhogapuram at 2.5x EV/investment. We value Medan airport at 9x FY28 EV EBITDA (in line with average EV EBITDA for global peers). With this, we arrive at our SOTP-based TP of INR 120 implying 19% upside from current levels and, thus, initiate with a **BUY** rating.

Exhibit 8. SOTP based valuation: Initiate at BUY with a TP of INR120

SOTP Valuation	Multiple (x)	Base (INR bn)	EV (INR bn)	EV/share (INR)	Comments
Domestic Airports	21.2	83	1,754	127	Valuing on long term average 21x EV EBITDA
Medan	9.4	0.7	7	0.47	Valuing on 9x (global average) FY28 EV EBITDA
Bhogapuram	2.5	50	123	8.9	Valuing on 2.5x EV/Investment
Enterprise Value			1,883	136	
Net debt			376		
Mkt Cap			1,507	109	
Adding value of land at the three airports (adjusted for GMR's stake)					
	Unused land (acres)	**Rate (INR bn/acre)**	**Value (INR bn)**	**Value (INR/share)**	
Delhi	100	1.57	63	4.5	NPV adjusted by GMR's revenue share as well
Hyderabad	1,050	0.10	78	5.6	
Goa	228	0.05	11	0.8	
Total valuation			**1,659**	**120**	

Source: Company, JM Financial

Exhibit 9. 12-month forward EV EBITDA for GMR Airports



Source: Bloomberg, JM Financial

Exhibit 10. Peer comparison for airports: global airports' FY28 EV/ EBITDA ranges over 5x-16x (average 9.4x), GMR trades at the top end at 18.5x

Name	Mcap	EV/EBITDA			PE		
	USD bn	FY26/CY25	FY27/CY26	FY28/CY27	FY26/CY25	FY27/CY26	FY28/CY27
Airports of Thailand PCL	24.6	17.0	15.2	14.2	32.9	28.1	25.4
Auckland International Airport	**7.9**	**21.4**	**19.2**	**16.1**	**44.0**	**41.7**	**36.0**
Fraport AG Frankfurt Airport S	7.4	12.2	11.6	10.7	15.6	17.3	15.6
Aeroports de Paris SA	13.2	9.6	9.1	8.7	25.2	18.0	15.4
Flughafen Wien AG	5.4	10.1	10.6	10.7	20.5	24.7	23.5
Aena SME SA	41.6	10.7	10.0	9.7	17.0	15.4	15.1
Airports Corp of Vietnam JSC	7.0	10.6	10.1	8.3	15.5	18.9	19.8
Flughafen Zurich AG	9.6	11.6	10.9	10.6	22.0	22.0	21.2
Beijing Capital International	1.6	13.4	10.7	9.1		94.8	27.8
TAV Havalimanlari Holding AS	2.6	5.7	5.1	5.1	30.4	10.7	10.3
Japan Airport Terminal Co Ltd	2.6	7.9	7.6	7.2	17.4	17.5	16.3
Grupo Aeroportuario del Pacifi	13.4	11.9	10.8	8.7	20.8	16.8	14.3
Grupo Aeroportuario del Centro	5.2	10.2	8.8	7.8	16.7	14.3	12.4
Guangzhou Baiyun International	**3.3**	**5.5**	**5.6**	**5.1**	**17.7**	**29.8**	**24.9**
Shenzhen Airport Co Ltd	2.1	9.7	9.0	8.7	23.2	19.2	16.9
Average		**11.2**	**10.3**	**9.4**	**22.8**	**25.9**	**19.7**

Source: Bloomberg, JM Financial

Investment Risks

Emerging competition around Delhi airport: Hindon and Jewar

The concession agreement had provided for exclusive monopoly around particular cities like Delhi. However, when the concession for Noida came up for bidding, the bid offered by Zurich was far higher and as a result GMR Airport could not exercise its ROFR (right of first refusal) in this case. Based on our interactions with aviation experts we expect nearly 10-15% traffic diversion from DIAL to Noida, which can lead to relatively modest passenger traffic growth, especially traffic originating around Noida and Agra clusters.

GMR management is not too concerned about Noida as there are examples globally of dual airports – Heathrow (handling premium long haul operations) vs. Stansted (handling leisure traffic). Currently, the Noida airport faces a commute disadvantage but with planned RRTS projects and expressway links this issue may be addressed. Further, our checks suggest the following measures being contemplated by Noida airport that may have some impact, namely, a) Offer of overnight parking of aircraft b) availability of peak hour slots and c) offering "mixed rotation gates" which allows an aircraft arriving from a domestic destination to depart to an international destination from the same gate, improving turnaround efficiency. We note that Noida airport, built with a capacity of 12mn pax in the first phase, is targeting 6mn pax in its first full year of operations.

Further, operationalisation of the Hindon air base as a civil enclave has already caused diversion of domestic traffic to the extent of 2mn pax (20 flights daily). This traffic, however, would not have been contributing to non-aero revenue anyway and, thus, the potential impact is minimal.

Closure of Pakistani airspace is leading to MIAL/NMIAL emerging as an alternate hub to DIAL.

The closure of Pakistani airspace following hostilities during Operation Sindoor has impacted direct travel routes from Delhi to Middle Eastern countries and Europe. This, coupled with impact of flying due to winter smog, can lead to leading airlines like Indigo and Air India exploring Mumbai as an alternate hub since Mumbai is not land locked and has direct access to the Arabian sea avoiding the Pakistani aerospace.

Previously, Mumbai could not emerge as an alternate hub as it was saturated with limited scope for further passenger handling. Now, with NMIAL emerging with first flights expected in late Dec'25, there is enough capacity (20mn pax at NMIAL in Phase 1) to allow MIAL/NMIAL to emerge as an alternate hub to Delhi (DIAL).

However, opening of NMIAL also adds an advantage as it allows for further capacity addition on the busy Mumbai Delhi route. This can materially boost domestic, but fairly premium, traffic.

Potential listing of Adani airports can impact future re-rating

At present GMR Airports is the only way to play the airport theme and a rationale for relatively elevated multiple vs. regional peers also boils down to lack of investable opportunities in India in the space. In the event Adani Enterprises were to consider a listing of its airport arm Adani Airports then investors may have alternate investment avenues. This has the potential to impact future re-rating given Adani's track record of achieving scale at a very rapid rate.

Airports as a successful PPP model for infrastructure

Airports at metros/key cities developed by private players account for major share of passengers

Indian airports have largely developed under three models: (i) AAI owned and operated airports (ii) Public Private Partnership (PPP) concessions (iii) JV model-based airports.

Major metro/large city airports with a major share of passenger traffic are operated by private concessionaires under a Public-Private Partnership (PPP) model or the JV model, while the remaining, vast majority of airports are managed by the Airports Authority of India (AAI).

AAI owned and operated airports

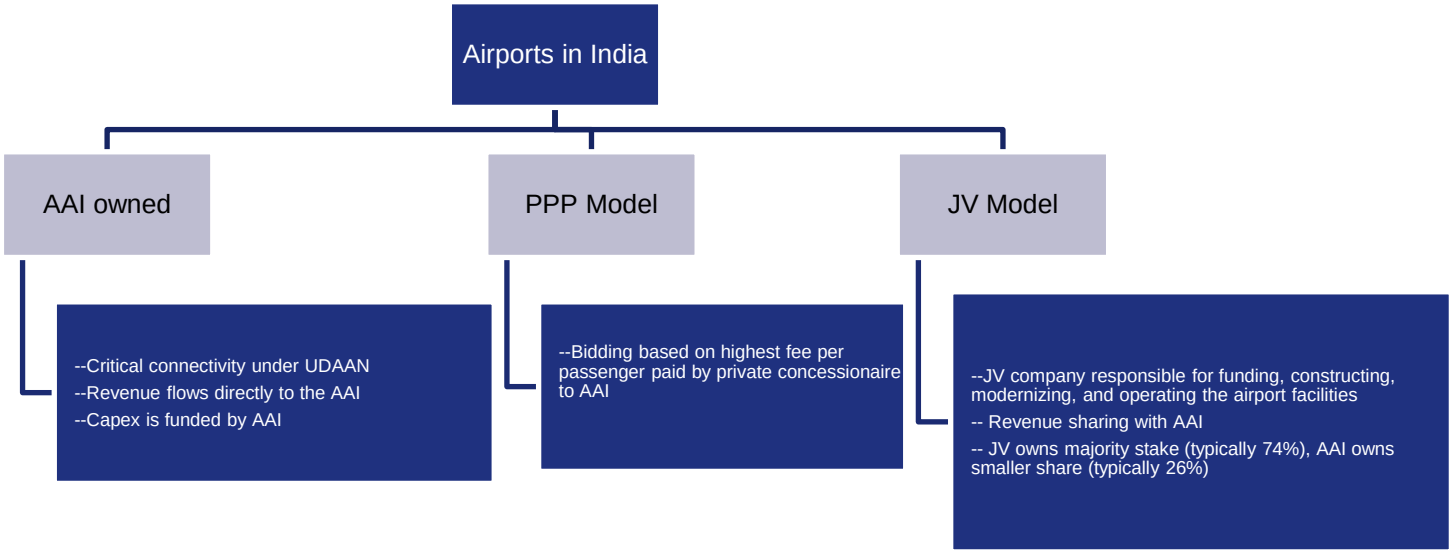
As of FY25, AAI owns 131 out of the total 145 airports in India. These airports handle the majority of regional and smaller city operations, catering to critical connectivity goals under the UDAAN scheme (Ude Desh ka Aam Nagrik). Revenue from these airports flows directly to the AAI. Capital expenditure for these airports is funded by AAI largely through internal accruals and central budget allocations. Despite being majority in number, these airports cater to ~36% of the passenger traffic in India in FY25,

Public Private Partnership (PPP) concession /JV model based airports

PPP Concession Model: Under this model, the AAI leases out the airport to a private operator to operate, manage and develop the airport for a period of 50 years. The private operator is selected on the basis of competitive bidding process based on fee per passenger that the private operator is required to pay to AAI. The company quoting the highest fee per passenger to be paid to AAI is selected as the concessionaire after technical and financial capacity of the operator is established. The ownership of the assets including land and built infrastructure resides with AAI and would revert to AAI at the end of the concession period. As of FY25, there are 6 airports under the PPP concession Model, namely Ahmedabad, Guwahati, Jaipur, Lucknow, Mangaluru and Thiruvananthapuram. Currently, all the PPP concession is held by Adani Airport Holdings Limited (AAHL) which is an SPV under Adani Enterprises Limited.

JV Model: Under this model, the JV company is responsible for funding, constructing, modernising, and operating the airport facilities, subject to performance and regulatory benchmarks. The government partner (AAI) provides land and regulatory oversight, while the private partner brings in capital, global best practices, and operational expertise. Profits and revenues generated from aeronautical and non-aeronautical activities are distributed according to the equity stakes, and the JV pays annual concession and lease fees to AAI as specified in the agreement. The partnership runs for a fixed term (commonly 30–50 years). At the end of the contract or upon early termination for cause, control and ownership of airport assets revert to AAI. The private operator holds majority stake in the airport while AAI holds a smaller stake (typically 26%). Airports operated under the PPP and JV models account for 70%+ of passenger traffic in the country.

Exhibit 11. Models of airport development in India



Source: Industry, JM Financial

Exhibit 12. Airports under JV/PPP account for majority of passenger traffic

Airport	Passengers (mn, FY25)
PPP Model	**44**
Jaipur	6
Ahmedabad	13
Lucknow	6
Guwahati	6
Thiruvananthapuram	5
Goa (Mopa)	5
Mangaluru	2
PPP model as % of total traffic	**11%**
JV Model	**221**
Delhi	79
Mumbai	55
Bengaluru (BIAL)	42
Hyderabad	29
Kochi	11
Nagpur	3
Kannur	1.3
JV model as % of total traffic	**54%**
AAI Owned	**147**
Grand total	**412**

Source: AAI, JM Financial

JV Model: Regulated returns on the aero side, rising non-aero spends and commercial development to drive further returns

In the JV model airports, there are three distinct revenue streams.

The first stream is aeronautical revenue, which comprises landing fees, parking charges, terminal navigation charges, and other charges directly linked to aircraft and passenger operations. The Airports Economic Regulatory Authority (AERA) determines aeronautical tariffs to provide operators with a fixed return on the regulated asset base (RAB), with the fair rate of equity return typically set at 15.5%. The regulated asset base is calculated by identifying the capital value of aeronautical-specific assets (terminal buildings, runways, cargo facilities, ground infrastructure) and adjusting for depreciation using prescribed rates, with true-up provisions to account for actual versus forecasted capital expenditure and operating costs over each 5-year control period. Under the hybrid till mechanism, 30% of non-aeronautical revenue is used to cross-subsidise aeronautical tariffs, reducing the amount that needs to be recovered through passenger-facing aeronautical charges.

The second revenue stream is non-aeronautical revenue, comprising commercial activities within the terminal such as duty-free retail, food and beverage, car parking, lounges, and advertising.

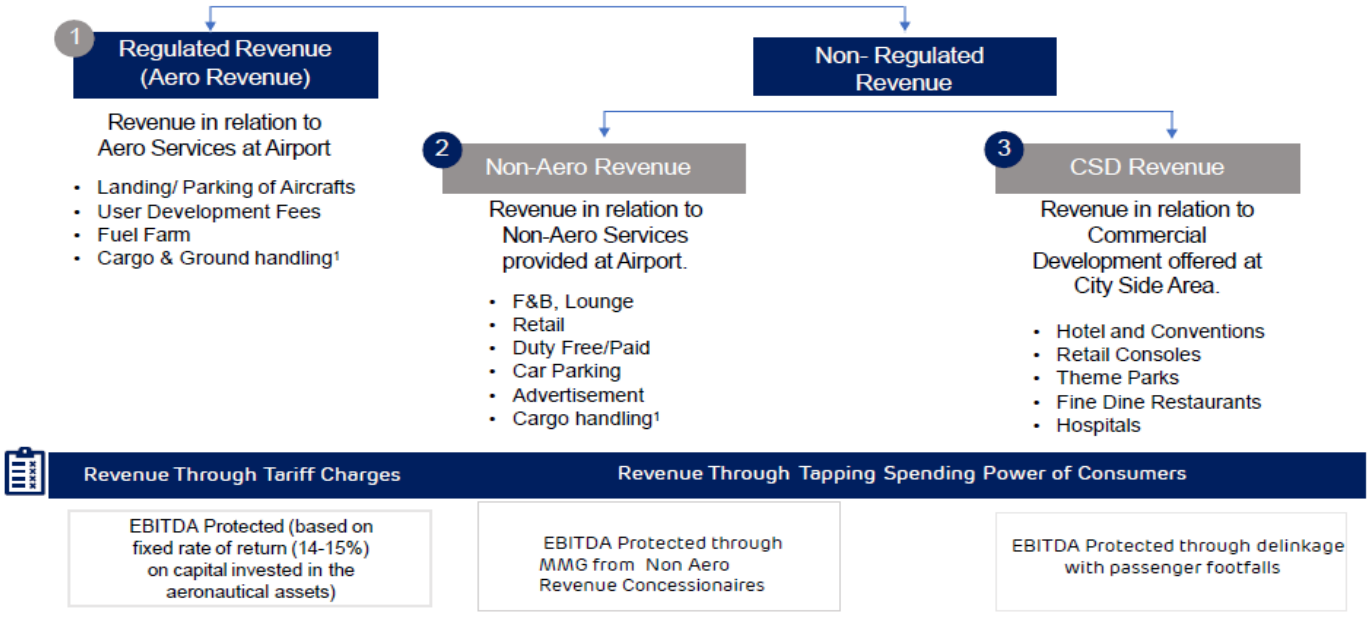
The third revenue stream is commercial land development, which emerges from real estate development activities on airport land, including hotels, office complexes, and other property-based projects. Operators retain 70% of non-aeronautical revenue for the costs of operating these facilities, while the remaining 30% flows toward aeronautical cost recovery, allowing AERA to set lower passenger-facing tariffs than would otherwise be required.

Exhibit 13. Revenue streams for airport

Revenue stream	What it includes
Aeronautical revenue	Includes Landing and movement fee, aircraft parking/apron charges, terminal and infrastructure usage fee, passenger charges/user development fee, airline terminal space rentals, baggage handling charges, aircraft maintenance and repair services
Non-aeronautical revenue	Includes revenue from duty free shops, retail stores, food and beverage sales etc. at the airport, parking and ground transportation and other services
Commercial property development	Includes income from leasing of land around the airport for hotels, office buildings, logistics hubs, and warehouses etc.

Source: JM Financial

Exhibit 14. Aero revenue determination under the JV mode with 'hybrid till' model



Source: Adani Airport Holdings, JM Financial

Airport development under PPP/JV model: Lower risk vs. other asset classes

Airports development under the JV model has witnessed significant success in private sector participation. The model provides fair certainty of cash flows with capex for aeronautical services covered by aeronautical revenue incorporating 15.5% RoE on the aeronautical asset base. Non-aeronautical and commercial development revenue streams are driven by rising affluence driving premium consumption in India and involve much lower capex. Furthermore, construction of another greenfield airport is not permitted within an aerial distance of 150km of an existing civilian airport. This reduces competition and promotes monopoly of the airport operator within the region - thus improving attractiveness of the asset class.

Exhibit 15. Airports under JV model: lower risk vs. most other asset classes

Asset Class	Certainty of Cash Flows	Counterparty Risk	O&M Costs	Competitive Intensity (Asset)	Competitive Intensity (Companies)
Airports (JV Model)	Low Risk-fixed returns on aeronautical capex, non-aero revenue and commercial development provide further upside	Low risk- AAI guarantees counterparty solvency; AERA regulation provides contractual enforcement; 40-year concession ensures stability	Medium risk - O&M to be borne by operator but largely covered by aero tariffs	Medium risk -Competing against other modes of transport - rail/road - but preferable as it reduces duration of travel	Low risk - Airports are by nature monopoly in nature with new airports restricted within a 150 km radius
Roads (Toll)	High risk - dependent on traffic, alternate routes of travel may lead to revenue loss	Medium risk -may encounter delay in payments, especially on state and local govt projects	Medium risk - regular maintenance required	Medium risk -Competing against other parallel roads or even against rail	High risk - fairly high number of companies in the sector
Ports	Medium Risk- dependent on potential location of the port and evacuation infrastructure	Low risk- counterparty are shipping lines	Medium risk- Upgradation capex required	Low risk- No major alternate exists, except air cargo but is very small	Low risk- select locations with
Power Generation (Conventional)	Medium risk- dependent on power offtake and availability of transmission infrastructure	High risk- direct exposure to state discoms which are debt stressed	High risk - high O&M costs	Medium - competition emerging from renewable sources but RE is not stabilised as yet	High risk - fairly high number of companies in the sector
Power Generation (Renewable)	Medium risk- power demand driven by long term power purchase agreements, but lack of transmission infrastructure can act as deterrent	Medium risk - Faster payments under SECI scheme, but if exposure to discoms then payment risk exists	Low risk - low O&M costs	Medium risk	High risk - fairly high number of companies in the sector
Power Transmission	Low risk - driven by long term agreements on availability of infrastructure rather than actual power flow	Medium risk - counterparty may be state discoms which are debt stressed	Low risk - O&M costs are low usually 7-8% of revenues	Low risk- revenue based on availability of infrastructure rather than power demand flow - power flow cannot be manually diverted	Low- few credible players among asset owners

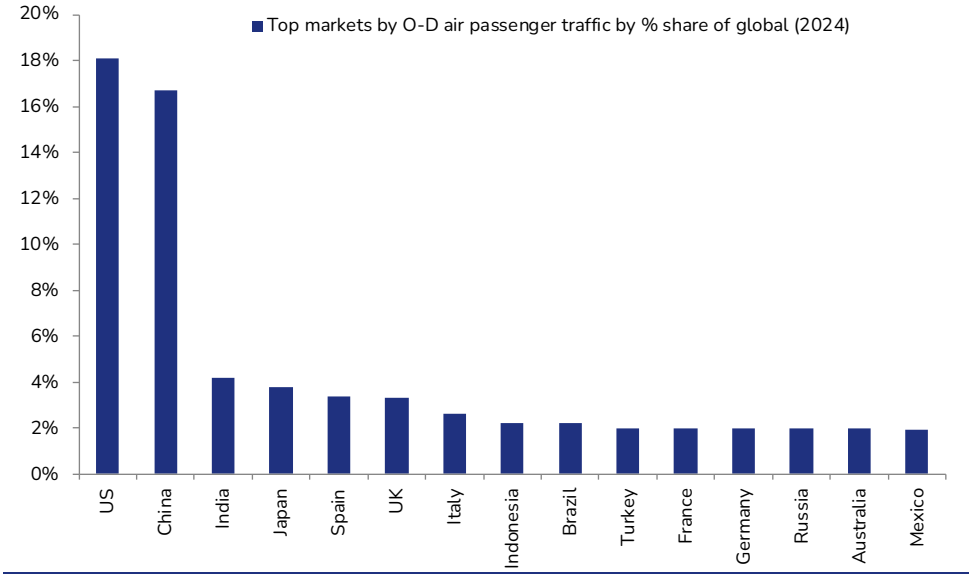
Source: JM Financial

A combination of utility and affluent consumption

India is among the top markets globally with respect to air traffic; airports also fare well on connectivity and cost

Air passenger traffic rose strongly before Covid, by about ~12.1% CAGR over FY10-19, tracking ahead of GDP growth. However, with the outbreak of Covid-19 and accompanying travel restrictions, air movement was severely impacted. Passenger traffic growth has slowed in the recent years to ~3% CAGR over FY19-25. Despite that, India is among the top 3 markets globally with respect to passenger travel. Furthermore, Indian airports, namely Delhi, also fare among the top 50 airports by connectivity and among the top 25 most connected low cost carrier airport mega-hubs. (See: Link)

Exhibit 16. India is among the top 3 markets by passenger traffic



Source: Industry, JM Financial

Exhibit 17. Passenger traffic witnessed strong growth before Covid but has slowed lately

	No of passengers (mn)			CAGR		
	FY10	FY19	FY25	FY10-25	FY10-19	FY19-25
Pax traffic	124	345	412	8.3%	12.1%	3.0%
Domestic	89	275	335	9.2%	13.3%	3.3%
International	34	69	77	5.5%	8.1%	1.7%

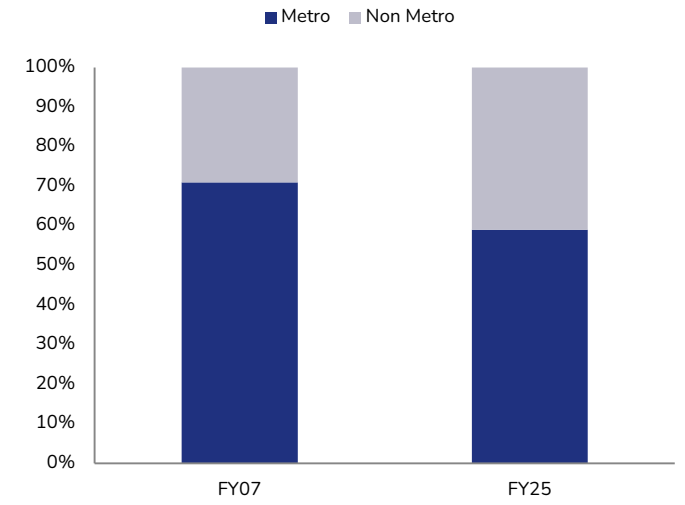
Source: Industry, JM Financial

Rising affluence is driving travel, especially international travel

India's per capita GDP has witnessed meaningful growth over FY15-25. This is also reflected in the rise of "crorepatis" (income above INR 10mn or USD 110k) as well as USD millionaires, leading to rise in international leisure travel (besides the usual business and student traveller). With further increase in affluence, we expect international travel to increase.

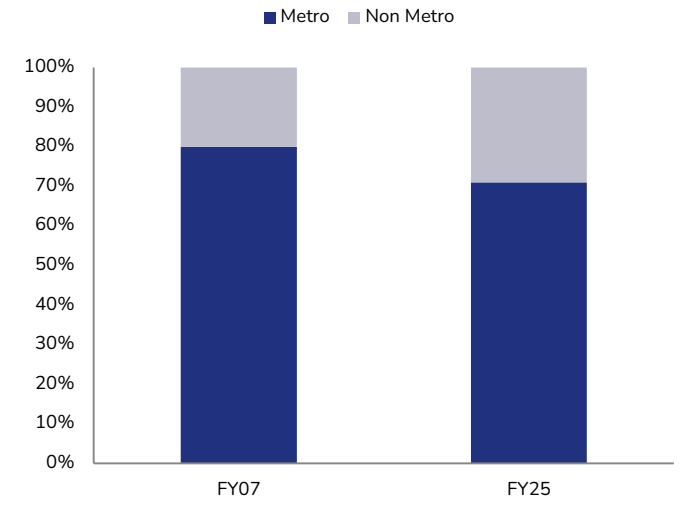
While rise in air travel is quite broad-based, i.e., spread across Tier I cities (metros), Tier 2 and Tier 3 towns, international travel is still biased towards metro city airports. This factor clearly places JV metros in key cities like Delhi (DIAL - GMR), Mumbai (MIAL and now NMIAL – Adani Airports), Bengaluru (Fairfax) and Hyderabad (GMR) at a particular advantage. The spending propensity, which is reflected in non-aero revenue strength, is still highly skewed towards metros.

Exhibit 18. Sharp rise in non-metros in domestic travel



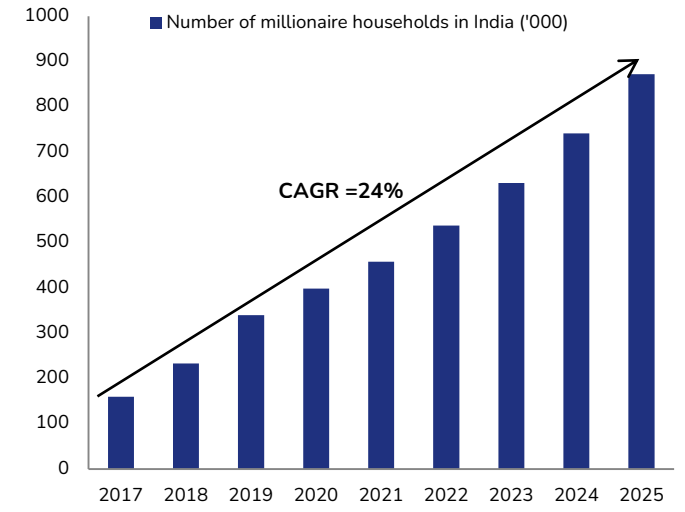
Source: Industry, JM Financial

Exhibit 19. International travel is still dominated by the metros



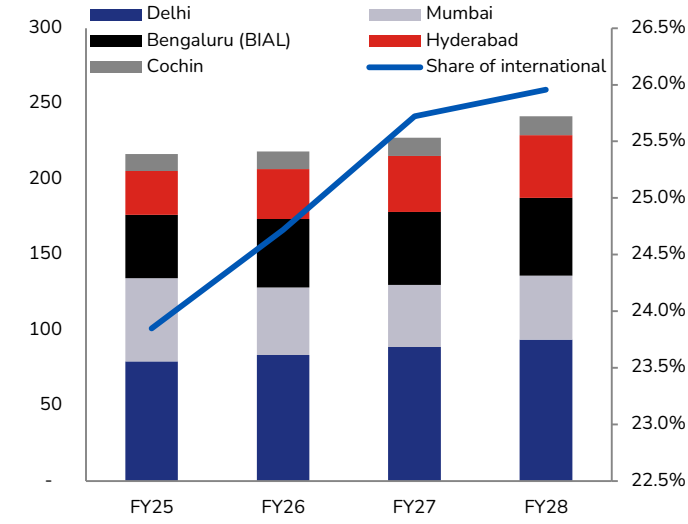
Source: Industry, JM Financial

Exhibit 20. India has witnessed sharp rise in number of USD millionaires since 2017



Source: Industry, JM Financial

Exhibit 21. Rising affluence to increase share of international passengers in key JV airports



Source: Industry, JM Financial. Note: Total number of passengers on LHS in mn and share of international passengers as % on RHS

Airlines focusing on a hub-based approach, which favours Delhi, Mumbai and Bengaluru; geopolitics favouring Mumbai

Leading airlines like Indigo and Air India have their hubs in Delhi. While airports like Dubai, Doha, Istanbul and Singapore have developed as hubs for international travel, Indian airports have lagged for now. Mumbai was a hub for Jet Airways prior to its bankruptcy. Increasingly, airlines are considering hubs at Delhi and Bengaluru. However, due to closure of Pakistani airspace (following outbreak of hostilities) and with completion of Navi Mumbai airport in Oct'25 (first commercial flight in Dec'25) key airlines like Indigo, Air India and Akasa are also considering Mumbai as a hub for West Asia and Europe traffic. Delhi and Mumbai have 26% and 27% share of international passengers, higher than BIAL's 12%.

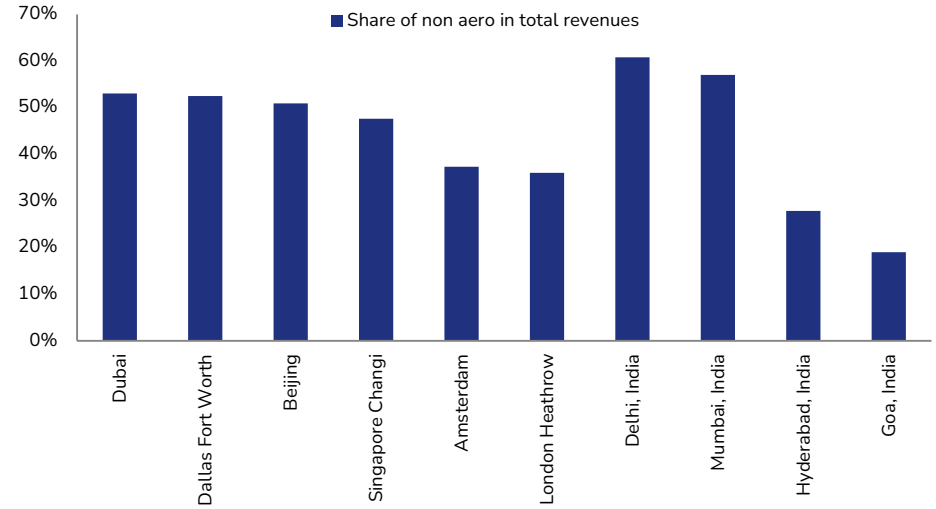
Bengaluru (BIAL) is also emerging as a regional hub for south India, though three airports competing for airspace in the same region poses an operational challenge in our view.

A hub-based strategy can lead to a significant rise in transhipping passengers, which leads to a higher share of international passengers. This can be a key driver in non-aeronautical income for DIAL and MIAL/NMIAL combined based on customer profile.

Potential rise in non-aero revenue presents opportunity for profitable growth

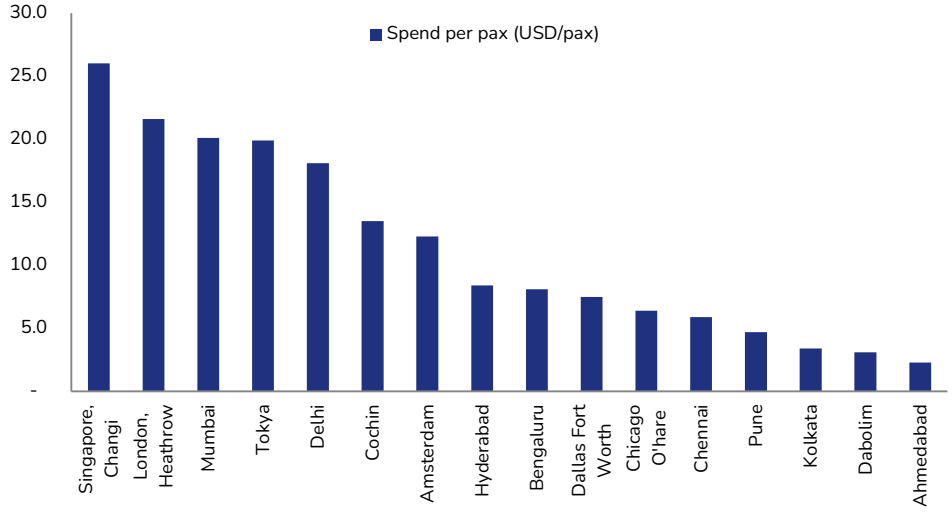
With rising disposable incomes and increase in premiumisation, Indian airports have significant potential for growth in non-aero revenue. While they account for 50-60% of the airport's total revenue, the non-aero stream can contribute 70%+ to airports' operating profit since these have typically lower operating costs and, thus, higher profitability. Metro airports in India such as Delhi and Mumbai generate aero revenue in line with global standards; however, there is significant potential for growth in non-aero revenue for other Indian airports such as Hyderabad.

Exhibit 22. Metro airports generate aero revenue in line with global standards



Source: Industry, JM Financial

Exhibit 23. Spend per pax (SPP) is low in Tier-2 cities – there is scope to rise; Mumbai/Delhi is healthy; SPP is on PPP-adjusted basis

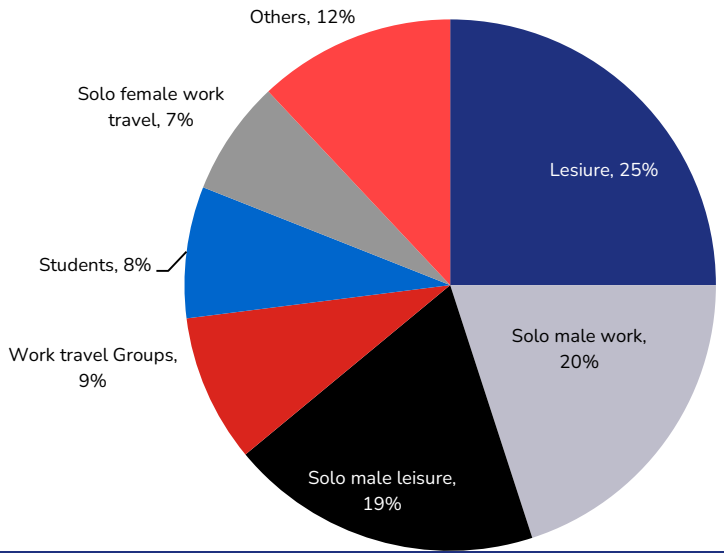


Source: Industry, JM Financial

Indian retail/duty free spending expected to rise; patterns may witness a shift from arrival/alcohol heavy to other categories

Indian travellers typically tend to spend on arrival rather than during departure, according to our interaction with experts. This contrasts with global travellers who typically spend during departures (in airports like Changi and Hong Kong, we witnessed the same). Further, propensity to travel in families (vs. solo) is higher in India vs. the world. Consequently, the focus of Indian airport operators tends to be on four particular cohorts – leisure groups, solo male business travellers, work travel groups, and solo male travellers.

Exhibit 24. Air travel by purpose for Indian travellers



Source: Industry, JM Financial

Alcohol dominates duty-free sales but other categories are rising: Further, Indian duty-free spends are largely around alcohol vs. fragrances/perfumes in other regions. We are already witnessing increased premiumisation in alcohol sales and also a pick-up in high street retail. Alcohol sales at airports are trending significantly ahead of domestic sales. We believe this may be due to excessively high tax rates on alcohol, especially in states like Maharashtra.

Retail strategies are also evolving with MIAL focusing on departing passengers (vs. the convention of focusing on arriving customers). Recently, we have witnessed traction from promotional campaigns by Osprey Duty free. As airports focus on reducing time at security checks and immigration there exists significant scope to increase departure sales by increasing leisure time for travellers at the airport.

Exhibit 25. Indian duty-free spends are largely on alcohol unlike other regions where cosmetics/fragrances dominate

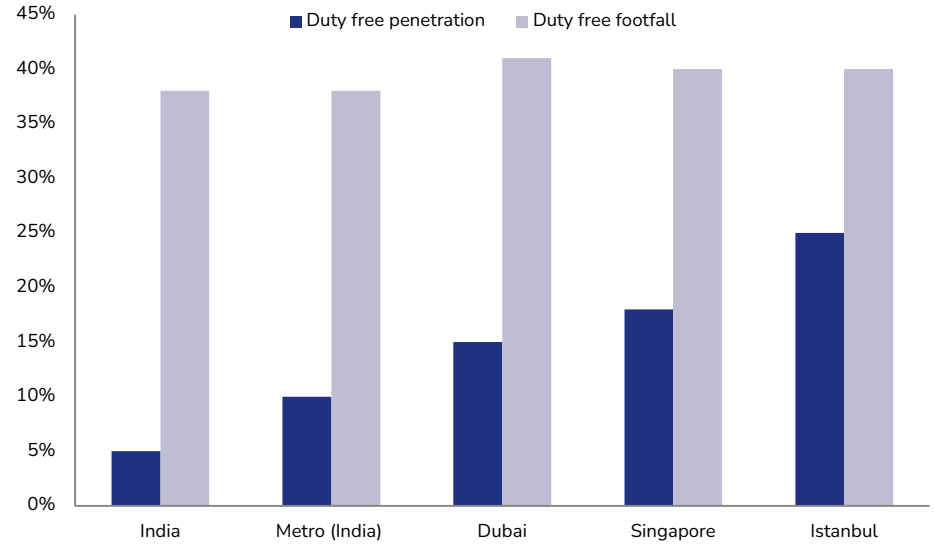
Share of TR and DF sales	India	China	Turkey	UAE	Saudi Arabia
Watches, jewellery, fine writing	2%	7%	5%	16%	18%
Fashion and accessories	4%	15%	7%	7%	12%
Fragrance and cosmetics	16%	61%	18%	21%	29%
Wine and spirits	58%	5%	19%	17%	1%
Tobacco goods	5%	7%	36%	14%	9%
Confectionary and fine foods	10%	1%	11%	9%	13%
Electronics, gifts and others	5%	5%	5%	15%	18%

Source: Industry, JM Financial

Retail penetration is low and so are per passenger spends; highlights strong headroom to expand

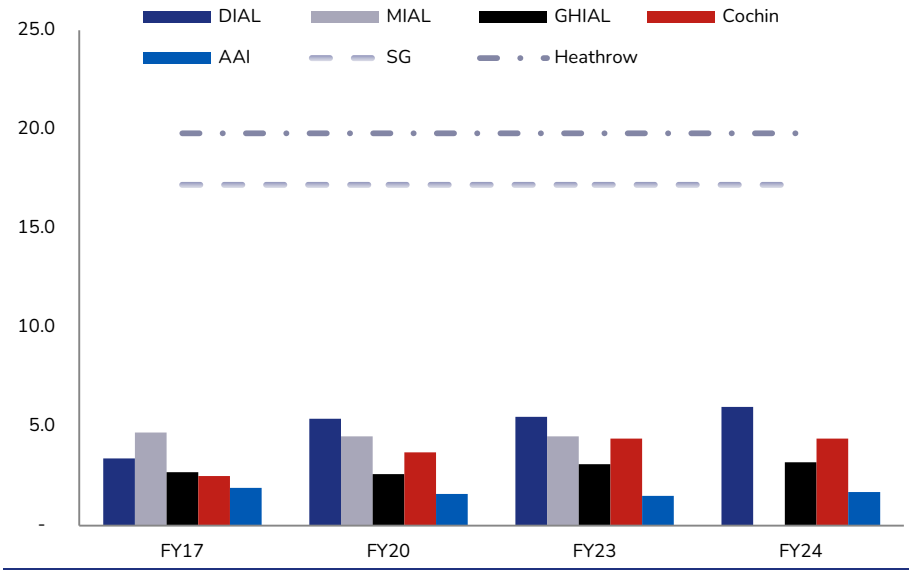
India's duty free segment is still under-penetrated relative to major global aviation hubs. Its duty free penetration even at metros stands at 10% vs. 15% for Dubai and 18% for Singapore, even though its duty free footfall is comparable to other aviation hubs at ~40%. This is primarily because passenger spend rates have traditionally been low and store formats have been relatively limited. But significant growth potential exists. Rising disposable incomes, expanding international connectivity, steady increase in outbound tourism and upgrade of airport infrastructure can strengthen the case for higher duty-free spending. Furthermore, airports are increasingly shifting towards experiential retail, wider product assortments and digital pre-order options, which should help increase duty-free penetration levels.

Exhibit 26. Duty-free penetration (or conversion to sales) lower in India vs. regional peers; this is despite similar ~40% duty-free footfall regionally



Source: Industry, JM Financial

Exhibit 27. Spend per passenger (USD/pax) at Indian airports trails Singapore/Heathrow on a nominal basis (not so on PPP basis as highlighted previously)



Source: Adani Airports, JM Financial

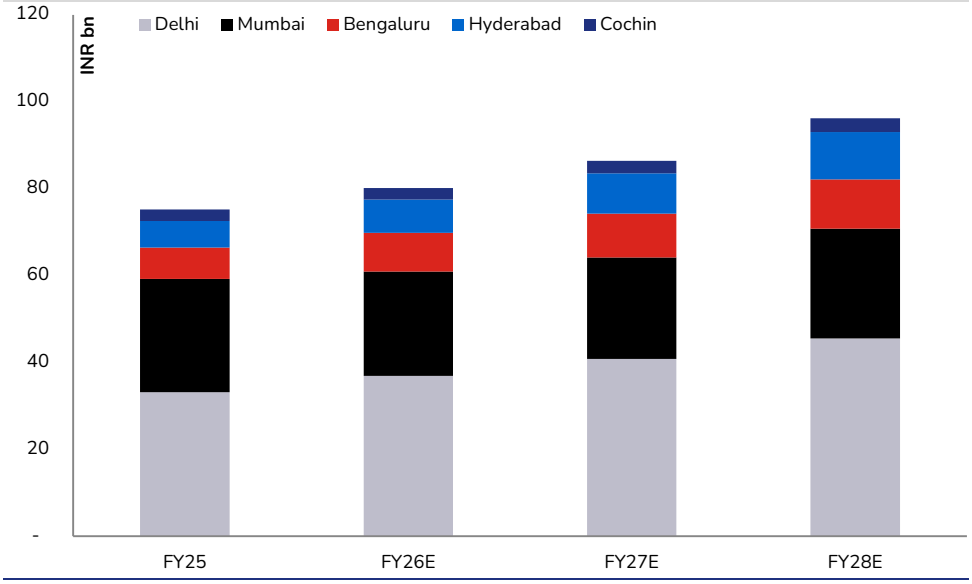
Potential for sharp rise in non-aero revenue at key hub airports

Adani Enterprises expects to increase share of non-aero revenue to 75% from 61% currently at Mumbai, while for the other airports in its portfolio it targets 25% non-aero share. In particular, we have witnessed strong non-aero growth in key hub airports, and we expect growth to strengthen even more. Key airports like Delhi and Mumbai have higher non-aero share than the likes of Heathrow (22%) and Amsterdam (38%).

Based on our analysis of Control Period orders where available (MIAL/NMIAL and DIAL) and our estimation of non-aero for Hyderabad/Bengaluru, we expect 10% CAGR of non-aero sales over FY26-28.

In particular, 30% of non-aero revenue subsidises aeronautical charges in the JV model. This has the effect of reducing landing fees for airlines, enabling them to prefer certain airports as a hub. This leads to a virtuous cycle driving passenger footfall and growth.

Exhibit 28. We estimate 10% CAGR in non-aero revenue for JV airports (FY25-28)



Source: Industry, JM Financial

Rising number of airports is improving regional connectivity and driving air travel

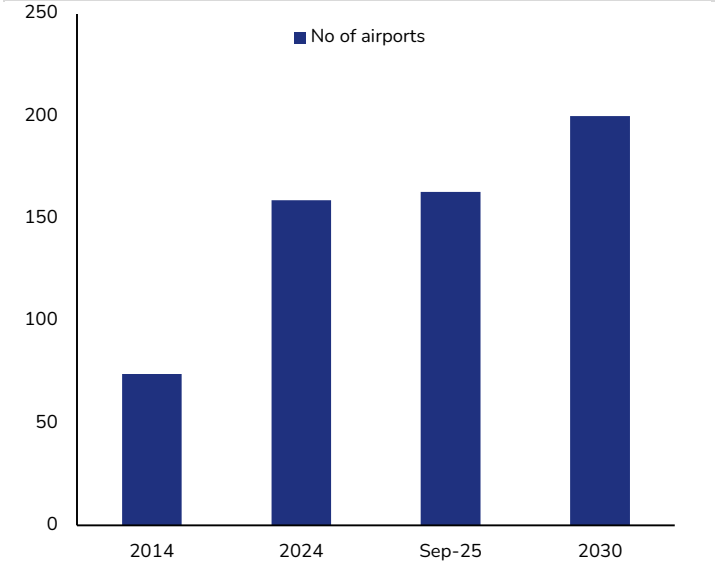
In 2016, India's Prime Minister had emphasised on the need for making air travel accessible to all. Towards this end, the regional connectivity scheme UDAAN (Ude Desh ki Aam Nagrik) was launched. Since then the number of airports has increased from 74 (2014) to 163 (Sep'25) of which 117 airports have regular scheduled services. The increase in airports has operationalised 637 routes as of 1HFY26.

The Ministry of Civil Aviation (MoCA) targets 200+ airports, aspiring for 95% of India's population to be within 100km of an airport. This can sustain domestic travel growth, with the second leg of the scheme planning to add 120 new destinations catering to 40mn passengers.

Further, incentivising leading airlines to participate in the regional connectivity schemes (RCS) against slots at leading airports has resulted in affordable air travel in Tier 2 and Tier 3 towns, driving regional penetration and air travel.

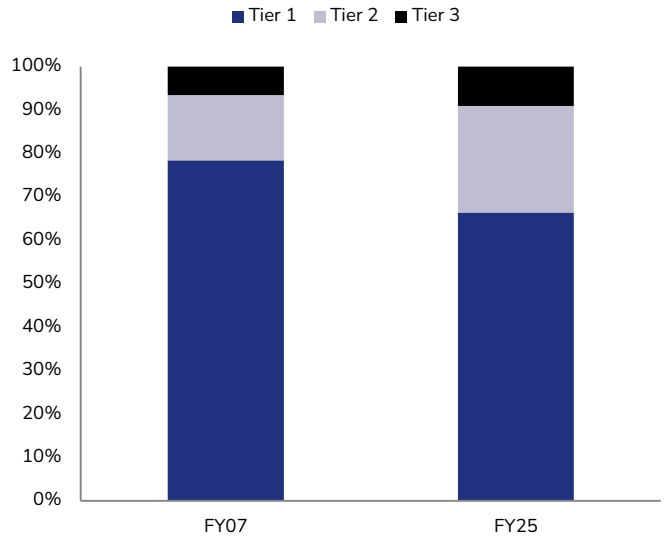
The costs on air travel (economy tickets) are comparable to rail travel in the premium category on major routes (AC 1 and premium trains), besides substantial savings in time.

Exhibit 29. India has witnessed a sharp rise in number of airports; target to have 95% of population within 100km of an airport



Source: Industry, JM Financial

Exhibit 30. Regional connectivity has improved air access to non-metros, which can drive domestic traffic



Source: Industry, JM Financial

Exhibit 31. Fares for air travel are only slightly higher vs. train, but provide significant time benefits

One way route	Duration by train	Train fare (INR)	Train fare (USD)	Duration by air	Flight fare (INR)	Flight fare (USD)
Delhi-Bengaluru	33 – 45h	5,550	61.7	~2h 50m	7,140	79.3
Delhi-Chennai	29 – 37h	7,150	79.4	~2h 50m	6,550	72.8
Kolkata-Bengaluru	29 – 34h	4,960	55.1	~2h 45m	5,460	60.7
Mumbai-Kolkata	27 – 37h	6,000	66.7	~2h 40m	6,380	70.9
Delhi-Hyderabad	21 – 28h	4,460	49.6	~2h 15m	4,960	55.1
Delhi-Kolkata	17 – 26h	5,210	57.9	~2h 10m	5,880	65.3
Mumbai-Bengaluru	18 – 25h	3,330	37.0	~1h 45m	4,280	47.6
Hyderabad-Bengaluru	8 – 13h	2,360	26.2	~1h 15m	3,190	35.4

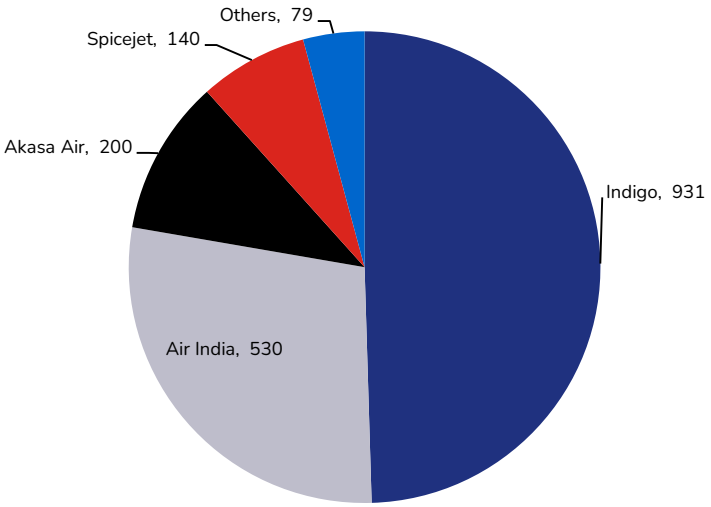
Source: Industry, JM Financial

Strong orderbook of aircraft for delivery by leading airlines suggest strong demand lasting beyond 2030

India has a commercial aviation fleet of 800+ aircraft at present (FY25). Based on the delivery timelines of aircraft on order with Airbus or Boeing the fleet may reach a size of 1,500+ by 2030. The fleet size may eventually reach to 2,200 aircraft in years beyond 2030 in our view.

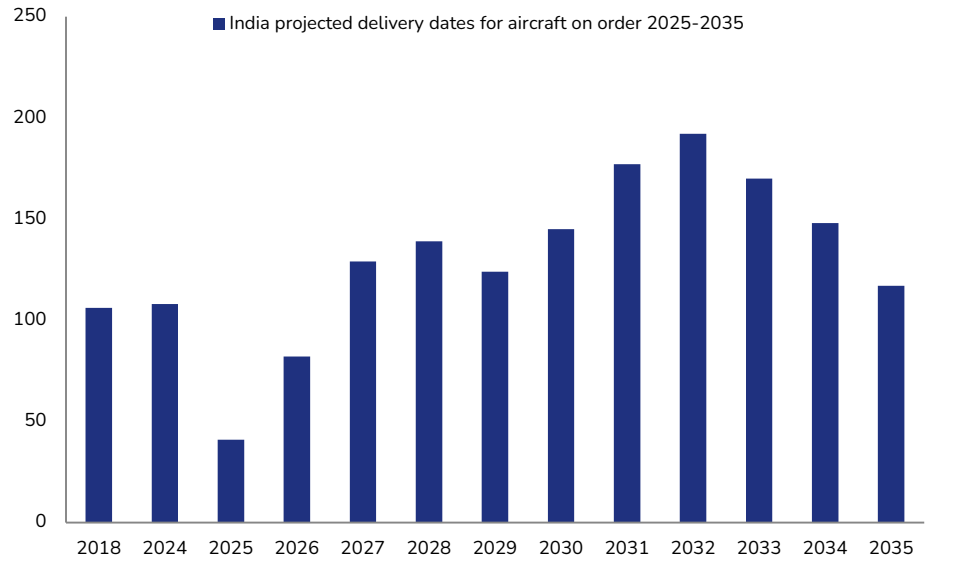
Importantly, key airlines have placed orders exceeding 2,000 aircraft since Feb'23.

Exhibit 32. Airlines have placed orders for ~2,000 aircraft, supporting pax growth beyond FY30



Source: Industry, Company, JM Financial

Exhibit 33. Rise in aircraft fleet in India to pave way for passenger growth



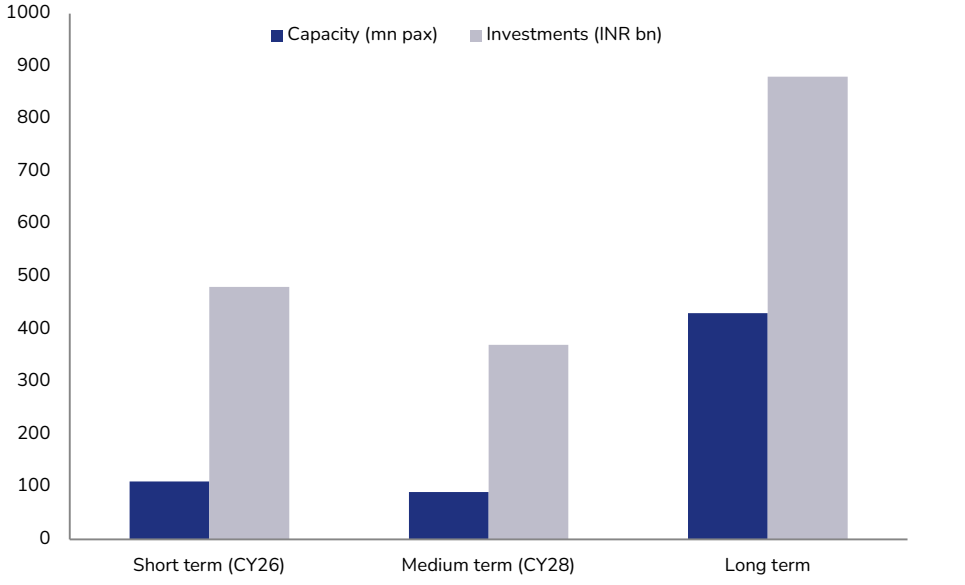
Source: Industry, JM Financial

Large pipeline of airports expansion to support the passenger growth

We interacted with aviation experts and our assessment suggests that a general consensus is Indian air traffic will likely grow at 7%-8% CAGR over FY25-30 with higher growth rate for domestic traffic. It appears from the investment pipeline (240+ airport projects) that adequate capacity is likely to be created to cater to this demand. This, in turn, leads to substantial investment opportunities (~INR 2.0trln).

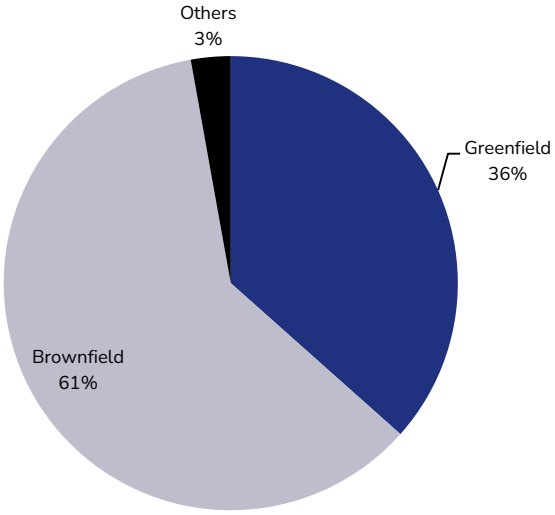
The investments are not only in brownfield and greenfield airport expansions but also towards capex on city side developments, MRO, cargo city developments, etc. in a bid to further boost non-aero revenue.

Exhibit 34. Investments proposed are to the extent of INR 2.0trln, supporting 600mn+ passengers capacity addition



Source: Industry, JM Financial

Exhibit 35. Investments are largely on existing airport expansion



Source: Industry, JM Financial. ** Others incl capex on city side development, cargo cities, MRO etc

Exhibit 36. Key announced airport projects in pipeline

Project	State	Cost (INR bn)	Capacity (mn pax)
Parandur (Chennai 2nd airport)	Tamil Nadu	327.05	100
Bengaluru Phase III	Karnataka	241.67	37
Jewar (Phase II, III, IV)	Uttar Pradesh	238.30	58
Kangra airport expansion	Himachal Pradesh	109.95	
Great Nicobar greenfield airport	Andaman & Nicobar	105.74	

Source: Industry, JM Financial

City side development is an emerging pillar for airports

Key players like GMR, Adani and Fairfax have secured airports with substantial land banks for city side property development. The revenue from city side developments (usable by airport passengers and also by the general city population) is not used to subsidise aeronautical revenue. Developers have an incentive to push for city side development.

Generally, development contrasts with a leasing model. In a leasing model, e.g. DIAL, the royalty of 46% still needs to be paid from the lease revenue stream. However, we are given to understand by the GMR management, citing Hyderabad (GHIAL) as precedent that the developed land can be monetised, limiting royalty leakages. In particular, areas like Delhi have development potential remaining of 100 acres or 10mn sqft of commercial space.

Exhibit 37. Significant land bank associated with key airports provide upside potential

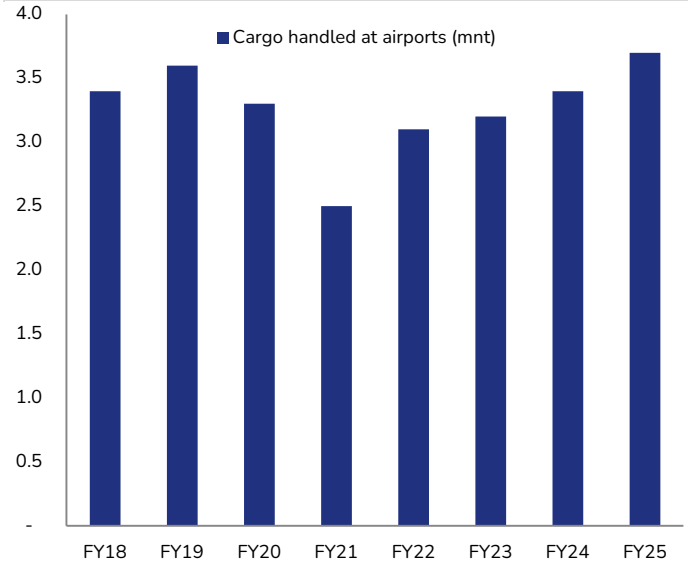
Airport	Land bank (total)- acres
Delhi	230
Hyderabad	1,500
Goa	232
Nagpur	247
Bhogapuram	297
Mumbai (MIAL+NMIA)	420
Bangalore	460

Source: Industry, JM Financial

Indian air cargo stagnant, challenges persist

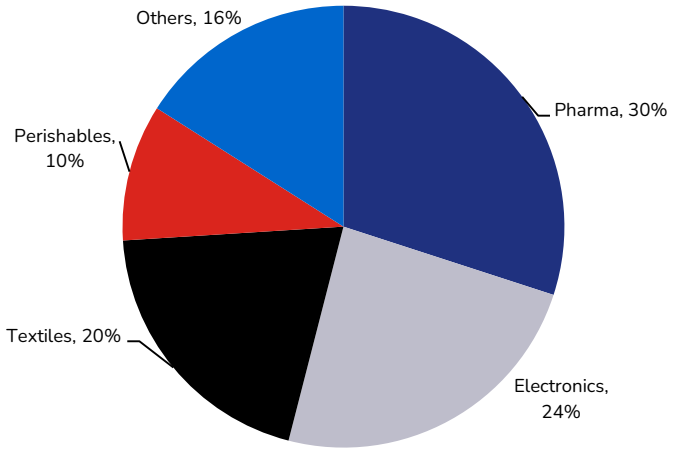
Indian air cargo has remained relatively stagnant at ~3-4mmtpa. Pharmaceutical products, electronics and textiles together constitute 70%+ of Indian air cargo profile. Over 85% of Indian air cargo originates in six airports, namely, Delhi, Mumbai, Bengaluru, Hyderabad, Chennai and Kolkata.

Exhibit 38. Indian air cargo has remained relatively stagnant



Source: Industry, JM Financial

Exhibit 39. Pharma, textiles & electronics constitute 70%+ of air cargo

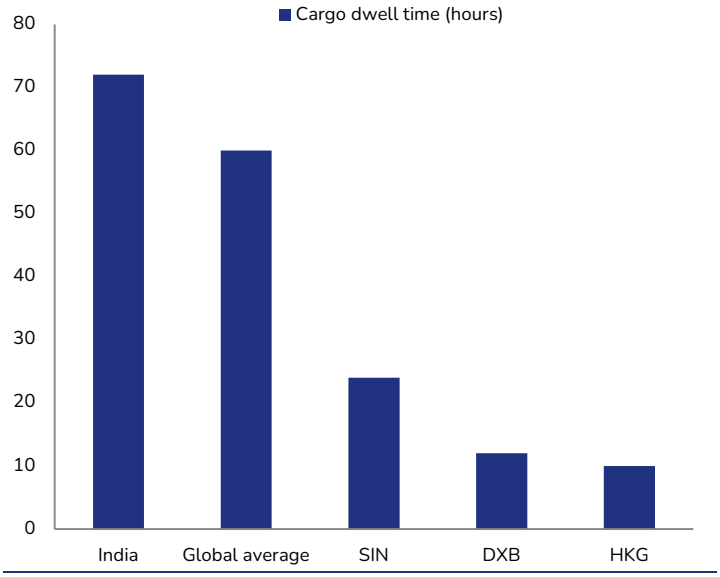


Source: Industry, JM Financial

Capacity constraints, lengthy documentation and lack of multi-modal logistics are key issues

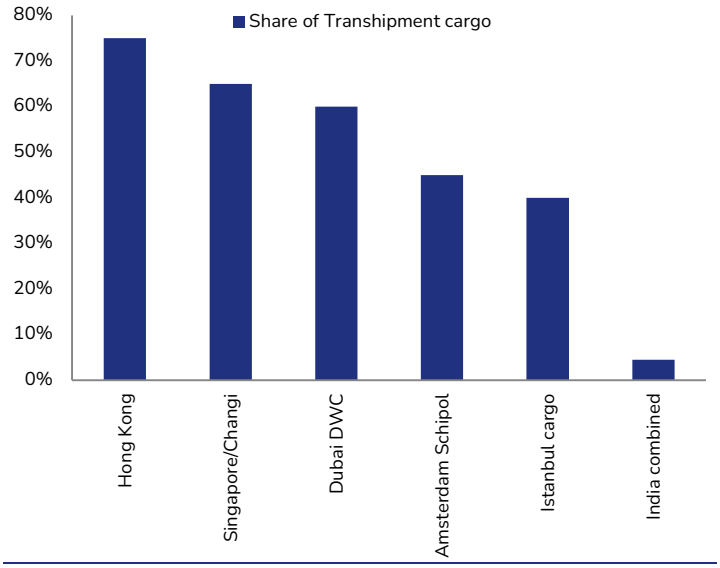
However, despite strong growth prospects for the cargo, India lacks a strong ecosystem for air cargo growth and suffers from operational inefficiencies. Cargo dwell time at Indian airports averages 72 hours, which is higher than the global average of 60 hours and significantly higher vs. peer airports of Singapore (24 hours), Dubai (12 hours) and Hong Kong (10 hours). Shippers avoid India due to high inventory holding costs as a result of high dwell time. Airports like Delhi and Mumbai suffer from capacity constraints with cargo terminal utilisation levels running at 90%+ levels. Besides, the document and approval processes for cargo is lengthy in India. Furthermore, it lacks an ecosystem of multi modal linkages via road/rail connecting to airports to handle efficient evacuation of air cargo.

Exhibit 40. High cargo dwell time at Indian airports



Source: Industry, JM Financial

Exhibit 41. Low share of transhipment cargo vs global peers



Source: Industry, JM Financial

MRO is emerging as a key revenue driver, challenges exist

Indian MRO services currently focus on low end services

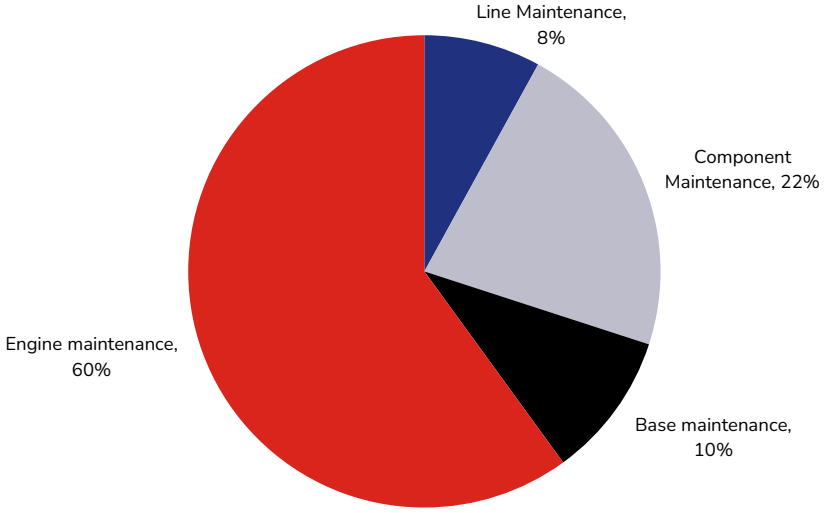
The global Maintenance, Repair, and Overhaul (MRO) industry is fundamentally segmented into four major areas, with Engine and Auxiliary Power Unit (APU) the dominant one. High value maintenance constitutes 60% of the global MRO outlay. This is followed by Component maintenance (22%), base maintenance (10%), and Line Maintenance (8%).

Exhibit 42. Types of MRO activities

Type of MRO	Includes
Line Maintenance	involve routine-in-service inspections, trouble-shooting and rectifications Does not require additional infrastructure such as hangars, but limited by the availability of the ground support equipment Carried out during turnarounds, while the aircraft is still in its operating environment
Component Maintenance	Aircraft components are inspected in detail in a specialist shop, after being removed during various checks
Airframe Heavy Maintenance and Modification	Generally includes structural work, corrosion prevention, interior refurbishment and replacement of major components Occurs in a hangar with specialised tools, involving time consuming tasks such as 'C' and 'D' checks
Engine maintenance	Involves repair, service and inspection of the aircraft engines to maintain airworthiness and meet international standards

Source: Industry, JM Financial

Exhibit 43. Components of global MRO industry



Source: Industry, JM Financial

Currently, the domestic MRO sector in India primarily focuses on lower-end services, including line maintenance, airframe checks, and basic component repair (such as electrical, avionics, and structural repair), segments where Intellectual Property (IP) control is comparatively lower. High-value, complex work like engine overhaul is still largely outsourced to international facilities.

Key Indian players contributing to this domestic capability include organisations like Air India Engineering Services Ltd, Max MRO Pvt Ltd, and Air Works India (Engineering) Pvt Ltd, with the government aiming to facilitate their expansion into higher-value segments through policy support and strategic collaborations.

Critical challenges facing the Indian MRO industry

Despite a significant increase in domestic fleet size, the Indian MRO sector is constrained by several bottlenecks that force airlines to continue outsourcing ~90% of heavy maintenance checks. The primary challenge is the tight control over critical Intellectual Property (IP), tooling, and technical data by Original Equipment Manufacturers (OEMs), particularly for high-value services.

Furthermore, the MRO industry is capital-intensive. Other challenges include scarcity of land for hangars at major airports and high land lease rentals, which increase operational costs. Besides, the sector faces regulatory and skill-based hurdles, as Indian Directorate General of Civil Aviation (DGCA) certification is not widely accepted internationally, requiring Indian MROs to invest heavily in obtaining costly foreign certifications (like EASA or FAA) to service global aircraft. Scarcity of trained engineers is also a key headwind. Currently, we have only about 7,000 licensed Aircraft

maintenance Engineers (AMEs) in India, significantly lower vs. the demand for 72,900 AMEs by 2035. India's training output stands at only 3,500 AMEs per year. Despite this, there is lack of practical exposure for the AMEs. Attrition levels are also high amid AMEs, as they seek access to better compensation and working conditions abroad.

Safran's entry: A game changer for Engine MRO in India

The establishment of Safran Aircraft Engine Services India (SAESI), one of the world's largest LEAP engine MRO facilities, is the first set-up of a deep-level servicing operation by a global engine OEM in India. It entails investment of USD 232mn in Hyderabad. The facility is strategically designed to service the CFM LEAP engines that power the majority of India's fast-growing fleet—the Airbus A320neo and Boeing 737 MAX aircraft—with a capacity to handle up to 300 engines annually by 2035. The key advantage is the direct localisation of high-value work. This is likely to cut dependence on foreign repair centres, and reduce aircraft turnaround time. The presence of Safran, in turn, will drive business to lower-end services being offered at GMR Hyderabad MRO terminal.

Similarly, the other key MRO projects in pipeline in India include the following:

Exhibit 44. Key MRO projects in India in pipeline

Major MRO projects	Company/timeline	Investment (INR bn)	Comments
Hyderabad	Safran	20.00	By 2035, 300 LEAP engines
Bengaluru	Indigo	11.00	12 aircraft bays for wide & narrow-body jets. Completion expected by 2028
Bengaluru	Air India	14.00	12 hangar for mixed fleet operational chip by early 2028
Kochi	July 2025	0.50	53,800 sqft space for 2 narrow-body aircraft; repair shops & parking for 13 aircraft
Bhopal	Mid 2025	0.25	1.5-acre site with hangars, workshops & training center

Source: Industry, JM Financial

GMR Airports: An introduction

Assets under ownership

GMR Airports is the second-largest private airport operator globally and the largest in India (based on number of passengers). It has market share of 27.5% based on number of passengers in FY25. In India, it operates three key airports, namely, Delhi, Hyderabad, and Goa. The Bhogapuram airport in Vishakhapatnam is current under construction. The company expects to commence operations at Bhogapuram by Jun-Jul'26. GMR has signed the concession agreement for Nagpur airport but is yet to take over operations.

Exhibit 45. GMR asset base of airports and key parameters

	Current PAX capacity (mn)	Max PAX capacity (mn)	Revenue share to AAI (%)	Remaining life of concession (Years)	GAL stake (%)
Domestic					
Delhi	100	119	46%	41	74%
Hyderabad	34	80	4%	43	74%
Goa	8	33	37%	53	100%
Bhogapuram		40	Dom at INR 303/pax, Intl at INR606/pax from FY26 onwards (moratorium till FY35)	40	100%
Nagpur		30	14.5%		100%
Bidar			Cost plus	8	
International					
Medan	10		19% gross revenue share + 2.5% of aero revenue + US 207mn over 8 years		49%
Crete		15			22%
Cebu		28	Upfront fees of US 320mn+VAT		

Source: Company, JM Financial

Key revenue drivers

Key revenue drivers for GMR include revenue from the three key airports namely Delhi (DIAL), Hyderabad (GHIAL) and Goa (GIAL) coupled with cargo and MRO operations from Hyderabad. In recent quarters, GMR has taken over operations of several non-aero services at Delhi, Hyderabad and Goa airports under its own standalone platform.

- **Delhi International Airport Limited (DIAL):** Delhi airport caters to the largest share of passengers in India. As of FY25, it handled 79mn passengers. It has a capacity of 100mn passengers currently. Based on airside capacity of the airport, the maximum capacity of Delhi airport can be expanded to 119mn. GMR took over operations of Delhi Airport in May'06. It has 41 years of concession left as per the Operations, Management and Development Agreement (OMDA) signed with AERA. Revenue share due to the Airports Authority of India (AAI) for DIAL stands at 45.99%. DIAL contributes 52% to consol gross revenue of GMR but contributes 38% to its consol EBITDA due to high revenue share to AAI.

Exhibit 46. Snapshot of passengers, revenue and EBITDA profile for Delhi airport

	FY23	FY24	FY25	CAGR (FY23-25)
PAX (mn)	65	74	79	10.2%
Aero revenue (INR mn)	9,376	10,618	11,526	10.9%
Non-Aero revenue (INR mn)	24,773	29,417	33,013	15.4%
Revenue from CPD (INR mn)	5,751	8,017	9,789	30.5%
Revenue share to AAI (%)	46.6%	47.1%	45.9%	
EBITDA (INR mn)	9,838	12,695	14,518	21.5%
EBITDA margin (%)	24.7%	26.4%	26.7%	

Source: Company, JM Financial

- **GMR Hyderabad International Airport Limited (GHIAL)**: Hyderabad airport handled ~30mn passengers in FY25. It has a capacity of 34mn passengers currently, expandable to 80mn pax. GMR has earmarked capex of INR 140bn to raise the capacity of the airport to 50mn pax by FY31. GMR signed the concession agreement for Hyderabad airport in Dec'04 and started operations in Mar'08. It has 43 years of concession left as per the OMDA signed with AERA. Revenue share due to the Airports Authority of India (AAI) for Hyderabad airport stands at 4%. GHIAL contributes 21% to GMR's consol gross revenue but contributes 35% to consol EBITDA due to higher EBITDA margin because of low revenue share to AAI.

Exhibit 47. Snapshot of passengers, revenue and EBITDA profile for Hyderabad airport

	FY23	FY24	FY25	CAGR (FY23-25)
PAX (mn)	21.00	25.05	29.16	17.8%
Aero revenue (INR mn)	7,852	12,603	15,596	40.9%
Non-Aero revenue (INR mn)	4,461	5,420	6,107	17.0%
Revenue share to AAI (%)	4.4%	4.4%	4.3%	
EBITDA (INR mn)	6,110	10,865	13,151	46.7%
EBITDA margin (%)	44.1%	53.7%	56.0%	

Source: Company, JM Financial

- **Goa International airport Limited (GIAL)**: Goa airport handled 4.7mn passengers in FY25. It has a capacity of 7.7mn passengers expandable to 33mn passengers at peak. GMR signed the concession agreement for Goa airport in Aug'16 and commenced operations in Jan'23. It is currently operating under the tariff order for the first control period. It has 53 years of concession left as per the OMDA signed with AERA. Revenue share for Goa airport due to the AAI stands at 37%. However, certain revenue segments are exempt from revenue sharing currently. Thus, the effective revenue share currently stands at 25% for 1HFY26.

Exhibit 48. Snapshot of passengers, revenue and EBITDA profile for Goa (Mopa) airport

	FY24	FY25
PAX (mn)	4.40	4.70
Aero revenue (INR mn)	1,716	3,163
Non-Aero revenue (INR mn)	473	828
Revenue share to AAI (%)	0%	9%
EBITDA (INR mn)	284	1,486
EBITDA margin (%)	12%	36%

Source: Company, JM Financial

- **Cargo and MRO Hyderabad**: MRO services account for ~70% of revenue within the cargo and MRO services. GMR operates India's largest third party MRO facility in Hyderabad. It is operated by GMR Aero Technic (GAT) which is located in GMR aerospace park spanning over 250 acre space within the Hyderabad airport. Currently, the facility engages in base maintenance including regular compulsory checks for aircraft and on mainframe/body checks only and outsources engine/component maintenance. However, recently, Safran, a global leader in MRO services, has inaugurated its largest global Leap engine MRO facility in Hyderabad called SAESI. Initial focus of this facility would be to handle repairs and maintenance for LEAP engines (Airbus A320neo family and Boeing 737 MAX) to the tune of ~100 engines per year. It aims to ramp up the capacity to 300 engines per year. Eventually, it also plans to handle the M88 engine line for the Rafale aircraft. This facility would entail investment of INR 13bn. Onset of this facility would help India develop indigenous capabilities in the MRO space and can lead to a significant rise in revenue for MRO in Hyderabad. The construction of the MRO facility for Safran is physically complete as of Oct'25 and the final handover is underway.

  Cargo handling services accounts for ~30% revenue for this segment. Hyderabad airport handled 0.17mmt of cargo in FY25 delivering 10% CAGR over FY23-25.

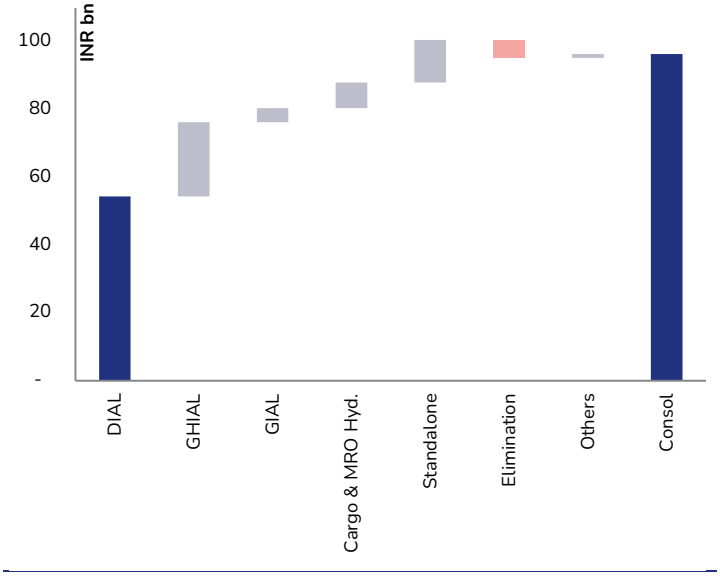
Exhibit 49. Snapshot of revenue profile for cargo and MRO Hyderabad

INR mn	FY22	FY23	FY24	FY25	CAGR (FY23-25)
Revenue	3,490	3,824	4,667	7,530	40%
MRO	2,561	2,742	3,132	5,179	37%
Cargo operations	840	869	1,419	2,027	53%
EBITDA	599	618	1,118	2,496	101%
EBITDA margin (%)	17.2%	16.2%	24.0%	33.1%	

Source: Company, JM Financial

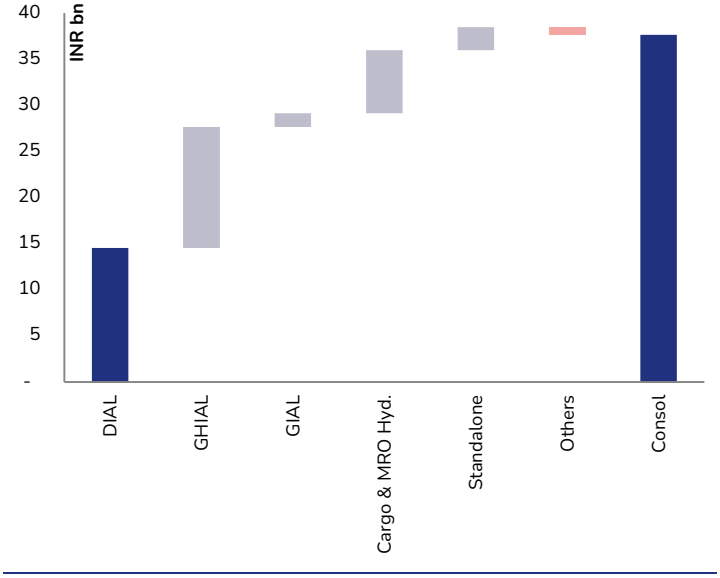
- **GAL platform (standalone)**: GMR is assuming full control of operations of non-aero services at Delhi/Hyderabad/Goa airports from an earlier JV-model to its own platform as a part of GAL standalone. This can help unlock the entire value chain linked to non-aero revenue at Delhi, Hyderabad and Goa airports. GMR took over Delhi duty-free operations in Jul'25 and Hyderabad duty free as well from Sep'25 onwards. Currently, the standalone platform consists of duty-free operations at Delhi, Hyderabad and Goa airports, car park operations at Hyderabad and Goa airports, cargo operations at Delhi and Goa airports and retail operations at Hyderabad.

Exhibit 50. Consol gross revenue bridge for GMR Airports (FY25)



Source: Company, JM Financial. **Figures inclusive of royalties paid to Authorities*

Exhibit 51. Consol EBITDA bridge for GMR Airports (FY25)



Source: Company, JM Financial

Delhi Airport: EBITDA growth led by non-aero and land monetisation

GMR took over operations of Delhi airport in May'06. It has a passenger capacity of 100mn currently, expandable to 119mn (maximum allowed capacity). From DIAL, GMR has three revenue streams namely aeronautical, non-aeronautical and revenue from commercial property development. Revenue share to AAI for this airport stands at 46% as per the concession agreement.

- **Number of passengers**: Delhi airport handled 79mn pax in FY25. Based on the run rate in 1HFY26, we expect flattish pax of 80mn in FY26. Over FY26-28, we estimate 6% CAGR in pax in line with AERA's traffic projections for the airport. This is driven by domestic pax CAGR of 7% and international pax CAGR of 4% over FY26-28.
- **Aero revenue**: Aero revenue constituted ~21% of DIAL's gross revenue as of FY25. We expect a strong rise in aero revenue to ~INR 30bn in FY26E as FY25 aero revenue was adversely impacted by true-up of the previous period. AERA has estimated yield per passenger (YPP) for DIAL at INR 216/pax for the control period over FY25-29. Based on this YPP we estimate 8% CAGR in aero revenue over FY26-28. We note that bulk of the capex for the Delhi airport is completed. According to GMR, capex to be done on the airside is complete and the airport may incur some capex to expand the terminal side capacity to accommodate the maximum pax capacity possible of 119mn.
- **Non-aero revenue**: Non-aero revenue constituted 61% of DIAL's gross revenue as of FY25. We estimate 12% CAGR in non-aero revenue over FY6-28 based on 6% CAGR in number of passengers and a 6% CAGR in spend per passenger.
- **Commercial land development**: GMR had 230 acres of commercially monetisable land at the Delhi Airport. Of this, 100 acres of land is yet to be monetised. The management believes it is in a position to monetise developable commercial real estate of 10mn sqft over the next 10 years. It believes annual lease rentals can be ~INR 240/sqft/month. Once the commercial real estate is developed, GMR Airports intends to sell down these assets to long-term investors like REITs, etc. This may have the potential to prevent potential royalty paid to AAI. Given we assess this to be NPV negative for AAI, there can be pushback on this aspect with potential for litigation. Currently, 1mn sqft of commercial space self-development is in progress and this serve as a test case for monetisation when it is operationalised.

Exhibit 52. Key assumptions for DIAL

	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR (FY26-28)
PAX (mn)	65	74	79	80	85	89	5.9%
Aero revenue (INR mn)	9,376	10,618	11,526	29,955	32,332	34,783	7.8%
Non-Aero revenue (INR mn)	24,773	29,417	33,013	35,170	39,641	44,313	12.2%
Revenue from CPD (INR mn)	5,751	8,017	9,789	11,501	12,651	15,618	16.5%
EBITDA (INR mn)	9,838	12,695	14,518	28,202	31,145	38,079	16.2%
EBITDA margin (%)	24.7%	26.4%	26.7%	36.8%	36.8%	40.2%	

Source: Company, JM Financial

Hyderabad Airport: EBITDA growth led by non-aero revenue

GMR took over operations of Hyderabad airport in Dec'08. It has a passenger capacity of 34mn currently, expandable to 80mn. In the upcoming control period, we expect the capacity to be expanded to 50mn-55mn pax and full capacity to be commissioned in the following control period. From GHIAL, GMR has three streams of revenue including aeronautical revenue, non-aeronautical revenue and revenue from commercial property development. Revenue share to AAI for this airport stands at 4% as per the concession agreement.

- **Passenger growth strength to sustain**: Hyderabad airport handled 29mn pax in FY25. Passenger growth in 1HFY26 was up 12% YoY. We expect the trend of growth to continue and estimate 12% passenger CAGR over FY26-28. Given that passenger traffic is almost near full capacity in FY26, we believe there is a strong rationale for capacity expansion in the upcoming control period.
- **Aero revenue led by capex undertaken to expand terminal capacity**: Aero revenue constituted ~70% of GHIAL's gross revenue as of FY25. We expect a strong 19% CAGR in aero revenue over FY26-28 led by rise in yield per passenger led by capex to be implemented by GMR to expand the passenger capacity to 50mn-55mn pax.
- **Significant potential for growth in non-aero revenue**: Non aero revenue constituted ~30% of GHIAL's gross revenue as of FY25. We estimate 19% CAGR in non-aero revenue over FY6-28 based on 12% CAGR in number of passengers and 6% CAGR in spend per passenger. Spend per passenger at Hyderabad airport is significantly lower vs. that at metro cities of Delhi/Mumbai. With rising economic growth, we expect this differential to narrow progressively. Furthermore, we note that GMR Airports has taken over operations of Hyderabad duty free on its own platform. We expect a more focussed approach towards store formats to help improve non-aero spends per passenger at Hyderabad airport.
- **Commercial land has significant growth but currently contributes <1% to gross revenue**: GMR had ~1,500 acres of commercially monetisable land at the Hyderabad airport. Of this, ~1,050 acres of land is still left to be monetised. Given the low royalty rate of 4%, GHIAL land monetisation will be NPV positive for AAI and as a result we do not expect any resistance on land development and its monetisation. We note already six such transactions have taken place at GHIAL.

Exhibit 53. Key assumptions for GHIAL

	FY23	FY24	FY25	FY26	FY27	FY28	CAGR (FY26-28)
PAX (mn)	21.00	25.05	29.16	33.00	36.96	41.40	12.0%
Aero revenue (INR mn)	7,852	12,603	15,596	17,556	19,663	24,709	18.6%
Non-Aero revenue (INR mn)	4,461	5,420	6,107	7,634	9,234	10,859	19.3%
Revenue share to AAI (%)	4.4%	4.4%	4.3%	4.3%	4.0%	4.0%	
EBITDA (INR mn)	6,110	10,865	13,151	15,763	18,671	24,291	24.1%
EBITDA margin (%)	44.1%	53.7%	56.0%	62.1%	64.2%	67.9%	

Source: Company, JM Financial

Exhibit 54. Cluster hubs for land monetisation at Hyderabad airport

Source: Company, JM Financial

Goa airport: EBITDA margin improves as operations normalise

GMR signed the concession agreement for Goa airport in Aug'16 and commenced operations in Jan'23. It is currently operating under the tariff order for the first control period. It has a capacity of 7.7mppa expandable to 33mppa at the peak.

Given weak traffic growth in the airport, the management has offered near-term incentives to crowd in international flights. This may impact numbers in FY26 and FY27E but we expect normalisation from late FY27. Further, Mopa traffic estimates are trailing AERA control period estimates. Thus, we are factoring in 10% passenger traffic and 17% revenue CAGR over FY26-28E, which are below AERA estimates.

We have not factored in significant land monetisation in Goa at this stage though the management highlighted that it is looking at mixed use development.

Exhibit 55. Goa airport capacity to expand based on traffic

Phasing	Traffic design capacity (mppa)	Trigger for phasing	Year
Phase-I	4.40	On date of COD	FY23
Phase-II	7.70	80% of phase I capacity	FY24
Phase-III	11.10	80% of phase II capacity	FY26
Phase-IV	16.00	80% of phase III capacity	FY31
Phase-V	21.60		FY43

Source: Industry, JM Financial

Exhibit 56. Key assumptions for GIAL

	FY24	FY25	FY26	FY27	FY28	CAGR (FY26-28)
PAX (mn)	4.40	4.70	5.03	5.53	6.09	10.0%
Aero revenue (INR mn)	1,716	3,163	3,379	3,990	4,695	17.9%
Non-Aero revenue (INR mn)	473	828	1,030	1,280	1,483	20.0%
Revenue share to AAI (%)	0%	9%	25%	26%	27%	
EBITDA (INR mn)	284	1,486	900	1,417	2,008	49.3%
EBITDA margin (%)	12%	36%	20%	27%	33%	

Source: Company, JM Financial

Bhogapuram expected by late FY27; minimal EBITDA impact

We have not factored in Bhogapuram airport estimates in our FY26-28E estimates as we do not expect them to be meaningful over this time frame. The airport is expected to be operational by Dec'26 and, thus, we do not expect any contributions in at least FY27. FY28E contributions in the overall scheme of things will be minimal as well.

We do note that given development of industries, especially those like Google data centre at Vishakapatnam, there may be a meaningful traffic boost to the airport from both domestic and international.

Cargo and MRO in Hyderabad: MRO presents strong potential for growth

This entity comprises of MRO and cargo operations at Hyderabad airport with MRO contributing 70% to the revenue of the entity.

- **MRO to be a strong growth potential even beyond FY28**: This is India's largest third party MRO facility. It has delivered ~29% CAGR in revenue over FY22-25. However. currently the facility engages in base maintenance, including regular compulsory checks for aircraft, and on mainframe/body checks only and outsources engine/component maintenance. Global MRO analysis suggests engine maintenance constitutes ~60% of global MRO services. This is a critical aspect of MRO that has been so far missing from Indian MRO services.

  However, recently Safran, a global leader in MRO services, has inaugurated its largest global Leap engine MRO facility in Hyderabad called SAESI. Initial focus of this facility would be to handle repairs and maintenance for LEAP engines (Airbus A320neo family and Boeing 737 MAX) to the tune of ~100 engines per year. It aims to ramp up the capacity to 300 engines per year. Eventually, it also plans to handle the M88 engine line for the Rafale aircraft. This facility would entail investment of INR 20bn. We estimate 24% CAGR in revenue from MRO services with a significant potential for growth even beyond FY28. The Safran MRO has indirect benefits for GMR as it has the potential to crowd in base and line maintenance activities, supporting growth and margin expansion beyond FY28 as well.

- **Cargo volume to witness steady growth**: Cargo volume at Hyderabad airport rose at 8% CAGR over FY22-25 to 0.18mmt in FY25. 72% of the exports of this cargo facility were pharmaceutical products. Capex of INR 3.7bn is underway for expansion of this cargo terminal to 0.4mmtpa. Thus, we estimate a steady ~10% CAGR in cargo volume, driving 15% CAGR in revenue over FY25-28.

- **Segment has delivered a stark improvement in profitability, expect EBITDA margin to sustain**: Cargo and MRO segment has delivered a sustained rise in EBITDA margin from 16.2% in FY23 to 38% in 1HFY26. We expect the EBITDA margin to improve further to ~40% by FY28 led by rise in revenue contribution from the (high margin) MRO segment.

Exhibit 57. Snapshot of estimates for cargo and MRO segment Hyderabad

	FY23	FY24	FY25	FY26	FY27	FY28	CAGR (FY25-28)
Revenue (INR mn)	3,824	4,667	7,530	10,267	11,718	13,381	21%
MRO (INR mn)	2,742	3,132	5,179	7,551	8,683	9,986	24%
Cargo operations ('000 t)	869	1,419	2,027	2,392	2,710	3,071	15%
EBITDA (INR mn)	618	1,118	2,496	3,901	4,687	5,352	29%
EBITDA margin (%)	16.2%	24.0%	33.1%	38.0%	40.0%	40.0%	

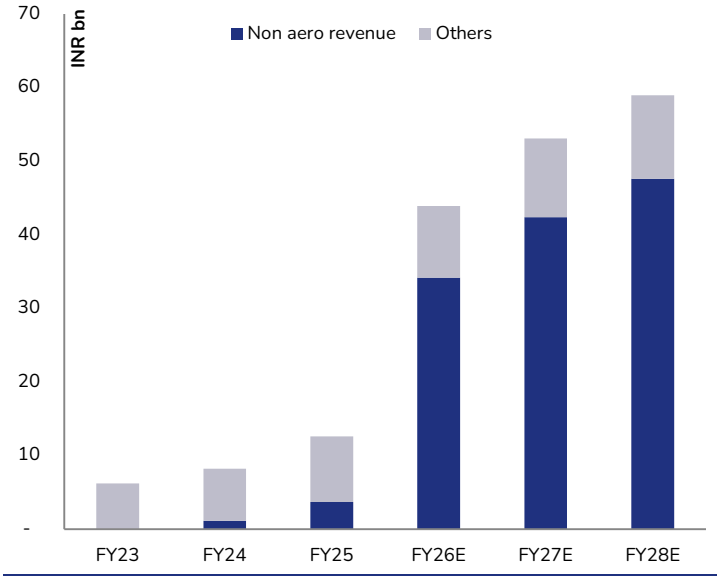
Source: Company, JM Financial

Consolidation of non-aero revenue streams to GAL platform to accelerate growth for standalone entity

GMR is assuming full control of operations of non-aero services at Delhi/Hyderabad/Goa airports from an earlier JV model to its own platform as a part of GAL standalone. This can help unlock the entire value chain linked to non-aero revenue at Delhi, Hyderabad and Goa airports. GMR took over Delhi duty-free operations in Jul'25 and Hyderabad duty free as well from Sep'25 onwards. Currently, the standalone platform consists of duty-free operations at Delhi, Hyderabad and Goa airports, car park operations at Hyderabad and Goa airports, cargo operations at Delhi and Goa airports and retail operations at Hyderabad.

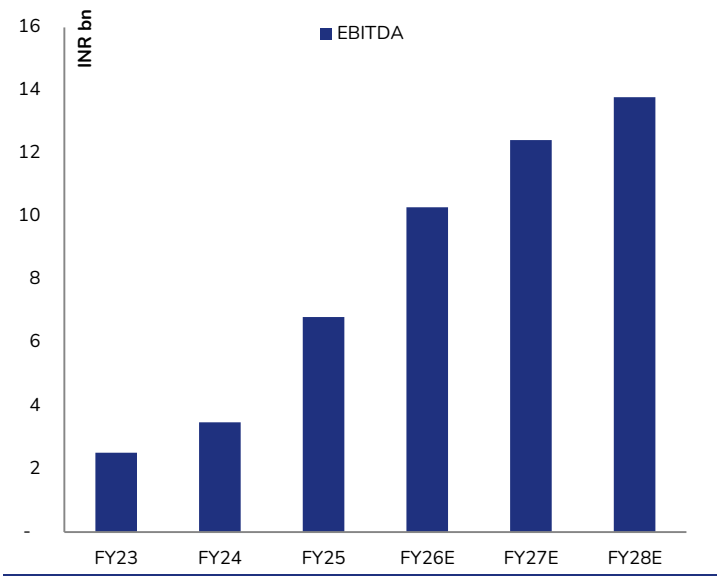
We expect revenue for the standalone entity to ramp up as full year operations for these services are consolidated into the standalone platform. We expect increased focus on store diversification and service levels on duty free and retail operations. We estimate acceleration in standalone revenue in FY26 led by consolidation of non-aero revenue within the standalone platform. Beyond this, we estimate 15% CAGR in standalone revenue and EBITDA over FY26-28 in line with growth in non-aero revenue at Delhi, Hyderabad and Goa airports.

Exhibit 58. Standalone revenue growth led by non-aero services



Source: Company, JM Financial

Exhibit 59. Standalone EBITDA to also rise multi-fold



Source: Company, JM Financial

Property development at key hubs of Delhi, Hyderabad can be a key driver

We had earlier highlighted prospects of land monetisation for GMR at Delhi and Hyderabad airports. We estimate that in the event GMR is able to develop 10mn sqft at DIAL over the next decade it can add INR 133bn in value to GMR shareholders. Our assumptions are based on INR 240/sqft monthly rental for Grade A commercial property with cost of development at INR 6,100/sqft. We estimate that with a cap rate of 8% applicable to Delhi commercial real estate, DIAL can have effective post tax (LTCG) cash inflows of INR 26bn, which can escalate by 5% p.a.

However, for DIAL, we also note that the value accrued to AAI is INR 47bn in case of land development, which is lower than INR 87bn NPV in case of the continued lease model (as earlier) since AAI also derives 46% gross royalties. Thus, there maybe some resistance for approvals though GMR may have a strong case since it has done some land development and sale at GHIAL.

In case of GHIAL, the management expects to monetise 80 acres of land on a rolling development basis. The valuation of land potentially is at INR 10mn/acre as per management estimates.

Exhibit 60. DIAL land monetisation model explained: significantly NPV accretive vs a continued leasing model

	FY26	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37
Annual leased land (mn sqft)		1	1	1	1	1	1	1	1	1	1
Land left to lease (mn sqft)		9	8	7	6	5	4	3	2	1	0
Annual lease rental per Sqft		2,880	3,024	3,175	3,334	3,501	3,676	3,859	4,052	4,255	4,468
Annual increase in lease rental			5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Capitalization rate		8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Market value at Cap rate (sqft)		36,000	37,800	39,690	41,675	43,758	45,946	48,243	50,656	53,188	55,848
Delhi office space construction cost (sqft)		-6,068	-6,371	-6,690	-7,024	-7,376	-7,744	-8,132	-8,538	-8,965	-9,413
Market value off assets monetised (INR mn)		36,000	37,800	39,690	41,675	43,758	45,946	48,243	50,656	53,188	55,848
Construction cost (INR mn)		-6,068	-6,371	-6,690	-7,024	-7,376	-7,744	-8,132	-8,538	-8,965	
Gain on assets monetised (INR mn)		29,932	31,429	33,000	34,650	36,383	38,202	40,112	42,117	44,223	55,848
Less: LTCG	12.5%	-3,742	-3,929	-4,125	-4,331	-4,548	-4,775	-5,014	-5,265	-5,528	-6,981
Post Tax gain assets monetised		26,191	27,500	28,875	30,319	31,835	33,426	35,098	36,853	38,695	48,867
Discount factor		0.89	0.80	0.71	0.64	0.57	0.51	0.45	0.40	0.36	0.32
NPV of monetised (INR mn)	1,80,575	23,384	21,923	20,553	19,268	18,064	16,935	15,876	14,884	13,954	15,734
Per acre value (INR mn)	1,806										

Source: JM Financial, Company

Financials: Expect consistent PAT growth and deleveraging

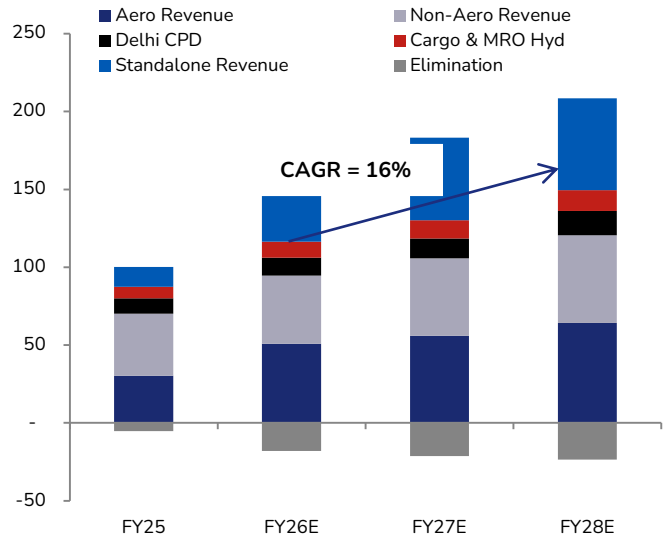
Estimate 14% sales and 19% EBITDA CAGR over FY26-28E

Riding on the back of strong tariff hike at DIAL and an anticipated rise in passenger yields (YPP) at Hyderabad due to expansion capex, we expect robust growth in aero revenue. Further, we also expect strong non-aero uptick at GHIAL where SPP (spend per pax) has significant headroom for expansion.

The consolidation of non-aero JV businesses like duty free, car park and MRO into the GAL standalone platform will also drive significant standalone revenue and EBITDA growth. Combined, we expect 14% revenue and 19% EBITDA CAGR over FY26-28E. We, however, note there can be risk to earnings from operationalisation of Noida airport, which can divert as much as 15% of existing traffic at DIAL.

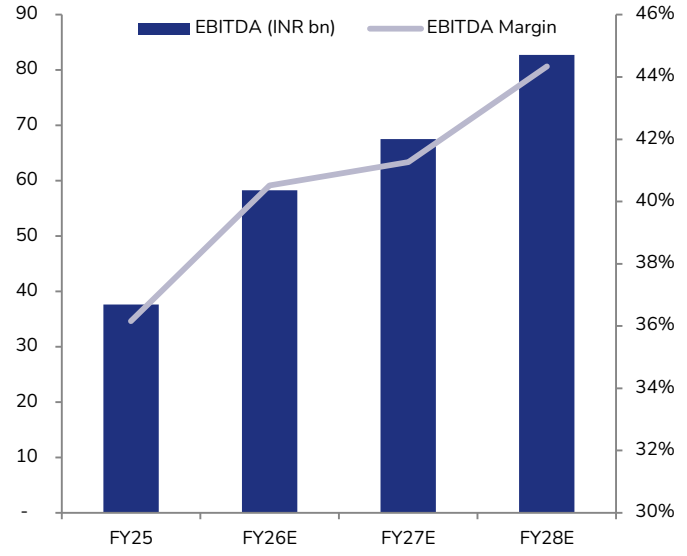
We have not also factored lower air traffic movement due to winter smog-linked landing restrictions at DIAL in place and cut in capacities being enforced by Ministry of Civil Aviation on Indigo as a punitive measure for mass flight cancellations in Dec'25 (as Indigo failed to meet recent DGCA norms on pilot duty hours).

Exhibit 61. We estimate revenue CAGR of 16% over FY26-28E



Source: Company, JM Financial

Exhibit 62. We estimate EBITDA CAGR of 19% over FY26-28E



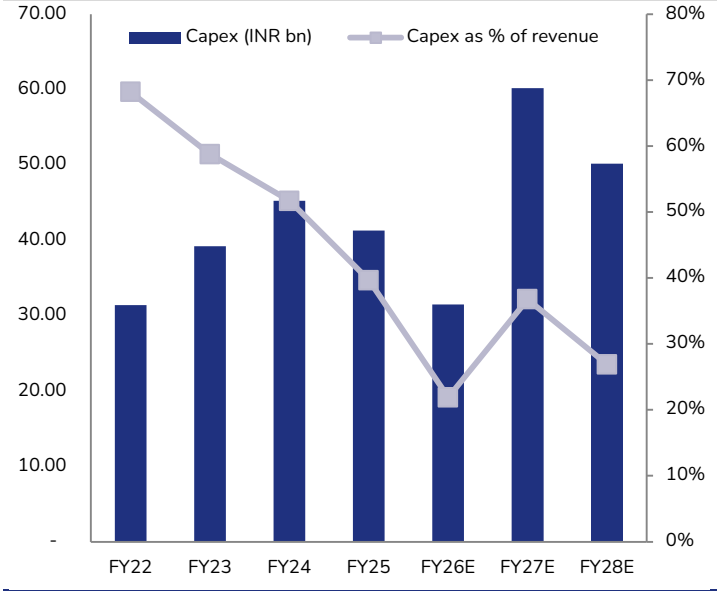
Source: Company, JM Financial

Exit of capex-intensive phase at DIAL drives deleveraging

DIAL is undertaking its final capacity expansion to 119mn pax at DIAL, post which there are no further expansion possibilities. Thus, DIAL is likely to exit a period of intense capex, which can aid it in turning profitable eventually (only GHIAL is PAT positive currently). GHIAL may have to incur capex for expansion from 33mn pax to 50mn+ pax in the upcoming control period, but this is offset largely by completion of capex at Bhogapuram airport (expected by end of CY26).

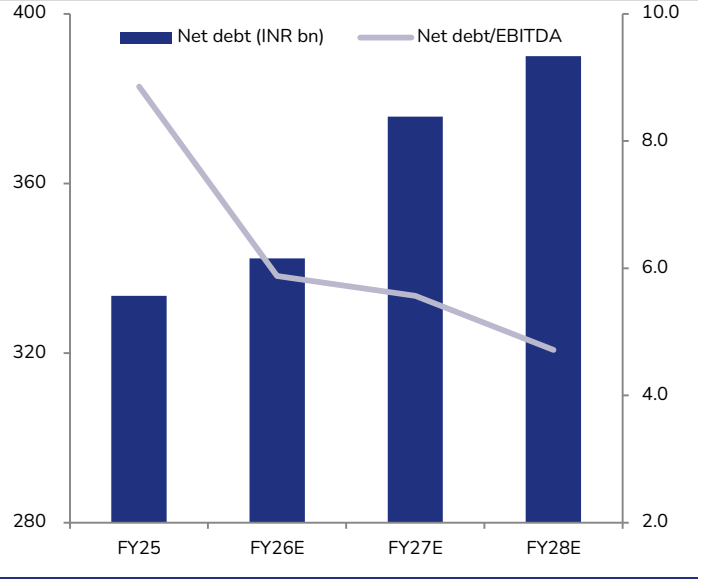
Considering DIAL exiting its capex phase and Bhogapuram execution being completed, we expect total capex to come off over FY26-28E. Capex again rises after FY28E as GHIAL capex comes into play. The exit of the capex-intensive phase drives reduction in net debt to EBITDA significantly, greatly stabilising GMR. Currently, GMR has a relatively high level of leverage if we compare it to, say, listed ports (asset plays) like Adani Ports (ADSEZ IN) at 1.8x or JSWINFRA at 0.75x in 1HFY26.

Exhibit 63. Capex intensity to reduce from FY28 onwards



Source: Company, JM Financial

Exhibit 64. Net debt to decline over FY25-28

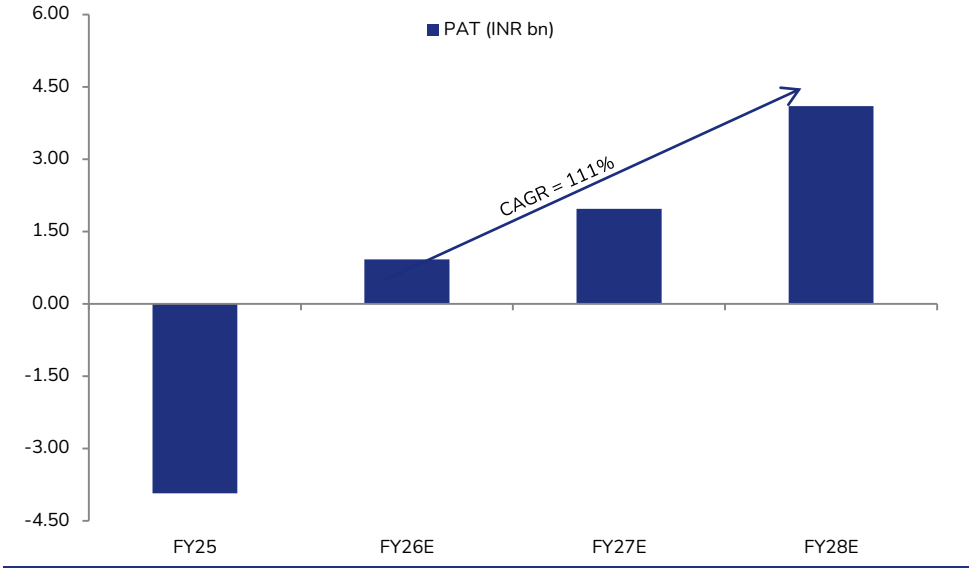


Source: Company, JM Financial

Deleveraging drives lower debt costs and 100%+ PAT CAGR

The deleveraging not only reduced debt levels but can also improve credit ratings driving lower interest costs. This, in turn, reduces interest costs and drives strong PAT CAGR of 100%+ (though on a lower base of FY26 – first year of profitability).

Exhibit 65. We expect PAT to grow at a CAGR of 111% over FY26-28E



Source: Company, JM Financial

Exhibit 66. Snapshot of key assumptions for GMR Airports

INR mn except passengers	FY25	FY26	FY27	FY28	CAGR (FY26-28)
PAX (mn)					
Delhi	**79**	**80**	**85**	**89**	**6%**
Domestic	58	58	62	65	6%
International	22	21	23	24	6%
Hyderabad	**29**	**33**	**37**	**41**	**12%**
Domestic	24	28	31	35	12%
International	5	5	6	6	12%
Goa	**8**	**10**	**12**	**13**	**18%**
Domestic	6.9	8.6	10.7	12.1	19%
International	0.9	1.0	1.1	1.2	11%
Delhi					
Aero Revenue	11,526	29,955	32,332	34,783	8%
Non aero revenue	33,013	35,170	39,641	44,313	12%
Commercial development	9,789	11,501	12,651	15,618	17%
EBITDA	14,518	28,202	31,145	38,079	16%
Hyderabad					
Aero Revenue	15,596	17,556	19,663	24,709	19%
Non aero revenue	6,107	7,634	9,234	10,859	19%
Commercial development	198	198	198	198	0%
EBITDA	13,151	15,763	18,671	24,291	24%
Goa					
Aero Revenue	3,163	3,379	3,990	4,695	18%
Non aero revenue	792	862	960	1,083	12%
EBITDA	1,486	900	1,417	2,008	49%
Cargo and MRO Hyderabad					
Revenue	7,530	10,267	11,718	13,381	14%
EBITDA	2,496	3,901	4,687	5,352	17%
Standalone- GAL Platform					
Revenue	12,634	43,900	53,104	58,970	16%
EBITDA	6,816	10,299	12,428	13,790	16%
Consol revenue	**1,04,142**	**1,43,803**	**1,63,669**	**1,86,525**	**14%**
Consol EBITDA	**37,659**	**58,257**	**67,541**	**82,712**	**19%**

Source: Company, JM Financial

Valuation: Initiate at BUY with a TP of INR 120

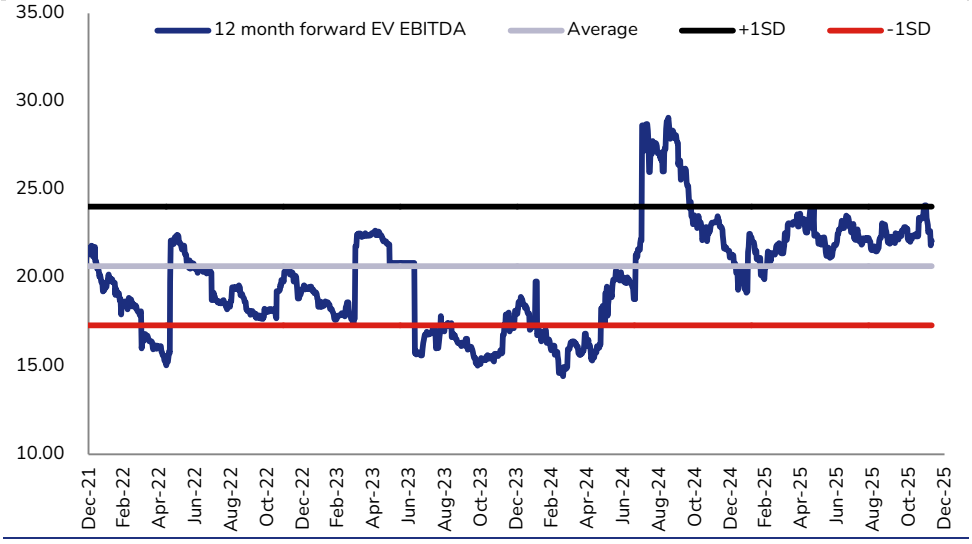
We value GMR Airports on an SOTP basis. We value the operational airports in India at GMR's long-term average 12-month forward EV EBITDA of 21.2x. To this, we add value of land yet to be monetised. We value assets under construction at Bhogapuram at 2.5x EV/investment. We value Medan airport at 9x FY28 EV EBITDA (in line with average EV EBITDA for global peers). With this, we arrive at our SOTP-based TP of INR 120, implying 18% upside from current levels and, thus, initiate with a **BUY** rating.

Exhibit 67. SOTP based valuation: Initiate at BUY with a TP of INR120

SOTP Valuation	Multiple	Base (INR bn)	EV (INR bn)	EV/share (INR)	Comments
Domestic Airports	21.2	83	1,754	127	Valuing on long term average 21x EV EBITDA
Medan	9.4	0.7	7	0.47	Valuing it on 9x FY28 EV EBITDA (in line with global average)
Bhogapuram	2.5	50	123	8.9	Valuing on 2.5x EV/Investment
Enterprise Value			1,883	136	
Net debt			376		
Mkt Cap			1,507	109	
Adding value of land at the three airports (adjusted for GMR's stake)					
	Unused land	**Rate (INR bn/acre)**	**Value (INR bn)**		
Delhi	100	1.57	63	4.5	NPV adjusted by GMR's revenue share
Hyderabad	1,050	0.10	78	5.6	
Goa	228	0.05	11	0.8	
Total valuation			**1,659**	**120**	

Source: Company, JM Financial

Exhibit 68. 12-month forward EV EBITDA for GMR Airports



Source: Bloomberg, JM Financial

Exhibit 69. Peer comparison for airports: global airports' FY28 EV/ EBITDA ranges over 5x-16x (average 9.4x), GMR trades at the top end at 18.5x

Name	Mcap	EV/EBITDA			PE		
	USD bn	FY26/CY25	FY27/CY26	FY28/CY27	FY26/CY25	FY27/CY26	FY28/CY27
Airports of Thailand PCL	24.6	17.0	15.2	14.2	32.9	28.1	25.4
Auckland International Airport	**7.9**	**21.4**	**19.2**	**16.1**	**44.0**	**41.7**	**36.0**
Fraport AG Frankfurt Airport S	7.4	12.2	11.6	10.7	15.6	17.3	15.6
Aeroports de Paris SA	13.2	9.6	9.1	8.7	25.2	18.0	15.4
Flughafen Wien AG	5.4	10.1	10.6	10.7	20.5	24.7	23.5
Aena SME SA	41.6	10.7	10.0	9.7	17.0	15.4	15.1
Airports Corp of Vietnam JSC	7.0	10.6	10.1	8.3	15.5	18.9	19.8
Flughafen Zurich AG	9.6	11.6	10.9	10.6	22.0	22.0	21.2
Beijing Capital International	1.6	13.4	10.7	9.1		94.8	27.8
TAV Havalimanlari Holding AS	2.6	5.7	5.1	5.1	30.4	10.7	10.3
Japan Airport Terminal Co Ltd	2.6	7.9	7.6	7.2	17.4	17.5	16.3
Grupo Aeroportuario del Pacifi	13.4	11.9	10.8	8.7	20.8	16.8	14.3
Grupo Aeroportuario del Centro	5.2	10.2	8.8	7.8	16.7	14.3	12.4
Guangzhou Baiyun International	**3.3**	**5.5**	**5.6**	**5.1**	**17.7**	**29.8**	**24.9**
Shenzhen Airport Co Ltd	2.1	9.7	9.0	8.7	23.2	19.2	16.9
Average		**11.2**	**10.3**	**9.4**	**22.8**	**25.9**	**19.7**

Source: Bloomberg, JM Financial

Investment Risks

Emerging competition around Delhi airport: Hindon and Jewar

The concession agreement had provided for exclusive monopoly around particular cities like Delhi. However, when the concession for Noida came up for bidding, the bid offered by Zurich was far higher and as a result GMR Airport could not exercise its ROFR (right of first refusal) in this case. Based on our interactions with aviation experts we expect nearly 10-15% traffic diversion from DIAL to Noida, which can lead to relatively modest passenger traffic growth, especially traffic originating around Noida and Agra clusters.

GMR management is not too concerned about Noida as there are examples globally of dual airports – Heathrow (handling premium long haul operations) vs. Stansted (handling leisure traffic). Currently, the Noida airport faces a commute disadvantage but with planned RRTS projects and expressway links this issue may be addressed. Further, our checks suggest the following measures being contemplated by Noida airport that may have some impact, namely, a) Offer of overnight parking of aircraft b) availability of peak hour slots and c) offering "mixed rotation gates" which allows an aircraft arriving from a domestic destination to depart to an international destination from the same gate, improving turnaround efficiency. We note that Noida airport, built with a capacity of 12mn pax in the first phase, is targeting 6mn pax in its first full year of operations.

Further, operationalisation of the Hindon air base as a civil enclave has already caused diversion of domestic traffic to the extent of 2mn pax (20 flights daily). This traffic, however, would not have been contributing to non-aero revenue anyway and, thus, the potential impact is minimal.

Closure of Pakistani airspace is leading to MIAL/NMIAL emerging as an alternate hub to DIAL.

The closure of Pakistani airspace following hostilities during Operation Sindoor has impacted direct travel routes from Delhi to Middle Eastern countries and Europe. This, coupled with impact of flying due to winter smog, can lead to leading airlines like Indigo and Air India exploring Mumbai as an alternate hub since Mumbai is not land locked and has direct access to the Arabian sea avoiding the Pakistani aerospace.

Previously, Mumbai could not emerge as an alternate hub as it was saturated with limited scope for further passenger handling. Now, with NMIAL emerging with first flights expected in late Dec'25, there is enough capacity (20mn pax at NMIAL in Phase 1) to allow MIAL/NMIAL to emerge as an alternate hub to Delhi (DIAL).

However, opening of NMIAL also adds an advantage as it allows for further capacity addition on the busy Mumbai Delhi route. This can materially boost domestic, but fairly premium, traffic.

Potential listing of Adani airports can impact future re-rating

At present GMR Airports is the only way to play the airport theme and a rationale for relatively elevated multiple vs. regional peers also boils down to lack of investable opportunities in India in the space. In the event Adani Enterprises were to consider a listing of its airport arm Adani Airports then investors may have alternate investment avenues. This has the potential to impact future re-rating given Adani's track record of achieving scale at a very rapid rate.

Financial Tables (Consolidated)

Income Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	64,080	77,795	108,594	124,716	142,686
Sales Growth	*34.6%*	*21.4%*	*39.6%*	*14.8%*	*14.4%*
Other Operating Income	0	0	0	0	0
Total Revenue	**64,080**	**77,795**	**108,594**	**124,716**	**142,686**
Cost of Goods Sold/Op. Exp	2,145	3,157	4,148	4,572	5,204
Personnel Cost	12,422	14,859	20,518	23,352	26,613
Other Expenses	19,855	22,120	25,671	29,252	28,156
EBITDA	**29,658**	**37,659**	**58,257**	**67,541**	**82,712**
EBITDA Margin	*46.3%*	*48.4%*	*53.6%*	*54.2%*	*58.0%*
EBITDA Growth	*73.9%*	*27.0%*	*54.7%*	*15.9%*	*22.5%*
Depn. & Amort.	14,659	19,104	18,841	18,463	18,744
EBIT	14,999	18,555	39,416	49,078	63,969
Other Income	4,524	4,217	3,819	3,950	4,223
Finance Cost	29,288	37,047	40,175	42,536	45,377
PBT before Excep. & Forex	-9,765	-14,275	3,060	10,492	22,816
Excep. & Forex Inc./Loss(-)	1,151	6,074	810	0	0
PBT	-8,614	-8,201	3,870	10,492	22,816
Taxes	1,926	1,816	770	2,641	5,743
Extraordinary Inc./Loss(-)	2,266	1,848	752	400	100
Assoc. Profit/Min. Int.(-)	-2,682	-4,241	2,933	6,282	13,074
Reported Net Profit	-5,593	-3,929	920	1,970	4,099
Adjusted Net Profit	**-10,541**	**-10,017**	**3,100**	**7,851**	**17,073**
Net Margin	*-16.4%*	*-12.9%*	*2.9%*	*6.3%*	*12.0%*
Diluted Share Cap. (mn)	7,819.0	13,834.0	13,834.0	13,834.0	13,834.0
Diluted EPS (INR)	**-1.3**	**-0.7**	**0.2**	**0.6**	**1.2**
Diluted EPS Growth	*0.0%*	*0.0%*	*0.0%*	*153.2%*	*117.5%*
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	-21,642	-25,034	-24,115	-22,145	-18,046
Share Capital	6,036	10,559	10,559	10,559	10,559
Reserves & Surplus	-27,678	-35,593	-34,674	-32,704	-28,605
Preference Share Capital	0	0	0	0	0
Minority Interest	12,945	7,146	10,079	16,360	29,434
Total Loans	352,847	376,337	392,087	422,170	447,254
Def. Tax Liab. / Assets (-)	0	0	0	0	0
Total - Equity & Liab.	**344,150**	**358,449**	**378,051**	**416,386**	**458,642**
Net Fixed Assets	304,106	320,260	332,919	374,622	406,046
Gross Fixed Assets	368,159	382,096	413,596	473,762	523,929
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	80,751	99,855	118,696	137,159	155,903
Capital WIP	16,698	38,019	38,019	38,019	38,019
Investments	105,564	112,156	112,156	112,156	112,156
Current Assets	77,160	55,152	62,095	58,726	69,559
Inventories	1,303	1,622	1,622	1,622	1,622
Sundry Debtors	4,817	5,309	5,309	5,309	5,309
Cash & Bank Balances	28,256	9,439	16,382	13,013	23,846
Loans & Advances	0	0	0	0	0
Other Current Assets	42,785	38,781	38,781	38,781	38,781
Current Liab. & Prov.	142,681	129,119	129,119	129,119	129,119
Current Liabilities	98,540	89,189	89,189	89,189	89,189
Provisions & Others	44,140	39,930	39,930	39,930	39,930
Net Current Assets	-65,520	-73,967	-67,024	-70,393	-59,560
Total – Assets	**344,150**	**358,449**	**378,051**	**416,386**	**458,642**

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	-8,275	-8,169	3,852	8,251	17,173
Depn. & Amort.	14,659	19,104	18,841	18,463	18,744
Net Interest Exp. / Inc. (-)	29,288	37,047	40,175	42,536	45,377
Inc (-) / Dec in WCap.	11,775	678	0	0	0
Others	-8,646	-14,235	-3,819	-3,950	-4,223
Taxes Paid	0	0	0	0	0
Operating Cash Flow	**38,801**	**34,426**	**59,049**	**65,300**	**77,070**
Capex	-45,215	-41,233	-31,500	-60,167	-50,167
Free Cash Flow	*-6,414*	*-6,808*	*27,549*	*5,133*	*26,903*
Inc (-) / Dec in Investments	-10,489	10,144	0	0	0
Others	-2,180	-5,636	3,819	3,950	4,223
Investing Cash Flow	**-57,884**	**-36,726**	**-27,681**	**-56,217**	**-45,943**
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	33,412	23,490	15,750	30,083	25,083
Others	-28,747	-33,589	-40,175	-42,536	-45,377
Financing Cash Flow	**4,665**	**-10,099**	**-24,425**	**-12,452**	**-20,294**
Inc / Dec (-) in Cash	**-14,451**	**-12,407**	**6,943**	**-3,369**	**10,833**
Opening Cash Balance	32,397	17,946	5,557	12,500	9,130
Closing Cash Balance	17,946	5,540	12,500	9,130	19,963

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	-16.4%	-12.9%	2.9%	6.3%	12.0%
Asset Turnover (x)	0.2	0.2	0.2	0.3	0.3
Leverage Factor (x)	0.0	0.0	0.0	0.0	0.0
RoE	0.0%	0.0%	0.0%	0.0%	0.0%

Key Ratios

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	-2.8	-1.8	-1.7	-1.6	-1.3
ROIC	9.1%	10.1%	13.0%	13.6%	15.6%
ROE	NM	NM	NM	NM	NM
Net Debt/Equity (x)	NM	NM	NM	NM	NM
P/E (x)	-74.9	-139.5	450.7	178.0	81.8
P/B (x)	-36.5	-55.8	-57.9	-63.1	-77.4
EV/EBITDA (x)	57.2	46.0	29.9	26.4	21.9
EV/Sales (x)	26.5	22.3	16.1	14.3	12.7
Debtor days	27	25	18	16	14
Inventory days	7	8	5	5	4
Creditor days	115	91	73	64	61

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

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New Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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