

OPERATING AND FINANCIAL REVIEW

For the Three Months Period Ended June 30, 2023 compared to the Three Months Period Ended June 30, 2022

The financial information presented below has been prepared with respect to the financial statements for the Three Months period Ended June 30, 2023 compared to the Three Months period Ended June 30, 2022. The financial statements have been prepared and presented under Ind-AS on a consolidated basis.

Operating Performance:

Operating Parameters	For the Three Months Period Ended June 30, 2023	For the Three months period ended June 30, 2022
Total passengers (in millions of persons)	6.2	5.0
International passengers	1.0	0.8
Domestic passengers	5.2	4.2
Total Air Traffic Movements (ATMs)	42,689	39,995
International ATMs	6,765	5,278
Domestic ATMs	35,924	34,717
Total Cargo (in metric tons)	36,047	37,570
International Cargo	19,213	19,296
Domestic Cargo	16,834	18,274

Passenger and aircraft traffic at the Airport are the key drivers in generation of revenues from aeronautical and non-aeronautical operations. There has been a significant increase in the passenger and aircraft traffic volumes at Hyderabad Airport during the Three Months period Ended June 30, 2023. Total passenger traffic at the Airport was 6.2 million for the Three Months period Ended June 30, 2023, 25% increase as compared to 5.0 million for the Three Months period Ended June 30, 2022. The international traffic increased by 33% while the domestic passenger traffic increased by 23%. The increase was due to economic growth and recovery to pre covid levels.

For the Three Months period Ended June 30, 2023, total ATMs at the Airport were 42,689, resulting into a 7% increase as compared to 39,995 for Three Months period Ended June 30, 2022. Cargo tonnage decreased by 4% from 37,570 tons during the Three Months period Ended June 30, 2022, to 36,047 tons for the Three Months period Ended June 30, 2023.

Financial Performance

INR Million

Particulars	For the three months ended June 30, 2023	For the three months ended June 30, 2022
Revenue from operations	5,976.0	4,139.1
Other income	489.8	408.0
Total Revenues	6,465.8	4,547.1
Concession fee	184.3	117.5
Purchase of traded goods	97.6	298.9
Increase/(decrease) in traded goods	149.4	(140.0)
Employee benefits expenses	715.80	636.8
Other expenses	1,525.2	1,360.3
Finance Cost	1,179.8	836.6
Depreciation	1,003.7	682.9
Total Expenses	4,855.8	3,793.00
Exceptional item-Profit on sale of investment in GHAAL	746.8	0.0
Profit Before Tax (Before Share of Profit/Loss of Associates and Joint Ventures)	2,356.8	754.1
Share of Profit / loss of an Associate and Joint Ventures	(21.6)	17.0
Profit Before Tax	2,335.2	771.1
Tax	857.2	212.8
Profit After Tax	1,478.0	558.3
<i>Adjusted EBITDA</i>	56%	47%

1. Adjusted EBITDA is calculated as earnings before interest (excluding finance income), tax expense, depreciation and amortization and share of profit of joint ventures

Total Revenue

Total revenue was Rs.6,465.8 million for the Three Months period Ended June 30, 2023, a 42% increase from Rs.4,547.1 million for the Three Months period Ended June 30, 2022.

Revenue from operations

Revenue from operations was Rs.5,976.0 million for the Three Months period Ended June 30, 2023, a 44% increase from Rs.4,139.1 million for the Three Months period Ended June 30, 2022 as a result of increase in aeronautical and non-aeronautical revenues on account of increased traffic and also due to higher tariffs as applicable in the current period.

- Revenue from aeronautical operations was Rs.3,207.5 million for the Three Months period Ended June 30, 2023, a 63% increase from Rs.1,968.3 million for the Three Months period Ended June 30, 2022. The aeronautical revenue increased in the period under review as against the corresponding period in the previous year on account of higher traffic and revision of tariff rates which were implemented at the start of the current financial year. The fuel farm revenues increased to Rs.224.1 million for the Three Months period Ended June 30, 2023 from Rs.210.4 million in the corresponding period due to increase in ATMs. The ground handling revenue increased to Rs.94.0 million for the Three Months period Ended June 30, 2023 from Rs.79.1 million in the corresponding period in the previous year on account of increase in ATMs.
- Revenue from non-aeronautical operations was Rs.2396.3 million for the Three Months period Ended June 30, 2023, a 29% increase from Rs.1864.8 million for the Three Months period Ended June 30, 2022, primarily due to (i) increase in duty free revenues by 54% to Rs.656.4 million for the Three Months period Ended June 30, 2023 from Rs.425.3 million in the corresponding period in the previous year majorly due to increase in the international passenger traffic by 33% (ii) increase in car park revenues by 21% to Rs.258.8 million as against Rs.214.6 million during the Three Months period Ended June 30, 2022 (iii) increase in (a) F&B revenues by 48% to Rs.226.0 million as against Rs.153.2 million during the Three Months period Ended June 30, 2022, and (b) increase in retail revenues by 33% to Rs.202.0 million as against Rs.151.7 million during the Three Months period Ended June 30, 2022, owing to a 25% increase in passenger traffic (iv) increase in advertisement revenues by 56% to Rs.147.4 million as against Rs.94.2 million during the Three Months period Ended June 30, 2022, owing to increased utilization of advertisement site. (v) an increase of Rs.80.4 million, or 11% in other revenue from Maintenance Repair and Overhaul (MRO) and other services for the Three Months period Ended June 30, 2023, from the corresponding period in the previous year.
- Revenue from non-airport services was Rs.372.2 million for the Three Months period Ended June 30, 2023, a 22% increase from Rs.306.0 million for the Three Months period Ended June 30, 2022 due to an increase in the revenue from hospitality business by 11% from Rs.165.6 million in the Three Months period Ended June 30, 2022 to Rs.183.1 million in the Three Months period Ended June 30, 2023 owing to an increase in occupancy and Average Room Revenue (ARR). The revenue from commercial property development increased by 35% to Rs.189.0 million as against Rs.140.4 million during the Three Months period Ended June 30, 2022.

Other Income

Other income was Rs.489.8 million in Three Months period Ended June 30, 2023, an increase of 20% from Rs.408.0 million in Three Months period Ended June 30, 2022. This was primarily on account of higher yields on the cash that was parked in bank deposits and liquid financial assets and income from investment in subsidiaries.

Income from Exceptional item

During the quarter GHIAL has divested its 100% stake in its subsidiary GMR Hyderabad Airport Assets Limited (GHAAL) and gain of Rs.746.8 million on sale of the same has recognized as an exceptional item.

Total Expenses

Total expenses were Rs.4,855.8 million for the Three Months period Ended June 30, 2023, an increase of Rs.1,062.8 million i.e. 28%, from Rs.3,793.0 million for the Three Months period Ended June 30, 2022.

Concession fee

Concession fee payable to the Government of India under the Concession Agreement was Rs.184.3 million for the Three Months period Ended June 30, 2023, 57% increase from Rs.117.5 million for the Three Months period Ended June 30, 2022 on account of increase in gross revenue.

Purchase of traded goods

Purchase of traded goods was Rs.97.6 million for the Three Months period Ended June 30, 2023, a decrease of Rs.201.2 million from Rs.298.9 million for the Three Months period Ended June 30, 2022 primarily due to increase in change in inventory of traded goods for the Three months period ended June 20, 2023 as compared with the Three months period ended June 30, 2022.

Changes in Inventory of traded goods

Change in Inventory of traded goods of Duty Free business was Rs.149.4 million in the Three Months period Ended June 30, 2023 as against Rs.(140.0) million in the Three Months period Ended June 30, 2022.

Employee benefit expense

Employee benefit expense was Rs.715.8 million for the Three Months period Ended June 30, 2023, an increase of Rs.79.0 million i.e.12%, from Rs.636.8 million for the Three Months period Ended June 30, 2022.

Other expenses

Other expenses were Rs.1525.2 million in the Three Months period Ended June 30, 2023, an increase of Rs.164.9 million or 12%, from Rs.1360.3 million in the Three Months period Ended June 30, 2022. This increase was primarily caused by a higher business activity.

Finance Costs

Finance costs were Rs.1,179.8 million for the Three Months period Ended June 30, 2023, an increase of Rs.343.2 million or 41%, from Rs.836.6 million for the Three Months period Ended June 30, 2022.

Depreciation and Amortization Expenses

Depreciation and amortization expenses were Rs.1,003.7 million for the Three Months period Ended June 30, 2023, an increase of Rs.320.8 million from Rs.682.9 million for the Three Months period Ended June 30, 2022, primarily due to capitalization of assets pertaining to 34 MPPA expansion in the books.

Share of Profit in Joint Venture

Share of loss in joint venture was Rs. (21.6) million for the Three Months period Ended June 30, 2023 as compared to a profit of Rs.17.0 million in the Three Months period Ended June 30, 2022 on account of depreciation and interest charged to Profit & Loss account during the period ended June 30, 2023 due to capitalization of assets.

Tax Expenses

We incurred a deferred tax expense of Rs.857.5 million in Three months period ended June 2023 on account of reversal of deferred tax asset created in previous years due to losses. For comparison, the deferred tax expense in the Three Months period Ended June 30, 2022 is Rs.212.8 million.

Profit for the Year

As a result of the factors described above, we made a profit of Rs.1,478.0 million for the Three Months period Ended June 30, 2023 as compared to the profit of Rs.558.3 million for the Three Months period Ended June 30, 2022.

Adjusted EBITDA/Total Revenue

Adjusted EBITDA to Total Revenue has increased to 56% for the Three Months period Ended June 30, 2023 from 47% for the Three Months period Ended June 30, 2022 due to higher revenue from operations.

Cash Flows

The following table sets forth a summary of our cash flows for the given periods.

INR Million

Cash Flow Statement Data	For the Three Months Period Ended June 30, 2023	For the Three months period ended June 30, 2022
Net cash flow from operating activities	2,201	1,465
Net cash flow used in investing activities	(632)	9,459
Net cash flow from (used in) financing activities	(2,490)	(2,185)

In the Three Months period Ended June 30, 2023, our net cash flows from operating activities were Rs.2,201 million due to revived revenue generation in the business. For comparison the net cash flows from operating activities were Rs.1,465 million in the Three Months period Ended June 30, 2022.

In the Three Months period Ended June 30, 2023, our net cash flows used in investing activities were Rs.(632) million compared to net cash flow of Rs.9,459 million in the Three Months period Ended June 30, 2022. The net cash flow in investing activities is due to movement of cash from FDs and liquid investments to Current Account and partly offset by consumption of cash due to capital expansion.

In the Three Months period Ended June 30, 2023, our net cash flows from financing activities were Rs.(2,490) million as compared to net cash flows from financing activities of Rs.(2,185) million during the Three Months period Ended June 30, 2022.

Other Material Development:

Airports Economic Regulatory Authority of India (“AERA” or “the Regulator”) has issued Tariff Order for the third control period (01.04.2021 – 31.03.2026) for GMR Hyderabad International Airport Limited on August 31, 2021. Refer link; <https://aera.gov.in/uploads/airports/16466584108771.pdf>.

Further to that the increased tariff has been implemented from 1st April 2023 and also periodic increase of tariff were implemented subsequently.