

OPERATING AND FINANCIAL REVIEW

For the Nine Months period ended December 31, 2022 compared to the Nine Months period ended December 31, 2021

The financial information presented below has been prepared with respect to the financial statements for the Nine Months Ended December 31, 2022 compared to the Nine Months Ended December 31, 2021. The financial statements have been prepared and presented under Ind-AS on a consolidated basis.

Operating Performance:

Operating Parameters	For the nine months period ended December 31, 2022	For the nine months period ended December 31, 2021
Total passengers (in millions of persons)	15.3	8.7
International passengers (in millions of persons)	2.5	0.9
Domestic passengers (in millions of persons)	12.8	7.7
Total Air Traffic Movements (ATMs)	1,16,902	82,502
International ATMs	17,000	8,446
Domestic ATMs	99,902	74,056
Total Cargo (in metric tons)	1,07,508	1,04,615
International Cargo	56,073	56,417
Domestic Cargo	51,435	48,198

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 nine month period ended 31st December 2022. Total passenger traffic at the Airport was 15.3 million for the Nine Month period ended December 2022, 76% increase as compared to 8.7 million for the Nine Months Ended December 31, 2021. The international traffic increased by 169% while the domestic passenger traffic increased by 65%. The increase was due to recovery of traffic as the country was in a partial lockdown and air travel was restricted for a large part of Q1 in the previous financial year.

For the Nine Months period ended December 31, 2022, total ATMs at the Airport were 1,16,902 a 42% increase as compared to 82,502 for Nine Months period ended December 31, 2021. Cargo tonnage increased by 3% from 1,04,615 tons during the Nine Months period ended December 31, 2021 to 1,07,508 tons for the Nine Months period ended December 31, 2022.

Financial Performance

INR Million

Particulars – Rs Mn.	For the nine months period ended December 31, 2022	For the nine months period ended December 31, 2021
Revenue from operations	13,777.40	8,520.50
Other income	1,265.40	826.40
Total Revenues	15,042.8	9,346.9
Concession fee	392.1	217.4
Purchase of traded goods	1186.6	143.7
Increase/decrease in inventory of traded goods	(562.9)	97.2
Employee benefits expense	1945.1	1774.5
Other expenses	5102.3	3820.8
Finance Cost	2819.6	2342.1
Depreciation	2231.8	2059.4
Total Expenses	13,114.60	10,455.10
Profit Before Tax (before share of profit in joint ventures)	1,928.2	(1,108.2)
Share of Profit / loss of an associate and joint ventures	43.4	19.0
Profit before tax	1,971.6	(1,089.2)
Tax	528.5	(531.9)
Profit After Tax	1,443.1	(557.3)
<i>Adjusted EBITDA</i>	43.1%	30.1%

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.15,042.8 million for the Nine Months period ended December 31, 2022, a 62% increase from Rs 9,346.9 million for the Nine Months period ended December 31, 2021.

Revenue from operations

Revenue from operations was Rs.13,777.4 million for the Nine Months period ended December 31, 2022, a 62% increase from Rs.8,520.5 million for the Nine Months Ended December 31, 2021 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 6,264.5 million for the Nine Months period ended December 31, 2022, a 85% increase from Rs.3,389.1 million for the Nine Months Ended December 31, 2021. 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.631.4 million for the Nine Months period ended December 31, 2022 from Rs.408.8 million in the corresponding period due to increase in ATMs. The ground handling revenue increased to Rs.287.9 million for the Nine Months period ended December 31, 2022 from Rs 75.6 million in the corresponding period previous year on account of increase in ATMs.
- Revenue from non-aeronautical operations was Rs 6,519.2 million for the Nine Months period ended December 31, 2022, a 53% increase from Rs 4,271.2 million for the Nine Months period ended December 31, 2021, primarily due to (i) increase in duty free revenues by 155% to Rs 1,567.4 million for the Nine Months period ended December 31, 2022 from Rs 615.2 million in the corresponding period due to 169% increase in the international passenger traffic (ii) increase in car park revenues by 108% to Rs 680.0 million as against Rs 326.6 million during

the nine-month period ended December 31, 2021 (iii) increase in (a) F&B revenues by 151% to Rs 527.1 million as against Rs 210.2 million during the nine-month period ended December 31, 2021, and (b) increase in retail revenues by 125% to Rs 513.2 million as against Rs 228.0 million during the nine-month period ended December 31, 2021, owing to a 65% increase in passenger traffic (iv) increase in advertisement revenues by 106% to Rs 305.2 million as against Rs 148.2 million during the nine-month period ended December 31, 2021, owing to increased utilization of advertisement sites (v) an increase of Rs 184.3 million, or 8% in other revenue from Maintenance Repair and Overhaul (MRO) and other services for the Nine Months Ended December 31, 2022, from the corresponding period in the previous year.

- Revenue from non-airport services was Rs.993.7 million for the Nine Months period ended December 31, 2022, a 16% increase from Rs.860.2 million for the Nine Months Ended December 31, 2021 due to an increase in the revenue from hospitality business by 86% from Rs.282.9 million in the Nine Months period ended December 31, 2021 to Rs.525.1 million in the Nine Months period ended December 31, 2022 owing to an increase in occupancy and Average Room Rents (ARR). The revenue from commercial property development decreased by 19% to Rs.468.6 million as against Rs.577.3 million during the Nine Months period ended December 31, 2021.

Other Income

Other income was Rs.1,265.4 million in Nine Months Ended December 31, 2022, an increase of 53%, from Rs.826.4 million in Nine Months Ended December 31, 2021. 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.

Total Expenses

Total expenses were Rs.13,114.6 million for the Nine months period ended December 2022, an increase of Rs.2,659.5 million i.e., 25%, from Rs.10,455.1 million for the Nine months period ended December 2021.

Concession fee

Concession fee payable to the Government of India under the Concession Agreement was Rs.392.1 million for the Nine months ended December 2022, 80% increase from Rs.217.4 million for the Nine months period ended December 2021 on account of increase in gross revenues.

Purchase of traded goods

Purchase of traded goods was Rs.1,186.6 million for the Nine months period ended December 2022, an increase of Rs.1,042.9 million from Rs. 143.7 million for the Nine months period ended December 2021, primarily due to increased purchases for duty free operations.

Changes in Inventory of traded goods

Change in Inventory of traded goods of Duty Free was Rs. (562.9) million in the Nine months ended December 2022 as against Rs.97.2 million in the Nine months period ended December 2021.

Employee benefit expense

Employee benefit expense was Rs.1,945.1 million for the Nine months period ended December 2022, increase of Rs.170.6 million from Rs. 1,774.5 million for the Nine months period ended December 2021.

Other expenses

Other expenses were Rs.5,102.3 million in the Nine months ended period December 2022, an increase of Rs.1,281.5 million or 34%, from Rs.3,820.8 million in the Nine months period ended December 2021. This increase was primarily caused by a higher business activity.

Finance Costs

Finance costs were Rs.2,819.6 million for the Nine months period ended December 2022, an increase of Rs.477.5 million or 20%, from Rs. 2,342.1 million for the Nine months period ended December 2021.

Depreciation and Amortization Expenses

Depreciation and amortization expenses were Rs.2,231.8 million for the Nine months period ended December 2022, an increase of Rs.172.4 million from Rs.2,059.4 million for the Nine months period ended December 2021, primarily due to capitalization of assets pertaining to 34 MAP expansion in the books.

Share of Profit in Joint Venture

Share of profit in joint venture was Rs. 43.4 million for the Nine Months period ended December 31, 2022 as compared to a profit of Rs.19.0 million in the corresponding period on account of increase in revenues mainly from advertisement business and increased utilization of advertisement sites at the airport.

Tax Expenses

We incurred a deferred tax expense of Rs.528.5 million in the Nine Months period ended December 31, 2022 on account of reversal of deferred tax asset created in previous year due to losses. For comparison, the deferred tax income in the Nine Months period ended December 31, 2021 of Rs.531.9 million.

Profit for the Year

As a result of the factors described above, we made a profit of Rs 1,443.1 million for the Nine Months period ended December 31, 2022 as compared to a loss of Rs 557.3 million for the Nine Months period ended December 31, 2021.

Adjusted EBITDA/Total Revenue

Adjusted EBITDA to Total Revenue has increased to 43.1% for the Nine Months period ended December 31, 2022 from 30.1% for the Nine Months period ended December 31, 2021 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 nine months period ended December 31, 2022	For the nine months period ended December 31, 2021
Net cash flow from operating activities	4,455.7	631.2
Net cash flow used in investing activities	1,392.3	(566.9)
Net cash flow from (used in) financing activities	(4,240.1)	(4,595.6)

In the Nine Months period ended December 31, 2022, our net cash flows from operating activities were Rs.4,455.7 million due to revived revenue generation in the business. For comparison the net cash flows from operating activities were Rs 631.2 million in the Nine Months period ended December 31, 2021.

In the Nine Months period ended December 31, 2022, our net cash flows used in investing activities were Rs.1,392.3 million compared to net cash flow of Rs. (566.9) million in the Nine Months period ended December 31, 2021. The positive cash flow in investing activities was 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 Nine Months period ended December 31, 2022, our net cash flows from financing activities were Rs. (4,240.1) million as compared to net cash flows from financing activities of Rs. (4,595.6) million during the Nine Months period ended December 31, 2021.

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 2022.