

OPERATING AND FINANCIAL REVIEW

For the Nine Months Period Ended December 31, 2023 compared to the Nine Months Period Ended December 31, 2022

The financial information presented below has been prepared with respect to the financial statements for the Nine Months period Ended December 31, 2023 compared to the Nine Months period Ended December 31, 2022. 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, 2023	For the Nine months period ended December 31, 2022
Total passengers (in millions of persons)	18.567	15.288
International passengers	3.126	2.492
Domestic passengers	15.441	12.796
Total Air Traffic Movements (ATMs)	130,107	116,902
International ATMs	20,702	17,000
Domestic ATMs	109,405	99,902
Total Cargo (in metric tons)	110,634	107,508
International Cargo	58,016	56,073
Domestic Cargo	52,618	51,435

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 Months period Ended December 31, 2023. Total passenger traffic at the Airport was 18.567 million for the Nine Months period Ended December 31, 2023, 21% increase as compared to 15.288 million for the Nine Months period Ended December 31, 2022. The international traffic increased by 25% while the domestic passenger traffic increased by 21%. The increase was due to economic growth.

For the Nine Months period Ended December 31, 2023, total ATMs at the Airport were 130,107, resulting into a 11% increase as compared to 116,902 for Nine Months period Ended December 31, 2022. Cargo tonnage increased by 3% from 107,508 tons during the Nine Months period Ended December 31, 2022, to 110,634 tones for the Nine Months period Ended December 31, 2023.

Financial Performance

INR Million

Particulars	For the Nine months ended December 31, 2023	For the Nine months ended December 31, 2022
Revenue from operations	19,442.5	13,777.4
Other income	1,489.2	1,265.4
Total Revenues	20,931.7	15,042.8
Concession fee	969.2	392.1
Purchase of traded goods	989.9	1186.6
Increase/(decrease) in traded goods	(154.7)	(562.9)
Employee benefits expenses	2,356.6	1945.1
Other expenses	5,433.6	4500.9
Finance Cost	4,055.7	2819.6
Depreciation	3,560.4	2231.8
Loss on settlement of derivative financial instruments		601.4
Total Expenses	17,210.7	13,114.6
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)	4,467.8	1,928.2
Share of Profit / loss of an Associate and Joint Ventures	(44.0)	43.4
Profit Before Tax	4,423.8	1,971.6
Tax	1,427.7	528.5
Profit After Tax	2,996.1	1,443.1
<i>Adjusted EBITDA</i>	51%	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.20,931.7 million for the Nine Months period Ended December 31, 2023, a 39% increase from Rs.15,042.8 million for the Nine Months period Ended December 31, 2022.

Revenue from operations

Revenue from operations was Rs.19,442.5 million for the Nine Months period Ended December 31, 2023, a 41% increase from Rs.13,777.4 million for the Nine Months period Ended December 31, 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.10,058.8 million for the Nine Months period Ended December 31, 2023, a 61% increase from Rs.6,264.5 million for the Nine Months period Ended December 31, 2022 primary due to (i) increase in User Development Fee (UDF) to Rs. 6211.0 million for the Nine Months period Ended December 31, 2023 from Rs.3175.5 million in the corresponding period due to increase in traffic and revision of tariff rates. (ii) increase in Landing & Parking charges to Rs.1621.0 Million for the Nine months period ended December 31, 2023 from Rs.1136.20 Million in the corresponding period due to increase in ATMs and Parking hours. (iii) The fuel farm revenues increased to Rs. 684.7 million for the Nine Months period Ended December 31, 2023 from Rs.631.4 million in the corresponding period due to increase in ATMs. (iv) The ground handling revenue increased to Rs.329.6 million for the Nine Months period Ended December 31, 2023 from Rs.287.9 million in the corresponding period in the previous year on account of increase in ATMs. (v) The Cargo revenues increase to Rs.1001.1 Million for the Nine Months period Ended December 31, 2023 from Rs.654.20 Million in the corresponding period in the previous year on account of increase in Cargo volumes.
- Revenue from non-aeronautical operations was Rs.8,256.7 million for the Nine Months period Ended December 31, 2023, a 27% increase from Rs.6,519.2 million for the Nine Months period Ended December 31, 2022, primarily due to (i) increase in duty free revenues by 58% to Rs.2,472.5 million for the Nine Months period Ended December 31, 2023 from Rs.1,567.4 million in the corresponding period in the previous year majorly due to increase in the international passenger traffic by 25% (ii) increase in car park revenues by 19% to Rs.807.2 million as against Rs.680.0 million during the Nine Months period Ended December 31, 2022 (iii) increase in (a) F&B revenues by 30% to Rs.685.3 million as against Rs.527.1 million during the Nine Months period Ended December 31, 2022, and (b) increase in retail revenues by 22% to Rs.623.8 million as against Rs.513.2 million during the Nine Months period Ended December 31, 2022, owing to a 21% increase in passenger traffic (iv) increase in advertisement revenues by 58% to Rs.482.2 million as against Rs.305.2 million during the Nine Months period Ended December 31, 2022, owing to increased utilization of advertisement site. (v) an increase in land and space rentals by 117% to Rs.671.3 million as against Rs.309.2 million during the Nine month period ended December 31, 2022 due to land monetization by our ALD business.
- Revenue from non-airport services was Rs.1,127.0 million for the Nine Months period Ended December 31, 2023, a 13% increase from Rs.993.7 million for the Nine Months period Ended December 31, 2022 due to an increase in the revenue from hospitality business by 21% from Rs.525.1 million in the Nine Months period Ended December 31, 2022 to Rs.635.5 million in the Nine Months period Ended December 31, 2023 owing to an increase in occupancy and Average Room Revenue. The revenue from commercial property development increased by 5% to Rs.491.5 million as against Rs.468.6 million during the Nine Months period Ended December 31, 2022.

Other Income

Other income was Rs.1,489.2 million in Nine Months period Ended December 31, 2023, an increase of 18% from Rs.1,265.4 million in Nine Months period Ended December 31, 2022. This was primarily on account of increase in investments and 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 period 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.17,210.7 million for the Nine Months period Ended December 31, 2023, an increase of Rs.4,096.1 million i.e. 31%, from Rs.13,114.6 million for the Nine Months period Ended December 31, 2022.

Concession fee

Concession fee payable to the Government of India under the Concession Agreement was Rs.969.2 million for the Nine Months period Ended December 31, 2023, 147% increase from Rs.392.1 million for the Nine Months period Ended December 31, 2022 on account of increase in gross revenue.

Purchase of traded goods

Purchase of traded goods was Rs.989.9 million for the Nine Months period Ended December 31, 2023, a decrease of Rs.(196.7) million from Rs.1,186.6 million for the Nine Months period Ended December 31, 2022 primarily due to increase in change in inventory of traded goods Rs.408.2 million for the Nine months period ended December 31, 2023 as compared with the Nine months period ended December 31, 2022.

Changes in Inventory of traded goods

Change in Inventory of traded goods of Duty Free business was Rs.(154.7) million in the Nine Months period Ended December 31, 2023 as against Rs.(562.9) million in the Nine Months period Ended December 31, 2022.

Employee benefit expense

Employee benefit expense was Rs.2,356.6 million for the Nine Months period Ended December 31, 2023, an increase of Rs.411.5 million i.e.21%, from Rs. 1945.1 million for the Nine Months period Ended December 31, 2022.

Other expenses

Other expenses were Rs.5,433.6 million in the Nine Months period Ended December 31, 2023, an increase of Rs.932.7 million or 21%, from Rs.4,500.9 million in the Nine Months period Ended December 31, 2022. This increase was primarily caused by a higher business activity.

Finance Costs

Finance costs were Rs.4,055.7 million for the Nine Months period Ended December 31, 2023, an increase of Rs.1,236.1 million or 44%, from Rs.2,819.6 million for the Nine Months period Ended December 31, 2022 on account of capitalization of assets pertaining to 34 MPPA expansion in the books.

Depreciation and Amortization Expenses

Depreciation and amortization expenses were Rs.3,560.4 million for the Nine Months period Ended December 31, 2023, an increase of Rs.1,328.6 million from Rs.2,231.8 million for the Nine Months period Ended December 31, 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. (44.0) million for the Nine Months period Ended December 31, 2023 as compared to a profit of Rs.43.4 million in the Nine Months period Ended December 31, 2022 on account of depreciation and interest charged to Profit & Loss account during the period ended December 31, 2023 due to capitalization of assets.

Tax Expenses

We incurred a deferred tax expense of Rs.1,429.0 million in Nine months period ended December 2023 on account of reversal of deferred tax asset created in previous years due to losses. For comparison, the deferred tax expense in the Nine Months period Ended December 31, 2022 is Rs.528.5 million.

Profit for the Year

As a result of the factors described above, we made a profit of Rs.2,996.1 million for the Nine Months period Ended December 31, 2023 as compared to the profit of Rs.1,443.1 million for the Nine Months period Ended December 31, 2022.

Adjusted EBITDA/Total Revenue

Adjusted EBITDA to Total Revenue has increased to 51% for the Nine Months period Ended December 31, 2023 from 47% for the Nine Months period Ended December 31, 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 Nine Months Period Ended December 31, 2023	For the Nine months period ended December 31, 2022
Net cash flow from operating activities	10,885.9	4,455.7
Net cash flow used in investing activities	(6,539.2)	1,392.3
Net cash flow from (used in) financing activities	(5,454.9)	(4,240.1)

In the Nine Months period Ended December 31, 2023, our net cash flows from operating activities were Rs.10,885.9 million due to revived revenue generation in the business. For comparison the net cash flows from operating activities were Rs.4,455.7 million in the Nine Months period Ended December 31, 2022.

In the Nine Months period Ended December 31, 2023, our net cash flows used in investing activities were Rs.(6,539.2) million compared to net cash flow of Rs.1,392.3 million in the Nine Months period Ended December 31, 2022. The net cash flow in investing activities is due to sale of investments and 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, 2023, our net cash flows from financing activities were Rs.(5,454.9) million as compared to net cash flows from financing activities of Rs.(4,240.1) million during the Nine Months period Ended December 31, 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 AERA appeal number 4/2021 filed by GHIAL has been allowed by TDSAT wide its judgement dated 14-02-2024.

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