

GMR Airports (GMRAIRPO) - BUY

Company Update

Current Market Price (CMP) Rs.85	Fair Value (FV) Rs.112
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Rationale:

- GMR Airports is relatively insulated from key external risks.
- Real impact of war on financials contained by hybrid till nature of concession.
- Tariff orders for Jewar and Hyderabad unlikely impede EBITDA growth much.
- EBITDA well-placed to benefit from monetization of self-development projects.
- Stock trades at 10XFY2030E EV/EBITDA.
- Reiterate BUY with unchanged SoTP based FV of Rs112.

👍 Positives:

- The hybrid till model for airports helps lower the impact of externalities on airports' cash flows over time, in contrast to airlines.
- We note the limited case of material competition from the Jewar (Noida) airport.
- We assume material uptick in EBITDA in FY28 on account of proceeds from monetization of the 7.7 lakh sq. ft self-development project in Aerocity.
- CMP implies strong return in case of optimistic outcome across pending legal cases.
- We build in a 14% CAGR for Delhi Airport's non-aero revenues over FY25-29E.

👎 Negatives:

- We anticipate a 7% cut in EBITDA in FY27E in the event of a quarter -long loss of pax volumes exposed to the Middle East.

(EBITDA: Earnings Before Interest, Tax, Depreciation & Amortization, EV: Enterprise Value, SoTP: Sum of The Parts, CAGR: Compound Annual Growth Rate)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

FUNDAMENTAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan
Head of Research
shrikant.chouhan@kotak.com
+91 22 6218 5408

Arun Agarwal
Auto & Auto Ancillary, Building Material,
Cement, Consumer Durable
arun.agarwal@kotak.com
+91 22 6218 6443

Amit Agarwal, CFA
Transportation, Paints, FMCG
agarwal.amit@kotak.com
+91 22 6218 6439

Rini Mehta
Research Analyst
rini.mehta@kotak.com
+91 22 6218 6433

Sumit Pokharna
Oil and Gas, Information Tech
sumit.pokharna@kotak.com
+91 22 6218 6438

Veer Trivedi
BFSI
veer.trivedi@kotak.com
+91 22 6218 6432

Pankaj Kumar
Construction, Capital Goods & Midcaps
pankajr.kumar@kotak.com
+91 22 6218 5498

Amarjeet Maurya
Internet Software & Services
amarjeet.maurya@kotak.com
+91 22 6218 6427

TECHNICAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan
shrikant.chouhan@kotak.com
+91 22 6218 5408

Amol Athawale
amol.athawale@kotak.com
+91 20 6620 3350 +91 22 62185458

Sayed Haider
sayed.haider@kotak.com

DERIVATIVES RESEARCH TEAM (PRIVATE CLIENT GROUP)

Sahaj Agrawal
sahaj.agrawal@kotak.com
+91 79 66041701

Prasenjit Biswas, CMT, CFTe
prasenjit.biswas@kotak.com
+91 33 6638 8331

Karan Kulkarni
karan.kulkarni@kotak.com
+91 20 66203350

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