

GMR Infrastructure Stake Sale in Airport Business



22nd February, 2020

Key Data

Industry:	Aviation
CMP:	Rs. 23.6
Market Cap (Cr):	Rs. 14,244
52-week high/low:	Rs.14/25
Investment Horizon:	2-3 years
Outlook:	Positive

Shareholding Pattern

Promoters:	63.6%
Public:	36.4%

Research Analyst

Vikram Sharma
B.Com, CS, CFA Level-2 candidate
vikram.saraswat13@gmail.com

GMR Infrastructure on Path of Deleveraging Balance Sheet & Monetization of Assets

GMR Infrastructure Ltd is continuously putting efforts to trim the rising debts on its books through sale of assets. For this, last year GMR had announced a stake sale deal with Tata Group and other investors to divest 49 percent stake in its airport business. But the deal hit a hurdle over the rule that an entity owning a stake in an Indian airline can't own more than 10% in a local airport.

Tata Sons owns close to half of Vistara and AirAsia India, and the earlier proposed 20% stake in GMR's airport business would give it 12.8% holding in the Delhi airport. The deal never received government approval.

By moving on from a deal with Tata Group, the company has announced a new deal with Groupe ADP, which is an international airport operator based in Paris (France). The new deal values GMR's airport business at Rs 22,000 crore, 22% more than what it was valued by the Tata Group-led consortium.

A few days ago, the company has also announced divestment of GMR Energy Limited's entire stake in GMR Kamalanga Energy Limited to JSW Energy Limited for debt reduction in the company.

Update on Deal with Groupe ADP

GMR Infrastructure Limited (GIL) has announced a strategic partnership with Groupe ADP for its Airports Business. GIL has signed a Share Purchase Agreement pursuant to which Groupe ADP will hold 49% stake in GMR Airports Limited (GAL) for an equity consideration of Rs. 10,780 Crore, valuing GAL at the Base **Post Money Valuation of Rs. 22,000 Crore, 22% more than what it was valued at by the Tata Group-led consortium.**

This equity consideration comprises of:

- Rs. 9,780 Crore towards secondary sale of shares by GMR group;
- And Rs. 1,000 Crore equity infusion in GAL.

The first tranche of Rs. 5,248 Crore will be received by GMR Group immediately. This money will help deleverage the Group further and result in improved cash flows and profitability.

The **combined entity would be the world's biggest airport operator** in terms of passengers handled, GMR said in a statement. As per 2019 data, GMR Airports and Groupe ADP had handled a total of 336.5 million passengers.

Further Scope of Improvement in Valuations -Groupe ADP has also pegged Earn-outs up to Rs. 4,475 Crore linked to achievement of certain agreed operating performance metrics as well as on receipt of certain regulatory clarifications over next 5 years. Thereby, total valuation assuming all above Earn-outs are successfully consummated, may reach Rs. 26,475 Crore on Post Money Basis.

About ADP Group - Groupe ADP, is an international airport operator based in Paris (France), which manage assets of €16 Bn. Groupe ADP owns and manages Parisian international airports Charles de Gaulle Airport, Orly Airport and Le Bourget Airport, all gathered under the brand Paris Aéroport.

Stake Sale in Power Business

Recently, GMR Infrastructure Ltd. has announced divestment of GMR Energy Limited's entire stake in GMR Kamalanga Energy Limited to JSW Energy Limited for Rs. 5321 cr. Through this divestment, the entire debt of GKEL of Rs. 4,141 Crores will be reduced. Divestment of GMR Kamalanga Energy Limited will help in reducing the indebtedness of GMR group and strengthen balance sheet.

Fund Utilization - The Company will utilize entire funds to deleverage its balance sheet. The total net debt of GIL at consolidated level is Rs. 25,600cr at the end of Q3 FY 20.

De-Merger Ahead – The Company has already announced, after the deal, group will demerge the airport business from groups other business like Energy, Highway & Urban Infrastructure. This demerger will allow the company to focus and expand core airport business as the funds raised would be utilised to deleverage the entity.

Quarterly Result Update

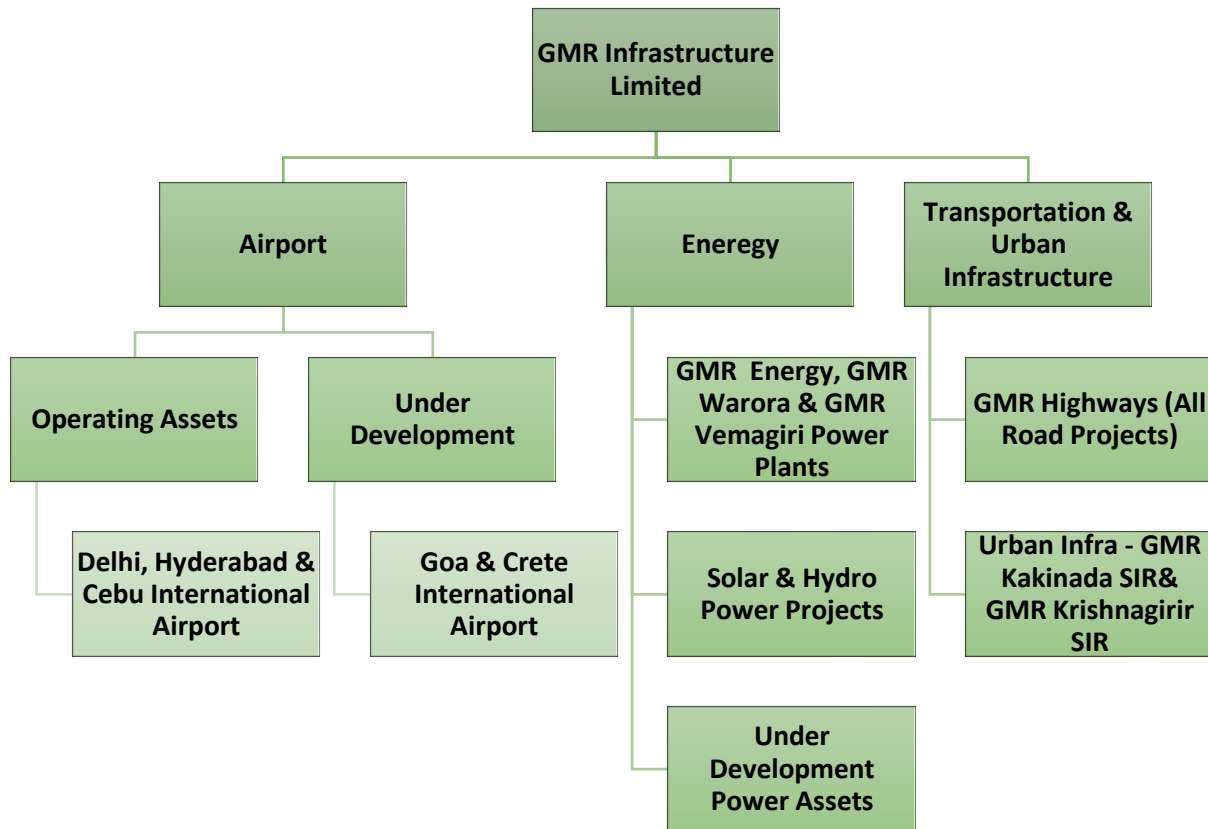
The Q3 result of the company has shown significant improvement of 12% in total revenues and a 77% growth in ebitda YoY.

GMR Infrastructure (Consolidated)					
(Rs. In Cr.)	Q3FY20	Q2FY20	Q3FY19	QoQ	YoY
Total Income	2196.5	2018.2	1957.8	9%	12%
Net Income after Revenue Share	1673.3	1527	1506	10%	11%
EBITDA	732.4	642.9	412.2	14%	78%
EBITDA Margin	43.77%	42.10%	27.37%		
PBT	-284.5	-284.7	-389.5	0%	-27%

Airport Business – Revenue of Airport business has grown by 20% and ebitda shown improvement of 53% YoY led by rental income.

GMR Infrastructure (Airport Business)					
(Rs. In Cr.)	Q3FY20	Q2FY20	Q3FY19	QoQ	YoY
Aero Revenue	498.4	484.6	480.6	3%	4%
Non Aero Revenue	974.9	854.6	840.7	14%	16%
CPD Rentals	141.9	155.5	37	-9%	284%
Total Income	1615.2	1494.7	1358.3	8%	19%
Net Income after Revenue Share	1123.7	1032.4	934.8	9%	20%
EBITDA	650.5	562	424.2	16%	53%
EBITDA Margin	57.89%	54.44%	45.38%		
PBT	131.1	171.5	50.7	-24%	159%

About GMR Infrastructure - GMR Infrastructure Limited is a leading infrastructure conglomerate with interests in Airport, Energy, Transportation and Urban Infrastructure.



Disclaimer:

Niveshaay is a SEBI Registered (SEBI Registration No. INA000008552) Investment Advisory Firm. The research and reports express our opinions which we have based upon generally available public information, field research, inferences and deductions through due diligence and analytical process. To the best of our ability and belief, all information contained here is accurate and reliable, and has been obtained from public sources we believe to be accurate and reliable. We make no representation, express or implied, as to the accuracy, timeliness, or completeness of any such information or with regard to the results obtained from its use. This report does not represent an investment advice or a recommendation or a solicitation to buy any securities.