# "GMR Infrastructure Limited Q2 FY-16 Investor / Analyst Conference Call Transcript
# Monday, 16 November 2015

**Moderator:** Ladies and gentlemen, good day and welcome to the GMR Infrastructure Limited Q2 FY16 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your Touchtone phone. Please note that this conference is being recorded. We have with us today from the management Mr. Madhu Terdal – Group CFO and CFO's of GMR's business verticals.

Before we begin, I would like to state that some of the statements made in today's discussion may be forward-looking in nature and may involves risks and uncertainties. Also recording or transcribing of this call without prior permission of the management is strictly prohibited.

I now hand the conference over to Mr. Madhu Terdal – Group CFO. Thank you and over to you, sir.

**Madhu Terdal:** Before I get in to the specifics for the second- quarter let me touch upon a few developments in the macro segment of the infrastructure, which is going to have a profound impact upon the way in which GMR does business and also how it's operational results are likely to go up.

First and foremost on the interest rate reduction. For a company in the infrastructure sector which is in a highly leveraged position I can tell you that already the Reserve Bank has effected more than 125 basis points now it stands at 6.75% and most importantly most of the commercial banks and other lending institutions have already started passing on their benefits.

Currently we have witnessed about 40 to 50 basis points reduction that is being passed on by the banks. We hope this trend will continue. Second and most important development is with regard to the Uday scheme announced by the Government of India. Indeed, in our opinion this Ujwal Discom Assurance Yojana is going to turn a new chapter in the power sector basically if you can look at the one end was the availability of the raw material that is the coal and gas was the main problem. But the second problem was with respect to the inability of the Discoms to pay money in time and also to sign the PPAs.

This one initiative of the government whereby about 75% of the Rs. 380,000 crores of debt is being taken over in the form of the SLR bonds is likely to improve the health of the Discoms in a very significant way. Apart from the debt being postponed most importantly, they will have about 3% to 4% of interest reduction. On a size of this debt we can see this kind of 3% to 4% reduction in debt interest cost will have a very significant improvement in the rating of the Discoms and both these aspects are likely to improve in two results. Number one, their payment track record will improve. Then secondly, they will also be able to borrow more in their improved rating scenario. And also they will be able to adjust their tariff every quarter. So these developments are very significant to the GMR's business and we hope to see better results in the coming days.

Thirdly and most importantly the JLF came which was being practiced by Reserve Bank of India, lot of banks were not really practicing in reality so the Reserve Bank has tightened these improvements and we are showing a significant turnaround in the approach as well as the attitude of the banks. Fourthly, and importantly the Reserve Bank of India has modified and come out with a new ECB guidelines (that draft guidelines are in vogue) and in the few days or so we are expecting the Reserve Bank of India will issue its final circular and I am very happy to say that GMR Group is likely to take advantage of this new policy which we are likely to witness in the same thing.

And lastly, and importantly the tariff issue in the airport sector seems to have been more or less put in to a sort of a final shape where the hybrid till has come to now being established as a matter of norm and the 30% cross-subsidisation of the non-aero revenue to the in determination of the tariff seems to have been accepted. Already the Government issued order in the Hyderabad Airport and we believe this issue has been put to rest once for all.

So these are some of the few macro developments which have happened and lastly, and importantly on one side why we are talking about the health improvement in the distribution companies, even the coal availability at the coal sector has seen a very substantial improvement. As during April to October there was 274 million metric tons that registered 9.2% increase compared to the last year and this has also resulted in the reduction in the imported coal. So we believe that this availability of significant and substantial coal will actually bring more coal supply to the power sector which is languishing.

So these are very significant improvements and we believe these are likely to go in a long way in improving the GMR's operational result.

Coming to the results in particular. Let me tell you, overall revenue has gone up by 15% now it is stands at Rs. 3,091 crores as against quarter 2 of FY15 in Rs. 2,682 crores. The EBITDA overall has improved by 52% as against the previous quarter of 500 and previous year quarter of Rs. 2,590 crores now this quarter it is Rs. 900 crores. So a 52% jump has been witnessed. Most importantly, this EBITDA improvement has been seen in the energy sector where the EBITDA in the energy has gone up by almost six times from Rs. 42 crores in the previous year to Rs. 269 crores. By no means am I not saying that the Rs. 269 crores number is significant enough but what is important the upward trend that is being seen in the GMR's EBITDA numbers. Even in the airport sector EBITDA showed a very healthy growth of 32% from Rs. 379 crores previous year to Rs. 502 crores.

The fact that the interest rate reduction has started showing and operational results are improving also shows that the losses have been reduced by 46% over the corresponding quarter. The better operating margins from the power plants as well as the robust traffic growth in the airports have contributed to the reduction of losses to the tune of Rs. 375 crores compared to the loss of Rs. 690 crores. So you can see almost about Rs. 1,100 crores kind of a positive movement is there.

While the numbers are there but most important and which is of concern to us all is in terms of the level of debt. I am very happy to inform you that this also has started showing the results now. For the first time if you can see the corporate debt has been reduced in one quarter in the six months there is a reduction of as much as Rs. 450 crores of corporate debt in the principal and there is a reduction of Rs. 33 crores of interest cost. So you can see that the results are visible; the efforts made by GMR have started showing results.

And if you look at that corporate debt position overall is net debt to EBITDA is going to be one of the important factors. As on March 15 the net debt to EBITDA was 15.50. In six months' time, GMR has managed to bring it down by as much as 400 basis points as a result of which for the September half year the net debt to EBTIDA ratio has fallen to 11.80. Again I would not like to justify 11.80, but you can see the 400 basis point reduction will show the trend that is happening in the GMR's leverage position. And for the first time if you can see that we have achieved and EBITDA of Rs. 900 crores as against the interest cost of Rs. 873 crores. So for the first time after some quarters we have shown a positive interest coverage of 1.03 that shows that our efforts in terms of leverage reduction in terms of the operational improvement have started yielding dividends.

Coming to the few specific sectors in energy, particularly Emco, we are very happy to report to you that Emco clocked an all-time high PLF of 83% during the quarter and we achieved an EBTIDA of Rs. 92 crores for the quarter and Rs. 133 crores for the half year. Very significant development in Emco is that for the first time we have started dispatching power to Tamil Nadu where the PPA has become operational with 56 megawatt. It is likely to scale up to 150 megawatts in the coming few weeks.

With this completion GMR Emco will be supplying 550 megawatt out of the total capacity of 600 megawatts under long term PPA. Also we have started seeing that the distribution companies like Maharashtra State Electricity Board has already started clearing their arrears we have got about Rs. 72 crores related to transmission charges losses during the last half year and we will have a recurring recovery of about Rs. 6 crores extra per month.

Coming to Kamalanga, it has achieved an average PLF of 68% and we have done an EBITDA of Rs. 200 crores for the half year. In Kamalanga the significant factor is despite the final order of the regulatory authority Bihar Government has already accepted a minimum change in law under the PPA as a result of which GMR has already started collecting 13.8 paisa per unit. It shows that our revenues in Kamalanga PPA will improve in the coming months.

And we have also completed total refinancing plans worth about Rs. 3,000 crores in Emco as well as another Rs. 4,000 crores in Kamalanga and in Chhattisgarh once we achieve the COD we will be achieving the flexible refinancing plan for another Rs. 8,000 crores to Rs. 9,000 crores. You can see overall as a group we will be achieving close to around Rs. 16,000 crores of debt under the flexible refinancing package of under 5x25.

In Chhattisgarh, I am very happy to report to you that the coal production in Talabira mines was started on 3rd of August 2015 and already about 123,000 tons of coal has been produced till 31st of October and this will ensure that our first unit of production in Chhattisgarh will go live very shortly.

Another notable development is in the development of our gas plants. Both Vemagiri as well as GMR Rajahmundry secured RLNG for running up to 50% PLF under the utilization of stranded gas based plants. Vemagiri under phase 1 started operation on 12 August and it recorded a PLF of 22% and a revenue of Rs. 113 crores for the quarter.

GMR Rajahmundry completed 72 hours of full load operation and it is likely to start its run under the RLNG scheme in the coming week.

Airport sector continue to show its robust performance. Delhi airport showed a traffic growth of 16% for the quarter and 15% for the overall half year. It achieved an EBITDA of Rs. 800 crores for the half-year and couple of developments in the operation is Bhutan Air launched Delhi-Bhutan services from the month of September 2015 and ATC tower handed over to AAI for readiness of operational purposes. One very significant development in the real estate space of Delhi airport is that the board of the Delhi International Airport has approved the monetizing of 23 acres for the retail and processes have already began.

In terms of the GMR Hyderabad airport once for all the tariff order was resolved. Post Ministry of Civil Aviation order, the Hyderabad Airport has started collecting the hybrid till as a result of which this is likely to increase the UDF is likely to give an additional revenue of around Rs. 30 crores to Rs. 40 crores per month. So on an yearly basis it should help us to achieve another Rs. 380 crores to Rs. 400 crores of revenue.

Hyderabad Airport also showed an EBITDA of Rs. 53 crores for the quarter and Rs. 103 crores for the half year. In terms of the real estate development in Hyderabad Airport; airport city and aerospace parks, this Pratt & Whitney engine-training center has been inaugurated during the quarter and we have signed an agreement with Stars Imaging Systems Private Limited for one acre in the Aerospace SEZ.

Coming to Cebu our overseas airport first time the Cebu airport was entered in to the top 30 Asia Pacific airports ranking and Cebu is now ranked 18 in the APAC rating. And it achieved a revenue of Rs. 40 crores and EBITDA of Rs. 26 crores. Hitherto there was a dormant sector of SEZ that is the Kakinada SEZ. Pleased to report you this quarter has shown some significant development in that sector as well. Kakinada SEZ received a support from the new government of Andhra Pradesh for setting up greenfield electronic manufacturing cluster as per the national policy of electronics. It intends to develop an electronic manufacturing cluster in an area of 101 acres and the Kakinada SEZ also entered in to an MOU with JGC Corporation of Japan for co-development of a Japan oriented food processing park in the area of about 300 acres.

So with that ladies and gentlemen, I would like to open the floor for the question and answer session. Thank you once again.

**Moderator:** Thank you very much. We will now begin with the question and answer session.

The first question is from the line of Deepak Agarwal from Elara Securities. Please go ahead.

**Deepak Agarwal:** Sir, my first question is can you explain, we have done fair bit of conversion of convertible preference shares during the quarter. So how much is the amount still remaining in the books to be converted and what is the timeline for that?

**Madhu Terdal:** Govindarajulu, are you there can you take it?

**Govindarajulu T.:** The entire preference shares issued by GMR Infrastructure, converted in the month of August and September. The total amount is Rs. 1,134 crores. So the entire preference shares got converted and think in the month of October they got listed.

**Deepak Agarwal:** We still have few preference shares even at the subsidiary level, right? What is the timeline for that conversion?

**Govindarajulu T.:** The preference shares held by PE funds, they have time up to September 2016. This is in GMR Energy.

**Deepak Agarwal:** And how much is that amount?

**Govindarajulu T.:** That is Rs. 1,234 crores.

**Deepak Agarwal:** The next question can you explain on what is the level of tariff realization and the fuel cost per unit at each of the two plants Kamalanga and Emco and the loss level also?

**Parag Parikh:** As far as EMCO is concerned, on an average we are getting a tariff of about a little upwards of Rs. 3.60 and as far as Kamalanga is concerned we are on an average getting a tariff of close to Rs. 3.30. So this is a blended one, of all the PPA put together.

**Deepak Agarwal:** And the fuel cost?

**Parag Parikh:** The fuel cost approximately for EMCO is close to Rs. 2.30 and as far as Kamalanga is concerned, it will be in the range of about Rs. 1.80.

**Deepak Agarwal:** And the overall losses at each of these plants during the quarter?

**Parag Parikh:** As far as EMCO is concerned, in EMCO for the current quarter we have a very marginal loss. If you recollect I think earlier we had mentioned that we have also got some arrears of this transmission charges with respect to Maharashtra Discom. So to that extent a PAT level we are marginally in a loss of about Rs. 9 crores. There is a positive cash profit. And as far as Kamalanga is concerned, we would be at about a cash loss of around Rs. 35 crores.

**Deepak Agarwal:** Sorry I missed that number, how much?

**Parag Parikh:** Rs. 35 crores.

**Deepak Agarwal:** My third question is good to see some development on the Delhi Airport in terms of Board approval. So what is the timeline and how soon can we expect this 23 acre monetization?

**Sidharath Kapur:** See the Board has approved it in October and we have launched the entire process for monetizing 23 acres. This is entirely focused towards large format retail and some commercial. This is going to be one of the largest commercial developments in India, it is prime real estate property and the commercial development is expected to attract a fair bit of interest from global players. This is a global tender and we expect that the entire process should be completed in the next three to four months.

**Deepak Agarwal:** And any clarity would you give on the kind of method of monetization in terms of a mix of deposits and lease rentals?

**Sidharath Kapur:** At this point this is an open question, we will see what the interest levels are and what the preference are from the demand side and also from our own need and we will take a view on this maybe a little later.

**Deepak Agarwal:** The tender that you have invited is probably more from an expression of interest point of view as of now?

**Sidharath Kapur:** Right now it is an expression of interest and it is to qualify people who will be submitting financial bids. So at the stage of request for bids, we will stipulate what kind of model we are looking for.

**Deepak Agarwal:** Okay and last thing how would you now proceed on this Hyderabad airport tariff finalization like what should we assume because now that we have some clarity on and the Ministry has also issued the notification so how the tariff will pan out going forward in the next two three years or in the next control period?

**Sidharath Kapur:** See there are two three things. One is that after the Ministry directive under the AERA Act, for Hybrid Till the Andhra High Court has also directed that the UDF should recommence and the Ministry of Civil Aviation has issued an AIC which is a notification to the airlines for commencement of the UDF which was in existence before it was stopped by AERA. So that UDF has already started being charged from the passengers. It will take a month or two because there will be a backlog of tickets which have already been issued. So it will take one or two months for the full UDF impact to come on the revenue line of Hyderabad Airport but the fact is that the UDF has recommenced.

**Deepak Agarwal:** At the same level which was there earlier about 1,700 and 1,400 odd international and domestic?

**Sidharath Kapur:** 1700 around 430 for domestic so that has recommenced. We are not doing rate collection, it will be a part of the collection from the airlines tickets. So it will take a couple of months for the full impact of the UDF to come on the revenue line of the Hyderabad airport. The second point is about the tariff. This hybrid till directive is binding on AERA. So we will be very shortly filing some of the tariffs in the second hybrid till which is starting from April of 2016, and this will be based on hybrid till. So there will be definitely a recalculation of tariff including from back date on hybrid till basis and that impact will be felt on once AERA fixes the charges. So they may follow the upgradation process etcetera and that may take some time for tariffs to be determined by AERA and that may take a few months. But today we are very clearly in a hybrid till scenario for Hyderabad Airport the UDF has recommenced which is on a full impact basis going to add at least Rs. 35 crores a month. And tariff for the second control period will be determined by AERA based on hybrid till and that may take some time so it may spill over into the financial year FY16-17.

**Deepak Agarwal:** And my last question is on any development on the Chhattisgarh power plant like you mentioned on the captive coal production. But how soon we can see in terms of COD and the kind of PP arrangement?

**Parag Parikh:** Deepak, so I think this is at advanced stages, and to that extent, we should expect commencement of that for the first unit in a matter of few weeks.

**Moderator:** Thank you. The next question is from the line of Asish Shah from IDFC Securities. Please go ahead.

**Asish Shah:** Sir, as regards to the gas based plants, which have got allocation of gas, have you signed a PPA with the Discoms?

**Arunendu Saha:** Yes, we have signed the PPA with the respective Discoms like AP Discom, and TS Discom for the full quantity.

**Asish Shah:** For the full quantity so we would be in a way actually realizing the PLFs that are expected from this gas supply?

**Arunendu Saha:** Yes.

**Asish Shah:** Sir, secondly just continuing on Chhattisgarh, could you just probably highlight how will the initial power supply be from this plant? I mean to whom will it be supplied at what tariff?

**Asish Basu:** Yes, I think two points. One is as you know this coal from this captive coal mine, 15% of the capacity you can sell on merchant, and that is on an annualized basis. I think we will start on this merchant sale while the PPA team is progressing with tying up PPA and they are hopeful of tying up medium term PPA. Besides we are participating in UP bid for long term PPA where we have submitted RFQ qualification, we are hoping it would be soon. So in some immediately as the project starts, as per our sales in a matter of weeks, we should start selling merchant, then medium term PPA comes in and then long term PPA. That is the trajectory basically.

**Asish Shah:** Right, sir what is the completed cost of this project now at the time of commissioning what do we expect the cost to be?

**Jagjeet Singh Dadiala:** If we exclude the mine CAPEX, because Mine CAPEX is separately being treated as a separate project otherwise, the project cost would Rs. 11,675 crores and if we include that Rs. 751 crores also of the mine CAPEX which should be done over a period of two years it would be Rs. 12,426 crores.

**Asish Shah:** So that would be a part of fuel cost?

**Jagjeet Singh Dadiala:** That is right.

**Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.

**Vibhor Singhal:** My question was again on the preference shares that are pending. So as I am given to understand, so we have preference shares which are pending, which are with the private equity companies who are invested in the GMR Energy vertical. Just wanted to clarity on the preference shares that were at the airport vertical. Have they all been converted into the parent listed company and I mean what is the status of, or if there are any ones which are remaining?

**Sidharath Kapur:** As far as the private equity investors at the airport holdco are concerned there are preference capital has not yet been converted. The process is under negotiation with them and once we have a little more clarity on our negotiated position, we will be in a position to come back on what will be the level of conversion.

**Vibhor Singhal:** Okay so but at this point of time the stand as preference shares in the airport holdco?

**Sidharath Kapur:** That is right.

**Vibhor Singhal:** And what would be the amount for that sir?

**Sidharath Kapur:** Amount originally was about Rs. 1,450 crores.

**Vibhor Singhal:** And the remaining at this point of time would be?

**Sidharath Kapur:** It is fully outstanding.

**Vibhor Singhal:** Okay, it is completely outstanding, so there is no conversion, of course you mentioned there is no conversion that has taken place. So basically I mean I would assume that we are not looking for the IPO division of the airport or energy division in near future, we would be looking for some kind of an alternative mechanism of converting into the holdco company or the IPO plans for the airport divisions are still in the pipeline, or I mean we are still working on that?

**Sidharath Kapur:** Well, I cannot really comment on future equity raising initiatives. There are number of initiatives, which are going on and at the airport sector also, nothing is off the table so I think that is all I can say at this point of time. Including an IPO nothing is off the table.

**Vibhor Singhal:** Secondly, on the project for Chhattisgarh as you mentioned that we are looking for the commencement of the first unit in the next few weeks itself, so in that project what is the kind of I mean if you can give a ballpark estimate as to what exactly is the kind of number of units that you expect that you will be able to generate in this financial year, the kind of topline or anything that you are looking at?

**Madhu Terdal:** I think we will need some more time to get clarity on that point.

**Moderator:** Thank you. The next question is from the line of Dhaval Patel from Antique Stock Broking. Please go ahead.

**Dhaval Patel:** Sir, my first question is on the Philippines airport. Could we get a breakup of the passengers in terms of domestic and international and also a breakup of revenues aeronautical and non-aeronautical, if possible?

**Rajesh Madan:** I have the figures on me. I can just share. On the second quarter traffic 0.86 million is the domestic arriving and the total traffic in domestic is 1.69 million. Up 21% from last quarter and the international is 0.5 million which is equal to what we did last quarter. The total overall traffic is up 13% quarter-on-quarter.

**Dhaval Patel:** Correct, because of the domestic increase?

**Rajesh Madan:** Yes.

**Rajesh Madan:** Sir, and if I could get the revenue breakup between aero and non-aero I think aero would be higher?

**Rajesh Madan:** Yes aero is higher currently but as you know that on the airport sector we are working on the non-aero revenue, currently 65% is aeronautical and 35% is non-aeronautical.

**Dhaval Patel:** And also if you could give out the CAPEX line as to how much would be required to be invested in year 1, 2 and by when by 2018 I think we will complete the construction on this project? So what would be the investment…?

**Rajesh Madan:** That is right. By 2018 we will be finishing the construction of Terminal II and we will be doing the modernization of Terminal 1 as well. I can share back the figures to you later.

**Dhaval Patel:** Sir, my second question is on the Delhi Airport. What is the status on the tariff determination for the airport I mean it has been delayed since quite some time and also there were a couple of arbitrations pending on that with regards to (1) the real estate security deposits, and (2) the rate of returns, so what is the status there?

**Sidharath Kapur:** So on Delhi Airport tariff status is that as you are aware which we had mentioned in the earlier quarters also, that there is a High Court order which imposes a restriction on the regulators to fix the charges for the second control period, till the time the issues in the appellate. Now the appellate has been formed but it has been formed a couple of months back it has been formed and the first hearing is expected this month. They will of course look at the issues on the basis of merit and that may take us some time to arrive at a decision at the appellate level. But till such time the issues are decided the existing charges continue and we have no further action from AERA at this point of time.

**Dhaval Patel:** Sir but in that case if we take on the monetization then the model of monetization becomes very important because we if we take a higher RSD and if that is deducted from the RAB then it is actually a loss for us. So then how do we decide on the monetization as in we have said that we will be doing the 23 acres now?

**Sidharath Kapur:** See while a deposit model has implications on regulatory, but it also has upsides because any deposit raised can also be used for deleveraging. So that has a significant impact on the bottom line also. so it has pluses and minuses. So it is not just that a deposit model has only negative, it also has some positives. So we will have to take a conscious call sometime in next maybe couple of months based on the response we get on the real estate monetization initiative and then decide what model is the most appropriate given that we do not have any CAPEX need at this point of time, given that the need for what is the usage of this monies can be for deposits and what is the regulatory impact. So we will have to look at it and then a take view.

**Dhaval Patel:** Just one more question. Sir, if we use the amount raised from real estate deposits for deleveraging, then as per the models the interest component is calculated on the actuals, right sir? So would that not mean that it would impact our next tariff, because then that interest component would be lower when deciding on the next tariff order?

**Sidharath Kapur:** No, you see what also happens is that because your interest cost comes down, because of the revenue share, there is a positive effect on the bottom line. So while my total WACC changes, but also my interest element, which comes down because of the revenue share. So I am paying 46% revenue share at any cost it has 46% up side on the bottom line also.

**Moderator:** Thank you. The next question is from the line of Shankar K from Edelweiss. Please go ahead.

**Shankar K:** Sir, just wanted to know if you look at the consolidated PAT for the airport that you have given, there is apart from the Hyderabad and Delhi, do you mean to say that Cebu Airport has incurred a loss of something like Rs. 40 crores, Rs. 50 crores? Or is it the holdco level interest cost which has impacted the Consol airport profits?

**Sidharth Kapur:** No, I think the loss is coming from Hyderabad Airport.

**Shankar K:** No even after you add back both of them, even if you look at it prior to minority interest there is still a gap of Rs. 40 crores, Rs. 50 crores?

**Sidharth Kapur:** I think maybe we can come back on this, because the losses are coming from the consolidation adjustment at joint venture and also from Hyderabad, and Cebu is reporting profit.

**Shankar K:** Okay Cebu is reporting profit. Maybe at the holdco level there is some interest cost which is bringing it down at the consol level?

**Sidharth Kapur:** Holdco, yes there is an interest cost because we have also borrowed some money there. But there is also a joint venture consolidation and MALE consolidation which is contributing to losses of about in the Q2 it was about Rs. 19 crores, and Hyderabad has contributed about Rs. 46 crores of losses, which of course is getting converted to profits because the UDF has restarted. But Cebu is contributing a profit of about Rs. 7 crores at 40%. But we can send you more detailed figures.

**Shankar K:** Okay, now what is the current level of outstanding corporate debt?

**Madhu Terdal:** The corporate debt as on 30th of September 2015 is Rs. 6,928 crores as against Rs. 7,384 crores for March 15.

**Shankar K:** And this you are targeting it to bring it down to anywhere around between Rs. 3,000 crores to Rs. 4,000 crores by the end of this Fiscal year?

**Madhu Terdal:** Yes, I do not know the number may be slightly different but yes there will be a significant reduction that is what we are targeting.

**Shankar K:** Okay now the 5/25 will also help in this endeavor right, or you are factoring in the benefit coming from 5/25 for this?

**Madhu Terdal:** No, this is only with regard to the corporate debt. 5/25 benefit we have already taken in respect of EMCO as well as Kamalanga, where the amortization has been pushed to around 19 and 21 years. Plus also in Kamalanga we have got about three year moratorium as well as in EMCO also we have got about two years moratorium. And also the EMCO interest rate reduction has happened from around 12.85 levels it is now around 11.75 or so. And Kamalanga also similar target reduction is happening. So Chhattisgarh we will definitely go for the 5/25 in the next year when it declares COD definitely we will achieve that. So final reduction interest is from almost like from 12.85 in EMCO it is now at around 11.45 in EMCO actually.

**Shankar K:** The reason why I am asking you is what would be the key source of these Rs. 3,000 crores to Rs. 4,000 crores in terms of cash flow?

**Madhu Terdal:** I can only say that we are doing a variety of things right from the fresh issuance of debt or semi debt nature and the divestment the induction of strategic investors. A variety of actions have been taking place, and in the next few quarters we believe that these steps whatever the group has been taken they will unfold.

**Shankar K:** Okay so you are saying that largely a function of equity issuance through either unlocking of value or through strategic investor or fresh issuance?

**Madhu Terdal:** That is right.

**Shankar K:** And then on the both the gas based projects and the coal based projects, first coming on to the gas, now that it has become operational and you have seen two periods of when it has been functioning. What is the terms in terms of your cash flow? Like I understand that you are able to repay the interest in full. But with respect to the principal repayment what is the kind of a structure?

**Parag Parikh:** So, I think just to give you a sense on the repayment profile, and really from a cash flow perspective. As far as our Vemagiri plant is concerned, it is practically a debt free plant. So to that extent we do not have any great challenges in terms of cash flow planning as far as debt is concerned. So really it is about running the plant, meeting the operating costs as well as making a small number as far as depreciation is concerned. On Rajahmundry plant, we are just about commissioned and therefore we are starting with our first scheduling on the plant in the coming weeks and there of course as much as what we have tried to do in EMCO and Kamalanga, we would similarly attempt to go through a flexible structuring of 5/25 current is the scheme provides for this process post commissioning of the plant. So we were waiting for the commissioning of the plant, immediately we will actually go back and with a 5/25 scheme as far as repayment is concerned. So it is really the interest servicing which will remain as a liability in the initial years.

**Shankar K:** Okay so and till that point of time it is at the corporate level through where you are paying the principal, is it till that time that does not happen?

**Parag Parikh:** No, so the principal has not fallen due as of now at all. So far there has not been any principal repayment, which has become due and now that it starts parallely we will go by a flexible structuring.

**Shankar K:** Okay and on the now that Talabira has been operational for couple of months, what does the broad P&L look like in terms of I just wanted to know on a per ton basis what is the cash cost working out and how much is the overall cost including the CAPEX, how does it look like in terms of cost per ton?

**Asish Basu:** Yes, roughly broad numbers, inclusive of CAPEX amortization that is I think Talabira the cost before loading on to the railway would be in the region of Rs 1,550 to Rs. 1,600, landed cost would be around Rs. 2,300 per ton.

**Shankar K:** Okay, so out of this Rs. 1,550 how much is cash cost and how much is CAPEX related? I mean to say cash cost is in terms of pure cost?

**Asish Basu:** CAPEX recovery is very nominal. It could be in the region of Rs. 100 per ton.

**Moderator:** Thank you. The next question is from the line of Rahul Modi from Antique Stock Broking. Please go ahead.

**Rahul Modi:** Sir, a couple of questions. One is relating to the EMCO plant you mentioned that we have not made much profits despite 56 megawatt of power being flown to Tamil Nadu and so what is our threshold level sir and when do you see the plant starting to make profits because the balance power to be sold post balance power to be sold to Tamil Nadu?

**Parag Parikh:** So, I think firstly a small bit of clarity. Tamil Nadu we have just recently started, so to that extent it is not really reflecting as far as our second quarter numbers are concerned. So you really see the impacts of the Tangedco PPA starting from the third quarter. Even within TANGEDCO so far we have started with about 56 megawatts and the balance is likely to start shortly within a few weeks. So that is far as EMCO is concerned. Once the Tangedco PPA also starts off fully, to that extent the plant will have the ability to start making reasonable cash profits. What I was only stating earlier is as far as second quarter was concerned, because we also had some transmission losses which were being realized or that has also been taken as a part of our second quarter results.

**Rahul Modi:** Okay and sir how is the coal availability been at EMCO means in terms of Coal India and what is our sourcing of coal?

**Jagjeet Singh Dadiala:** Only thing is that coal availability linkage is we have been able to manage the materialization what was due to us. And apart from that there were some e-auctions which were available and coal was available for the operations part of it. We had to resort to very limited import for that matter.

**Rahul Modi:** Okay and what about Kamalanga? What is the strategy going forward, how much are we selling currently in terms of our already signed PPA and what about the balance part?

**Parag Parikh:** So I think similarly on Kamalanga, today it is being operated across the three states in the meanwhile we are doing some similar bilaterals and exchanges, through which we are selling as far as Kamalanga is concerned. The core focus in Kamalanga is to ensure some of these pass throughs on tariffs get cleared and if you see even at the end of the second quarter today largely the outfall of breakeven is in absence of these regulatory claims. We have seen some action on that front and I think as we mentioned earlier, for example in Bihar we have got a partial change in law close to about 13 paisa. So there are some initial pass throughs that have started off, and we expect some more action as far as regulatory claims are concerned.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Madhu Terdal for closing comments

**Madhu Terdal:** Thank you, ladies and gentlemen and thanks for participating in this call. As you will notice that the real sector that was pulling us down was the energy sector and you will see that a variety of pressures in terms of the improvement of the operational performance, reduction in the interest, improved coal availability and resolution of the tariff issues I think the GMR has started slowly turning around and we expect the similar kind of a result should come through in the coming months also.

So before we meet again I would like to acknowledge the presence and thank my colleagues as well. From the corporate sector we have got Mr. Govindarajulu –EVP and the CFO of Group Corporate Integration; Mr. Jitendra Jain and Srinivasan from the Corporate; Mr. Amit Jain, Head of our Investor Relations; Mr. S. K. Kulkarni – M&A Head; Manoj – Head of our equities. From the airport sector we have Sidharath Kapur – CFO of the airport sector; Mr. Radhakrishnababu – CFO of Delhi Airport; Rajesh Arora – CFO of Hyderabad Airport; Rajesh Madan – CFO of Cebu Airport. And from energy sector we have Mr. Parag Parikh – CFO of Energy Sector; Asish Basu – CEO of Coal Mines; Jagjeet – CFO of Chhattisgarh; Yash Arora – CFO of Kamalanga; Madhusudhan – CFO Corporate.

We have from Highways Mr. Mohan Rao – CFO as well as Mr. Amit Kumar. We have also with us Mr. Narayana Rao – The Head of the President of Corporate Relations and from overseas we have two colleagues Mr. Krishnan Kumar – CFO of Indonesia as well as Mr. Apurva Jhalani – CFO of Singapore.

I would like to acknowledge their presence and thank you very much. Mr. Arunendu Saha – Head of our gas plants. So thank you very much, ladies and gentlemen. Looking forward to seeing you in the next quarter with better results. Thank you.

**Moderator:** Thank you. On behalf of GMR Infrastructure Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.