



“GMR Infrastructure Limited Q3FY18 Investor / Analyst Conference Call Transcript” Wednesday, 14 February 2018

Moderator: Ladies and gentlemen, good day and welcome to the GMR Infrastructure Limited Q3 FY18 Earnings Conference Call. Please note that this conference is being recorded. We have with us today Mr. Madhu Terdal - Group CFO and CFOs of GMR’s Business Verticals.

Before we begin, I would like to state that some of the statements made in today’s discussion maybe forward-looking in nature and may involve risk 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 for opening remarks. Thank you and over to you, sir.

Madhu Terdal: Thank you. Ladies and gentlemen, good afternoon. As we enter the last quarter of the current financial year the broader domestic economic environment presents a much happier picture. The accounts recovery path and the early signs of revival of the investment activity have also been sited. The global demand is improving with all the world economies registering a very healthy growth. In our opinion it should strengthen our domestic investment activity as well. The good news for GMR is the union budget also focused on the rural and infrastructure sector and with the demand that is likely to pick up we feel a better aggregate demand and supply economic activity in the coming days.

Under the budget the government clearly outlined their focus, the budget envisages an expenditure of 5.97 lakh crores on the infrastructure for the financial year 2019 as against 4.94 lakh crores for the previous year. So, registering an increase of 20% which should give a much-needed boost to the infrastructure. There has been a quite a good news on the airport sector as well. The budget has highlighted the expansion of the airport infrastructure as well as the growth of airlines in the country. The air traffic is projected to grow to 150 million marks for the next year and the government has allotted approximately about 1,000 crores towards the revival of new 50 airports and for improving aviation infrastructure I think this will perfectly fit into our strategy for the growth in the airport.

On this occasion I would also like to welcome the yesterday's guidelines issued by the Reserve Bank of India which will now speedily resolve the non-performing assets situation and we believe that the good corporates like GMR, we will be able to resolve our issues very quickly with the banks and move on to take advantage of the emerging scenarios. Coming to the specific sectors Hyderabad Airport, with a view to increase our airport holdings, GMR Airports conclude at an agreement to acquire 11% equities taken Hyderabad Airport from Malaysian Airports for a consideration of US \$ 76 million. Post this transaction, GMR holding in GMR Hyderabad Airport will increase from 63% to 74%. The airport has also registered an 18% increase in the traffic from 11.2 million to 13.3 million passengers and the revenue has registered a very healthy growth of 13% for 9 months from 810 crores to 917 crores. But most importantly non-aero revenue also kept its pace with a 14% rise from 288 crores to 328 crores. EBITDA grew by 11% and the PAT registered a very significant jump from 245 crores to 419 crores registering a 71% jump over the previous 9 months.

As far as Delhi Airport is concerned, the traffic continued to make very good progress from 14% it grew up now registering 42.5 million to 48.3 million. Indeed, Delhi Airport has emerged as the 6th busiest airport in Asia and the 20th busier airports in the whole world even overtaking Changi, Incheon and Bangkok. Delhi Airport also recorded a 5.94 million passengers in December recording the highest ever for any airport in India. The revenue for the 9 months however declined from 4,160 to 2,935 crores basically because of the implementation of the interim tariff order which we have explained to the investors in the last quarter. But we are expecting the hearing of TDSAT has been completed and the order has been reserved and we expect the resolution soon. On the other hand, the non-aero revenue in Delhi Airport continue to grow with registering a 15% increase from 1,136 crores.

Even Cebu Airport turned out to be a star performer. The traffic in Cebu Airport increased by 12% and revenue went up by 22% and non-aero revenue registered a 31% jump to 101 crores and EBITDA rose by 27% and it registered a profit of 118 crores for 9 months showing a growth of 21% over the corresponding period. I may also take the liberty of inviting the attention of the investors and the analysts for some of the recent research reports issued on Megawide which is our partner and a listed company in Philippines. Some of the very well-known names have valued this airport somewhere between \$ 800 million to \$ 1 billion. Thus showing the trust GMR placed in the Cebu Airport. Coming to energy, GMR Warora energy cloaked a PLF of 69% for the 9 months as against 67% for the last year and for the quarter it cloaked 65%. But the revenue also showed a minor increase of 3% to 1,150 crores but PAT has gone up to 11 crores for the 9 months as against a loss of 54 crores for the last year 9 months.

As far as Kamalanga is concerned, Kamalanga signed a coal linkage as we explained last quarter under SHAKTI scheme for about 1.5 million tonnes. The coal linkage will suffice to 350 megawatt of power generation. With this the plant has now tied up coal linkage for 85% of the fuel requirement. We are expecting this coal linkage scheme to be activated very shortly. Kamalanga also recorded a PLF of 59% for 9 months and significantly we registered a downward adjustment in the rates in GMR Kamalanga where the interest cost came down for 510 crores

for the last 9 months to 475 crores for this current 9 months and the losses also were reduced by 62 crores from 269 crores last 9 months this year we recorded only a loss of 207 crores. Even in Chhattisgarh which was a stressed plant which is under SDR, it has restarted its operations under the tolling policy of the center and we have started supplying 500 megawatt of power to Gujarat Urja Vikas Nigam under the tolling policy and the company has entered into an 8 months contract.

The coal mines, our investment in coal mines in Indonesia has continued to grow and show record profits and a very healthy growth. The profit for Golden Energy Mines where we have got 30% stake has increased 3 times to Rs. 516 crores as against 121 crores for the corresponding period previous year. The increase in profit is basically on account of improved margin as well as the increase in volumes. It achieved an EBITDA of \$ 10.8 per tonnes as against the previous year's US \$ 6.1 per tonnes and the GMR has received a dividend of US\$ 27 million from PT Golden Energy Mines for calendar year 2017 for its 30% share. On a consolidated basis GMR improved its net revenues by 5% from a level of 4,853 crores to 5,102 crores for the 9 months. Sequentially, net revenue went up by 15% to 1,691 crores while EBITDA improved by 8% from 444 crores to 481 crores. Consolidated loss of 566 crores during the quarter was primarily due to the loss of 386 crores from Chhattisgarh plant which is under SDR and the loss excluding Chhattisgarh for the quarter will be 186 crores as against 268 crores for the last quarters. We are working on the resolution of the other assets and we hope we should be able to show much better results in the coming quarters.

So with these observations, I would like to open the forum for the questions and answers. Thank you ladies and gentlemen.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. We will take our first question from the line of Charanjeet Singh from B&K Securities. Please go ahead.

Charanjeet Singh: Sir, you have talked about this TDSAT ruling which has been reserved and there has been considerable now timeline which is passed. So, what could be the hold up and when we should look at this thing getting finalized?

Sidharath Kapur: Well, the hearings in TDSAT have been completed and sometimes these things do take a little more time than what we expected but we are hopeful that by either end of this month or early next month we should get a ruling from TDSAT. There is no holdup for any reason whatsoever. I think it is just a normal delay we also have some other orders to write in respect of telecom judgments. So, it is just a matter of little more time.

Charanjeet Singh: Sir, other thing is like in both the airports we have seen very strong traffic growth rates and if you can compare with what would have been our expectation versus what it has panned out and also on the non-aero revenue we have seen a very strong growth in the profitability if you can also give color on that because still Indian market is that at a much lower spending on per passenger basis. How do you see that ramping up going forward?

Sidharath Kapur: So traffic growth, I think because of general strong momentum of the economy as well as very supportive government policies, including policies like regional connectivity which I think are going to give a very strong push to the traffic growth overall on an organic basis and keeping this in mind I think the biggest beneficiaries will be the major metro airports, which is quite obvious as you can see that while Delhi the growth has come down over the last 3 years from very high double digits in the region of about 17% to 20% to about 14%-15% now but still on a very large base of almost 60 plus million passengers getting a growth of almost 14%-15% is no mean achievement. It means effectively that you are growing at about 8 million to 10 million passengers a year which is very difficult to achieve if you look at the global scenario of airports. And similarly Hyderabad is still getting almost 18% to 20% growth on its traffic. So, we expect this momentum to continue over the next, I would say at least 3 to 5 years in this ballpark range. And apart from the traffic growth as you have rightly said we are seeing some very strong non-aero growth coming in and if I may just quote a few numbers while the non-aero growth in Delhi has been almost 15% for the 9 months. We are seeing 24% growth on cargo, F&B is growing at 21%, advertising is growing at 28%, duty paid has grown at 24%, duty free has grown by about 10% and in fact in the last quarter duty free has grown at almost 13%. So and similar kind of growth rates are there even for Hyderabad. So, effectively what we are definitely seeing is that while you are seeing a lot of first time passengers coming in on the domestic side but at the same time the propensity to spend as well as the penetration is going up and that is definitely adding a very strong push to the non-aero growth and we expect this to continue as the first time passengers become more season passengers and their spending capability also grows along with time. So on both these counts, I think our expectation is that on traffic at least 3 to 5 years we are going to see very strong growth in high double digits and on non-aero, I think what we will expect to see better results than what has been shown here in the growth about 15% to 16% we are expect to see better results going ahead over the next 3 to 5 years.

Moderator: Sir, we have a question from the line of Vivek Ashok, an Individual Investor. Please go ahead.

Vivek Ashok: Sir, I wanted to find out about the IPO sir?

Madhu Terdal: Which IPO, sir?

Vivek Ashok: Sir, IPO sir because I read news online saying that GMR has appointed bankers.

Sidharath Kapur: See, at this point of time I think it will be very difficult for us to comment. IPO is always one of the options and has always remained in the past one of the options. So, at this point of time I think it will be very difficult to comment on anything as far as the IPO is concerned. It continues to remain one of the options available to us to increase to raise the equity capital at GMR Airports.

Moderator: Thank you. Our next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.

- Ashish Shah:** My first question is on the DIAL numbers. What I see is that the operating expenditure of the airport has actually come down quite sharply on both on a quarter-on-quarter and on year-on-year basis. So first of all is this what is the reason for this and what would be a sustainable level of expenditure one could expect?
- GRK Babu:** What we have shown for 9 months figure you are talking about am I correct? 765 crores we have shown it as, means shown as 698 crores. A fall of 67.4 crores but if you look into the actual details, this because of the foreign exchange fluctuation which is coming now heavily. Excluding foreign exchange fluctuation, actually the expenditure has moved from 614 crores to 698 crores. So, foreign exchange fluctuation was 151 crores in the last year which is not their current year.
- Sidharath Kapur:** Yes, so, last time we made a loss on FX, which has actually got converted to our profit. So the loss is not shown in the operating expenses and gain on FX is shown as other income. So, 151 crores have actually come down on the operating expenses because of the FX loss getting converted to FX gain and FX gain is about 64 crores. So, effectively the bottom-line has taken a positive turn by almost 215 crores on account of FX which is, I mean you can call it a one time. Yes, it will keep on changing but it is nothing to do with your operations.
- Ashish Shah:** So, in that sense the third quarter number been let say 221 crores for DIAL. So that does not include any Forex loss impact and hence assuming there is no impact of Forex that is a sustainable level of expenditure, is that the right way of looking at?
- Sidharath Kapur:** Yes on other count, there have been some increase in expenses on people cost there has been some increase on expenses. So that will, it is right now you are not able to see it because rate is getting lost in the FX loss which has got removed but there has been some organic increase on people cost and some other expenses which are fairly normal.
- Ashish Shah:** Which then you said that 698 crores is the 9-month expenses without any Forex impact. 690 last year has become 698?
- GRK Babu:** No, this current year 698 crores, last year 765 crores which includes 151 crores of the Forex fluctuation. If you remove 151 crores of the last year, then last year figure become 614 crores. against that 698 what we have incurred this year.
- Ashish Shah:** Logically that should also be the reason why other income is high because that would ...
- GRK Babu:** That is correct. Rs. 164 crores have come into other income basically.
- Ashish Shah:** And why would the interest cost has risen because I thought we had sort of Dollarize the entire debt?
- GRK Babu:** No, the interest cost has gone up by only some Rs. 28 crores. This is basically the Silver Resorts, so which is the one of the developer who has given the deposit to us. Under IndAS concept we have actually taken them into the deposit as well as the deferred revenue. Since this issue has

been settled by the, there is arbitral tribunal in the Silver Resort, Rs. 28 crores now we have charged which was booked as income earlier years. That has been taken as an expense this current quarter.

Ashish Shah: So, it is 28 crores represents the accumulated impact over the period, right?

GRK Babu: Yes.

Ashish Shah: That is not a quarterly impact.

GRK Babu: No, 28 crores over a period of last 2-3 years impact. It has been reversed now.

Ashish Shah: On the power side we have seen a dip in the profitability for both Warora and for Kamalanga, while the PLF in general has been improving. So, any particular reason for that?

Ashis Basu: On a 9-month basis the numbers are better for Warora and Kamalanga. But you are right in the third quarter in Warora and Kamalanga the numbers are worse. Sole reason being coal availability as you would be aware the last 3-4 months coal availability throughout entire India has been very low and power plants have been struggling because of coal India lower production and ultimate delivery and you have to point your fingers at one reason that is the only reason. Thankfully from January onwards coal supply situation and therefore availability situation is improving continually.

Ashish Shah: So, we would have use more imported coal is what you are saying or the plant was not available and hence ...

Ashis Basu: No, Warora actually is located more than 800 kilometers from nearby port and off takers did not agree to use of imported coal. So we did not use imported coal. Warora was reliant fully on linkage coal and e-auction coal both of which were in short supply. Though we had one in e-auction the delivery was tardy. Kamalanga we imported very small quantum of coal because imported coal price had also gone up. And you will see the next quarter things could improve because coal supply position has improved.

Ashish Shah: Sir, last question on the Hyderabad Airport then we are seeing rising trend in terms of the operating expenditure is this in line with the passenger growth we are seeing or there is something else which is adding to the cost there?

Sidharath Kapur: Generally it is inline, typically in an airport cost do not increase in proportion to your passenger growth. All costs are semi variable or semi fixed as you may look at it. But there has been increase in people costs and broadly otherwise I think there are being general increases which are more inflationary. So, but what numbers we are looking at is really now these are the sustainable numbers.

- Moderator:** Thank you. Our next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.
- Tushar Sarda:** I wanted to understand your non-aero revenue the focus seems to be only on the duty free. If Delhi has around 55 million-60 million passengers passing every year what is the per passenger non-aero revenue that you get and similar number for Hyderabad Airport?
- Sidharath Kapur:** No, are you talking about overall non-aero revenue or just duty free?
- Tushar Sarda:** No, in fact I am saying other than duty free because duty free will be very small proportion of the passengers, right. Passengers who come into India and who do shopping at the duty free. So, that will be probably 10% of your traffic. So, what is the other 90% contributing to you in terms of F&B, shopping and other thing is which would be there at the Airport.
- Sidharath Kapur:** We can check the numbers and get back to you since you want slice down, we can check and come back to you.
- Tushar Sarda:** So, is that not a focus for the company, to focus on the non-aero revenue of domestic passengers?
- Sidharath Kapur:** No, it is definitely, if you are looking at only domestic side there will be, we will have to split it up because there is also duty paid which is included in this. Then there are cargo, then there is F&B, so per passenger we can check, we can do a quick calculation and come back to you.
- Tushar Sarda:** Sir, I am just comparing to say for example multiplex and you look at PVR or INOX. They say that we earn Rs. 150 or Rs. 160 on ticket and another Rs. 150 per head on food which is popcorn and cold drink and all that. So, if you are 5 crores passengers in Delhi do you own thousand fifteen hundred crores out of them or you do not, I mean you have a per capita number do you target that, do you monitor that is what I want to ...
- Sidharath Kapur:** We do monitor on a line-to-line item in terms of non-aero and on a per passenger basis you see it varies also because of the growth of the transit traffic because many of the transit traffic do not spend much. So, in terms of the per passenger numbers it should be in the range of about 450 to 500.
- Tushar Sarda:** Then on 500 per passenger that itself will be 2,000 crores-2,500 crores of revenue for you. I do not think the financials reflect that kind of number?
- GRK Babu:** No, our non-aero revenue is almost touching these 1,500 crores on yearly basis. If you take for 9 months we have achieved 1,300 crores. And what you are looking at 60 million passengers is really departing and arriving both. So, typically you will not get the same number also from departing as well as arriving passengers, in terms of spends and one more thing is what DIAL receives is the revenue share from all these concessioners. And revenue we received does not reflect the total sale value. For example in case of F&B what DIAL receives is maybe around

23% only the revenue share, where it comes the advertisement you may get about 55% as the revenue share. So, business-to-business it will change.

Sidharath Kapur: See, if you exclude duty free it should be about Rs. 300 per packs.

GRK Babu: Because the growth in case of advertisement is almost 28%, F&B the growth is 21% on year-on-year basis. In case of flight kitchen and duty paid the growth is 24% on year-on-year basis. Duty paid is basically all the retail.

Tushar Sarda: If you can give little more detail on departing passengers what you earn? I am saying only the passenger revenue not the cargo and the advertisement and all that.

GRK Babu: No, you are talking about the commercial revenue but normally we do not distinguish between the departure and arrival. Because departure you will have more, arrival you will have a less. We have only departure and arrival in case of the duty free we have a revenue segment but not in all other areas.

Madhu Terdal: I think I would like to invite your attention to Slide #37 of the investor presentation. I think it gives sufficiently in detail may be if you would like to know more perhaps our investor relations can engage with that. But I think it fairly covers duty free as well as others separately.

Moderator: Thank you. Our next question is from the line of DUBY Rex from iThought Financials. Please go ahead.

DUBY Rex: Sir, basically in one of the slides you have mentioned about your business strategy being that you want to divest highway projects and consolidative energy business and also grow your airport business. So, in case you do an IPO for the airport business then this should become more like a holding company, right? It contains some holding of energy business, some holding of airport and things like that, any views on that?

Madhu Terdal: No, as our CFO for airport he explained, all are only the options, so including the IPO at the airport, it will be very difficult now at this point of time how the organizations structure will emerge and finally what could be the strategy. What strategy we are talking about that we are now trying to be low on capital investment, substantial capital investment will be flowing into the airport segment and the highways and the energy segments will not get the same treatment. Now exactly what I will do the IPO or how do we reorganize, I think we will have to wait and watch.

DUBY Rex: Sir, my final question is debt roadmap for the next 3 years, sir. Any target you want to achieve in next 3 years? How much you want to bring down the debt to on a corporate level?

Madhu Terdal: I think I am not too sure whether we can put a number and tell but as you have seeing the very systematically we have got down our both corporate debt as well as the overall debt it has been reduced significantly, partly due to the reorganization of the business, as the restructuring of the

business partly due to the actual divestment as well. Now going forwards what is likely to happen is that couple of areas where we are likely to derive certain amount will be in the road sector as you have seen, just now you have mentioned and also we will be now focusing more on the special economic zones which we were planning to develop at some point of time. As you are aware we have got close to around 10,000-odd acres in Kakinada and another 3,000 acres in Krishangiri. We have earlier also explain there have been very significant developments in both these areas and I do not want to again repeat it in that definitely we are witnessing very surged interest from investors in the refineries and petrochemical segment plus also some of the port operators, where GMR is on the verge of concluding or getting a commercial port license on the Kakinada zone. With these developments we will believe that it will bring in very substantial amount of revenues possibly I think a significant portion should come in the ensuing year FY19 itself. So, I think you can see a very significant reduction in the corporate debt level in the coming year.

Moderator: Thank you. We will take our next question from the line of Naveen Jain from Florintree Advisors. Please go ahead.

Naveen Jain: Sir, my first questions was on the, what is the status of the arbitration process as far as our tariffication at airport is concerned?

Siddharth Kapur: So, I think it was mentioned earlier if you are referring to DIAL, then DIAL the order is pending at TDSAT and we expect order very soon. I think there has been a little bit of delay but it is more procedural and we expect an order soon. In the case of Hyderabad there was a consultation paper which was circulated by the regulator which they were to pass an order but there is a High Court stay on fixation of charges in respect of Hyderabad Airport mainly because the issues are also still pending before the High Court as well as before the appellate. So, this is the current status as far as both the airports are concerned.

Naveen Jain: Sir, I just wanted to ask that about this arbitration thing, I think the hearing had got completed about 3-4 months back. So, what is holding back the final decision on this?

Siddharth Kapur: It is more procedural there has a back log of order writing also at TDSAT. So, we expect that it should get out very shortly in the next may be either end of this month or early next month. You are talking about the tariff order is not it?

Naveen Jain: Yes.

Siddharth Kapur: So that is just a procedural delay on part of TDSAT.

Naveen Jain: See, the other question was on this under the head share of profit and loss from associates in and JV, we have reported some 440 odd crores of loss this quarter. What are the details of this?

Govindarajulu T: That has majorly an account of Chhattisgarh losses what we have provided for including certain impairment clause.

- Naveen Jain:** Sir, can you quantify that?
- Govindarajulu T:** Around 380 crores is an account of Chhattisgarh out of 440.
- Moderator:** Thank you. We will take our next question from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** The first question which I had was more on the Hyderabad deal which is being signed for the 11% increase in stake that we will be getting. Just wanted to get a sense of how the valuations would have been decided and you should we be taking this as a base case for valuing the entire portfolio or there were other factors at play?
- Sidharath Kapur:** The deal was done on the basis of a willing buyer willing seller basis. Of course it was a well negotiated deal and naturally as a buyer we would not buy unless there is value on the table. Now, I cannot comment on what is the value upside I think it will be not right on my part at this stage to comment on that. You can get in touch with our IR team to get a little more color around it. But definitely I think there is a value upside to us which we perceive over the price which we have paid.
- Aditya Mongia:** Secondly, if you could elaborate a bit more as you are saying the next thing which is the focus area if you use the land. So, any targets that you having in terms of timelines as to how to monetize this fairly large 13,000 acres package some part of it will get monetize over next one year that quantum would be useful to get hang on?
- Madhu Terdal:** See we have explained earlier also we have given a note also. Hindustan Petroleum Corporation as well as the Gas Authority of India, have it is an open knowledge we have made in public also. They have already conducted a due diligence on this land. They are looking at around 2,350 acres of land, so legal due diligence and accounting due diligence is going on and they are planning to set up a petro-chemicals complex in that region. Then secondly we have obtained an environmental clearance for the port for the establishment of a commercial port license and it is going through a Swiss Challenge mode where already about 3 bidders have put in their RFQs and we expect the forum final RFP should be issued in the next one month or so. And with that a commercial port license also will be available and whether it is GMR or someone else will be developing a very viable commercial port as well also in that region. In addition to that one investor from United States and one from the Middle East also is looking at establishment of a refinery. So, I can only say that all this is gathering speed in all probability a substantial result out of outcome of these 3 efforts should be seen in the coming financial year.
- Moderator:** Thank you. Our next question is from the line of Pavan Kumar from CRISIL. Please go ahead.
- Pavan Kumar:** My question is regarding the Delhi Airport investment, is the current issue at Terminal-1 resolved and what is the investment plan for Terminal-1 over the next 2 to 3 years, sir?

- GRK Babu:** Terminal-1 is concerned the High Court order has come which made it very clear that Indigo as well as SpiceJet they have to move that one third and if they want to change the destinations other than what we have recommended they have to give 7 days' notice and DIAL has to respond under 7 days' notice and whatever the DIAL final take the decision which is binding on everybody. That is what the order has already come. So, now Indigo and SpiceJet they no other option except to move to Terminal-2.
- Pavan Kumar:** Sir, when will the investment that Terminal-1 start, sir in Delhi Airport?
- GRK Babu:** That is expected to start only from July onwards.
- Pavan Kumar:** What will be the investment envisage for Terminal-1, sir?
- GRK Babu:** No, this is a comprehensive CAPEX that we are going to incur on Phase-3, which includes the fourth runway, cross taxi ways, Terminal-1, land side and entire apron development. So, that is consists of total put together may be around 8,000 crores.
- Pavan Kumar:** Sir, apart from that the status of the investments that Hyderabad Airport is it as per schedule which you mentioned last concall in FY19 you will start the construction, is it as per schedule sir?
- Siddharth Kapur:** Yes, it is as per schedule, Rajesh you want to give a brief about where we are in terms of the expansions?
- Rajesh Arora:** So, in terms of our expansion some of the activities we have already started. So, the overall schedule remains at 36 months what we had originally envisaged and it is progressing as per our planned activities.
- Pavan Kumar:** Sir, are you looking at any monetization you are planning to do for commercial and non-aero revenues and all that in Hyderabad and Delhi Airport over the next one year or so?
- Siddharth Kapur:** You are talking about real estate or non-aero?
- Pavan Kumar:** Actually for what I understand is you have given this real estate land for Delhi and Hyderabad Airport now sir. So, if you see is there any update which has come in the recent or are you looking for any monetization in the next one year or so?
- Siddharth Kapur:** Yes, as far as Delhi is concerned we have already started the process for bidding out hotel just opposite Terminal-3. So that should be getting closed very soon apart from that next month we are expecting to launch the bidding process for almost 21 acres which includes 17 acres of office and another 4 acres of the Silver Resort plot which went to the arbitration process on account of the defaulting party. So, we expect that to commence and then of course it may go through a process of bidding and will get finalize in the next say 3 to 4 months. Apart from that in Hyderabad there are significant amount of enquiries as we see Hyderabad real estate market is

picking up. MoUs have been signed with about 2 to 3 parties already in respect of about approximately 8 acres to 10 acres and one deal also has been signed in the last quarter for about one acre. But we are seeing a large amount of enquiries and including improvement in the valuations so we hope that over the next few quarters, we will see more color on something more concrete coming out of Hyderabad Airport.

Pavan Kumar: Sir another query is, last query is regarding your borrowing, sir. So, from what we understand you are currently raising a lot of borrowing for your both the airports from international this one. So, from what we understand AERA does not compensate for foreign exchange fluctuations. So in that case will domestic borrowing will not be better for you or why are you going for international borrowing any reasons, specific reason for that?

Siddharth Kapur: There have been some issues in the past where we had kept our position unhedged. So, the foreign exchange fluctuation in an unhedged scenario there has been some issues with the regulator which are in the process of getting resolved that is for the past. But as far as the current international bond issues are concerned we have taken out hedges in different forms both for Hyderabad and Delhi. And this is the clear pass through, so the regulator has no issue in giving out in ensuring the pass through of the hedging cost in respect of hedges which have been taken out.

Moderator: Thank you. Our next question is from the line of Chetan Phalke from Alpha Invesco. Please go ahead.

Chetan Phalke: Sir, are we planning to bid for Jaipur Airport and Ahmedabad Airport going forward?

Siddharth Kapur: Yes, we are looking at those opportunities. Yes, we will consider it. There are some issues in those bids in the form in which they currently are being talked about bidding but we are evaluating them.

Chetan Phalke: Can you elaborate more on the issues that they are facing for bidding for these airports?

Siddharth Kapur: See, it is a pure O&M kind of bid where the CAPEX will be undertaken by Airport Authority while the operations which is more relating to it is a kind of a facility management contract which is being outsourced to international airport operators. So, in the past when this bidding was done there were no bidders. So, Airport authority has gone back and they are looking at making changes in the terms of the bid. We will see how it comes out but in the past when they went for the bid there were no bidders.

Moderator: Thank you. Our next question is from the line of Jinesh Seth from Arete Group. Please go ahead.

Jinesh Seth: Sir, can you please share our bidding pipeline, airports?

Sidharath Kapur: You are talking about bidding pipeline of the airports?

- Jinesh Seth:** Yes, sir.
- Siddharth Kapur:** So, as I just mentioned that Ahmedabad and Jaipur are expected to come for rebidding. They already went through one process where there were no bidders and they are expected to come for bidding again. We will see how and in what form Airport Authority comes out and bids these 2 airports. We will evaluate them at that stage. Apart from that we have been qualified for Nagpur and that is expected to come. The bid for Bhogapuram where the highest bidder was Airport Authority we came to know through the press that the government has cancelled that bid and it is expected to come for rebidding. So, we will definitely look at it again. Apart from that there are international opportunities which we are currently evaluating but there is nothing concrete which is coming up in the next say 2 or 3 months on the international front.
- Jinesh Seth:** So, over the next 6 months, how many, if you cannot name them how many of such international opportunities we would be exploring?
- Siddharth Kapur:** Well, we continue to explore, I mean we are currently looking at about 3 or 4 international opportunities but they have not reached the stage where either the RFP or RFQ stage has come.
- Jinesh Seth:** And next fiscal how much of domestic opportunities might come up just a number, a broad number?
- Siddharth Kapur:** I think it will depend on the government really what they wanted do. It is very difficult for us to speculate. But as I said Ahmedabad and Jaipur is very much which will come. Nagpur is expected to come, Bhogapuram is expected to come. There may be a few other airports which may come up. Pune is expected but it may not happen in 6 months. It will depend on the progress made by the government on land acquisition, Jewar airport may come but again that is still sometime away. So, there is a fairly visible pipeline over the next 2 to 3 years.
- Jinesh Seth:** Sir, can you share the key recommendations on the consultancy paper that has been released on GHIAL?
- Siddharth Kapur:** I think it will be very difficult to go into very granular details. But effectively what the regulator has done is it has followed the same principles in respect of what it had done earlier as far as Hyderabad is concerned. It has continued to treat cargo, ground handling and fuel as aeronautical. It had proposed a decrease in charges of approximately 60% but as I mentioned earlier that last week there is a High Court stay where stay has been granted on AERA going ahead and fixing the charges for Hyderabad till the pending issues are resolved. So, that is very broadly the situation as far as the Hyderabad consultation paper is concerned.
- Jinesh Seth:** Sir, in terms of Rajahmundry as I understand that the extension that the lenders would had sought from RBI has not been granted. So, there is a possibility that the guarantees that we have given of around 2,700 odd crores can get invoked. So, can you just share a bit about this?

Ashis Basu: There is the first point is factual that the extension that they had written to RBI about has not been granted. The second I think we are engaged with all the banks and they are fully avail and appreciate that the status of Rajahmundry is because of (a) gas availability as projected by Government of India not coming through and (b) compounded by change in Government of India policy to accord higher priority to fertilizer than power mid-way. So, both of these have resulted government currently is seized with how to revive this power plants. They have, Power Ministry had sought our inputs which has been given as a group of all gas producers government is looking at it. In the current circumstance therefore, we would not think that encashment of guarantee or invoking guarantee is neither equitable nor expected. Further, I think now the Reserve Bank circular has come, banks have to come with a resolution plan within the next 6 months on the same. We are hoping for a positive resolution as we are working for other solutions including sale of power to neighboring country as also relocation. Those opportunities continued to be explored and we are engaged with the lender community and updating them continually on the same.

Jinesh Seth: Sir, does it mean that the talks that we were with some of the players to actually sell off or bringing a newer investor did not go through or are we still in talks with say for example Neyveli in relation to this?

Ashis Basu: That is not for GREL that is for Chhattisgarh plant. GREL the gas based plant lenders are run a process, a bid had come from a fund which the lenders did not agree to accept. So, GREL is that. There are specific opportunities we are following up for sale of power as I say to Bangladesh relocation of the power plant as also helping government to formulate a policy as 24,000 megawatt of gas based power plants are there and all of them are stranded at different degrees. So, it is a country wide issue and all the gas power produces are working with the government to find a solution and these plants would be very useful for the India Grid as more renewable come in. Government is aware of that. If you see the National Energy Policy which is issued by Niti Aayog it talks specifically of revive in these gas-based power plants. But the sale to possible new bidders is continuing lenders are exploring for Chhattisgarh. That continues.

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

Note: Transcript has been edited to improve readability.