Moderator: Ladies and gentlemen, good day and welcome to the GMR Infrastructure Limited Q2 FY 2011 Earnings Conference Call. As a reminder, for the duration of this conference, all participants' lines will be in a listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Ms. Khushnum Pestonji from Citigate Dewe Rogerson.

Khushnum Pestonji: Good afternoon, everyone. We welcome you to this conference call organized to discuss GMR Infrastructure Limited’s operating performance and financial results for the quarter and half year ended September 30, 2010 which we have announced earlier. We have with us Mr. Subbarao and CFOs of GMR’s business verticals. Before we begin, I would like to state that some of the statements made in today’s discussions maybe forward looking in nature and may involve risks and uncertainties. I would request Mr. Subbarao to begin with the opening remarks following with which we shall start the Q&A session.

Subbarao: Good afternoon, everyone. The presentation has been circulated to you. My apologies for circulating it a little late in the day and henceforth we will try to circulate one night ahead at least so that you have adequate time to go through the presentation, all the important developments as well as the financial. And this time we have included the financial analysis also for each of the sectors, to give you a better presentation and comparison across the projects and with the industry. And I will leave the forum open for Q&A to provide more time for Q&A rather than taking time for our discussion. I would just open the forum for Q&A.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Gaurav Agarwal from CRISIL.

Gaurav Agarwal: I have three questions. The first is regarding your DIAL airport. Just wanted to know what is the additional maintenance costs at T3, what was the amount and was it one-time or is it going to be there for next couple of quarters?

MS Narayana: It is actually increased its operational cost and not additional maintenance cost. After T3 has opened, T3 operational costs have come in and that is what is getting reflected in this quarter.
Subbarao: It is recurring in nature like power and maintenance. We have a new terminal and also everything put together it results in this kind of additional incremental cost.

Gaurav Agarwal: And my second question is pertaining to your FOREX translational loss at ISGIA. Could you please tell me the amount?

Subbarao: Euro 2 million for this quarter.

Gaurav Agarwal: Could you please tell me why the tax is too high at Sabiha Gökçen this time around and its historical high number, is it some exceptional item or is it going to be this way?

Bhaskar Rao: There is a reversal of deferred tax in Sabiha during this quarter and because of that the tax is consistently high.

Subbarao: It is an exceptional item, it is non-recurring so there is a reversal of deferred tax earlier taken into account, it’s a one-time adjustment.

Gaurav Agarwal: What was the amount of that reversal?

Bhaskar Rao: 14 crore. (40% share)

Gaurav Agarwal: 14 crore was related to that reversal?

Bhaskar Rao: Yes. See, there is a difference between the way it is deferred tax split between the IFRS and Indian GAAP and the accounts are maintained in Turkish GAAP which is very close to IFRS, so there they had created a deferred tax asset, which subsequently, because in Indian GAAP it is much more stricter, we had to reverse it and that is a one-time charge that has come during this quarter.

Gaurav Agarwal: What is the fuel cost which we have netted off in the Sabiha Gökçen financial but which is there on the consolidated number? If you can tell me the cost I will work out the revenue.

Subbarao: 100 crore is the cost. Yes, 99.55 to be precise.

Gaurav Agarwal: And my next question is on HIAL. The presentation says that there was a service tax arrear which was received during the quarter of Rs. 12 crore or so. Could you please tell me which quarter is it pertaining to?

GRK Babu: Actually, the service tax of 12 crore what they are referring to, is September 2009, not now. What we are referring to is last year in comparison when it was there, last year we have reduced 12.4 crore slightly from the revenues to give effect for the service tax pertained to ‘08-09.

GRK Babu: When you are making comparison of the current year to previous year u have to add 12.4 crore to previous year then only you have to make comparison.
Gaurav Agarwal: This is pertaining to the last year. And one thing on the EPC business, which is other business. Why have the expenses increased that much in EPC division, I mean I understand that revenue has increased because of QIP, QIP profits which were there in your bank accounts, but why expenses have increased on Q-o-Q basis?

MS Narayana: This is the EPC revenue. I could not get the question very clearly. But what I understand is that you are referring to the other revenue between the last quarter and the current quarter.

Gaurav Agarwal: No, I understand why the revenue has increased. What I am unable to understand is why the expenses have increased this much for the EPC business?

MS Narayana: The EPC business, the revenue in the last quarter was higher because we had a construction JV operating in Turkey and in the current quarter the EPC is only whatever we have got in India. The construction JV has got over. That is one portion of the thing. The second, we also have investment income which is higher in the last quarter.

Gaurav Agarwal: I am comparing Q2 FY11 with Q1 FY11. And my question is that why have the expenses increased, your EBITDA has come down as compared to Q1. So even though you have almost identical investment and the other operating income which is mostly the investment income.

Bhaskar Rao: Although the PAT has come down, expenses have not gone up. It is basically we had a higher investment and other operating income in the last quarter as compared to the current quarter.

Gaurav Agarwal: If you look at your presentation it says your gross revenue is 1,940 million and your EBITDA is…..

Bhaskar Rao: 1,940 gross revenue as against 1,624 gross revenue. You look at the break up of that Gaurav. If you see the investments and the other income…..

Gaurav Agarwal: Yes, it is almost identical, right?

Bhaskar Rao: No, last quarter was almost 1,219 and this quarter it is 1,181. Actually, no expenditure in that investment and other operating income.

Gaurav Agarwal: Right. It is like 40 million difference, right?

Bhaskar Rao: So the EBITDA margin, for the last quarter was 63% base because of that higher investment and other operating income, whereas this quarter it is 41%.

Gaurav Agarwal: For EPC business it means that it has come down drastically, am I right?

Bhaskar Rao: EPC turn over has actually gone up.

Gaurav Agarwal: The turnover has gone up, but margins have come down.
Gaurav Agarwal: Last question sir. In the HIAL slide, you see that decrease in interest income is because of the interest which is charged to DSI, that hotel venture, hotel subsidiary, but as far as I understood this it would not make any impact on the consolidated number, because this hotel is also 100% subsidiary of HIAL – GMR Hotels.

Subbarao: Yes, hotel is a 100% subsidiary, right.

Gaurav Agarwal: So it means that on consolidated basis the actual interest expenses would not have come down because those might have got in there in the other business, right?

Subbarao: The total interest expense has not come down as far as HIAL is concerned because the same loan structure continues to be there. But on standalone basis, Hyderabad airport has turned positive in the quarter excluding hotel business.

Moderator: The next question is from the line of Vishal Sharma from BNP Paribas.

Vishal Sharma: I was wondering if you could throw some light on why the per unit metrics, for example, the aero revenue per passenger or the non-aero revenue per passenger across the board, in fact, if you look at DIAL or GHIAL, what are the drivers or the reasons for the increase even quarter-on-quarter and even year-over-year?

GRK Babu: The basic drivers for aero revenue is the tariff application which has to go down to AERA Now you see that the existing parameters show that it is more or less uniform because of the rates being constant in all the quarters, but you will see a significant jump in the non-aero revenue. In Q1, it was 145 and it is 188 in Q2, but in Q2 of last year it was 178, but half year if you compare the non-aero revenue has slightly come down because in the case of DIAL, in the duty free we had a minimum guarantee in the last year, now the current year we have switched to the revenue share mode. And now the international has just started in July end. So there is a slight dip there. Otherwise, it is showing the growth trend.

Vishal Sharma: What about cargo per tonnes?

GRK Babu: Cargo also showed some substantial increase, if you see Q1 FY11 was 3122 and Q2 is 3310 but if you see Q2 of FY10 it will show 5835 this is a top line number of DIAL cargo because DIAL was handling the cargo earlier. Now, we have outsourced the cargo to concessioner and what is represented here is only the revenue share which we are getting. So if you net out the cost to DIAL earlier, we are actually getting a better return now after concessioning out.

Vishal Sharma: But if you see the first half FY10 over FY11……

GRK Babu: Yes, similar is there for first half of FY10. In FY10, the cargo was in DIAL’s hands, so this is based on top line turnover.
Vishal Sharma: The increase between the last quarter and this quarter is that because the cargo pricing increased?

GRK Babu: There is no price increase. It is only because of the growth in the turnover, the tonnage.

Vishal Sharma: But this is cargo revenue per tonne I assume, right?

GRK Babu: No, this is revenue share which we have seen.

Vishal Sharma: It is labeled as cargo revenue per tonne?

GRK Babu: If you compare Q1, Q2 of current year, it is only the revenue share which we have.

Vishal Sharma: The second question that I have is there has been an increase in the restated Q1 numbers in the EPC and others category. Can you explain that?

Bhaskar Rao: The hotel which was earlier part of the Hyderabad airport is now taken out of the airport segment post-merger and taken in the other segment actually.

Vishal Sharma: And one final question. Where are you getting your LSHS fuel? And can you comment on the pricing of it?

BS Raman: Currently, we are importing LSHS, otherwise it is HPCL which is supplying a fuel supplier with Chennai plant.

Vishal Sharma: And the pricing?

BS Raman: We will have to get back to you on this, because I think the pricing as I recall is lower than what was the supply rate of HPCL but we will give you the exact numbers in a while from now.

Moderator: The next question is from the line of Inderjeet Bhatia from Macquarie.

Inderjeet Bhatia: First is can you comment on the gas allocation for the new plants? Because we have an ECOM very shortly.

BS Raman: The ECOM in principle has approved for the year 2010-11 and 2011-12 wherein GMR Rajahmundry was also one of the projects that was to get allocation by March of next year, looking at the progress on the ground, but we expect another ECOM in the month of November where the gas allocation for the project would be firmed up.

Inderjeet Bhatia: Which are the plants that you are looking at, where you are likely to get the gas allocation?

BS Raman: The other one as I remember apart from Rajahmundry is one of GVK and one of Lanco. Beyond that I do not recall.
Inderjeet Bhatia: And all these plants are likely to get gas?

B S Raman: From KG-6, yes.

Inderjeet Bhatia: Another thing is would you like to comment on this Maldives airport, there have been news items coming around in terms of something similar to ADF and a lot of local opposition to that. What is the status and how are you progressing on that?

Subbarao: Initially, there was a portion quite sometime back, as of now everything subsided, there were some political differences, so, absolutely, now there is no difference. You must be referring to one of the recent reports, right?

Inderjeet Bhatia: Yes.

MS Narayanan: We have already made that payment of 76 million.

Inderjeet Bhatia: There is no any risk of the agreement having to be reworked or something like that because of local political pressures?

MS Narayanan: No. there is no such problem at all. We have already taken over, all the employees have already been offered the employment in GMIAL(19.30) and everybody has resigned there and joined here, 90%.

Inderjeet Bhatia: One final question from my side is on this Noida airport. Today, a news channel was carrying an item saying that GMR would be asked to take over the Noida airport operations. Are you aware that the government has finally decided to approve Noida airport and what is the status and what is your stand on that?

Subbarao: I think there is a misquote. There is no airport at all to take over the operations.

Inderjeet Bhatia: Exactly.

Subbarao: So I think there was, during the morning media interaction, there was a person, I was there, so I know the answer how it came from the person concerned. Absolutely we never said that the operations would be taken over, there is no airport, and there is no question of taking over the operation.

Inderjeet Bhatia: But in terms of your interactions with the government because an alternate airport would naturally affect you, what is the status, has the government taken stands already approving that airport or as per the current regulations, 150 Kms no other airport to be allowed so that is going to be still maintained? Because now you have built a very large capacity and it is going to take some time to get that capacity fully utilized.

MS Narayanan: Actually, as of now there is nothing from the government that they would take up this Noida airport.
Subbarao: Yes, there is no finalisation, there was discussion but nothing has moved, there is no significant development on this.

Subbarao: Before we move on to the next question, there was a question earlier on the LSHS price, the domestic price versus imported price. The domestic price is 32,000, the imported price is 30,000 per metric tonne. These are the answer to the earlier question.

Moderator: The next question is from the line of Pramod Amte from RBS.

Pramod Amte: This is with regard to the Hyderabad user fee increase which has come through for this quarter. There seems to be a pretty steep hike. Would you give some assumptions, what it means going forward in terms of profitability or the volume targets?

GRK Babu: The assumptions are basically, we have made a submission for two plus three years. That is called past two years operations and current year, next two years, future operations. Put together considered only the UDF has been arrived at. The UDF which is pretty steep because the past losses covering in the next three years. The increase in UDF is basically in case of domestic from 375 it has gone to 475, there is only Rs. 100, there is not much impact on us at all so far, and it is comfortably going on. There is a steep increase in case of the international from 1,000 to 1,875. But we have already started collections from 8th November. Currently we are collecting through corpus and from January onwards it will be part of ticket. Considering the UDF we are likely to make the PAT positive this financial year and next year we should be PAT positive by about 70 to 80 crore. And that is 11 and 12 based on the present estimates. The regulator has considered about 12% growth in the traffic for the next two years.

Pramod Amte: And when will this tariff be revisited?

GRK Babu: Honestly speaking, this is an ad hoc increase. Once the regulator is keeping all the regulations are in place then we have to go for the regular tariff. That regular tariff will be, once the regulations are in place, we do not know very clearly but maybe by April or May of 2011.

Subbarao: Let me just also to add to that, the UDF is in the nature of viability GAAP funding as in the case of crore. So to make the asset viable whatever needs to be given even if it is steeper hallow water availability so that needs to be given to terms of the concession agreement. It does not mean that it would continue for ever. As and when the traffic increases, so the UDF will drop in later years. So in the beginning to ensure viability whatever needs to be done has to be done.

Pramod Amte: And with regard to the debt side, you seem to have paid out some amount of debt in different subsidiaries. What is the purpose there? Is it just a recent fund raising you are comfortable, you are paid off or what is the thought process or would it not be equity requirement of your different SPVs demand and how will you balance the same?
Subbarao: We do not have any immediate use of this cash that has been lying in various subsidiaries and we have been investing in 5, 5.5% kind of treasury investments where we are paying 10 to 11% interest on the loan. Just to save on the cost, we have used this cash to repay some of the loan. As and when we need later, we can borrow, not a problem to borrow. This is the reason to save on the negative arbitrage that we have been incurring we have repaid and again we do not have immediate need for this cash.

Pramod Amte: And last any update on Delhi real estate plan for the remaining part of the year?

Subbarao: As of now, we need to focus on the stabilization of the operations and we need to focus on opening of T3 for the domestic flight. So we would focus as of now, we are prioritizing these things as of now. We will focus on monetization of the land at a later date. It is not the immediate focus.

Moderator: The next question is from the line of Deepak Agrawal from Merrill Lynch.

Deepak Agrawal: There is quite a bit of restatement especially in the traffic for the Delhi airport in terms of cargo or in terms of aircraft traffic, both sequentially as well as YoY, so any reason particularly for the restatement?

MS Narayanan: Actually, there is no restatement as such. In the case of cargo what has happened is the domestic has been added. Earlier, domestic was not mentioned as part of the cargo tonnage, because domestic is only a statistical figure, we are not getting any revenue out of it. Because going forward we will also be having domestic operations, to have the statistics in place, we have included domestic also along.

Deepak Agrawal: So all the numbers earlier was included only on the international side.

MS Narayanan: Yes, definitely. Import and export.

Deepak Agrawal: What about aircraft traffic?

MS Narayanan: Aircraft traffic is in line with what is there earlier. I do not see any regrouping.

Deepak Agrawal: I will just recheck again at my end. Secondly, just one of the statements which was there in the presentation is the refinancing for the InterGen acquisition, the loan of $737 million. So what will be the terms for the refinancing?

Subbarao: The tenure and the interest rate.

Bhaskar Rao We have taken a loan from Axis Bank. It was basically a short-term loan and we have actually replaced that loan with a longer duration.

Subbarao: It is a five year loan, Deepak, with a two-year moratorium and the overall fall-in cost is about close to 6% on the refinance.
Deepak Agrawala: The next question is on the energy side now. If leave aside this one time gain of 1,400 million, we see that the net profit from this vertical has dropped down quite sharply. Any reasons in this quarter especially when we already even started the Kakinada plant and the benefits are coming through.

BS Raman: Kakinada plant, as you are aware was relocated from Mangalore and in the first quarter of current year it was not in operation and the second quarter also the combined circle operation got commenced only in the month of August. So that is why PLF has been low and to top it further the Chennai plants PLF had drastically come down on a Q-on-Q basis or on a half yearly basis also because of torrential rains in Tamil Nadu. The demand had dropped and because Chennai is a pass-through basis at about Rs. 7 to Rs. 8 per unit, in the moratorium dispatch, we are able to procure power at anywhere between Rs. 3 to Rs. 6 so there is a back down instruction constantly whenever demand drops. So these are the two major reasons for the drop in PLF of both these units and consequentially the revenue.

Deepak Agrawala: And one last question, at the consolidated level, we have seen a fair amount of increase in the tax rate, sequentially from 24% the tax rate has gone to 32%. Any specific reason for this increase?

Subbarao: I think it was already explained, because there was some one-time divestments in Sabiha Gokcen airport between Turkish IFRS and ..... 

Deepak Agrawala: Because of only that adjustment.

Madhu Terdal: Yes, because of that adjustment

Moderator: The next question is from the line of Arya Sen from Credit Suisse.

Arya Sen: Wanted to understand the increase in UDF at Hyderabad airport. Does it assume some Till, I mean does it mean anything for the decision on Till going forward?

GRK Babu: The application has been made on a single Till basis reserving our right going in forward. If we make an application on double Till or the hybrid Till then it would take much more time by the regulator to evaluate. That is why to get the ad hoc UDF immediately we have made an application on single Till basis. But we have reserved our right to go back and give our comments, once all the regulations are in place.

Arya Sen: Right, just to understand this interim hike that has happened, that is based on single Till?

GRK Babu: Absolutely correct.

Subbarao: There is no admission from our side that we are in agreement with a single Till.
Arya Sen: The other is, on the road side, NHAI has sort of slowed down on project awards, any view on anything that you are expecting going forward in the next second half?

DRS Krishnan: There is a slight slowdown on the contracts which are being now finalized. But it is likely to pick up in the months to come. Maybe starting from January I think the NHAI would increase the new concessions. As of now things have slowed down.

Subbarao: Yes, it is more of issues, everyone knows what has been happening in NHAI and it would not be prudent to say and reiterate what has been happening. So there is a definite slowdown on this. And there is also a rational competition going on in the sector, dropping down the returns, so even when the projects are available we will go for the projects which come to us at our churn.

Moderator: The next question is from the line of Salil Desai from IDFC.

Salil Desai: In DIAL, we have repaid 800 crore of short-term debt is what the presentation says. March 2010 I think the total debt was close to about 2,575 crore and in September 2010 we are showing some 2,176-odd crore of total debt. So was there an additional 400 crore borrowing in the interim period?

MS Narayanan: Out of the 800 crore that have been repaid, 400 crore was repaid before 30th of September and other 400 crore was done during the month of October.

Salil Desai: All right. That explains. Fine. And again do you repaid some 336 crore in Vemagiri, now Vemagiri, are we generating as much cash to repay such a large amount of loan or has this been done through the private equity money that we have raised?

BS Raman: Vemagiri had a surplus in the DRA account of something close to 250 crore when we planned this repayment to reduce the interest burden as our CFO had mentioned earlier. And further to supplement this there is regular cash generation of the plant itself. And supplement that by some support from the parent company. The intention is, because the parent company has surplus money through the private equity raising which is running only at about 5, 5% in treasury. And VPL is paying an interest of 11.5%, around that range. So to reduce the burden, we are taking it through this mode. The balance support is coming in from the parent company only.

Salil Desai: And when do we get this approval for these revised fixed charges in Vemagiri, any timeline on that?

BS Raman: It is very difficult to say. It is still in the court of the regulator and it is subjudice although we are pursuing. The petition currently is under discussion with AP Transco, once AP Transco, in principle, approves the methodology and the numbers then it would go back to regulator for a public hearing and an approval thereafter. So we expect at least another minimum of three to six months span for the final outcome to come in.
Salil Desai: One last question was that GEL, do you have this interest income from the ECBs that we have subscribed to for InterGen? These we book every six months, is it? I just wanted to clarify what is the revenue booking?

Subbarao: It is on a quarterly basis. Every quarter we have to recognize revenue.

Salil Desai: So what will be the amount this quarter and where would it reflect the numbers?

Bhaskar Rao It is about 19 crore and from this quarter onwards it is classified under others.

Moderator: The next question is from the line of Gautam Bafna from B&K Securities.

Gautam Bafna: My question is regarding the Kakinada Power Plant. I understand that PLFs are low because plant started on combined cycle from August, but how is the PLF now and secondly, are we satisfied with the operational performance of the power plant?

BS Raman: Currently, Kakinada plant is getting its quota of allocation. But it is not in a position to get 100% gas although all the turbines have been synchronized and available, it is operating at about 70% capacity since August or beginning of September. And plant operation in terms of other technical parameters is well under control and within our proposed parameters.

Gautam Bafna: My second question is regarding InterGen. How is the progress on stake sale in InterGen and when do we expect to complete the transaction?

Subbarao: We have significantly progressed; we have got considerable offers. We are in the due diligence process. And it is difficult to set a time then for the completion because there are different jurisdictions; there are different statutes which they have all to go through for this completion on the due diligence. It may take a while but going by the present situation I think subject to the commercial agreement being reached on all other fronts, we should be in a position to conclude during the course of the current financial year itself.

Moderator: The next question is from the line of Nimisha Agarwal from CRISIL.

Nimisha Agarwal: Wanted to ask you about the Ulundurpet Tindivanam project. There has been a 38% growth year-on-year in traffic. So what has been the reason for that?

DRS Krishnan: We had made provision for income from state transport buses which are under dispute till now. So we are entering into a final clearance from Tamil Nadu State Transport Department that we would be getting this income from now on, on a monthly basis. You are mentioning only about the last quarter I think.

Nimisha Agarwal: I think year-on-year there has been a growth in the traffic of 38%....
**DRS Krishnan:** Year-on-year, there is a revision in the toll revenue which has increased by about 14% to 15% in Tindivanam-Ulundurpet. That shows a sizeable increase and also there is a growth in traffic by about 7% to 8%. Compounding this gives you an increase of about 13%.

**Subbarao:** There are some other factors, so one factor is the increase in the toll charges. Second factor is increase in the traffic. The third factor is a one-time adjustment on account of the transport charges which were not accounted earlier because the state government was refusing to pay and after reaching an agreement we accrued the outstanding amount. And the fourth factor last year was on a like-to-like period of comparison. Last year it was for a shorter period. Because the project commissioned during the course of the last year.

**Nimisha Agarwal:** And how does this compare with your projected traffic growth?

**DRS Krishnan:** As of now if you see exactly day today from last year to current year, there is an increase per month roughly about 60 to 70 lakh per month, there is an increase in gross revenue.

**Subbarao:** It is in tune with the financial closure order we have submitted to the lenders.

**Nimisha Agarwal:** And in case of airports, the high growth in cargo is mainly driven by which commodity, both for domestic and international?

**Subbarao:** Which airport are you talking of?

**Nimisha Agarwal:** DIAL.

**MS Narayana:** I will just get back to you.

**Moderator:** The next question is from the line of Vijaykumar from Spark Capital.

**Vijaykumar:** My first question pertains to the Kakinada plant. You said it is operating at 70%. Just to understand 70% it will operate on the combined cycle basis of 235 MW is that right?

**BS Raman:** Currently, it is generating somewhere close to 170 MW because the gas allocation is to the quantum of 70% only and we are not in a position to source additional gas for the plant to run it at about 85-90%. On a comparative basis, if you look at Vemagiri, Vemagiri continues to get additional gas over and above its allocation and it is able to operate at about 85 to 90% range.

**Vijaykumar:** From where are you getting this gas and at what rate, is it from Reliance?

**BS Raman:** Yes, it is from KG Basin. KG-6 from Reliance. I think it is about $4.34.

**Vijaykumar:** 4.34 plus transportation?

**BS Raman:** Yes correct.
Vijaykumar: And landed cost would be about $5.2-odd?

BS Raman: It is in the range of $5.2 to $5.4.

Vijaykumar: And how have you logged in your merchant rate and what kind of contracts have you entered into?

BS Raman: We have a contract for about 100 MW with AP Transco which is at a rate of around Rs. 4.30 per unit.

Vijaykumar: What is the term of this contract?

BS Raman: Till March next year. Further, we are through the exchange and with some short-term contracts trading arm we are selling in the range of about 3.80 to 3.90 per unit.

Vijaykumar: And how would you be looking at this project, say one year, would you continue it on trading or would you look at Case-1 bidding or something of that sort?

BS Raman: Case-1 bidding for this plant would be difficult because gas allocation as per policy even now is for a maximum period of five years only. So it needs to continue on a merchant basis with short-term tie-ups.

Vijaykumar: So you are saying the tariff is about 4.3 and since it is to AP Transco largely there would not be a transmission charge, is this 4.3 gross or is it net?

BS Raman: 4.3 gross.

Vijaykumar: So your transmission would be about 25-30 paise?

BS Raman: Not 25 paise, it comes to only 6-7 paisa.

Vijaykumar: That was on the power plant. And actually for incremental gas what are the revenues you are looking at?

BS Raman: Incremental gas one of the options we are looking at is Shale gas. One is the discussion point with the GAIL for supply of additional gas, but these are still in the initial stages and we have not yet firmed up and there is also some additional talks going on with Reliance to source additional gas over and above the allocation, but not yet firmed up.

Vijaykumar: That is on the power plant. And my other question pertains to the interest rate resets, have there been any interest rate resets, if so to what rate on any of your project in the various segments.

DRS Krishnan: During the last quarter we had two of the road projects interest rates were reset. Earlier, it was at 9.25%, which was now reset to 9.5%. This will remain till the next reset, that is one year from the respective reset due date.
BS Raman: On power project, there has been no reset, only Vemagiri was coming up for reset but we opted to prepay the entire RPL. On the 40 million foreign currency loan on BPGL, we have asked for reduction in interest rate which is under negotiation with the bankers.

Vijaykumar: On the airports?

MS Narayanan: No reset at the airports.

Vijaykumar: What is the current running interest rate at the airports on the loans taken?

MS Narayanan: In Delhi International Airport, the rupee rate is around 10.7 and the ECB is around 9.

Vijaykumar: And on Hyderabad?

GRK Babu: Hyderabad also average rate of rupee loan interest is coming around 10.6. ECB loan is 7.7. In terms of Indian Rupee, if you convert it, it will be around 8.2

Vijaykumar: So about 10.5 and 8.2 or so.

GRK Babu: Yes.

Vijaykumar: That is it from my side. If I have more questions I will come in the queue.

Moderator: The next question is from the line of Lokesh Garg from Kotak Securities.

Lokesh Garg: Just wanted to ask you on the Delhi Airport, last quarter Q1 you had an expenditure of 76 crore which has gone up to 150 crore and it seems that this 75 crore additional would be additional related to T3 becoming operational now, right?

MS Narayanan: Yes, basically, it is only T3 operational.

Lokesh Garg: T3 became operational towards end of July, so actual quarterly increase in expenditure would be?

MS Narayanan: What has happened is that though it has become operational in July, but it was ready for operation from 1st of June, so what has happened is as per the accounting guidelines, once it is ready for operation, whatever revenue expenditures we are incurring towards that terminal, we have to charge it off revenue.

Lokesh Garg: Actually for four months rather than for two months?

MS Narayanan: Yes.

Lokesh Garg: Other question is, you have explained in the PPT that interest and depreciation charges have increased related to capitalization of T3. Could you give us quarterly or annual run rate of this increase now?
**MS Narayanan:** Going forward, the run rate will be around 36 crore from December onwards will be the depreciation and the interest would be around 45 crore.

**MS Narayanan:** 36 crore per month.

**Lokesh Garg:** Lastly, it was earlier asked on in the call, but I did not get a perspective from your side. Is there a decline in aero revenue per passenger basis also in Delhi? And I think so is the case with Hyderabad airport as well? Now, tariff has not gone down, they have gone up, so to that extent, why should aero revenue go down on a per PAX basis also?

**MS Narayanan:** First, let me answer DIAL, Delhi international airport. In the case of Delhi airport, there is a marginal decrease in the aero revenue per PAX if you are referring to that. That is basically because what is happening is, that major growth is in the domestic front. There is an increase in the load factors in the flight. What happens is there are a less number of ATMs coming and more number of passengers coming. Because of that there is a marginal decrease in the aero revenue per PAX. And that is for Hyderabad also.

**Lokesh Garg:** And non-aero revenue per PAX has declined in Delhi because you explained.

**MS Narayanan:** Because of the duty free earlier we had a minimum guarantee, now it has come to a revenue share basis and the whole thing started sometime at the end of July, so it will pick up now, it has already picked up substantially. If you see quarter wise comparison, the non-aero has jumped from 145 to 188 in the Q2.

**Lokesh Garg:** And non-aero has declined in Hyderabad as well on a H1 to H1 basis?

**GRK Babu:** Yes, that is correct. The same is the case here, the duty free shop has been taken over by the airport. It was originally concessionaire Nuance was there, so that we have taken over, we have floated our own company and we have started operating it. That is why the MAG is not there, there is only a revenue share which is available right now. It is operational only from the month of July. It was closed in the month of June, entire month.

**Subbarao:** Value accumulates in the subsidiary.

**GRK Babu:** Yes, it is accumulating in the subsidiary, but it is 100% subsidiary. The revenue share now what we have fixed is basically on the turnover which they are achieving, earlier, we used to have a MAG, Minimum Annual Guarantee which is not there now. That is one area. The other area is even advertisement also the revenues have come down, we have reduced the MAG to the revenue share.

**Lokesh Garg:** I do not know whether you will be able to share what was the amount of MAG for these two concessions and what is the revenue share that you are getting on a quarterly basis now, if possible?

**GRK Babu:** The MAG used to be almost 12.5 to 13 crore in case of the duty free shop. Now, it has come down to, we have fixed around 9.8 crore.
Lokesh Garg: 9.8 crore is the revenue share that you are getting now?

GRK Babu: Yes.

Lokesh Garg: And this is for the duty free. Anything for advertisement?

GRK Babu: Sorry, that is advertisement company. Duty-free the revenue share which we are estimating to get is about 7 to 7.5 crore as against almost 9 to 10 crore which we got last year.

Lokesh Garg: This is on again per quarter basis?

GRK Babu: No, on annual basis. And quarterly basis, our revenue share will be around 1.5 to 1.75 crore as against 2.7.

Lokesh Garg: Can you give me similar numbers for DIAL?

MS Narayanan: For DIAL, the minimum average guarantee is about 7 crore per month in the last year but now the revenue share is based on the current levels of fixing. For the year operation is expected to be around $75 million for the first year. On that the revenue share is 36%.

Lokesh Garg: This is for the duty-free obviously.

MS Narayanan: Yes, duty-free.

Lokesh Garg: Anything for advertising?

MS Narayanan: Advertising is all revenue share basis. Earlier also was on revenue share basis plus little bit of land rentals that were charged.

Moderator: The next question is from the line of Rahul Agarwal from Anand Rathi.

Rahul Agarwal: I read the presentation. It says that T3 has not been fully capitalized. Is that right?

MS Narayanan: Yes.

Rahul Agarwal: So could I get the amount which has been capitalized or basically the increase in gross block due to T3?

MS Narayanan: Basically, 46% of the total has been capitalized, which is around 4,300 crore that has been capitalized.

Rahul Agarwal: So balance is expected in third quarter, am I right, fully?

MS Narayanan: Yes.

Subbarao: Now in the next few days upon the commencement of the domestic operations, the balance will be capitalized.
Rahul Agarwal: My next question is basically on the consolidated balance sheet. Our investments have come down sequentially and cash and bank balance has gone up by close to 700 crore now I think it is 2,500 crore, like is this mainly related to liquidation of investments or something else?

Subbarao: The mutual funds are listed as investments. Whereas fixed deposits and CDs are reflected in the cash and bank balance. We shift from one asset class to another asset class.

Rahul Agarwal: That is it, right? That explains the entire difference, right?

Subbarao: Yes.

Rahul Agarwal: And is HEG consolidated this quarter?

Bhaskar Rao: Yes, it is. It is consolidated in the balance sheet, in the profit and loss account it will be consolidated from the next quarter.

Rahul Agarwal: From third quarter?

Bhaskar Rao: Yes.

Rahul Agarwal: Just one last question, could I have the breakup of investment income and operating income in the other segment? The breakup of 118 crore basically.

Bhaskar Rao: I will give you the breakup. Investment income would be around 53 crore, management fees would be around 27 crore and aviation of about 19 crore and hotel revenue of about 17 crore. We have our hotel in Hyderabad as well as in Istanbul. And there are some consolidation adjustments which has just been removed from here because the management fee is between one entity to another entity so we get a net of 118 crore.

Moderator: The next question is from the line of Salil Desai from IDFC.

Salil Desai: One clarification on the numbers in the presentation. The P&L account we see for Delhi or Hyderabad airports, these are consolidated for Delhi, so it would include all subsidiaries and everything is it?

Bhaskar Rao: Hyderabad is the individual figures.

Salil Desai: Hyderabad does not include the hotel revenues or expenses.

Bhaskar Rao: No, no, hotel revenues are now from this quarter onwards after demergers, been taken in other segments.

Salil Desai: So and what about cargo and other JVs?

Bhaskar Rao: It is everything that is related to the airport are all taken in airport segment.

Salil Desai: Same is with DIAL right?
Bhaskar Rao: Yes, it is in DIAL HIAL and Istanbul airport. All three is the one which are related to the airport operation, which emanate from the concessional agreements are all taken in.

Salil Desai: If there is any change in these non-aero revenues, what we see in these numbers is what the JV would have earned plus what the revenue share the JV would have given to DIAL?

Bhaskar Rao: That is right.

Moderator: The next question is follow-up from the line of Nimisha Agarwal from CRISIL.

Nimisha Agarwal: Wanted to ask you another thing, regarding the status of Hyderabad-Vijayawada road project and Hospet –Hungud road project, in terms of how much has been completed and what is the land acquisition status?

IV Srinivasan: Regarding the Hyderabad-Vijayawada road project, most of the land is acquired, that is town side, Chichal and that site which will be completed in the next two months. Hospet –Hungud also the land acquisition is in the advanced stage.

Nimisha Agarwal: As in terms of length completed?

IV Srinivasan: The work has just started in Vijayawada-Hyderabad for last four, five months. Maybe around six months. And Hungund-Hospet, for last three months. The road project will be completed, first the earth work has to be completed, then lanes and all those things.

Nimisha Agarwal: And sir, what are the interest rates for the debt?

DRS Krishnan: For the Hungund-Hospet, it is 10.5%. fixed during construction and then the reset would be that on BPLR plus the margin, for Hyderabad-Vijayawada it is 10.75, same fixed during construction, CORR also 10.75 fixed during construction.

MS Narayanan: Before we go to the next thing, you had asked about the items where there is an increase in the cargo? Basically it is on textiles and handicrafts.

Nimisha Agarwal: Both inbound and outbound, I mean both domestic and international?

MS Narayanan: Basically exports.

Moderator: Ladies and gentlemen that was the last question. I would now like to hand the floor back to Mr. Subbarao for closing comments.

Subbarao: Yes, before I close, I would just like to say that in the last one decade GMR has been building the projects, we are in the life cycle management of the projects. And now we have a significant platform of operating assets close to $5 billion. I think we have reached a maturity stage where we are building the projects and now have created this kind of asset base. This asset base creation will continue to be there but now the focus would
equally shift on sweating the assets and generating more and more cash from each of these assets. As we know, infra projects have capacity cost, which will take a couple of years to get absorbed and before the project becomes profitable. Say for example, Hyderabad airport we have taken two years to make it profitable and from this quarter onwards because of the higher UDF and hence higher revenue the project would become profitable from the next quarter onwards for the rest of the 58 years concessional period, it would continue to be profitable.

Toll projects, last year we commissioned the operation and this year because of the traffic growth as well as the tariff growth, both, we should be inching towards the breakeven point either this last quarter or the first quarter of the next financial year and during the course of the next financial year I think the toll project except Ambala-Chandigarh, other toll projects should become profitable and Delhi, because of again the huge capacity cost, it would take some time for it to become profitable at the PAT level. Though the tariff revision is expected to happen shortly, still it might take sometime to absorb the entire capacity cost. But we would sweat each of these assets and generate more and more cash as we go along, but what we need to upsaid on what we request you to upsaid infra projects would take a couple of years, particularly, the power projects would become immediately profitable but the toll projects and the airport projects would take a couple of years and thereafter for the entire end of the concession period they would become profitable.

Internally, we have started an initiative called Bottom-line improvement plan, asset-by-asset, and we are working on each and every asset, how do we make these assets profitable, this message I would like to leave it here and we would demonstrate this as we go along. Thank you. So thanks for your participation. Thank you one and all.

**Moderator:**

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