



GMR Airports Infrastructure Limited
(formerly known as GMR Infrastructure Ltd)

**Q1FY2025 Investor / Analyst
Conference Call Transcript
August 14, 2024**

Moderator:

Ladies and gentlemen, good day, and welcome to GMR Airports Infrastructure Limited conference call to discuss Q1 FY2025 results. As a reminder, all participant 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

We have with us today, Mr. Saurabh Chawla, Executive Director, Finance and Strategy, along with the other top management. 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 involve 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. Saurabh Chawla for the opening remarks. Thank you, and over to you, sir.

Saurabh Chawla:

Thank you, and good evening, everyone. I welcome our shareholders, analysts and other stakeholders to our Q1FY25 Earnings Call. This is a momentous moment for us because now our merger has got completed and this is the first earnings call of a merged entity GMR Airports Infrastructure Limited.

As we navigate into FY25, we are seeing a lot of optimism in the travel sector as also within the company. Various global institutions, including the World Bank, have stated that India will remain the fastest-growing world's largest economy. Even RBI has projected a GDP growth of 7.2% in FY25. One off the articles published by a business site said India's travel retail market is expected to grow at a CAGR of almost 21.6% during the period 2024 to 2029.

To cater to the expected demand, the new Civil Aviation minister has assured that the pace of building aviation infrastructure, including creation of new airports will be accelerated. The National Stock Exchange has also recently launched the Nifty Tourism India Index. GMR Airports is a part of that index with a weightage of 14.8% currently, the third highest within that portfolio.



The focus area of all the stakeholders remains on establishing India as a hub. Let me give you some data points to ponder. More Indian passengers are booking nonstop flights than earlier. 57% of the total passengers in 2023 flew point to point compared to 53% in 2019 as per data from OAG.

Data from India Central Bank show that Indian travellers reached a new peak in overseas spending of almost \$31.7 billion in 2024, of that, \$17 billion was spent on international travel alone, a 25% increase from the previous year.

According to the CEO of the Sri Lankan Airlines, an increasing number of passengers from Europe to Sri Lanka are choosing to transit through Indian airports rather than the traditional West Asian hubs. Transit traffic from Europe to India to Colombo has tripled since COVID-19 pandemic.

India is now the fastest-growing long-haul market for Melbourne Airport, its CEO said. Melbourne Airport has grown direct services to India in the last 12 months by 330%. However, even with the growth of direct connectivity to India, 70% of the traffic between India and Australia still goes through connecting hubs like Singapore.

At Delhi Airport, we have launched several initiatives to aid international travellers. For instance, Air India has tie-ups with Delhi Airport to facilitate check-in for international passengers at two select Delhi Metro stations, which is Shivaji Stadium and New Delhi Rajiv Chowk Stadium. To make immigration process easier, biometric kiosks are operational at Delhi Airport. These and several other initiatives will ensure that more time is available to explore the airport and enhance the travel experience of the passengers.

On that note, let me delve deeper into the Q1FY25 performance. Momentum in total income continued with Q1 FY25 at INR 25.2 billion, which is up by 19% year-on-year, driven by traffic growth translating into an EBITDA growth of 18% year-on-year to INR 10.2 billion.

EBITDA margin for the quarter was 52% in Q1FY25 versus 48% in Q4FY24. Higher finance costs and depreciation arising post completion of expansion of Delhi and Hyderabad Airports lead to GMR Airports reporting a loss from the continuing operations of INR 3.4 billion.

Consolidated net debt, excluding the FCCBs of \$25.3 billion stood at INR 280 billion, increasing by about \$9 billion versus in Q4FY24. This was mainly driven by a combination of borrowings raised at Bhogapuram Airport and payment of balance capital expenditures at Delhi, partly offset by repayment of foreign currency notes at Hyderabad.

On the operational front, we continue to see growth in traffic that is 7% year-on-year growth in Q1, reaching 31.8 million passengers. International passenger traffic share for the quarter was at 23%. Regarding specific airports during Q1, passenger traffic at Delhi rose 7% year-on-year to 19.3 million passengers. At Hyderabad, the traffic was up 10% year-on-year to about 6.8 million passengers. Both these airports handled the highest number of quarterly passengers ever in Q1. Goa traffic rose 19% year-on-year to 1.15 million passengers.



Total income of Delhi Airport rose 7.5% year-on-year to INR 12.9 billion, driven by traffic growth with EBITDA up 3.8% year-on-year to about INR 3.9 billion. At Hyderabad, total income was INR 5.8 billion, up 21.4% year-on-year with a growth driven by both traffic and slight increase in the aero tariffs for FY25. EBITDA was up 11% year-on-year to INR 3.6 billion. Mopa, which is Goa Airport, reported a total income of INR 946 million, an increase of 121% year-on-year on a lower base, strong traffic growth and new tariffs applicable from January 2024. The airport continues to report a positive EBITDA in its initial years of operation with Q1 at about INR 397 million.

Notable achievements during the quarter are:

The merger of GMR Airports with GMR Airports Infrastructure Limited is now complete. Corporate structure of GMR Airports Infrastructure Limited is now streamlined, and airport assets have moved closer to the GIL shareholders. Enhanced corporate governance with an expanded board and a strong balance sheet has enabled GMR Airports Infrastructure Limited to be future-ready. GMR promoters continue to remain as the single largest shareholder retaining management control over GMR Airports Limited. Shares allotted to group ADP in lieu of this merger are now trading on the stock exchanges.

Delhi airport during this quarter submitted the tariff proposal for the fourth control period. That is for a period from 1st April 2024 to 31st March 2029.

In addition to this, there was an unfortunate incident at Terminal 1 at Delhi Airport. I would like to highlight that the swift response by Delhi teams ensured that the business operations had minimal impact on revenues and passengers do not face challenges. There was no shortage of staff to service the passengers and our concessionaires during this transition period.

Progress on foraying into airport adjacencies businesses continued. At Hyderabad Airport, all retail outlets are now being operated by GMR Airports Infrastructure Limited. Letter of Intent has been issued to some luxury brands for Luxury Zone at the domestic terminal. Car park business that was awarded to GMR Airports Infrastructure Limited has been operationalized this month. For F&B, GMR Hospitality Limited has opened up 5 outlets during this quarter and is expected to open many more or actually more than 30 outlets during the Q2.

At Hyderabad Airport, a new last-minute duty-free shopping store has also been opened, which provides an additional facility for passengers to shop. Also, Transit lounge commenced commercial operations in June'24.

At Goa Airport, duty free further strengthened its product portfolio by introducing watches and cosmetic categories. Rolling tobacco was also introduced at the arrival store. Car parking system has been operationalized in July 2024.

I'm also happy to announce that as of July, 100% of physical work has been completed for the expansion of Delhi and Hyderabad, with operations at Delhi's new terminals stated to start shortly.



As a matter of fact, as we speak, our release has already gone into the marketplace where I think on 16th night, the Terminal 1 will restart its operations i.e. the new Terminal 1.

At Bhogapuram, about 34% of physical progress is complete as of July, while at Mopa, Goa, 91.5% of expansion is complete. At Crete, about 37.5% progress has been achieved as of July.

All GMR Airports are among the top 100 global airports as per Skytrax ranking. Delhi retaining a rank of 36, and it is the only Indian airport in top 50. Hyderabad securing 61st position and our newly operational Goa airport getting 92nd position. Skytrax awarded Delhi Airport with the best airport in India and South Asia Award for the 6th consecutive year, while Hyderabad Airport was judged the best airport staff in India and South Asia.

At GMR, we recognize that our success is deeply linked to the well-being of our planet and its people. That's why we are committed to integrating ESG principles into every aspect of our business. Our goal is to create a better future for all our stakeholders. ASQ score at both Delhi and Hyderabad Airports was maintained at 5 for the Q1 and at Goa at 4.92. CSR spend for Q1 totalled about INR 25 million with total beneficiaries of over 140,000 persons with more than 90% being from vulnerable and marginalized groups. Delhi, Hyderabad and Goa Airports keep launching several initiatives and have received awards and recognitions for the same, acknowledging the group's efforts on the ESG front.

Both Delhi and Hyderabad Airports are targeting net 0 by 2030 and are rated at Level 4 plus transition by ACI. With various initiatives on the ESG front, we have been making steady progress on ESG ratings by various agencies, including S&P Global, MSCI and Sustainalytics, et cetera.

The presentation with all financial numbers are already available with you. If not, you can download it from the IR section of our website. We are available to respond to your questions on this call and offline after the call.

Now I would like to open the forum for queries, which may be addressed by my colleagues from the corporate and business teams. Thank you.

Moderator: Our first question is from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar: My question is, given the merger has, I think, materialized in this Q2. What is the total number of shares after the issuance to Groupe ADP? And am I supposed to conclude that, the OCRPS and FCCB, everything has been issued to the Groupe ADP. Is that a fair understanding?

Saurabh Chawla: No, I think there is some misunderstanding. The FCCBs that were issued to ADP, a little more one year back, they continue to be FCCBs. So those have not been converted by ADP. They will continue for a period of 5 years from the date of issuance, minimum period of 5 years from the date of issuance. So there's no conversion from that aspect. And hence, the equity stack will not change.



- Mohit Kumar:** So the number of shares outstanding should be around 10 billion -- 10.5 billion shares, right? And there is a 2.6 billion of OCRP. Is my number correct?
- Saurabh Chawla:** Correct.
- Mohit Kumar:** Understood, sir. My second question is on - you received TDSAT order a few months back. Is the order still being contested? Or has it reached a finality?
- GRK Babu:** With regard to Delhi TDSAT orders?
- Mohit Kumar:** Yes.
- GRK Babu:** No, the appeal has already been filed before the Supreme Court by the stakeholders. But the court has not given any stay on it. So that hearing is yet to take place.
- Mohit Kumar:** And what are your expectation when you will receive the Delhi tariff order?
- GRK Babu:** Delhi tariff order, we have filed application, including the TDSAT benefits and also the Supreme Court benefit. Both together, we have already filed application.
- Mohit Kumar:** My question is when do you expect the Delhi tariff order to be in effect.
- GRK Babu:** SBI caps has already been appointed for this purpose by the regulator. The work is going on in full swing. Regulator has already asked SBI to complete the entire work within 6 months. So we're expecting the order latest by December, otherwise, the last quarter.
- Saurabh Chawla:** So the order will be effective from 1st April 2024, while order will come in the last quarter of our FY25. Sorry.
- Moderator:** The next question is from the line of Karthik Chellappa from Indus Capital Advisors Limited.
- Karthik Chellappa:** I just have two questions. One on Delhi Airport and one on Hyderabad. On Delhi, if I were to look at our financials this quarter, so we have about a 7% passenger growth against which we've had are about 9% to 10% non-aero growth and a 4% EBITDA growth. I'm just curious to see that our non-aero revenue per pax is probably trending at about 2% to 3%, and our EBITDA per pax is actually down year-on-year. What would explain this weakness? And when do you think we can start to see some nonlinearity in this growth where your EBITDA is actually growing faster than revenue? That's my first question, sir.
- GRK Babu:** See, we are under base airport charges as far as the Delhi Airport is concerned. So you will be able to see the benefit of increase in EBITDA only when the tariffs are implemented, which we are expecting by the last quarter of this FY25.



Karthik Chellappa: Okay. The aero part of it is clear to me, sir. When I look at the non-aero revenue, that on a per pax basis is rising only 2% to 3%. And that, I think, is also contributing some to the slow EBITDA growth. So I'm just trying to see when the non-aero revenue per pax can grow faster and which can probably translate into faster EBITDA growth. That's basically the angle where I'm coming.

Rajesh Arora: Yes. I think when you look at the non-aero per pax revenue, what it takes into consideration is the inflationary impact as well as improved spend. So it can vary anything between 3% upwards also. When you really look at this particular quarter's number, it will have a combination of few things. Q1 is not the best quarter. Q4 is a quarter where you have the maximum revenue coming in both from the aero as well as non-aero point of view. And there could be another contributing factors like spending duty free and all that. But in isolation, if you look at 3% growth in non-aero spend per pax is not a bad number. I would like to say. But yes, we have been doing better than that. And that's the endeavour to by increased offerings and increased space, you should see increasingly this spend should go up.

Saurabh Chawla: Yes. So I think you need to take into account the seasonality. The first quarter of a fiscal year, which is your April to June, is usually lower than the last quarter of Q4 of the previous fiscal year. So the momentum continues to be there. I think the real measure of it will be, as we go forward, you will see the trend lines reappear on the growth of the non-aero side.

GRK Babu: And another point is that terminal 1, which is now built for 40 million capacity, is getting opened up now, then you will see a real increase in non-aeronautical revenue, maybe in third quarter and fourth quarter.

Karthik Chellappa: Okay. Got it. My second question is again on Hyderabad. What I noticed is that we've had a very strong aero revenue as well as non-aero revenue. So on a per pax basis, that is also -- for aero, it is almost up double digit. And for non-aero, it's up about 7% odd on a per pax basis. But despite that, the EBITDA is actually slower, which means the OpEx is actually pretty high. So what is contributing to the high OpEx to Hyderabad? And when do you think you can actually start to see EBITDA growth also in the region of our revenue growth.

Saurabh Chawla: See, in case of the Hyderabad, since the expanded terminal is almost 3x bigger than the existing terminal. The costs are now started being incurred. And as far as the revenues are concerned, aeronautical is, of course, in line with the tariffs which are already in place. Non-aeronautical revenue all the new shops are getting opened up. We are expecting the entire work will be completed by only third quarter of this financial year. You will able to see a good jump in the non-aeronautical revenue only in the fourth quarter.

Karthik Chellappa: Okay. Got it. And just one follow-up, sir. As far as the old Terminal 1 was concerned, which was being shut, what is the update on that? When is that going to be opened? And is there any repercussions to us in terms of additional capex or maintenance capex to be spent?



GRK Babu: There is no maintenance capex. The entire fallen canopy has already been removed. And that structure has been in place -- and Saurabh has already explained that we are starting the operations on 16th night with SpiceJet. The entire operation of SpiceJet will be operated from Terminal 1 from 17th August onwards. And Indigo is moving on 2nd or 3rd September to the Terminal 1. So it will be working with the same capacity what it was working earlier. However, the full capacity of Terminal 1 will be used maybe in the third or fourth quarter once we complete the canopy work.

Saurabh Chawla: So it will be a slow progression of full utilization of the space in that terminal, which has been created, but because of the foyer work, there will be a slight delay in that expansion of throughput through that airport.

GRK Babu: Basically, we are operating only one the check-in island for the purpose of immediately starting the operations. So we will open the other - 3 check-in islands over a period of time, maybe by third quarter of this financial year.

Saurabh Chawla: And the traffic has not been impacted because when the event happened, the traffic was moved to terminal 2 and terminal 3. Now going forward, the traffic will start moving back from terminal 2 and terminal 3 back to terminal 1. So from a revenue perspective, there is no impact.

Karthik Chellappa: Okay. Got it. This is very clear. Wish you and the team all the very best for the remaining quarters. I'll come back in the queue for additional questions.

Saurabh Chawla: Thank you.

Moderator: The next question is from the line of Prateek Kumar from Jefferies Group.

Prateek Kumar: A couple of questions from my first question is on the merger part of the GAL and GIL and like some developments in the sector. So with Groupe ADP now coming directly as a listed company shareholder. Does it change anything operationally for the business? And how are they particularly like sort of looking forward to or contributing to travel retail opportunity for the company?

Saurabh Chawla: So Prateek, honestly, nothing has changed. They were the 49% equity holder of GMR Airports, which was a subsidiary of the Listco. Now they are just -- they're going to be 33% odd equity holder at the Listco. They had same number of board seats as the GMR family had at the private entity level. They will have the same board seats, 5, both for GMR family nominees and ADP, they will have 5 nominees.

So nothing has actually changed. It's a very smooth migration of just shareholding from a private entity level to a public entity level. Obviously, the benefits are more from efficiency of movement of earnings once the entity starts -- the airport entities start to declare dividend. That will allow the Listco to receive the dividend in a more tax-efficient form, use that cash flows for its own balance sheet purposes and also for growth. If you look at the numbers, Prateek, which, look for example, Hyderabad Airport has now started to throw. The free cash generation of Hyderabad is very, very



robust. And obviously, when Hyderabad is not in an expansion mode, they will be upstreaming those cash to its shareholders.

Delhi, once the new tariff order comes, we'll be able to give you much better guidance. But we are targeting free cash for equity generation in next 3 to 4 years at Delhi Airport also. It's such a large airport. And once it starts to throw cash, it's big amounts of cash, which is there.

So the whole idea is now very much balance sheet focused, operational focus, generation of free cash for equity, developing it into a very strong platform for future opportunities that we may get as we go forward within India and Asia.

That is what our focus is. And ADP, of course, brings its strength in many aspects of airport development and operations. And what they were adding as contribution at the GMR Airports level, they are adding the same thing at the listed level which is GMR Airports Infrastructure Limited.

Prateek Kumar: Next question is on your debt, like that's around INR 280 billion as of first quarter, ex- of FCCB. How do you see like that panning out with the capex, which is lined up for our Bhogapuram Airport over the next 12 months?

GRK Babu: Bhogapuram Airport, now the construction is happening in full swing. And as Saurabh has explained, we have almost touched the 34% of the progress. In this current financial year, we are likely to spend about INR 12 billion to INR 13 billion on the capex.

Prateek Kumar: So our INR 28,000 crores net debt could move to like what number -- is it like a peak number? Or that can move to INR 30,000 crores number?

GRK Babu: Bhogapuram debt as of today, what we have drawn is only about INR 700 crores. The total debt to be availed is INR 3,250 crores, of that INR 700 crores only drawn. So another INR 2,500 crores will be added in the next 2 years.

Saurabh Chawla: Obviously, Prateek, the other airports will also be paring down debt. There would be some repayments of the principal that would be happening. So the net debt level, I think, should peak in the next 12 to 18 months, and then it should start to fall.

Prateek Kumar: Okay. And my question on international opportunities, the competition has recently seen bidding for two international airports in Kenya and Taiwan. So what do you think from that perspective as a ADP consortium?

Rajesh Arora: I think you're referring to a couple of these airports likely to be given on a nomination basis to particular competitor. So that's I think it's part of the game. And when it comes to we focusing on the opportunities -- right now, our focus is on Middle East. And more so where you can look at the asset-light opportunities like you would know we have submitted our bid for Kuwait Airport Terminal 2. Likewise, we are also looking at Abha in Saudi, that's where we have submitted our



request for qualification. So whilst there's a large landscape and competition, yes, competition is there and competition will remain there. So we'll not take too much of what has gone to somebody on a nomination basis. That's part of the game, I would say.

Saurabh Chawla:

So Prateek, I think I will again allude to something I just stated earlier. We have enough on our plates. We have today almost 100 million passenger throughput in our airports, both domestic and international. And if they are growing at about 10% to 15% every year, we are adding 1 or maybe 2 medium-sized airports in our portfolio. So our focus is more on our P&L, more on cash flow generation. And if within that focus, we do get an opportunity, which makes a compelling economic sense for our shareholders. We will surely not let it go. We will bid for those. But even if it doesn't come, for us, we are already adding 2 airports in our portfolio on an annual basis. That's the way we look at it.

Prateek Kumar:

Sorry, can you elaborate on the RFQs in Kuwait and Saudi. This is related to what asset-light contract?

Rajesh Arora:

So this Kuwait Terminal 2, I know where we have as GMR Infrastructure, we have put in our bid. So there are three bidders. We are awaiting the results. That's an asset-light bid for 10 years of operations and management contract. And there are two other bidders. So that's on Kuwait.

Saudi, we have submitted our qualification and the next process will take place as we will go along in terms of RFP right? Still is in the early days, but these are the two places right now, we are putting our focus on.

Moderator:

The next question is from the line of Ganeshram from Unifi Capital.

Ganeshram:

Prateek has already asked some of my questions, but maybe if I could just post one on the capex and then just get back to the debt. On the capex, okay, Hyderabad, Delhi mostly done. And Goa, I remember you mentioning about INR 200 crores in the last quarter. Now I'm just trying to see more on the Bhogapuram side? So we've done about 34%, 35%, and we're expecting INR 12 billion to INR 13 billion at the year-end, right? So if you could just tell us, is this capex more of a front-loaded nature? Or how is it going to be split across the timeline of the project? So that's probably the first question. And then given the number of subsidiaries and airports that we have right? So what would sort of be the maintenance capex on these assets once this airport expansion takes place?

GRK Babu:

As far as the Bhogapuram is concerned, we are drawing the debt as and when required only. We have already infused with INR 800 crores of equity. So we have INR 800 crores equity is already infused and INR 700 crores on the draw. So we have been drawing a very less amount as and when required only. It is not front-loaded. It is only spread over a period of 2 years.

Ganeshan:

Got it. And just on where you expect the maintenance capex to be on these assets, when is it fully commissioned.



Management: See the expansion has been completed. Since we hardly have any operational capex, it will be normally -- operational capex will be in the range of about INR 1.5 billion to INR 2 billion in case of Delhi and around INR 1 billion INR 1.5 billion in case of Hyderabad.

Ganeshan: Okay. That is very clear now. You did mention that we are expecting that -- I mean, that to sort of peak out in the next 12 to 18 months and your focus on the P&L and cash flows, I'm pretty sure is very well appreciated. So I just wanted to pass that feedback.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Saurabh Chawla for closing comments.

Saurabh Chawla: Yes. Thank you. Thank you, everybody, for joining this first merged entity quarter earnings call. And the team is available to answer any further queries you may have, and you can reach them either on mobile or by e-mail. We're happy to answer any further questions you may have. And have a wonderful Independence Day tomorrow.

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

Note: *Transcript has been edited to improve readability*