GMR Airports Infrastructure Limited

(formerly known as GMR Infrastructure Ltd)

Q3 FY2024 Investor / Analyst Conference Call Transcript February 01, 2024

Moderator: Ladies and gentlemen, good day, and welcome to GMR Airports Infrastructure Limited Conference Call to discuss Q3 FY '24 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 this 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.

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 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'm delighted to welcome our shareholders, analysts and other stakeholders to our Q3 fiscal '24 earnings call.

The December quarter was nothing short of eventful, not just for GMR, but also the economy and the markets. We ended the calendar year on a steady momentum as our traffic saw healthy growth. All the data that we track to gauge consumption point out to an inflection point. There is absolutely no doubt that the Indian consumer is upscaling. The analysis of spending data, consumer confidence surveys, income tax and GST data, all reveal that not only is the spending consumer base widening, the spend quality is also improved. The share of leisure travel in the planned wallet spend hasn't compromised over the last 2 years, suggesting that this category is slowly moving to the must spend bucket versus optional spend bucket, traditionally. \

Plans by the Aviation Ministry and all the industry stakeholders, including GMR, are progressing to build India as a regional aviation hub. Multiple agencies have projected robust traffic growth in years to come. This places GMR in a very sweet spot as our recent expansion plans at the existing airports are almost complete and they are ready to handle and serve expected travels and traffic boom.

The hard work that everyone at GMR has put over the past few years is finally bearing fruit. The market has shown faith and started rewarding our efforts over the last 1 year. I'm also very excited to share that GMR group was honoured with 6 prestigious awards at the Wings India Awards 2024, the group's highest accolade count till date. Also, our Hyderabad Airport was ranked number 2 in the Most Punctual Airports in 2023 Globally by Cirium, an industry leader in aviation analytics. The Group and its airports received several other awards for which I thank all the stakeholders of GMR. On that note, let me now delve into our Q3 fiscal '24 performance.

Momentum in total income continued with Q3 fiscal '24 at INR23.5 billion, up 22% Y-o-Y driven by traffic growth which translated into EBITDA growth of 16% Y-o-Y to INR7.9 billion. EBITDA margin for the quarter was at 46% in Q3. On the operational front, we continue to see the growth in traffic, 16% Y-on-Y growth in Q3, reaching 28.2 million passengers. International passenger traffic share for the quarter was 24%.

We achieved a lot of milestones this quarter. Notable among these are:

The merger of GMR Airports with the listed GMR Airport Infrastructure Limited is progressing as per plan. The scheme received approval from majority of the equity shareholders, more than 90% of the shareholders of GIL, at the NCLT convened meeting held on December 2. Application has been submitted before the honourable NCLT for approval of the scheme. We expect the merger to complete in a short period of time, hopefully, by within Q1 of fiscal '25.

On the regulatory front, there were a couple of favourable developments. The first being in case of Delhi Airport, where the Arbitral Tribunal passed its award excusing Delhi Airport from making payment of monthly annual fee or MAF for the period from March 19, 2020 to Feb 28, 2022, on account of the occurrence of force majeure, that is the COVID-19 period. Delhi Airport was also granted an extension of the term of OMDA that is the concession period for 1 year and 11 months. The award can be challenged by Airports Authority in which case Delhi Airport will appropriately defend the matter.

In case of Mopa, which is Goa Airport, AERA, which is the regulatory authority, issued the final tariff order for the first control period from April 1, 2023 to March 31, 2028.

We are in the progress of filing the multiyear tariff proposal for Delhi Airport's fourth control period starting from April 1, 2024 during this quarter. Given the usual processes involved, we expect the final order to be issued in 2 to 3 quarters, which will be effective from April 1, 2024.

On the financing front, the group raised about INR1,950 crores through 3 year senior unsecured bonds to refinance its debt. It also raised INR800 crores in unsecured, listed, rated NCDs in December 2023. The gross debt in GAL was about INR4,681 crores as on December 31, 2023. At each round of financing, the interest rate has moved down.

Goa Airport refinanced its project debt by raising INR2,475 crores through listed nonconvertible debentures. Part of the proceeds will also be used to fund the expansion capex.

For Bhogapuram Airport, the group received approval from project finance tenders for a debt of INR3,215 crores with a tenure of 18 years. NIIF, which is the sovereign fund of India, also entered into binding agreements for investment into Bhogapuram Airport of up to INR675 crores in the form of compulsory convertible debentures.

Coming to airports, Q3 fiscal '24 passenger traffic at Delhi rose 9% Y-o-Y and 6% Q-on-Q to about 18.8 million passengers. At Hyderabad, traffic was up 17% Y-on-Y and 5% Q-on-Q to 6.3 million passengers. Both these airports handled the highest number of passengers ever in December. Goa traffic rose 34% Q-on-Q to 1.2 million passengers. Goa has handled 3.7 million passengers in calendar year 2023.

GAL, which is GMR Airports Limited, completed its acquisition of 11% stake of Hyderabad Airport from MAHB, the Malaysian Airport Group, taking its ownership to 74% from 63%.

Progress on building adjacencies business continues, with Hyderabad Airport awarding awarding a concession for F&B business to its subsidiary. Mopa Goa Airport also awarded the Duty Free contract to GAL.

GMR Group also entered into strategic collaboration with IndiGo Airlines forming a digital consortium aiming at reshaping the landscape of Indian aviation industry. The key objectives of the consortium are technological innovation, enhanced passenger services, operational excellence and sustainable practices.

We also continue to build on our ESG journey. We understand the impact that airports can have on the environment and local communities around them. We strive to minimize this impact as much as possible.

ASQ score at both Delhi and Hyderabad Airports was maintained at 5 for the quarter. CSR spend for Q3 totalled about INR31 million with total beneficiaries over 20,000 people. Delhi, Hyderabad and Goa airports received multiple awards acknowledging the group's efforts on the ESG front.

The presentation with all financial numbers are available with you. If not, you can download it from our IR section on 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 that will be addressed from my colleagues from the corporate and business team. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Nikhil Abhyankar from ICICI Securities.

Nikhil Abhyankar: Sir, in this quarter, our other expenses, given the interest rate and the depreciation have gone up. So what exactly is the reason for this?

Saurabh Chawla: Amit, you may want to take this up? Or actually, G. R. K. Babu, why don't you take this up, please?

GRK Babu: As far as the consol numbers are concerned, the main increase is because there is Hyderabad, the capex has taken place. So there's a capitalization because of Hyderabad and Delhi Airport. There is a FX loss in interest cost at the GMR Airport level at the consol if you see. So due to all those costs there's an increase.

Nikhil Abhyankar: Sir, mostly, whatever the capex that you are doing will be regulated. So will it not be reflected in our revenues as well?

GRK Babu: It will get reflected once the tariffs are being decided by the regulator. Until that time, because now we are in the process of filing the revised tariff for the Delhi Airport and the Hyderabad has already got the tariffs, and we are stepping up the tariffs, this going forward next financial year '24, '25, we have increased tariffs already available for Hyderabad Airport.

Nikhil Abhyankar: Okay. So that will be reflected for both Delhi, Hyderabad from FY '25 itself?

GRK Babu: '24, '25 Hyderabad Airport will reflect because the tariffs are going up year-on-year basis. But as Delhi Airport we'll be filing an application most probably by the middle of this month and expected to get the tariff by 1st October.

Nikhil Abhyankar: Understood. Sir -- and are we confident about getting the tariff order for Delhi -- so April?

GRK Babu: No. In case of the Delhi, you are asking, the application will be filed by middle of February. And we are expecting the tariff will be determined and implemented on October 1, 2024 only.

Nikhil Abhyankar: So on October 1.

Saurabh Chawla: Yes. But this tariff will be applicable from April 1, 2024.

GRK Babu: That is for a period of 5 years.

Nikhil Abhyankar: Period of 5 years. Okay.

Moderator: Next question is from the line of Aditya Mongia from Kotak Securities.

Aditya Mongia: Congratulations on a strong set of results. I had a few questions from my side. The first question relates to GAL and the contract that it is winning from the airports. Could you give us a sense on an annualized basis how much Revenue, EBITDA is accruing right now maybe from the Hyderabad Airport to GAL for such contracts. And maybe 2 years out, how big can this number become?

Saurabh Chawla: Rajesh Arora, you want to take this up? Maybe give a sense of how businesses are going to play out?

Rajesh Arora: Sure. The exact numbers, we will be able to share with you separately. I do not have the exact number. But very broadly, the context, what we got are in respect of the master concession for retail and for the F&B business. And F&B business is done by a joint venture company of GMR Airports.

So broadly, the F&B could be -- the top line could be in the range of about INR70 crores to INR100 crores to begin with, but maybe we'll share with you these numbers separately.

Aditya Mongia: Understood. And just to clarify, is Goa also an order that GAL has already banked? I guess in the tariff order, there was a mention of that. So just confirming. So that's already happened?

Saurabh Chawla: So Goa, we have got the contract for Duty Free, and we got it for car park. And for the F&B business, which is again to be done by the joint venture company for GMR Airport.

GRK Babu: And cargos.

Rajesh Arora: Cargo was also already there.

Aditya Mongia: Understood. It will just make it easier for all of us if you could on the call or later on give us a rough sense of how meaningful can this quantum be? Because when we account for costs at the asset level, it is imperative for us to understand also what could be the benefit from a GAL perspective.

Rajesh Arora: Sure. We'll reach you guys.

Aditya Mongia: That's the first question. The second question again revolved around debt.

Saurabh Chawla: Aditya, just hold off for a second. Rajesh, maybe you can give what was the kind of revenues and EBITDA this non-aero was generating in the previous year. So I think that will be helpful for the analysts to really understand.

Rajesh Arora: Yes. So Saurabh, what I was saying that because some of these contracts have just started.

Saurabh Chawla: No, I'm talking about previous year. I'm talking previous year, not current. We have the numbers for the previous year?

Rajesh Arora: Look, we have the numbers, but those are on a global basis. We'll give it separately for the businesses, that GAL is going to be doing. That's what I was saying, we'll give it separately for these businesses, which GAL has picked up from these airports.

Saurabh Chawla: Okay. Sorry go ahead Aditya, we will give you separately.

Aditya Mongia: See, the second question revolved around your opening comments on consumption spending. See, if I see your airports on a Y-o-Y basis, the non-aero spend per pax has stayed up about 2.5%, 3%, in that range. Does GMR have a higher target of growing this number beyond, let's say, 5% on an annualized basis? And what levers? And how soon can that happen?

GRK Babu: Yes. This is basically regarding the non-aeronautical revenue where GMR Airports Limited is also the concessioners, master concessioners. We have internal target to improve the income per passenger and also spend per passengers. Yes, we are having it right now, we are seeing the growth around 3%, and we are also having internal target to have more than 5%.

Rajesh Arora: Yes. Aditya, whenever look at non-aeronautical revenue, the growth is a combination of what we call it as a spend per pax plus the inflationary impact coming over there and the growth in the traffic. So a combination of that, what delivers you the overall growth in the top line.

In the past, like non-revenue growth we have seen, say, for Duty Free was about 17% to 18%. Again, this was a combination of all these 3 factors. So that continues to be our focus and target when we look at the non-aeronautical revenues.

Moderator: Next question is from the line of Raj Rishi from DCPL.

Raj Rishi: I want your comments on how do you see competition from Jewar Airport, especially given the VAT differential which is there for ATF?

Saurabh Chawla: Well, on a long-term basis, all airports in India will be very successful. But more than the VAT differential, which are there for the airline industry or the airlines as such, is what is the underlying community that these airports really service.

So just to give you a little sense, and maybe I've talked about this in many of my earlier calls also, airlines do not like to move from one area to the other areas. It's a very high overhead for them. And they want at least a minimum traffic both from aircraft movements and also passenger movements so that it's a profitable venture when they price that airport in their itinerary. So the mere fact that there's an ATF difference really doesn't matter much. It is the underlying passenger, the quality of passenger, the income strata of the passenger, what is the growth that this particular airport will give in the near term that is far more important.

So Jewar, of course, whenever it opens up, we believe will be predominantly freight oriented. It will be predominantly a low-cost airline traffic, which we encourage to flow from Delhi Airport to Jewar or to Hindon or to the other regional airports because we look at what our margins are on each passenger, what we earn from each passenger. So we would encourage those traffic to move. And we, as a strategy, keep on capturing the higher share of the high-margin business, which is associated with full service airlines, both domestic and international airlines.

Raj Rishi: So as of now, you don't perceive any threat as such based on whatever you are seeing?

Saurabh Chawla: To give you a very cryptic answer, no. Success of airports is not dependent on ATFs.

Moderator: Next question is from the line of Parv Jain from Niveshaay Investment Advisors.

Parv Jain: Just one question from my end. Can I have the figures for MRO line of business that we did for this quarter, vis-a-vis, the last quarter and the previous year quarter by the subsidiary GMR air cargo?

Rajesh Arora: Yes. So MRO on an overall yearly basis, will do something close to about INR300 crores of top line. That's the overall revenue we are looking at. Average about INR75 crores per quarter.

Parv Jain: Okay. And presently, this MRO line of business, I mean, are there any plans of expanding it any further?

Rajesh Arora: So right now, we have enough of headroom at Hyderabad Airport itself. So any expansion which will come will be at the same location. It's not going beyond the current place of operations.

Moderator: Next question is from the line of Sanjay Kular from Acme Private Limited.

Sanjay Kular: Yes. Okay. First of all, sir, congratulations to you for giving good results. And sir, I have a couple of questions. One is, sir, we have got about INR25,000 crores worth of debt. So unless we bring down the cost of this fund significantly, how we generate profit at the net level, sir? Can you please explain how do you value such assets when there is less or no profit, almost no profit at net level, sir?

Saurabh Chawla: So G. R. K. Babu, I think this is a tailor-made question for you, how the cost of debt has continuously declined and how our credit rating has gone up. So maybe you can answer the analyst's concern?

GRK Babu: Sure, sir. I think the net debt of INR25,000 crores we'll look at it, majority of the debt is at the operating assets level. DIAL has got about INR13,000 cores, INR14,000 crores. GHIAL is having INR8,100 crores. And Goa is about INR2,500 crores. And of course, GMR Airports Limited level, Saurabh has already explained about INR4,600 crores.

We have been continuously monitoring interest rates. In case of Goa, we have just completed. It is less than 10% for five years fixed NCD. In Hyderabad, we have raised 8.75% and in case of Delhi it is 9.75%, very competitive interest rates. Even in case of the GMR Airports, we have been substantially reducing our interest costs.

Coming to profitability, over a period of time since DIAL has not been ready which has to get the revised tariffs based on the capex, which we are incurring about INR12,000 crores now, which we are expecting, which is due from April 1st, 2024, we are expecting the new tariffs to be in place by 1st October. Then all the airports will be in profits. Automatically, at the GMR Airports Limited, also we will be coming to the profit level as early as possible, after the DIAL tariffs are implemented. So that is the way now we are looking at it.

Sanjay Kular: Okay. Sir, do we have plans to bring down our debt to, say, maybe by 50% or 75% over the next two, three years?

Saurabh Chawla: Let me just comment over here. See, it's a long-term regulated asset, right? The remaining concession periods are almost 40-odd years. If I can term out my liability instead of paying that liability in, let's say, next five years. If I term it out for next 40 years and still have a rating of AA+, it starts to generate substantial amount of both profitability and free cash, right? That's a very simple math. Very simple strategy.

So we are at that inflection point where like GRK Babu has rightly pointed out, once the Delhi tariff is in place, you will see much better profitability at Delhi. Hyderabad is that at the point of time where it is profitable now. It has started to generate a decent amount of free cash next year would be a very significant amount of free cash from Hyderabad Airport. But last and not the least is you're only looking at the regulated aero.

Please look at the non-aero side of the business. That is the business which does not require capital intensity. It is low on capital. It's very high on margins, and hence, very high on profit. So as the business grows, as this business transitions from the airport level to the hold-co level and spending by the passengers grows at our airports from $11, $12 per passenger to $15 to $20 a passenger, we will start to see significant amounts of free cash generation, which will allow the group, both the assets, Delhi and Hyderabad to start giving dividends to the listco and eventually the listco to start giving dividends to its shareholders. So the story is that can I, in a very short period of time, start declaring dividends because the growth story is already embedded. That's how you need to look at.

So reduction of debt is not the issue. The fact is, can I, after servicing debt, create the free cash? That's the key thing.

Sanjay Kular: So sir, can we presume next, maybe after two, three years, you will be in a position to declare dividends, come on the dividend list? Is it safe to…

Saurabh Chawla: Honestly, declaration of dividends is a prerogative of the board. So we do not give forward-looking statements and guidance of profitability. What we are articulating to you is the strategy. If you put the math together, you will come to your conclusion.

Moderator: Next question is from the line of Vinay Jain from Karma Capital.

Vinay Jain: My question again was largely related to the interest cost which is there. So if you were to see at the consolidated level, we are giving the finance cost at around INR860-odd crores. And from that, if I remove the interest cost of the operating assets, so operating entities, which is largely DIAL, GHIAL and Mopa, so that comes to around INR330-odd crores of quarterly interest.

So again, like we have mentioned in the press release that around INR65-odd crores is related to the FOREX thing on the FCCB, which has been issued to ADP. Even if you exclude that, there is around INR265-odd crores of finance cost, ex of the operating entities. And as per the presentation where we have given largely again at the corporate end, there is hardly any debt. And GAL has a gross debt of around INR4,800 crores.

So on a gross debt of INR4,800 crores, INR265 crores of quarterly interest payment seems to be slightly on the higher end. So just wanted to understand and get some clarity on that. And secondly, again, like if I do a similar thing -- exercise on the revenue front as well. And again, standalone is around INR100 crores of revenue.

So I get a top line of around INR300 crores, INR350-odd crores, which I'm assuming would be largely related to GAL. So just wanted to understand, firstly, again, why such a high finance cost?

	And secondly, the debt servicing capability at GAL's end. And any plans to reduce or your debt at GAL end. Those are my three questions.
Saurabh Chawla:	Sure, they're all interrelated, and thanks for that question. But I think we have answered in bits and pieces in our earlier guidance to you. You're absolutely right that the debt at GAL level, that has a higher cost of interest. And the reason is that GAL as on date does not have cash flows. Those cash flows will emerge over the next 3 to 5 years. The debt that has been taken at GAL is primarily for investment into the assets. So it's basically equity funding, your financing for the equity investment over there. So as you may be aware, noncash flow based funding usually has a higher interest cost versus the cash flow funding. So DIAL and Hyderabad, they would have much lower cost of interest because cash flows are very close to the liability as such, right? In case of GAL, these cash flows we have to carry this high-cost debt for next 1 to 2 years. And as the non-aero revenues emerge and margins emerge, automatically the rating improves and the cost of debt at GAL will start to come off. I'll leave it to GRK. Babu, if you can just also highlight that over the past 9 years.
GRK Babu:	Okay, Saurabh. I think he is asking about the quarter interest, where he is referring to.
Saurabh Chawla:	No. GRK Babu, please highlight that over the last 3 financing, how the rate of interest has continuously come down.
GRK Babu:	Yes, sir. That's what I'm trying to explain that is in case of DIAL and GHIAL, we have brought it down. Even in case of GMR Airports Limited, the latest fund rising has been at 13.275, which earlier was a very high rate of interest. So we have been bringing it down rate of interest continuously. However, to clarify this point for this quarter, I think Goa also, there is an interest cost, which is in the P&L account, which is about INR98 crores. So excluding that, the GAL interest cost is only INR161 crores. That's what I just wanted to clarify.
Vinay Jain:	No. I was again excluding Goa in my calculation?
GRK Babu:	So we have the INR857 crores is the total interest, which is on the consolidated level. If you exclude the GHIAL and DIAL and the GGIAL area, the amount of the balance interest is, GAL is INR161 crores, GIL is INR46 crores, and a one-off adjustment of INR65 crores. Those are the 3 components. The rest is about INR10 crores.
Vinay Jain:	INR146 crores is for which entity?
GRK Babu:	GAL is about INR161 crores. GMR Infra is INR46 crores. And GIL adjustment in finance cost was about INR65 crores. These are the 3 components.

Vinay Jain: So what is this INR146 crores related to?

GRK Babu: No, GMR Airports Limited INR161 crores is our quarter interest for the INR4,600 crores.

Vinay Jain: The second number which you mentioned.

Rajesh Arora: Second number is GIL, INR46 crores.

GRK Babu: The second one is a INR46 crores pertain to GMR Infra Limited. The third one is INR65 crores is also GMR Infra Limited adjustment in finance, Forex fluctuation.

Vinay Jain: No, no. So I understand the INR65 crores. So again, GIL, we are showing it as a net cash company, net zero debt company, right, at the net level?

Ashok Ramrakhiani: No. There is also FCCB in the GIL on that, we are booking at interest cost.

Vinay Jain: Okay. So INR46 crores is pertaining to that and INR65 crores is the Forex?

Ashok Ramrakhiani: Yes.

Vinay Jain: And the NIIF investment, which is coming, so that again, is it classified as debt initially?

GRK Babu: No, NIIF investment has come only in Goa. That is equity component only.

Vinay Jain: Equity Okay. Understood. And again, any dividend which GAL could be expected like from Delhi and Hyderabad in the current financial year?

GRK Babu: No. This current financial year '23-'24, we are not expecting any dividend from DIAL or GHIAL. But going forward, as Saurabh has explained, the performance is going up, then we may look at it. It is a board prerogative.

Vinay Jain: Got it. Thanks so much for the clarity. Thank you.

Moderator: Thank you. Next question is from the line of Vipulkumar Shah from Sumangal Investments. Please go ahead.

Vipulkumar Shah: Thanks for the opportunity. So sir, my question is regarding the expansion of Delhi and Hyderabad, which are almost complete. So what type of increase in aircraft movement and percentage traffic can we expect over the next 1 or 2 years? And you said that this new tariff order will be operational from 1st April. So how it works? So can you explain it in a little detail because passenger movement and aircraft movement will not increase overnight. It will increase steadily. So how can the profitability improve overnight? So if you can shed some light, it would be really helpful.

Saurabh Chawla: GRK. Babu, I think you can explain this.

GRK Babu: Yes sir.

Vipulkumar Shah: Yes, but we are not understanding, that's why we are asking?

GRK Babu: I'm explaining. When it comes to the expansions, both Delhi and Hyderabad are getting completed before March this financial year. Delhi is getting expanded current from 66 million to 100 million. And Hyderabad is expanding almost from 16 million to 34 million capacity.

Now how profitability will come, is the regulator while considering the tariffs, he considers the entire expansion cost and gives the tariff basing on estimated traffic.

So the traffic, whatever we estimate, basing on that yield per passenger has been provided by the regulator. That is the reason why we have explained that when the revised tariffs are implemented in case of Delhi, we will get into profits. And Hyderabad has already got the tariffs.

And the next financial '24, '25, the tariffs are actually year-on-year increasing and next year, it's doing much higher tariffs. That is the reason why we have projected that there will be a good profit, point number one.

Number two, because of the expansion, DIAL was holding back a lot of slots because we didn't have the capacity. The moment expansion is completed, we will be able to release more slots and the traffic will substantially grow as far as the DIAL is concerned. Hyderabad also releases a lot of slots once the expansion is completed. So that will also enhance the entire traffic growth.

So because of that, both growth traffic is happening, simultaneous and non-aeronautical growth also will happen. So there are all the various factors that will go into the profitability of the company. One is aeronautical tariff determined by regulators. And number two, increase in the traffic. Number three, because of the increase in traffic, non-aeronautical spend also goes up and our revenues also goes up.

Vipulkumar Shah: So if tariffs for Hyderabad is already decided, so can you quantify what type of increase we have got?

GRK Babu: The Hyderabad tariff increase is now this current year, '23-'24 tariffs are INR400 and INR700 for the UDF. That is moving to INR700 to INR1,300 in the next financial year. That is a new tariff which will come into force next financial.

Vipulkumar Shah: For both domestic and international, it is same tariff?

GRK Babu: No, different. One is INR700 domestic, around INR1,300 for international.

Vipulkumar Shah: So domestic is currently 400, if I understood you correctly, right?

GRK Babu: That's correct. That's correct.

Vipulkumar Shah: And what is the international tariff as on today, which is moving to INR1,300?

GRK Babu: International as of today is INR700. That is moving to INR1,360 next year.

Vipulkumar Shah: So hypothetically, can we assume almost same type of percentage increase in Delhi also?

GRK Babu: No, Delhi depends upon the tariff filing and application. Basing on that, the tariff will be determined. So this cannot be replicated in Delhi. It will have its own numbers.

Vipulkumar Shah: And sir, just trying to understand how we account for our realty values. I mean revenue from our leasing of realty in Delhi and Hyderabad Airport, under what head we account for it?

GRK Babu: It is called as in CPD revenues, commercial property development revenues, other operating revenues in case of Delhi. So current financial year, we are expected to have the total revenues from CPD in around INR500 crores. So this is accounted as other operating revenues.

Vipulkumar Shah: Yes. But will it not be a good idea to include it in the presentation?

Saurabh Chawla: Sorry. Lets not this be a conversation. If you have any specific questions, there other analysts who are also waiting. Maybe you can have an offline with the IR team to understand how the tariff determination happens and what is happening on each of the airports. We're happy to engage with you one-on-one. Let's do that.

Vipulkumar Shah: Okay, sir. As you say. Thank you.

Saurabh Chawla: Thank you so much.

Moderator: Thank you. Next question is from the line of Aditya Mongia. Please go ahead.

Aditya Mongia: Thanks for the follow-on opportunity. My first question related to the investment made by NIIF. If I'm not wrong, both are both investments in Goa and Bhogapuram would be an equity like structure. That being the case, what is the kind of stake that NIIF would be having over a period of time in these assets for the investments they're putting inside?

GRK Babu: Up to 49% both Goa and Bhogapuram.

Aditya Mongia: Okay. But it's up to 49%. So they have invested INR600 crores in both these assets individually or they will in Bhogapuram as well in Goa. Can you give us some more color as to whether this number will be close to 49% or just trying to get a sense of what comes behind.

Saurabh Chawla: Aditya, at this stage, you assume it is 49%. Depending upon the performance of the airport, it could be lower. But from your analysis, assume 49%.

Aditya Mongia: Understood. The second question that I had was the net debt number, which has increased on a Q-on-Q basis. Do we have a fair sense that this number should start kind of topping out somewhere in fiscal FY'25? Just trying to get a better sense because I understand that Bhogapuram will be in capex zone. Goa may start doing so, but you'll also have higher tariffs.

Saurabh Chawla: Yes. So you're absolutely right. I think debt should start to peak in fiscal year '25 or end of fiscal year '25. I think that would be because there will be spend on Bhogapuram. But that Bhogapuram spend is over a period of three years. So I think fiscal year '25, the debt should start to peak.

Aditya Mongia: Understood. And one question on the Delhi tariff order. Maybe a clarification. When you're putting in the tariff order from your side -- the numbers from your side, are you assuming both the benefits of capex as well as the TDSAT ruling? Or how is it going to happen?

GRK Babu: The entire capex, whatever we are incurring around INR12,000 crores is part of our application. And also whatever the relief provided by the Supreme Court and TDSAT will also be included.

Aditya Mongia: Understood. And do you require both these components, to become profitable in FY'25 in Delhi? Or just one would also do?

Saurabh Chawla: No. Basically, it all depends upon the tariffs. But we expect that the tariffs will substantially go up. So we cannot comment on the profitability right now. But substantially, there will be increase in the tariffs.

Aditya Mongia: Got it. Those were my questions. Thank you all for your response.

Moderator: Thank you. Next question is from the line of Raj Rishi from DCPL. Please go ahead.

Raj Rishi: Hi. What sort of real estate do you have across assets available for monetizing?

Saurabh Chawla: So Delhi, we have almost 100 acres yet to be monetized. And obviously, real estate is all dependent upon local regulations of FAR. So that number can move depending upon FAR changes that maybe forthcoming in Delhi? That's number one.

And in Hyderabad, we have a little more than 1,000-odd acres yet to be monetized. But just to give you a little sense of where the cap values of the land parcels are, Delhi I think should be touching more than INR150 crores to INR180 crores per acre. Whereas in Hyderabad, we have done recently at the land cap value at about INR12 crores or INR13 crores per acre. So I'm giving a broad brush kind of numbers here.

Raj Rishi: Okay. And what about Goa, sir?

GRK Babu: Goa will be starting with around INR10 crores to INR12 crores per acre in the NPV value. So it keeps going up once we start monetization.

Raj Rishi: And how many acres are there in Goa?

GRK Babu: 232.

Raj Rishi: 232, okay. And sir, any timeframe where we can have sizable monetizing? This year, next year, when -- can you give us some timeframe as to the monetizing?

GRK Babu: Goa, this current financial we are planning to monetize around 10 acres. Next to financial year is about 25 acres. And Hyderabad is working out maybe around the 50 to 60 acres. And in Delhi, some work is going on. As it is, we have released already 4.99 million to Bharti. So it may take a little more time. But next year, also, there will be some pipeline. Exact number has not been worked out.

Raj Rishi: Okay. Thanks a lot.

Moderator: Thank you. Next question is from the line of Vinay Jain from Karma Capital. Please go ahead.

Vinay Jain: Yes, thanks for the follow-up. Could you please let us know the tariff which has been set for Goa for domestic and international?

GRK Babu: Yes. The tariff has already been implemented on 1st January 2024. We have already implemented the tariffs. The yield per passenger we have got in case of the Goa is almost INR830. So that has been implemented. It is valid for a period of five years.

Vinay Jain: So again, around INR800 for domestic and INR1,100 for international. Is that correct?

Saurabh Chawla: Yes. The numbers are already there. That is correct. The domestic and international, both are separate rates.

Vinay Jain: Understood. And the last question was the pledge again for the promoters. So with this merger scheme underway, is releasing pledge a prerequisite? And can we expect the pledge here to get released over the next, say, six months or so till the time the merger gets -- the merger scheme gets implemented?

Saurabh Chawla: No, there is no prerequisite on the pledges being removed for the merger. It has no impact because these pledges are at the promoter level, not at a listed entity level, right? So they're pretty much independent.

The merger, as we have indicated in our presentation, we are targeting by end of Q4 of this fiscal year. But as a guidance being cautious, because the listing has not happened at the NCLT, we have said that by first quarter of fiscal '25, we should complete the merger. Shareholder approvals are all in place, creditor approvals are all in place. So it's only a court process that has to be taken forward.

With respect to the pledges at the promoter entity level, I think they remain pretty much static. I mean, three years back, it was about INR3,500 crores. Today, it will be about INR4,000-odd-crores because the interest has accrued on it, while the stock has gone up from INR25 to almost INR80. So as a percentage, the pledges have come off. They don't reflect in the regulatory filings, but they will soon reflect in that sense.

So over a period of time, I think these pledges will come off, and it is a stated objective and desire that we should neutralize to zero. So it's work in progress, but it will happen soon.

Vinay Jain: But we are not putting a timeline on it, right?

Saurabh Chawla: No, we don't give any guidance on numbers, neither on profitability. We just give you general guidance as to what the strategy is.

Vinay Jain: Understood, sir. Thank you so much.

Moderator: Thank you. I would now like to hand the floor over to Mr. Saurabh Chawla for closing comments.

Saurabh Chawla: Thank you. Thank you all for joining this Q3 call. The IR team led by Amit are available. We will answer all your questions offline whatever is left. And any data points that has been requested, we are available just send us an email and we will respond back immediately. Thank you so much for your time. Thank you.

Moderator: Thank you. 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*