"Equity Capital Raise and Strategic Partnership with Groupe ADP for Airports Business"
Wednesday, 26 February 2020

Moderator: Ladies and Gentlemen, Good day and welcome to GMR Infrastructure Limited Conference Call to Discuss Equity Capital Raise and Strategic Partnership with Groupe ADP for Airports Business. 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 '*' then '0' 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 maybe forward-looking in nature and may involve risks and uncertainties that are difficult. Also, recording or transcribing of the 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 afternoon friends. We are delighted to share with you a landmark milestone for GMR Group as well as for the Indian airport sector. We have entered into a strategic partnership with Groupe ADP for the airports business and accordingly, have signed a share purchase agreement pursuant to which Groupe ADP will hold 49% stake in GMR Airports for an equity consideration of Rs.10,780 crores. It is my pleasure to share the good news that we have received the first tranche of Rs.5,248 crores yesterday night post the requisite approval from the Competition Commission of India. Broadly, the transaction is based on the base post money equity value of Rs.22,000 crores. ADP has pegged earn-outs at Rs.4,475 crores linked to achievement of certain agreed milestones over the next five years, thereby total valuation assuming all earn-outs are successful, it will be about Rs.26,475 crores on a post money basis. We expect the deal to close in the next quarter hopefully well before June 2020.

ADP as you are aware is the second largest airport group in Europe based out of France. It operates 24 international airports around the globe handling more than 234 million passengers as on 2019. Together, ADP and GMR will be one of the largest airport players handling a significant portion of the global airport traffic volume.

The partnership with ADP will lay a new roadmap for the company as it has manifold merits. Firstly, it creates a world-class airport development and management platform. The partnership with Groupe ADP is in line with GMR's business direction to become a global airport developer and operator. We have been on a journey of defining airports of the future with key focus on passenger experience by leveraging enhanced technology and offering superior amenities. The Groupe ADP-GMR will have a smoother access to global markets opening up newer avenues of business growth.

The deal will unveil a first of its kind airport development and operations platform. It will combine unmatched trends in the airport development and highest standards of passenger experience. This will also open up new opportunities for route development, enhanced expertise in operations, retail, IT, innovation, engineering and many more. Together, we will continue to strive towards creating a world-class portfolio of smart airport assets.

Secondly, this whole partnership is built on a very strong industrial and strategic backdrop. ADP and GMR are both in the airport business. The partnership between the two is being structured as a strategic partnership to be built on two-way exchange of expertise, personnel, knowledge and market access. Passengers and other stakeholders will also benefit immensely and hereby setting new industry defining benchmarks.

Thirdly, and of course, an important aspect for GMR Infrastructure that will lead to significant deleveraging of the corporate balance sheet of the company. The equity raise will mainly address the debt at the corporate level and eventually will lead to improved profitability and cash flow for GMR Infrastructure.

Lastly, this partnership paves way for restructuring of the business by way of demerger. The plan is for mirror demerger of the airport and non-airport businesses which will be of course subject to the board approvals. A committee of the Board has already been appointed and now that we have completed the first tranche, the process will go forward and we will be filing for demerger post the second closing whenever we see the second tranche. The exercise would bring clear focus on two businesses which are unrelated to each other and we believe shall unlock substantial value for all shareholders.

At this stage, I will close my remarks and we are open to any questions that participants may have with respect to this partnership that we have entered into with ADP. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: I had a few questions from my side: Sir, the first question I had was want to check with you whether as part of the deal is there any guaranteed return that you would have promised to the buyer over here in the airports business?

Saurabh Chawla: No, Aditya, it is a pure equity transaction, there are no guaranteed returns of any kind and it is a very long-term partnership that we are envisaging with them, so both the ups and downs we shall ride in together.

Aditya Mongia: The second question on the deal was that if there are any agreement or thought process being signed off with Groupe ADP increasing share in the airports business over time?

Saurabh Chawla: No, Aditya. The whole principle behind it is that Groupe ADP is looking at GMR Airports as a platform for their primarily the Asia play. If you look at the concentration of their business, it is primarily in Europe, they have some North Africa and Middle East business but that is in partnership mainly with the TAV which is the Turkish airport operator. And in their strategic vision, GMR is a perfect fit for the whole Asia play and hence they want to leverage our management strengths and our reach in Asia. As you are aware, we have two airport place in Philippines; one in Cebu where we operate and the other one which is Clark where we have EPC. So, that is what their focus is. There is no enhanced equity allotment to them envisage at this particular stage.

Aditya Mongia: Is there a specific territory defined through which all contracts that parties bidding will happen through this platform?

Saurabh Chawla: Yes, we have carved out exclusivity. GMR is exclusive for South Asia whereas ADP is exclusive for Western Europe, GMR also is exclusive for Greece. So, as you are aware that we have recently signed the agreement for development of the Crete airport. So, any other airport that may come, GMR will have exclusive rights to bid for that. However, in other parts of Asia or Africa or Middle East or even Central Asia, both the companies will actually coordinate with each other and depending upon the strength of each, we will be bidding in those airports. As you are aware, we have great strengths in project implementation, project management whereas Groupe ADP has huge strengths in design. They have access to very-very cheap capital. So the whole vision is that how we can combine these two in a full industrial and strategic partnership which we have actually highlighted in our presentation also whereby we can increase equity returns for our shareholders. So that is the vision which both are taking forward.

Aditya Mongia: Again just clarifying, what you essentially meant to say on the territory part was that if let us say tomorrow an airport comes in Sri Lanka, then it will not be bid through this GMR Airports because that is a combination of two parties, it will be bid by GMR Infrastructure, am I getting it right or…

Saurabh Chawla: No, you are getting it absolutely wrong. If it is in Sri Lanka, it will be bid by GMR Airports Limited which is a 51:49 joint venture. If it comes let us say in Thailand, then both the parties will sit together, whether it is ADP to bid for it or GMR Airports to bid for it, it is not GIL which is bidding for it or together for it.

Moderator: Thank you. The next question is from the line of Rakesh Tripathi from Franklin Templeton Investments. Please go ahead.

Rakesh Tripathi: My question was regarding the stake sale. So, are the PE investors also selling their stake as part of the transaction? And if so, how much of the cash from the deal would GMR Infrastructure be receiving?

Saurabh Chawla: The existing PEs till yesterday of course now they have exited, they have been bought over by Groupe ADP and they have exited out, so the likes of Macquarie, JM and others have exited their investment in GMR Airports Limited. Out of the Rs.5,248 crores that has been received in the entity, about Rs.1,230 crores if I am correct is the amount that has gone to the PE investors, the balance has gone to reduce the debt of the group.

Rakesh Tripathi: And the entire 107 billion transaction includes 10 billion that will go towards the CAPEX spending for the Delhi Airport, is that correct?

Saurabh Chawla: No, there is no connection between the two. So out of the Rs 10,700-odd crores that we have to received for this divestment, about Rs.1,000-odd crores will go into GMR Airports Limited for its own balance sheet to deleverage and create the capacity for future growth. That is the platform entity in which Groupe ADP will come as 49% player. The balance Rs.9,780-odd crores monies available for GMR group for its own corporate balance sheet deleveraging exercise. So, these are two different buckets you have to view. With respect to DIAL, DIAL has its own business plan, own balance sheet, there is no equity infusion happening in DIAL which is the Delhi international airport. DIAL has raised bonds for its CAPEX plans. So, the Rs.10,500-odd crores that is being spent to increase the capacity from current about 66-odd million passengers to 100 million passengers, that is where that money will be spent. Currently, the cash on the books of DIAL is about 3,200-odd crores. Over the next three years, there will be internal accruals, that will also add on to it and some real estate monetization and payments that will add on to it which will complete the full CAPEX plan of Delhi international airport. So just to summarize, this transaction is primarily for GMR Infrastructure Limited to deleverage its own corporate balance sheet which upon the completion of the transaction will delever by about Rs.9,780 crores, Rs.1,000-odd crores will go as primary infusion into GAL or for GAL's own balance sheet capacity creation.

Moderator: Thank you. The next question is from the line of Kirthi Jain from Sundaram Mutual Fund. Please go ahead.

Kirthi Jain: Sir, this full Rs.9,780 crores would be available for corporate debt reduction, right sir?

Saurabh Chawla: Yes, the target utilization is the corporate debt reduction.

Kirthi Jain: Some stake you need to buy from Malaysian Airlines for Hyderabad, right, sir?

Saurabh Chawla: Again, if you look at the corporate structure of the airport platform, we have the listed company which is GIL, underneath GIL is the airport platform which is GAL which is GMR Airports Limited where Groupe ADP is coming in as 49% partner. And underneath that is entities like Hyderabad International Airport or Delhi International Airport. So, any buyout of equity of

Malaysian Airports or Fraport or whatever happens, that will be done by GAL and it will be done in partnership with Groupe ADP. It has no impact on GIL.

Kirthi Jain: Sir, again on this funding, as you highlighted, ADP, one of the strengths is they are able to raise 1.2% rates and all. So, like will they help us or how will it function sir to raise cost at such funds at which ADP in its country raising, you are raising at 5.8, 5.9% roughly?

Saurabh Chawla: That is a good question. In our conversations with them, this is one area of focus for them because they are able to deploy their capital which today is not earning enough returns in the debt capital markets. Their intention is to actually deploy that debt capital in some of the Greenfield or Brownfield projects which are in pipeline for us; however, detailing of that will happen as we go forward. They have demonstrated this intention of this in their joint venture with TAV, the Turkish Airport Venture. So, in those projects, they have deployed by giving shareholder loan at very-very attractive rates which benefited the Turkish airport platform because they got cheaper debt and it benefited of course ADP's own balance sheet because they earn much better than what the market returns were offering. So, it is mutually beneficial. That will play out also in the case of GMR Airports Limited.

Kirthi Jain: Sir, given that ADP has low cost funds and also strong balance sheet, will we leverage it to do captive development of hotels and other allied infrastructure within the DIAL and Hyderabad Airport, anything plans like that?

Saurabh Chawla: No, DIAL and HIAL have their own business plans and the whole strategy going forward honestly is to actually create free cash flow. So, a decision will be made at appropriate time once the free cash flow starts to get generated, whether do you want to invest in an asset class like let us say real estate like hotels or anything like that which gives better than what the returns are being offered by the airport platform. So, at this stage, there is no self-development plan, that is envisaged at either HIAL or DIAL. We are doing a little bit of the self-development in the real estate side at HIAL but nothing meaningful, nothing which I would guide you to factor in your analysis, not at this particular stage. Maybe three, four years down the road, once the CAPEX plan is fully completed and we believe that there is an opportunity to capture and we need to invest those surpluses instead of dividending out to shareholders, we rather invest those surpluses for real estate development in those verticals, we could look at that particular point of time, nothing right now.

Moderator: Thank you. The next question is from the line of Ajinkya Bhat from Macquarie. Please go ahead.

Ajinkya Bhat: Sir, I have two questions: First question is what is the timeline of getting the second tranche which will have Rs.1,000 crores primary infusion in GMR Airports?

Saurabh Chawla: So, we should be looking at the first quarter of next fiscal year to complete the second phase of the transaction. That is the current timeline.

Ajinkya Bhat: Second question is that in the presentation that you have sent out, you have hinted at basically a potential demerger of GMR Airports eventually whenever it may happen. Now, my question is that if you are able to demerge and list it separately, so then it will be like a spin off, so the existing shareholding of GMR Infrastructure will essentially get mirrored into the 51% stake into the GMR Airports Limited. Then in that case what will happen is that the foreign player, ADP essentially becomes the single largest shareholder of the demerged GMR Airports business. Do you think that this might actually create regulatory hurdles given that airports is a strategic sector and you are essentially operating the national capital airport, how do you look at this process with ADP potentially becoming the single largest shareholder after the demerger?

Saurabh Chawla: One, it is going to be a mirror demerger, not spinning off. So, GIL will split itself into two. So hence the GIL shareholders will get exactly the same ownership in GMR Airports vertical and also in GMR non-airports vertical. It is a vertical split, it is a mirror split and it is not a spin off, so hence the family will continue to own 64% which is the current shareholding they have in GIL, let us say, theoretically they will continue to hold 64% in GIL-1. So that is just to …

Ajinkya Bhat: I am not saying this from the perspective of GMR Infra. What I am saying is once you demerge GMR Airports, right now…

Saurabh Chawla: I am not demerging GMR Airports, that is what I am trying to highlight you.

Ajinkya Bhat: Not right now, but I am saying is that after the deal, GMR Infrastructure will hold 51% stake in GMR Airports, right. Now, whenever GMR Airports is to be listed separately, essentially that 51% holding in GMR Airports will get divided among the current shareholders of GMR Infra whereas Groupe ADP will retain 49% stake in GMR Airports and then it essentially becomes the single largest shareholder whenever that demerger happens if and when.

Saurabh Chawla: So again, your understanding on that is wrong. I can explain to you separately offline. There is no dilution that will happen from that 51% - that is points no one. Point number 2 is assuming that also, today, international players can invest 100% FDI into airport sector. The recent bid by Zurich at Jewar airport is a classic example. The existing Bangalore airport is owned 100% by Fairfax's associate entity is another example. So, owning majority or owning 100% is not an issue from a regulatory perspective. But coming back to your earlier point of majority being owned by ADP and minority by GIL investors, that is a wrong notion. We can tell you offline how the maths work in a mirror demerger.

Moderator: Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Just trying to understand here, so after this Rs.1,230 crores that has been paid to PE, is there anything else which is due to them?

Saurabh Chawla: No, they have exited fully.

Puneet Gulati: So, whatever out of Rs.9,780 crores, you receive ~Rs.5,248 crores, so the balance will entirely accrue to GMR Infra?

Saurabh Chawla: Has already accrued and debt has already been paid down.

Puneet Gulati: So, you receive the entire cash? I thought you received only Rs.5,248 crores. I am talking about the second tranche.

Saurabh Chawla: Yes, out of the Rs.5,248 crores which we have received right now, Rs.1,230-odd crores has gone towards the PE, about Rs.4,000 crores of cash in the first tranche has gone towards debt repayment. When you are talking about the second tranche, Rs.1,000-odd crores will go to GAL which is the airport platform to create its own capacity. So that entity will deliver. There are certain bondholders over there who will get paid at that particular point of time and the balance Rs.4,000-odd crores will still come to GMR Infra or GMR Infra to further pay down its corporate debt. So in total, I would say out of the Rs.10,780 crores, Rs.9,780 crores will come to GMR Infra for its debt to be paid down and Rs.1,000 crores will go to GMR Airports for its debt to be paid down.

Puneet Gulati: And no more payments to be made to the PE guys?

Saurabh Chawla: And no more payments to the PE guys, yes.

Puneet Gulati: Secondly, can you also elucidate a bit more on the terms of the earn-outs that you will get?

Saurabh Chawla: There are certain milestones on various parameters which have been agreed with them, for example, the real estate monetization at what value, at what run rate, these are some of the performance parameters that we have to achieve over the next five years is what we have agreed. And on achievement of that, at the fifth year anniversary is when it will be determined as to how many milestones have been achieved and what relative value should accrue to GMR Infra.

Puneet Gulati: So, if you achieve all milestones, then the implied valuation goes up to Rs.26,475 crores. Does that mean your shareholding will go up from 51% to whatever higher number?

Saurabh Chawla: You are absolutely correct, it will go up to almost 59%.

Moderator: Thank you. The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Just wanted to find out this Rs.4,000 crores debt has been paid down yesterday, right at the GIL parent level. So, after this pay down as of today how much debt is remaining?

Saurabh Chawla: So, about Rs.6,000 crores, that would be still left over there. It will of course have some accrual interest because by that time three months, two months down the road whenever the payment happens, that will get accrued to it.

Atul Tiwari: So, does that mean the debt at the GIL level was about Rs.10,000 crores because I remember in some of the previous conference calls, a number of about Rs.6,000 crores being discussed?

Saurabh Chawla: The corporate debt as of December was Rs.9.000 crores, of this Rs.9,000 crores, the Rs.5,248 crores what we have got, Rs.1,200 crores is gone to PE investors, Rs.4,000 crores is used to pay this debt along with the accrued interest. So net-net, that is the situation for this Rs.4,000 crores and once we receive the remaining amount, that will also be used for corporate reduction. So, the amount is Rs.9,000 crores as of 30th December. Just to add, when we are saying corporate debt, it includes the standalone debt plus all the other entities debt, that is the way to look at and wherever corporate supports the entity. So all debt put together, it is not only the standalone debt, it includes all the…

Atul Tiwari: So just to make it clear, roughly about Rs.4,500 crores more will be received by the parent company, but the corporate debt is about Rs.6,500 crores, so another Rs.2,000 crores will be left at the parent company. So, what is the plan to kind of tackle that debt?

Saurabh Chawla: It would not be Rs.2,000 crores, in the slightly lesser range but also you have to understand that there are other assets which are available with us…

Saurabh Chawla: And are being divested as we speak.

Amit Jain: Yes. So there are road assets, highways are there, then we have got this land parcels, we have got energy assets and coal mines we have in Indonesia. So those assets also we are actively looking at divestments. So, our aim which we have already indicated earlier is to delever and make our balance sheet stronger and our endeavor is to make it as soon as possible, as low as possible corporate debt.

Atul Tiwari: And the equity from the Kamalanga asset sale will also come to the GIL or it will go to the GMR Energy, just to clarify?

Amit Jain: It will go to GMR Energy, it will not come to GMR Infra.

Atul Tiwari: So that does not help in the reduction of this standalone level debt at least?

Amit Jain: But there are all other kinds of guarantees and all gets vacated because of that, it will indirectly help GMR Infra also?

Atul Tiwari: And how much is that equity which will go to GMR Energy?

Amit Jain: So, if you look at Kamalanga, Rs.5,300 crores is the EV value, of which debt of Rs.4,000 crores of Kamalanga will go, remaining equity value will come to GMR Group and that is the way it is structured.

Moderator: Thank you. The next question is from the line of Gautam Prasad from Deutsche Bank. Please go ahead.

Gautam Prasad: First question I wanted to check is after Rs.9,000 crores debt that you mentioned and the Rs.4,000 crores payout, can you segregate that between payout on the standalone debt versus the guaranteed debt, what portion is being applied to standalone GIL debt and what portion is being applied to the guaranteed obligations? Part two, I just wanted to get a sense of what proportion of this will be applied to GMR coal reserves, Indonesian coal company that you just mentioned?

Saurabh Chawla: I would be able to guide that over a call when we complete our second closing as to how much of the debt standalone will get extinguished and how much of the supporting obligations do the subsidiaries get. But broadly, whether you pick this side of the aisle or the other side of the aisle, it is still obligation of the listed co, so that will get reduced.

Moderator: Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.

Parvez Akhtar: So, the quantum of earn outs that you are getting is pretty similar to the TATA-GIC deal. So, is it fair to assume that the nature of the earn-outs, etc., is also more or less similar to what we had agreed with them?

Saurabh Chawla: Yes, pretty much in a similar line.

Parvez Akhtar: Apart from this deal, when do we expect now the tariff order for DIAL to come? It is just getting delayed for quite some time. So, what is the way out there?

Ashish Jain: For the order to come in, with effect from April 1st we should have it applicable. So right now, the process is still on and it may get delayed by a month or two at max.

Moderator: Thank you. The next question is from the line of Mohit Singh from IDFC. Please go ahead.

Mohit Singh: Sir, on the clearance required, given the fact that there is too much delay in getting the TATA-GIC clearance, what makes you confident that the clearances for this transaction will be in place in June '20? And secondly, you got the first tranche. Have you transferred equities to the Groupe ADP or is it in terms of loan or advances at this point of time?

Saurabh Chawla: It is a sale of equity. So, they have now effective 24.9% shareholding in GMR Airports Limited. There are no advances or loans of any kind, that is number one. With respect to our confidence on the approval side of it, I think the first approval itself which took almost I would say four months which is the CCI approval here was actually a green channel approval, so it was done in a day's time. Being a Government of France own listed company, they have certain advantages. The approvals that are envisaged are more or less listed out, though it is your shareholders' approval, family still owns majority of the listed company which is GIL, so I think that should be forthcoming in next 45-days' time. Second is of course RBI approval because GAL is a CIC entity and hence RBI is the regulator over there. RBI in the previous case had given the approval in about 30-40-days' time. So, I think in parallel both these approvals should be in place. And the last of course is, is there any other approvals that are required, whether any security approval because that is one of the parameters that government looks at. Again, being a Government of France own entity, that should not be an issue at all. So, the confidence level is much higher that we should be able to get all our approvals in place by mid-April to end-April and then we can move towards the second closing whereby the balance amounts of Rs.5,500 crores comes into the company.

Mohit Singh: Just a clarification. For the 24.99% share, you did not require any RBI approval or security clearance?

Saurabh Chawla: No, that was not required.

Mohit Singh: Secondly sir, the Malaysian airports, we keep hearing that they are looking to sell their investments in their respective airports. In case they want to sell, do we have RFR or do we have some understanding from Groupe ADP in case they want to exit, will we be able to buy those?

Saurabh Chawla: Honestly speaking, these discussions are yet to take place with Groupe ADP. They are definitely interested and coming at the operating asset level also. But everybody looks at the right price and as and when our discussions with the Malaysian airport or Fraport or any other entity progresses, we will of course open up this discussion. We have an RFR in both these cases and hence we can exercise that RFR at that particular point of time. But still I would say these are at an early stages. We have strong partner in the form of ADP who can put up the money at a short period of time to buy the stakes. Last but not the least, today there is huge momentum by sovereign funds or pension funds to have some kind of investment play in the airport sector given the growth that is there. So most of these guys continue to approach us. Even at the asset level, if there is an opportunity for them to purchase any investor, they would be more than forthcoming. So early stages of discussion. Hopefully, I think in the next few months clarity will emerge.

Moderator: Thank you. The next question is from the line of Sachin Jain from Carnelian Asset Management. Please go ahead.

Sachin Jain: The taxation effect from cash flows pertaining to this transaction if any?

Saurabh Chawla: Let me highlight that the first tranche is through the infusion of primary equity in an entity and hence there is no secondary sale, although there is very minimal amount of secondary sale and hence there is no tax implication. On the second tranche, after we get all the regulatory approvals, there will be secondary sale of shares and we believe that we will have enough shelters available for minimal tax. So, these are all old losses that are there and hence we will utilize this.

Sachin Jain: So probably as of now very minimal impact from cash flows that we are going to receive in the second tranche for the purpose of taxation?

Saurabh Chawla: I would say just keep it as a conservative play. At this stage, yes, minimal would be a good number to look at.

Moderator: Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.

Ashish Shah: Sir, based on the movement in the evaluations post the deal, based on the earn-outs, how will the stakes adjust like in the previous deal we had some adjustments of the stakes, so how will the adjustments of the valuations happen?

Saurabh Chawla: I think we answered this question earlier. Probably you missed it. If we achieve the full earn outs, the stake will go up from 51% to about 59%.

Ashish Shah: Also, in terms of the mirror split of the entity that we briefly touched upon, so if my understanding is right, we are saying that there is GIL one entity getting created, airports will be under that, GAL will be under that, so when the mirror split happens, the current GIL shareholding gets replicated in that entity and the GAL will be a one level down entity in the structure, right, that is how the shareholding will get mirrored?

Saurabh Chawla: Correct.

Moderator: Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Just wanted to clarify that given that money is coming fast now on this transaction, how would you see through the timeline for the demerger of the airports business?

Saurabh Chawla: So, the process of demerger will only begin after the second closing. So, it is a discussion that we will have end of the first quarter of next fiscal year, that is the process. But even if we were to do at that particular point of time, it takes about 9-12-months for a demerger to get completed. So hopefully I think within the next fiscal year if it does not flow into the subsequent fiscal year.

Aditya Mongia: Second thing I wanted to check with you is now that South Asia also obviously becomes…not that was not there earlier, but now that South Asia is also a fairly relevant opportunity set for ourselves and some parts outside that, what would be the kind of market size that you would be looking forward to when we are thinking of bidding for airport assets along with ADP?

Saurabh Chawla: Our plan does not change; our strategy does not change. We look at a size which is about 10-15 million passengers as an optimum size to get into that development play and of course we look at more as a combination of both business and tourist centers which mitigate some of the cycles that one usually sees. So, that is the target market for us and we will continue to play in that target market.

Aditya Mongia: And the third thing I wanted to ask you is if I kind of recall correctly, whatever we will try to own in GMR will be in two parts; one is 2% which will remain with GMR Employee Trust and 49% with GIL. Is there any thought process of consolidating the stake within GIL or should we think through this as 49% for GIL at this point of time?

Saurabh Chawla: The trust will be selling to GIL, it has already come in.

Aditya Mongia: At a similar valuation that was discovered, or will it be something completely different?

Saurabh Chawla: Yes, that has to be the same.

Moderator: Thank you. The next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.

Vipul Shah: Where is the second tranche likely to come?

Saurabh Chawla: the first quarter of next fiscal year. Maybe May-June is a timeline that we are looking at.

Vipul Shah: But it will be subject to all approvals I suppose, right, RBI…?

Saurabh Chawla: That is true.

Vipul Shah: If we receive approvals late, it can be delayed also?

Speaker Yes, obviously.

Vipul Shah: I am little confused. For this particular first transaction, no approvals were required?

Saurabh Chawla: No. Only CCI was required which was taken by ADP.

Moderator: Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Sir, I am just trying to kind of think slightly medium-term let us say in two, three years, in terms of the ability of GMR Airports as things stand right now to be bidding for incremental assets and I understand that next few years may actually be going in doing the CAPEX for existing assets and then you are saying that there would not be any further primary issuance through which ADP will be investing more. So, when you think through maybe adding a few assets over time as to from where will the funding be coming from?

Saurabh Chawla: So honestly, Aditya, as I highlighted earlier, there is Rs.1,000 crores infusion happening at GAL level itself, right, and that itself plus there are certain receivables, that itself will create about Rs.1,400-1,500 crores of capacity at GAL level in the immediate future. That is number one. In our business plan, we do not envisage with the current pipeline that we have, we have Nagpur as a Brownfield airport, we have Goa as a Greenfield airport, we have just started to develop in Crete. So, at this stage, we do not have concrete asset which is available where I have to deploy capital. If and when that happens, we can always take a call. We also have the ability to do bond issuances at GAL level. Honestly speaking at this virus issue not hit the marketplace, we would have done $150-200 million five year bond issuance at GAL. That would have also released some cash. So, there are multiple opportunities in which I have the ability to raise capital for any development that may come, not that any of is happening as we speak, but I just wanted to give you an insight as to 'Does the entity have enough capacity to raise capital', it does, without any equity dilution at GAL level. That is the only message I wanted to give you.

Aditya Mongia: Just kind of again clarifying, so basically what you are trying to say is you have enough right now and there is some amount of money that will get generated overtime that can be used for adding some more assets overtime, that is how you see through it at this point of time?

Saurabh Chawla: Yes, just to give you again a little more insight into it, in three to four years time, once the CAPEX is completed specially HIAL, the free cash generation will begin in good earnest. And given the current taxation policy and proposals, the evacuation of free cash to the holding entity will be a tax-efficient exercise. Of course, it will have 26% leakage which will go to airport authority or to any of our airport partner. But keeping that aside it is still much more tax-efficient for us to look at. And obviously at that particular point of time, any opportunity that comes our way, we will have a fair assessment of it. In the current pipeline projects, Goa, Nagpur, Bhogapuram, here we already have enough opportunity available with the current expansion of DIAL and HIAL, probably we will be doubling our capacity, Aditya, in next three to four years time. I think that is a good enough growth at this particular stage.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now have the conference over the management for the closing comments.

Saurabh Chawla: Thank you, everybody for participating in our second quarter earnings call. Should anybody have any specific questions, information requirement, please feel free to get in touch with the IR team. Amit is here to answer any questions you may have. We have scheduled about one hour for the call. And I think the time is over for that, but we are available offline. Thank you so much.

Moderator: Thank you. 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. Thank you

***Note**: Transcript has been edited to improve readability*.