"GMR Infrastructure Limited Q2FY19 Investor / Analyst Conference Call Transcript"

Thursday, 15 November 2018

Moderator: Ladies and Gentlemen, Good day and welcome to the GMR Infrastructure Limited Q2 FY19 Earnings Conference Call. As a reminder, all participants' 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, please signal an operator by entering '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. We have with us today, Mr. Madhu Terdal -- Group CFO and CFOs of GMR Business Verticals. 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. Madhu Terdal for the opening remarks. Thank you and over to you sir.

Madhu Terdal: Thank you. Ladies and gentlemen, good afternoon. I am happy to share with you the "Financial Performance and Other Highlights for the First Half of the Year 2019:" We are ending the first half of 2019 in a continued volatile environment, the challenging liquidity issues, the rising interest cost and host of other uncertainties, though, of course the cooling down of the crude in the recent days has started giving us some amount of a relief, but we have to see how long it is going to last. Combined with this continued volatile situation on the economic front, coupled with the India entering the election phase, we believe that the challenging times for India at least will continue to be somewhere in the middle of next year as well. As a mature corporate we would like to assure the analysts that GMR will continue to be exercising an eternal vigil and will try to protect the interest of the group and its assets as much as we can. Amidst all this, GMR has been able to achieve some significant results during the quarters and the top most among them is the full and final settlement of the private equity investors in the Airport segment. As you know, the PE investors had invested about Rs.1,478 crores and now all the CCPS stand completely converted in equity shares.

The good thing to note here, the PE investors have valued GMR Airports at Rs.21,000 crores and they have taken 5.86% of equity stake as a part of the settlement. They continue to invest around Rs.2,050 crores in our GMR Airports as NCDs and this amount we have utilized to add value in GMR Airports by shifting our stake of 40% in Cebu Airport. We have also increased the stake of Clark EPC Airport. GMR Airport has bought out, 50% of that and also GMR

Airports has bought out 10% stake of Delhi Parking Services from the main parent holding company.

Besides, GMR Airport segment continues to pursue its growth opportunities as well. We emerge as the highest bidder for the Nagpur airport and we are expecting the letter of award in a very short time.

GMR Airports joint venture with GEK Terna in Greece also is continuing to make progress and we are expecting the final letter of award after the approval of court of auditors which may happen anytime. We will also be continuing to look forward for the new bidding opportunities in Bhogapuram which is coming for a rebidding after the cancellation of the first visit. We understand about seven people have been already shortlisted, GMR being one among them. And Jewar Airport near Delhi and also the new airports which are likely to be announced like Jaipur and Ahmedabad, GMR will continue to take a very active interest in the bidding of these airports.

Coming to the Performance Highlights of the few select assets, Delhi airport continue to be the star in the quarter where traffic grew by 12% even for the half year as well we grew by about 12% and totally now the passenger traffic for the half year has grown to 35 million. Most significantly, non-aero revenues crossed for the first time the magic number of Rs.1,000 crores for the half year with a growth of more than 19%, and of which almost one-third like around Rs.288 crores came from the retail including duty-free.

Our expansion work in Delhi airport has begun. Till now we have invested a modest sum of around Rs.100 crores, out of the total capital outlay of Rs.7,800 crores. The environmental clearance has already been received for thef phase-3A works and the approval has also been received for the DPCC for the hot mix plant. We have already called for an Expression of Interest globally, the request for proposal has been sent to shortlisted parties like Larsen & Toubro, ICTAS, Lemak as well as TAV in July and the pre-bid meeting has also been conducted and the bid submission has been extended till 26th of November at the request of the bidders. So we are hoping to finalize the EPC contractor by the end of this year.

Coming to Hyderabad airport, it registered a 21% traffic growth for the quarter and 23% for the half year and ending with 10.4 million passengers. Hyderabad airport revenue grew by 14% to Rs.364 crores in the Q2 which has been supported by the non-aero revenue which grew by almost about 24% on YoY. The EBITDA also increased by 17% to Rs.256 crores and profit after tax registered a significant number of Rs.203 crores compared to the last year, it is a 42% jump. Hyderabad airport also clocked a profit of Rs.378 crores for the half year ended September 2018 as against only Rs.251 crores previous year. Hyderabad also is continuing to grow andfour new destinations have been added to the airport like Amritsar, Udaipur, Vadodara and Port Blair. Hyderabad expansion of Rs. 4824 crores is also continuing to gather steam and already more than Rs.350 crores been invested there. For the expansion project, GMR Hyderabad airport had chosen Larsen & Toubro for passenger terminal building and also apron work and Megawide Worldwide for the airport systems.

As for as Cebu airport is concerned, it has made significant progress; its gross revenue standing at Rs.819 crores and for the half year its EBITDA stood at Rs.124 crores and profit after tax of Rs.92 crores and its passenger grew by 14% marking one of the highest growth rate in the Asia Pacific region. Cebu airport opened its terminal-II for its operation from July 1st onwards.

As you are aware, our capital plan for Goa airport is in full swing. We have invested close to Rs.138 crores already out of the total project outlay of Rs.1,635 crores and almost 99.5% of the land has been made available and the work has started in full progress.

Energy sector continues to show its improvement though the improvement is not to the extent what we desire for. We received favorable orders from APTEL for the busy season surcharge as well as development surcharge from MSEDCL i.e. Maharashtra Discom as well as the DNH PPA. The Maharashtra Discom has already started clearing the regulator receivables from FY18 onwards. From October 2018 this process has begun and DNH has also commenced it. From July onwards, Warora has received totally regulator receivables of Rs.86 crores. Operationally, however, Warora plant was slightly affected due to the low availability of coal and this caused a marginal loss of Rs.3 crores. We hope with the improved availability of coal in the coming months, this performance should come back to its original status.

Kamalanga for the first time has shown a profit and this is on account of the linkage coal being realized almost 100%, as a result of that Kamalanga clocked PLF of 69% as against 59% in the previous quarter, and in the overall half year we registered 76% of jump in the PLF, as a result of which Kamalanga has shown a marginal profit of Rs.5 crores as against loss of Rs.33 crores during the corresponding quarter last year.

One more significant progress has happened in Vemagiri Power company where we have signed a gas supply agreement for about six months. We are expecting to commence operations of VPGL shortly with the availability of small amount of gas.

As regards our overall overseas investment of Indonesian coal mines, they continue to show their robust performance; the sales jumped by 58% to $10.4 million and the revenue grew up to Rs.3,167 crores in the half year as against Rs.1,869 crores for the corresponding period last year and the profit grew up by 31% from Rs.349 crores last year to Rs.455 crores this half year.

As far as the two stressed assets, Chhattisgarh and Rajahmundry, I would like recall that in respect of GMR Rajahmundry, the resolution plan has been already approved by 100% of the lenders and the full documentation has also been completed on 27th August 2018. But in view of the Supreme Court order, one of the lenders has sought clarification from the lead bank and the same is being addressed by the lead bank. We expect the same clarifications will be offered shortly and this resolution plan should be concluded sometime later this month.

As far as Chhattisgarh plant is concerned, analyst will recall that Chhattisgarh plant has also been adopted by a change in management by all the lenders, but the process was not completed before 27th of August, and the same is in progress. But in view of the Supreme Court order the entire process has slightly slowed down, but we are hoping that some speed will pick up in the coming weeks.

We have made very significant stride in the Urban Infrastructure business particularly in Kakinada. Kakinada Port, we have received the security clearance from the home ministry and the letter of award has also been issued and Kakinada port is likely to sign the concession agreement with the Andhra Pradesh government anytime soon. There are two more significant infrastructure additions that are happening in the Kakinada urban infrastructure region. A special natural gas infrastructure is being led by the AP Gas Distribution Corporation at their own cost to facilitate the commercial and industrial customers of our SEZ region. Co-developer for developing the water treatment plant has also been signed, that work has also been progressed.

The financial performance results are all in front of you. I do not wish to repeat them, but suffice it to say that owing to the improved performance in the Airport and Energy sector, the consolidated EBITDA increased by 22% to Rs.534 crores for the quarter from Rs.437 crores for the Q2 last year. On the other hand, the consolidated losses have been reduced by 46% to Rs.219 crores for the quarter from loss of Rs.404 crores during the Q2 last year.

With those remarks, ladies and gentlemen, I would like to conclude and I would like to open the floor for any questions please.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Avinash Bala, an Investor. Please go ahead.

Avinash Bala: I have a couple of questions: One is about your Energy business. Currently, what are the projects which are under development for the Energy business?

Management: I can categorize into three, one the operations and one project is under construction which is the Bajoli Holi project and there have been under development projects – such as Upper Marsyagadi and Upper Karnali in Nepal, but nothing is happening on that front.

Management: The actual development is happening in Bajoli Holi, almost about 78% of the construction progress has been completed and the project is expected to complete sometime in the third quarter of the next year and the Nepal project is still under consideration, it will take some time for development. So effectively only one project we are doing. There is no development plan in any thermal segment.

Avinash Bala: What is the balance CAPEX that has to be gone into the hydro projects?

Management: To be pumped in is about Rs.800 crores, of which major portion will come from the debt side because equity has already been pumped in by us. So from our side the equity commitment will be in the range of Rs.100 crores or so.

Avinash Bala: In the airport, we are now going in for the investment expansion, that is Goa, Hyderabad and Delhi and from your opening remarks, all these expansions is close to around Rs.10,000 crores. What are the plans to fund these CAPEX?

GRK Babu:: As far as the DIAL and Hyderabad is concerned, there is no equity requirement. we have internal cash accruals available, the rest will be raised either through debt or some refundable security deposits. As far as the Goa is concerned, the entire debt has already been tied up, the equity we are already infusing from the GMR airports.

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

Vipul Shah: Sir, can you repeat the contours of the deal with the private equity players in GMR airport, because in your notes to the account you have mentioned that we will have to pay Rs.3,500 crores to them and they will be having certain equity in the GMR airport. So how we are going to fund this and what are the main contours of this deal?

Madhu Terdal: For the PE, the total settlement is Rs.4,700 crores, of which Rs.1,200 crores equivalent 5.86% has been taken as equity and Rs.2,000 crores will continue as non-convertible debentures for the PE investors, there is no immediate payment and we have already paid Rs.1,500 crores to them in cash.

Vipul Shah: So for their original investment of Rs.1,400 crores, they have got roughly Rs.4,200 crores , right?

Madhu Terdal: That was the value of the CCPS which we had to buy.

Vipul Shah: So the deal value is GMR airport at Rs.21,000 crores, right. So after this deal what will be the exact equity stake of GMR Infrastructure in GMR airport once this entire deal is completed?

Sushil Modi: Which is already completed as you rightly said. So the resultant holding of GMR infrastructure in GMR airport is around 92%, it is 91.65% and the investors will now from here onwards will own around 5.86%.

Vipul Shah: Who are the balance 3-4% shareholders?

Sushil Modi: The balance is around less than 2% which is basically of the employee welfare trust floated by the GMR Infrastructure. So that is also effectively in a way indirectly part of GMR Infrastructure stake, but held under the employee welfare trust.

Vipul Shah: Should we expect IPO from GMR airports now very soon?

Sushil Modi: This is the most difficult piece that we discuss. Obviously, as a company, we continue to evaluate and explore what are the ways in terms of unlocking the value. Only at this point that we can kind of guide you or navigate is that we are going closer and closer in terms of unlocking because this was obviously one of the stumbling blocks in the path, so the stumbling block being out, now evaluation process really starts from here onwards in terms of what is the way forward to unlock, whether it is IPO or anything else obviously as you would appreciate there are multiple ways of unlocking. So as we evaluate and come to some conclusion, obviously, that may take some time. So let us hope we come back to you all soon with some thought process.

Vipul Shah: Now what will be the debt on the books of GMR airport including this Rs.2,000 crores NCD from the investor?

Management: There is no other debt. This debt of Rs.2,050 crores to be precise is the only debt that will be there.

Vipul Shah: What is the coupon rate sir for this NCD?

Madhu Terdal: This is a private agreement, perhaps it may not be desirable to discuss this, we may engage with you if you need more details on that separately.

Moderator: Thank you. We have the next question from the line of Siddharth Agarwal from Kanav Capital. Please go ahead.

Siddharth Agarwal: Wanted to understand in a bit more detail about the real estate development plan in Delhi and like currently you have operationalized about 67-acres of it. What is the plan for the remaining 163-acres?

Management: As of now, as you rightly pointed out 45 acres and 23 acres were already released, we are in the process of again releasing the terminal hotel for which board approval is already available, which is about 2 acres and we are also working on the office space on about 12 acres and the existing Silver Resorts Hotels out of 45 acres there was arbitration case which has been won by us, so that land parcel about 5 acres that also we are going to release. So altogether about 20 acres we are expecting to release by end of this year.

Siddharth Agarwal: Out of the total 230 acres even after the end of this year, we will be left with 90-acres or so. So what about the remaining 140-ares, how long will it take for you to monetize this entire part?

GRK Babu: As you aware that we cannot release the entire land parcel at a time, we are looking various opportunities, so maybe next four to five years we will be able to complete the entire release of the land.

Siddharth Agarwal: With 230 acres parcel, is it a single parcel or it is spread across airport in multiple parts?

GRK Babu: As of now it is about seven to eight land parcels, but this major part is the hospital district 45 acres, next to that is the downtown is about another 45 acres and there is one more it is a gateway it is about 45 acres, the rest is another two to three land parcels.

Siddharth Agarwal: The Hyderabad airport, similarly the land area in GMR airports is much bigger. So unlike Delhi, you also plan to develop SEZ out there. So will it be one integrated part or that is going to be again developed piece-by-piece?

Rajesh Arora: We have close to about 1,500 acres of land which can be commercially monetized in Hyderabad airport. We have done about 100 acres so far. We have plans to monetize significant chunk in the next two to three years, already some discussion underway. So expect at least some 300 acres or so to get monetized in the next two to three years.

Siddharth Agarwal: What is your preferred mode of leasing out this land – would you like to take the money upfront on a discounted cash flow basis or you will break it up between lease and upfront payment?

Management: As far as the Delhi is concerned, we may still prefer the current route, but still we are exploring all the options, we may take some amount in RSDs and some amount will be in the form of lease/rentals.

Siddharth Agarwal: In Hyderabad the model might be upfront?

Management: Not necessarily, depending upon the structure it will done.

Siddharth Agarwal: So there are big opportunities coming in terms of new airport that are going to be made out in India and from what I understand you also selectively participate in international opportunities. So what is the plan to raise the money for all these as and when they fructify?

Management : We will look at various options, but as of now there is not much requirement of equity at the GMR airports level for the current requirements, as and when any new opportunity comes we will look at the various structures.

Siddharth Agarwal: So under the current expansion of Delhi which is for 7,800 crores, has the entire funding been tight through and what percentage of it will be debt?

Madhu Terdal: As of now we have not yet finalized the total funding of this expansion. Since we are already having sufficient cash balance, we are sitting with more than Rs.3,000 crores. So we will be tying it up the requirements in the next year only looking upon how much we will be able to raise the refundable security deposits and how much we require to the debt tying up. So that will take a call in the financial year.

Siddharth Agarwal: Sir, your third control period is expected to start in April 2019. So have you submitted your plan for that control period?

Management : No, not yet, we will be filing it I think most probably by end of this month.

Siddharth Agarwal: You expect a rolling for that to come before April of next year?

Management: We are expecting the tariff determination process would be completed by April and May and we should able to get the new tariff by June.

Moderator: Thank you. We will take the next question from the line of Sachin Kasera from Lucky Investment Managers. Please go ahead.

Sachin Kasera: Sir, on this deal with the private equity, you mentioned that Rs.1500 crores was paid by GMR Infra. Is that understanding correct?

Management: Yes, that is right.

Sachin Kasera: So how did GMR Infra fund the deal of Rs.1,500 crores – did we borrow on the books of GMR Infra?

Management: That is correct.

Sachin Kasera: Secondly, you mentioned that you sold your stake in Cebu airport to GMR airports. If you could tell us as to what exactly was the nature of this transaction and how much GMR Infra received from the same?

Sushil Modi: This was basically more a consolidation of our airport business under the GMR Airport vertical. And as we were discussing a while back that we are basically readying the platform to kind of evaluate and come out with some process to unlock the value. So effectively in the process what we have achieved is that this Cebu Airport which otherwise was being held under the listed entity directly, that was the only airport asset in a way which was outside the ambit of GMR Airport platform, so thereby at arm's length basis we have sold this asset to the GMR Airport Limited and that is briefly the profile of the transaction that we have done.

Sachin Kasera: That I understand. I am asking in terms of the monetary transaction, what was the valuation at which the deal was done?

Madhu Terdal: So it was being valued by the independent valuer at $590 million equity value for the Cebu 100% equity. GMR Infrastructure was effectively owning 40%, so 40% of 590 which will be ballpark, let us call it 240-odd, so that is the value.

Sachin Kasera: I am little confused with transaction**.** So Rs.1500 crores is what GMR Infrastructure raised from a loan and it got another $240 million from Cebu airport?

Management: Yes, that is right. So that is what enable GMR Infrastructure to pay, as you would have noticed in our press release and in our deck as well, the total payment that was made was around 3,500 crores ballpark, so that amount consist of 1,500 crores that we just spoke, the payment that went which we sourced by way of a loan and balance money was basically out of the sale proceeds that GMR Infra generated by selling the other airport assets which was till henceforth was held by GMR Infra, from here onwards will be owned by GMR Airport.

Sachin Kasera: GMR Airports in turn raised the money by issuing NCDs to the PE investors, that is how the entire transaction was done, right?

Sushil Modi: You got it absolutely right.

Sachin Kasera: Secondly sir, if you could give an update, last time you had mentioned that you had won the case, to come out with the new tariff as per some of the guidelines issued by them, I think you indicated April, May, so that was referring to that particular case only?

GRK Babu: As you know that 26th April 2018 that TDSAT order has come. In that TDSAT order they have made it very clear that the DIAL is entitled for the return on RSD and it has to be worked out by the regulator while determining the tariff for third control period. So now when we are filing our application third control period, we are going to claim the return on this RSD from the day one i.e. from 2009-10 onwards.

Sachin Kasera: Whatever be the cost that we were asking to be compensated from the period 2008 onwards, will all get probably captured when the new tariff is set up?

Madhu Terdal: In the tariff it will come on NPV basis we get back that money.

Sachin Kasera: What is on the debt in GMR Infra, the holding company after the transaction with the PE? If you could just share what is the rate of interest for borrowed amount of Rs.1500 crores loan?

Vishal: GMR Infrastructure Limited standalone total debt is around Rs.3,700 crores, these 3,700 crores has been borrowed by 100% subsidy of GMR Infrastructure, so it will not come under standalone account.

Sachin Kasera: So this Rs.1500 crores is over and above Rs.3700 crores?

Management: Yes.

Sachin Kasera: This Rs.3,700 crores include the FCCB or does not include FCCB?

Management: It does not include FCCB.

Sachin Kasera: What is the rate of interest that you borrowed Rs.1500 crores?

Management: Commercials, I cannot share with you, so separately you can touch base for any further details on that.

Sachin Kasera: You mentioned there are a lot of opportunities that GMR Airport is pursuing. So how are we going to fund some of these while some of the expansions in the SPVs of DIAL and Hyderabad really funded because they are cash generating, but for new opportunities like the Goa one, one in Nagpur and still more you are doing, unless we do some more fund raising whether it is debt or equity or IPO, how GMR airport in turn funds until and unless it takes some more debt, has already raised Rs.2,000 crores of NCD, how are we going to fund in next two, three years on the opportunity in the airport part?

Madhu Terdal: As we have explained earlier also, the entire in the GMR scheme of the things, the maximum outlay of capital is likely to be reserved for the airport segment. As we have explained in our earlier explanations also, we are not intending to put any kind of a capital either in the fresh and either in the energy or airport sector. So today if you really look at it, Delhi and Hyderabad are self-sustained. Nagpur Airport we have just won and it will take some time to get the letter of award and then we will have to sign the concession agreement and then we will have to go to financial closure. I can say that Nagpur at least another 8 to 12 months perhaps there may not be any requirement from the Nagpur Airport Department. As far as Goa is concerned, our requirement there is not more than Rs.500 crores and already minimum that whatever immediate requirement has been treated as Mr. Babu explained to you, has already been brought in by the GMR Airports. So GMR Airports is having sufficient cash to meet the initial requirements. And as my colleague Mr. Modi explained to you that you are seeing the significant steps that is being taken. The airport sector is being consolidated with the induction of Cebu, with the induction of parking, everything, so it is getting ready for a substantial value unlocking expertise. In what way and shape it will happen only the coming quarters and the economic environment will tell us. So be rest assured there is no immediate requirement of equity in any of these expansions which are planning, they will be required over a period of time and I think GMR will be geared up for these eventualities.

Sachin Kasera: On the monetization front, either on the road front or on the urban infra or the coal mines, any thoughts if you could share with us?

Madhu Terdal: I can only say at this point in time that efforts are gone in all these areas, but you know the circumstances are not so conducive to get some immediate results because the easy available ones we have already disposed, so there are a few balance assets, but definitely we are trying to dispose them as early as we can.

Sachin Kasera: So the coal mines they are very-very profitable going by the numbers that you reported in Indonesia where we have 30% economic interest. Would we be looking to use that as an opportunity because that is a very profitable one and can get us good sum **?**

Madhu Terdal: Give us some time. At least it is a very good asset, it is making profit. We will come out with a strategy. If there is something we have to share, we will be able to tell.

Moderator: Thank you. We will take the next question from the line of Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah: First question is on the T-2 terminal at Cebu which got commissioned. So have we got any tariff increase there after the commissioning? Anything new now?

GRK Babu: No, there is no tariff increase, the tariff it was already mentioned in the concession agreement itself, as per that the step up increase whatever is permitted is being implemented. We have already applied to the government for implementation of that. I think it may take about a few months to get the clearance from them.

Ashish Shah: Second is in terms of the Hyderabad airport tariff, so we had secured a stay from the Hyderabad court in that subject. So where are we in that process for the Hyderabad tariff revision?

Rajesh: After AERA works out revise tariff and did not consider so fastly, so we have got stay from the high court and against that the regulator has filed his counter and the matter is yet to come up for hearing. That is where we are in terms of the current stay order.

Ashish Shah: There is a mention of discontinuing operations in the results. What does that pertain to?

Management: We have rolled up PT BSL, same transaction has got completed in April and later the operations discontinued.

Ashish Shah: Any impact of FOREX mark-to-market in the numbers that we can see?

Management: There is an impact but both the DIAL and GHIAL have got the edge, so it will be coming only in the OCI, otherwise, P&L is not getting impacted.

Ashish Shah: At the consolidated GMR level, is there any FOREX loss included?

Management: There is no significant loss which will hit the P&L account, because major loans are for DIAL and GHIAL which are totally hedged by both the companies.

Moderator: Thank you. We will take the next question from the line of Kirti Jain from Sundaram Mutual Fund. Please go ahead.

Kirti Jain: How much this consideration determine sir for this private equity, what were the methodology adopted in the consideration because this consideration like when we calculate it comes to around 19, 20% IRR roughly, so for regulated asset this looks like on a higher side?

Management: See, as you would appreciate that any instrument that we buy between two bilateral parties obviously it has to be done at a fair value. So the underlying transaction basically reflects the fair value of the instrument that the investors were holding which was being valued and basis which the quantum of the instrument that we bought the CCPS, commensurate pro-rata consideration was paid out. So it has got nothing to do with any kind of implicit number that you just spoke that might be a derivative or derived number that you are coming out with which obviously we perhaps have not thought off or have not looked at, but from our standpoint, it basically the fair value of the instrument which finally both the parties mutually decide and agree is what the underlying transaction all stand about.

Kirti Jain: Any methodology sir for calculating the asset value?

Management: As you know that these instruments had a conversion ratio at the time of the issuance, so basis which the underlying pro rata equity that this instrument can potentially entitle the investor was known and to that extent the fair valuer did the fair valuation of the instrument basis that taking into account all the underlying assets that this company owns and that is what we bilaterally agreed for the transaction purpose.

Kirti Jain: In terms of ease of monetization, which would be the first, -- road or the power assets?

Madhu Terdal: I do not think I can put anything in a picking order to depend upon the valuation, to depend upon the potential buyer, I do not think we have any picking order, we can say that all efforts in every sector are being made to relieve the stress in the sector.

Moderator: Thank you. We will take the next question from the line of M B Mahesh from Kotak Securities. Please go ahead.

MB Mahesh: In the opening remarks you had mentioned the status of GMR Chhattisgarh and a couple of assets which were declassified in earlier quarters. Can you just kind of repeat what you said, I missed that part?

Management : I think what we mentioned as far as Rajahmundry and Chhattisgarh was concerned, both firstly had gone through an SDR in the erstwhile scheme where lenders had converted part of the debt into equity, hence the two assets have not been in consolidation as far as GMR Infra is concerned. Secondly, what we mentioned is in both the cases, there are specific resolutions that are being carried out. As far as Chhattisgarh is concerned, all the lenders have agreed on a change of management and taking the whole process of Supreme Court they are parallel moving in change of management. We are expecting that should come to some sort of traction over the next few weeks. As far as Rajahmundry is concerned, we have had a resolution plan and all the lenders have approved and signed the resolution plan. We are shortly also looking at implementing that resolution plan.

MB Mahesh: Just one clarification on the GMR Chhattisgarh, there seems to be some concern that the preference is over the NCLT process over the bilateral settlement. Is there any change in view on that or you think the one-time settlement or change in management is still the preferred medium out there?

Management : The clear preference as of now is of change of management. The lenders have also carried out that process and what I can only say is post conclusion of all the potential, interest, bids that have been received for the asset, lenders have chosen to go ahead with it. Given the way of this whole process of Supreme Court, slightly things were a little slow and we are expecting traction to continue as far as lenders approving the change of management is concerned for the identified bidder.

MB Mahesh: 100% of the lenders have agreed to this change of management?

Madhu Terdal: That is the process.

Moderator: Thank you. We will take the next question from the line of Prem Shankar, a retail investor. Please go ahead.

Prem Shankar: Sir, my question is we are listening good news every time but the share value is decreasing every time.

Madhu Terdal: I do not think as a company we will be able to comment upon the market price sir. We are definitely focused on our job and every effort is being made to create value in the company. It is true that the infrastructure sector as a whole is going through a difficult period and GMR is not an exception but if you look at the relative performance of the various infrastructure companies, we can only say that we are trying to do level best at least we are trying to be better at least relatively in the pack of things, but rest is on the market, market behaves the way as it seems deems fit, let us hope the good days will be back again soon.

Prem Shankar: When can I expect GMR IPO sir?

Madhu Terdal: As my colleague just replied to you, sir, we will not be able to comment on anything specific, I will only repeat what he says, all the avenues for unlocking the values are on, everything will happen at a right point of time, we have to wait for that.

Moderator: Thank you. We will take the next question from the line of Amit Mariwala from Systematix Shares. Please go ahead.

Amit Mariwala: Just want to know about debt structure on GMR airport level front before the deal or after the deal sir?

Management: At GMR airport, debt which now is one NCD of Rs.2,050 crores, earlier we had about Rs.300-crores debt that has been fully repaid.

Amit Mariwala: Apart from this Rs.2,050 crores, do we have any more? In the presentation if you see the debt is around Rs.15,000 crores, so if we calculate around 30%, that is net debt, so the value is mismatching. So can you please elaborate on that?

Management: No, the entire sector debt if you look at it, Delhi airport has got 811 million debt and Hyderabad has got 350 million debt and right now Goa airport has drawn only around Rs.200 crores of debt and at GMR airport parent level it is Rs.2,050 crores of NCD.

Amit Mariwala: So total sir with the parent and with the subsidiaries, what is the total debt over here?

Vishal: I think what you are referring to the presentation is the net debt, that is the gross debt minus cash, so that is 30% of Rs.15,000 crores, that means around Rs.4,000 crores in the airport sector consolidated.

Amit Mariwala: So total debt is Rs.4,000 at consolidated level?

Management : Net debt is Rs.4,500 crores as of 30th September, gross debt is Rs.10,500 crores, we have cash balance of Rs.6,000 crores as far as various airports and GMR airports together.

Moderator: Thank you. We will take the next question from the line of Bhavesh Patel, an investor. Please go ahead.

Bhavesh Patel: My question is what are the plans to go ahead with reduction of debt at the gross level as well as what is the management is doing to increase the shareholder value be it whether it is in terms of reflecting some price or promoter buying and then effectively returns in a longer-term coming to dividend as well; however far you see, maybe three, five years?

Madhu Terdal: Thank you. As you have seen us for the last three to four years, we have raised close to around Rs.8,500 crores by divestment of various assets and as I just explained to you we are still continuing to perceive our efforts in disinvestments. Road will continue to pursue but obviously there are no more sellers than the buyers. So obviously there is a constraint in getting a value. The next is as we explained to you there is a lot of unlocking in the airport segment has happened, I cannot tell exactly at what time and when and in what way but I can tell you that that is going to be one of the routes that is going to impact very significantly and positively in the reduction of the debt at the corporate level or so. Also, as you might have seen that we have made very significant progress in our urban infrastructure. I would like to assure you that many times it escapes the attention of the investors and the analysts but we are sitting on almost about 10,000 acres of land in our Kakinada and another 3,000 acres of land in Krishnagiri as well. While Krishnagiri may take little more time to show little progress, but as far as Kakinada is concerned, with the sanctioning of the port license, port alone it takes around 1,870 acres of land, besides as last year we have told about Hindustan Petroleum doing due diligence of around 2,500 acres and the infrastructure in the form of natural gas and the water treatment plant and coming, a very silent value creation is happening in the entire urban infrastructure. So during the next maybe anywhere between say six months to 12-months you can see that will become one of our very prime planks in terms of the disinvestment and it will be helping the reduction at the corporate level very significantly. I hope I have answered your question.

Bhavesh Patel: Yes, you have and in fact, looking forward to seeing some of those actions fructifying because honestly as an investor and very positive on the company as well as all the management plans but to be honest little bit disheartened as well looking at the screen as you reflect and again not saying screen you are responsible for but again hoping to see some quicker action and better results and then again want to be with the form for five plus years so that we see significant multiplication as well as dividend and let us not lose that focus please.

Madhu Terdal: We share your concern and we also share your optimism also. Be rest assured, we are focused on our efforts. This has been a good corporate trusted by the investor and we will do everything to retain that confidence.

Moderator: Thank you. We will take the next question from the line of Raghav Mittal from Locus Investments. Please go ahead.

Raghav Mittal: I had a couple of questions on GMR Energy. When I just look up the finance charges for Warora and Kamalanga and I just add them up and compare that with the finance charges for Energy consolidated, the Energy consolidated finance charges are lesser than Warora and Kamalanga finance charges, so can you just talk about what am I missing here?

Amit Jain: Financial consolidated what you are looking at Energy consolidated does not include Warora, Kamalanga because if you look at the energy portfolio of GMR, there are two big pieces; one is GMR Energy Limited where Tenaga took 30% stake that portfolio includes Warora, Kamalanga and that is not consolidated. The consolidated number what you are looking at are the number which include other business which is trading. So these two are different pieces you are trying to correlate.

Madhu Terdal: Maybe you call Amit, perhaps he will be able to reconcile the number.

Mangement: What the Energy consolidated is not the GMR Energy but it is all the Energy businesses which is not even forming part of the Energy.

Raghav Mittal: Which are the main businesses in GMR Energy consolidated now?

Management: Energy trading.

Raghav Mittal: Second question is on the PT Gems side EBITDA, with the increasing stripping cost and rising fuel cost, so just wanted to understand the EBITDA margin has declined a lot this quarter. So is that like a sort of level which we can expect going forward?

Management: I think this business perhaps need to be seen not as an EBITDA margin but this is the way the coal as a commodity in the international market trades is more as a function of what effectively you achieve in terms of call it EBITDA dollar per ton because higher the price does not automatically the margin will have its impact because a significant part of the cost to that extent is a variable cost and some bit which gets linked to the price but some equally significant component will be which is fixed cost. So basically if you see we work and maybe as of now our EBITDA per ton will be somewhere around ballpark $8-10 and which we clearly see that is something that should get maintained in the times to come and perhaps has the potential to go up as well. Also, just to add from a business perspective, when the coal prices are higher normally you try to take out the coal which has a higher strip ratio, so you would maintain your margin and going forward EBITDA and everything definitely is going to maintain because when the prices fluctuate, your strip ratios also goes down.

Moderator: Thank you. We will take the next question from the line of Siddharth Agarwal from Kanav Capital. Please go ahead.

Siddharth Agarwal: Sir, for the Kakinada, you have mentioned that we have already signed MoUs for 3,500 acres across different companies and organization. So would it be possible for us to get some sense of even ballpark for 3,500 acres, what are the kinds of amounts we are looking at?

Mohan Rao: It contains nearly 10-12 customers where we signed the MoUs totaling about 3,500 acres which includes petrochemicals complex by 2,000 acres. Please understand that okay, now we got the port license and we are going to enter the concession agreement in a few days. That is the major development which is anchor asset for the unlocking the total remaining 8,500 acres. As Mr. Madhu mentioned in the beginning, 10,500 acres, 2,000 acres for the port, so this will be anchor and developing value for remaining 8,500 acres. Once that okay, we got this commercial port license, height number of enquiries basically which are depending on the forward line, petrochemicals complex, that is why we have taken even this gas connection from the AP Gas distribution with their own because the government also realize that it is coming up very well because of this port, that is why with their own cost, they put the gas pipeline of 6 Kms from the main pipeline to our port place. All these are sorted just beginning. Except HPCL guy which is happening for quite some time, once the news come out, they have come and approached us. So now we are negotiating the price and the MoUs will be signed very shortly. To that extent I can tell you. The price because of various reasons you are aware that we are not in a position to disclose the price now. This HPCL guy also you are aware that okay, is very-very advanced stage. It should support and require some various angles, it is a very big project, HPCL guy is a government entity, so central government, state government and district entities all support is required. Though the support has come and they are now in very advanced stage simply because of central presence, it is going slightly delayed, that is it. So we are very bullish on all these MoUs which will be fruitful shortly.

Siddharth Agarwal: Sir, the commercial port that is intended to come in Kakinada, so is GMR itself going to develop this port or we are just going to make the land available for a certain developer who is going to take over the development and put in the money?

Mohan Rao: For the time-being we are incorporating this port as 100% subsidiary of the KSEZ. The decisions are going on how to develop this port. It is too early to comment on that.

Siddharth Agarwal: What would be the ballpark monetary outlay in developing a port of this project size 16 mt that we are planning here?

Mohan Rao: This 16 mt capacity, the project cost will be around about Rs.2,100 crores like that but there is a lot of change in the dynamics now because the coal transportation, chemicals complex are coming back. So in fact, we are rating the total deal proposal which is a consultant, how to take it forward to create more value but the customers who are approaching to us and also the total port number.

Siddharth Agarwal: Sir, from the airport JV, from your deck sir, I notice that our advertisement occupancy as well as revenues have both dropped YoY for both Delhi and Hyderabad. So is there a specific reason why we have lower occupancy as well as revenues there in the airports in spite of having better traffic, etc.,?

Management: You are right, this is basically to do with effectively let us call it the Ad industry and you would appreciate Ad industry at times works in cycle. So what we have seen the recent two quarters where some of the new launches perhaps as you would appreciate whether you take as a telecom or in a discretionary consumer durables, the prominent advertisers who typically use this medium of advertisement, there was perhaps less launches and to that extent this particular stream of revenue to that extent in this particular period has got dented but we continue to see as the pipeline in this consumer industry as it builds up certainly we see a flurry of activity and that is what we are expecting in the times to come.

Moderator: Thank you. As there are no further questions from participants, I would like to hand the floor back to the management for closing comments. Please go ahead, sir.

Madhu Terdal: So thank you, ladies and gentlemen, thanks for all your support, good comments, observations, criticism. We have taken everything in our stride, we will continue to perform as much as we can. Before I hand over to speaker, let me acknowledge the presence of my esteemed colleagues; Mr. Sushil Modi – Group Head, Strategic Finance; Mr. Suresh Bagrodia – Group CFO of Operations; Mr. Govindarajulu – Executive Vice President, In-Charge of Corporate Accounts; Mr. Amit Jain – Head of Investor Relations; Mr. Radhakrishnababu – Airport Sector CFO; Mr. Rajesh Arora – CFO of Hyderabad Airport; Mr. Parag Parikh – Group Head of Project Finance and Structured Finance; Mr. Ashis Basu – Co-CEO of Energy; Mr. Manoj Kumar Singh – CFO of Energy; Mr. Nirjhar Sarkar – CFO, Energy, Chief Financial Controller; Mohan Rao – CFO of Urban Infrastructure and Transportation and Amit Kumar – Head, Finance and Accounts of Highways.

Moderator: Thank you. Mr. Terdal and the rest of the management. Ladies and gentlemen, on behalf of GMR 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*.