“GMR Infrastructure Limited Q2FY20 Investor / Analyst Conference Call Transcript”
Friday, 15 November 2019

Moderator: Ladies and Gentlemen, Good day and welcome to the GMR Infrastructure Limited Q2 FY20 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. Saurabh Chawla, Executive Director, Finance & Strategy and CFOs of GMRs 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. Saurabh Chawla for the opening remarks. Thank you and over to you Sir.

Saurabh Chawla: Thank you so much and good afternoon to everybody. I welcome you to our second quarter results call for fiscal year 2020. During the quarter, we are quite happy to see the government reach out proactively now to mitigate the slowdown that the economy has been experiencing. We have seen policy initiatives, which we believe will have long-term positive impact on the economy. Reduction in corporate tax rates, initiatives to bring back liquidity to the NBFC sector and the housing sector, and changes in the payment mechanism for future payments of supply of power by power generating companies to DISCOMs are a few policy initiatives which I would like to highlight.

Although the recent economic data released by Government of India has not been encouraging, we believe that economic slowdown has bottomed out and we should start seeing acceleration in growth in the next few quarters. Infrastructure sector is expected to be a key beneficiary given the strong correlation with economic growth.

During the quarter, we continued with our strategy of becoming a pure play airports company, along with rightsizing of our balance sheet. To achieve this strategic goal, we remained focused in completing critical initiatives already undertaken during the year.

I will now brief you on the progress made during the quarter:

We have received all key approvals, including Competition Commission of India and Reserve Bank of India, for the Tata GIC-SSG transaction to purchase 44.44% stake in the airport platform entity, namely GMR Airports Limited. The process of last regulatory clearance from the Government of India is underway and is expected to be with us in next few weeks. Post the closing of the transaction with Tata GIC, we shall be applying for demerger with the NCLT. The demerger will create two listed entities with mirror shareholding, one entity in the airport space and the other having other businesses such as energy, roads etc. To achieve the demerger, the group is at an advanced stage of obtaining other necessary no objections certificates and clearances from various authorities.

Meanwhile, we continue to divest non-core assets with an objective to build a leaner and stronger balance sheet. On the divestiture of non-core assets, we have made progress on some of the following assets, namely:

First, GMR Energy Limited has entered into exclusive discussions with JSW Energy for potential divestment of its entire stake in GMR Kamalanga Energy Limited (GKEL). GKEL owns and operates 1,050 megawatt thermal power plant in Orissa, having long-term PPAs and fuel linkages. We hope to conclude our discussions and negotiations in the near future on this particular transaction.

We have also entered into a discussion with prospective buyers for sale of the barge power plant, which is of about 220 megawatts. During the quarter, we have successfully completed divestment of Chhattisgarh Power Plant post approvals from 100% of our lenders.

Separately, to capture growth opportunities, specifically in the airport sector, Delhi International Airport Limited or DIAL, has submitted a bid for the development of the Jewar Airport in Noida. To reiterate, Delhi Airport has a RoFR to build a second airport within 150 kilometers of Delhi. The financial bid for this airport is scheduled to open on November 29, 2019.

Coming to the operating performance:

On the consolidated side we recorded gross revenues of about Rs. 2,018 crores during the quarter, as against Rs. 1,904 crores during the corresponding quarter last year. EBITDA margin has increased to 42% to Rs. 643 crores during the quarter, as compared to 36% at Rs. 534 crores during the corresponding quarter last year.

Net loss before tax is at Rs. 285 crores during the quarter as against net loss of Rs. 267 crores during the corresponding quarter last year. Net loss after tax is at about Rs. 457 crores during the quarter, as against Rs. 334 crores during the corresponding quarter last year, mainly due to impairment of the Barge Power Plant and deferred tax asset reversal at the Warora Power Plant, as we opted for lower corporate tax rate as announced by Government of India.

On the airport sector, the Delhi Airport the traffic maintained was flat on a Y-o-Y basis at about 17.3 million, whereas it grew 10% Q-on-Q basis, indicating that the negative impact of Jet

Airways is behind us. Moreover, the provisional traffic number for the month of October 2019 is up 3% Y-o-Y.

The Commercial Property Development, CPD rentals grew by 2.6x on a Y-o-Y basis to about Rs. 159 crores in the second quarter fiscal year 2020, from Rs. 61 crores in Q2 FY 2019, mainly due to recognition of the lease rentals from the recent Bharti Realty land transaction. PAT grew at about Rs. 5 crores in Q2 FY 2020, from a net loss figure of about Rs. 24 cores in Q2 FY 2019.

Delhi Airport has rolled out a three-month trial to exhibit biometric enabled seamless travel experience (BEST), which is based on facial recognition technology. And presently, it has been launched in partnership with the Vistara Airlines. The capacity expansion work of increasing the capacity to 100 million passengers by 2022 is going as per schedule.

On Hyderabad airport, the traffic grew about 3% to 5.4 million passengers in Q2 FY 2020 from 5.3 million in FY 2019. Non-aero revenues in Hyderabad grew by about 18% Y-o-Y to about Rs. 155 crores in Q2 FY 2020 from Rs. 131 crores in Q2 FY 2019. We registered a PAT of about Rs. 184 crores in Q2 FY 2020 versus Rs. 193 cores in Q2 FY 19. The decline was mainly due to the commencement of two interim terminals, which led to about 23% Y-o-Y rise in operating expenses.

Hyderabad generated a cash profit of about Rs. 217 crores in quarter two versus Rs. 231 crores in the previous quarter last year. Hyderabad won the Best Energy Efficient Unit award for the third time at the CII National Awards for Excellence in Energy Management, along with the award for National Energy Leader. The expansion work at Hyderabad continues as per scheduled, whereby the capacity will be increased to about 34 million passengers.

Similarly, on Cebu Airport in Philippines, the traffic grew about 8% Y-o-Y to 3.3 million passengers in Q2 from 3.1 in Q2 in FY 2019 as the new terminal-2 was commissioned in June last year. Revenue has increased by 44% to Rs. 118 force in Q2 FY 2020 from Rs. 82 crores in Q2 in FY 2019. And cash profit is at about Rs. 51 crores versus Rs. 58 crores last year.

Coming down to the energy sector, in Kamalanga Power Plant, there was a strike in the Mahanadi Coal Field which has impacted its PLF factor. The PLF factor in Q2 was about 50.1%. Revenue is at about Rs. 436 cores in Q2 FY 2020 versus Rs. 561 crores, mainly impacted due to the availability of coal. It still generated a cash profit of about Rs. 21 cores in Q2 against about Rs. 81 cores in the same quarter last year.

In Warora, the PLF has improved to about 67.8% from 54.6% in last year quarter, revenues increased by about 3.5% Y-o-Y to about Rs. 389 crores from about Rs. 376 cores last year. It generated a cash profit of Rs. 30 odd crores against Rs. 26 crores in the same quarter last year.

Coming to the coal, the Indonesian coal mine, the sales volume has grown substantially by about 21% Y-o-Y to about 5.8 million tonnes from 4.8 million tonnes in Q2 last year. Revenue grew by about 11% to about Rs. 1,543 crores in Q2 from Rs. 1,395 crores last year, and it generated a cash profit of about Rs. 120 crores as against Rs. 151 crores last year, and this was primarily because the coal prices have reduced over the last few quarters.

That is from my side as an update. I would now like to open the forum for analysts and investors, should they have any questions the team is here and in Mumbai and in Hyderabad to answer any questions that you may have on the business. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir, three questions. Firstly, on the contribution from associate and JVs, as the losses are increased sharply Q-o-Q I am assuming this is primarily related to deferred tax asset in the energy business, am I right?

Saurabh Chawla: Actually, the losses have been increased mainly because of the deferred tax asset we reversed in one of our JV, because of that the impact has come. And secondly, we have provided an impairment w.r.t one of our gas based barge plant. So these are the two key items which impacted our JV and associate profit for the quarter.

Mohit Kumar: Can you quantify the amount?

Ashok Ramrakhiani: The overall total amount is approximately ~Rs. 140 crores, which include ~Rs. 90 crores of the deferred tax and ~Rs. 50 crores for the impairment of the barge plant.

Mohit Kumar: Secondly, sir the airport divestment, what you read from press that there is a change in interest rate shareholding between Tata and other shoulders, is it right? And what is the timeline we are looking at right now for in terms of for the approval to come in and when we expect the demerger to happen, any timeline, can we throw some color on that?

Saurabh Chawla: So, the agreement on the Tata GIC transaction itself provided for some movement inter-say between themselves. So there is a change between Tata's and GIC because of the underlying agreement of Delhi Airports which provides that an airline company or an entity which owns an airline company cannot own more than 10% of the Delhi Airport. So, in lieu of that, the agreement had already provided because there was a little bit of ambiguity in interpretation of various lawyers. And hence, the movement between Tata and GIC has already been agreed. We are at that last stage of receiving the communication now from Ministry of Civil Aviation. And I think in next few weeks we hope to get that in place. So, that is the only approval which is left, the letter from the Ministry of Civil Aviation that is all good to go. Rest of all the approvals are in place now.

Mohit Kumar: And thirdly sir, on the Delhi tariff order, which was due, what are expected timelines now?

GRK Babu: The DIAL tariff order we have provided all the details, including the application. They have appointed SBI CAP as their consultant and they have also appointed another company. So everybody has given their report, I think SBI CAP report is expected in a week or so. We are expecting the consultation paper to be out before the end of December, and most probably the tariff will be in place by March.

Mohit Kumar: Okay, understood. And lastly, the GMR Kamalanga, what kind of timeline we are looking at? Where are we in due diligence? And what is the receivables outstanding with GMR Kamalanga as of now?

Saurabh Chawla: Well, I cannot guide you on to the timelines because the discussions are still ongoing. At the time of crystallization of both the value and the timeline, we will come back to you with a specific communication to the markets. At this stage I cannot allude to that.

Mohit Kumar: And lastly the trade receivables, what is our standing on receivables in GMR Kamalanga?

GRK Babu: Kamalanga receivables, we have two parts, the regular monthly bills are being received, regulatory receivables we got orders for most. One of the other order from Appellate Tribunal is expected by December end, early January. So that would settle our entitlement and the claims for all the outstanding receivables. Obviously, these DISCOMs, since they are stretched for funds, they challenge in Supreme Court, we will have to then go to APTEL asking for interim relief. But till now Supreme Court has not given any stay order on any parties, once APTEL has given an order, it has asked let 50% be paid and so on. So net, net, in terms of reaffirming that these receivables are in books, by December end, January all the orders would be out by January let us say. Thereafter, recovery may take a little time. But there is no doubt and receivables nor is it as of date.

Mohit Kumar: What is the quantum in the books you are carrying right now?

Ashis Basu: 1,037 Cr.

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

Atul Tiwari: Sir, my question is on the proposed demerger. So, when the demerger takes place after all the approvals, the current listed legal entity, GMR Infrastructure, it will be left with airport assets or it will be left with other assets and the airport assets will be hived off? It is just a technicality, because anyway the shareholding is limited. But just trying to understand the legal aspect. So if you can give some clarity on that.

Saurabh Chawla: So, I think our first caveat which I want to highlight is that the strategy is for a demerger, however, it is still subject to the Board approval, it is under consideration of the Board. And we will have to come back to us to which entity is getting hived off, is it the airport entity which is getting hived off or it is the non-airport entity. So right now it is still subject to approval of the board.

Atul Tiwari: Okay. And sir, any update on the Hyderabad tariff orders, I believe, it also has been kind of pending for some time, so what is the status currently?

Saurabh Chawla: Hyderabad tariff, we continue to charge the real tariffs because of the stay order of the AP High Court. Recently, AP High Court has delivered its judgment and it has relegated the case to the TDSAT, and it has also allowed to continue to charge new tariffs. And that is what is the status as of today.

Atul Tiwari: Okay. So now TDSAT is assessing your appeal so to speak?

Saurabh Chawla: Yes.

Atul Tiwari: Okay. And what is the bone of contention there broadly, before TDSAT?

Saurabh Chawla: There are three points basically, one is CGF; cargo, ground handling and fuel. Our contention is, they should be treated as non-aero, whereas regulator has been treating it as aero, that is one major issue. The second point is that there are pre-control period losses, about Rs. 2.6 billion in 2008 and 2009, which we are entitled to, which regulator has not allowed stating that he was not in existence at that point of time. These two are the major issues pending before them.

Atul Tiwari: Okay. And there is no clarity as of today how long it will take for it to get resolved in TDSAT and the new tariffs to become applicable, right?

Saurabh Chawla: Normally, TDSAT takes about three to four months to, I mean, if you are regularly hearing the cases. Then expected maybe around six to eight months it should be settled.

Atul Tiwari: Okay. And sir finally, the Kamalanga asset, how much is the consolidated debt on that asset today?

Ashis Basu: Kamalanaga asset gross debt, excluding working capital is Rs. 3,885 crores, that is total project debt.

Atul Tiwari: And how much is the working capital debt?

Ashis Basu: Working capital cash credit is sub Rs. 200 crores, around Rs. 200 crores.

Moderator: Thank you. The next question is from the line of Vikram Sharma from Nivesh India, please go ahead.

Vikram Sharma: Sir, my question is, what amount of debt would be left a new airport entity after demerger?

GRK Babu: You are talking about at airport holdco level at GMR Airports Limited?

Vikram Sharma: No, after demerger new airport entity.

GRK Babu: After demerger there have been GIL 1 and GIL 2.

Saurabh Chawla: So at GIL 1, which is GIL airports, I think we will have to just submit, we do not have the figures ready over here. But it will be a summation of all the airport entity debt. The holdco debt will be probably almost zero as we go forward. But starting we can give you an offline number as to what that number is.

Madhu Terdal: Saurabh, let me step in. See, as Saurabh earlier articulated, first of all, the scheme of demerger itself has not been ready. What we have now, what is it currently and in-principle approval from the Board. And current exercise is only to facilitate the current divestment in the airport sector. So, I think it will be a little premature to compute the numbers once the figures are ready. So, my suggestion is, we have to wait till the scheme of demerger is ready, when the balance sheets of the pre-demerger, as well as the post de-merger ready, I think it is at that point in time we will be able to actually give a view about what would be numbers, otherwise it will be conjectures. And I would strongly advise you not to compute these things in a premature way.

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

Aditya Mongia: The first question which I had was on GMR Energy. My reading of the annual report suggests that there has been a default at the GMR Energy level sometime last year. And my assessment also suggests that there has been some default happening on the loan of GMR Kamalanga. Could you please throw some more light as to why, let us say, Kamalanga would be defaulting on their debt obligations, given cash profits being generated right now?

Ashis Basu: Number one, Kamalanga is not in default, there is some delay, and account is to remain regular by end of December which we believe we should be able to. But the cash flow stress is because of the fact though there is cash profit the receivables have been accumulating, that is the reason for the cash flow stress. But it is not in default as of now. And we plan to make it regular as per implementation plan with the banks by end of December.

Aditya Mongia: And for the standalone level debt at Energy, is there a timeline by which that debt will get paid off?

Ashis Basu: Currently there are two debts, Yes Bank account is regular, LIC there is some delay, and we are looking at how quickly we can make it regular.

Aditya Mongia: Got that. The second question was also related to GMR Energy. Again, my reading of the Annual Report suggests that there are certain PE investors who need to be providing exit at a pre-decide valuation. What is the timeline for this process being taken care of? And from where would one think of kind funding this transaction or will there be another buyers as you see through it right now?

Ashis Basu: I am sorry, if I may request you to just repeat the question once again.

Aditya Mongia: Sure. So, in GMR Energy, I think there are 17% stake which is held by a select group of investors, which may be required to be given an exit at a pre-decided valuation. I think the quantum of money involved is about Rs. 1,200 crores or so. The question which I had was, what is the end game over here in terms of whether GMRs will buy the stake in GMR Energy from these investors or will there be another buyer coming in?

Saurabh Chawla: Madhu, you may want to answer this?

Madhu Terdal: See, this is a strategic issue between us and the investors. Currently we are discussing with them. And I think as and when we reach any agreement or consideration with them, I think we will be able to discuss it. Please note that there is no current any liability as such, it is just only an understanding between two parties, and we are in touch with them.

Aditya Mongia: Got that. Sir, the last question was on the airport side. Now this is more related to the Hyderabad JV, some of them obviously after reporting a loss, that loss is coming down. Are there certain steps where the company can take to reduce these losses going forward? It is still a meaningful sum as your presentation would suggest.

Madhu Terdal: Hyderabad has got only one JV that is the advertisement. It is actually showing profit.

Anand Kumar Polamada: Yes sir, it is generating, at a decent level it is generating profit, Sir.

Aditya Mongia: I think there are three categories of JVs, the others column has about Rs. 100 crores kind of backlog for the first-half.

GRK Babu: That is basically an MRO company, it is a subsidiary. So, MRO now has been merged with cargo. So, now it is likely to show, at least, a positive cash profit level. And the other entity which is basically hotel as well as the duty free, that is cash profit. Actually that is also showing the profits. It is only because of MRO it is incurring losses, but MRO is showing good signs of improvement and we are expecting maybe in the next two, three years we should be able to make it PAT positive.

Aditya Mongia: Sure. Sir, last questions from my side on the airports, the demerger. What are the key risks that you see to the demerger from there on, given where we are today?

Saurabh Chawla: I think as Madhu had also highlighted earlier; it is still pending approval of the Board. We just have an in-principal approval. What we had given earlier is a general strategic guidance. So let us wait for all approvals to be in place and then we can talk in greater detail, both on demerged balance sheet and also any risk on the demerger to be achieved. So a little premature to that extent.

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

Parvez Akhtar: A couple of questions from my side. For the airport stake sale, by when do we expect to receive the proceeds of the transaction?

Saurabh Chawla: Well, as I had highlighted earlier, we are at the last stage of getting the approval from the Government of India. We cannot predict and forecast in the approval letter coming from there, we hope it happens as soon as possible. So that is why in our communication also we had mentioned few weeks to give as a guiding factor. But just from the risk perspective, there is no risk now to the closer aspect of it from a regulatory approval perspective. I think that is what I would like to allude to.

Parvez Akhtar: I know does not really matter when the approval come but let us say as an when it comes after that how long will it take us?

Saurabh Chawla: Yes, so after that it should not take more than a week - 10 days for the whole mechanism to play out to get the monies in.

Parvez Akhtar: Sure. Sir, what is our thought process regarding the new tax rate just come?

Saurabh Chawla: In one case we have already opted for. So in Warora's case we have already opted for a lower tax rate. It was still being evaluated the GRK, you want to highlight?

GRK Babu: No, in case of the Delhi, we are not going to opt right now because it has got a good amount of carry forward losses. Hyderabad though it is in profits, we have evaluated since we are enjoying 80IA benefits. So we will be opting post 2023. One of the joint venture that is one actually subsidiary at Delhi duty free has already opted for it and we are paying the less taxes, other entities, we are evaluating.

Parvez Akhtar: Sure. And sir, lastly, what is the status on the Bhogapuram and the Goa Airport?

Saurabh Chawla: Bhogapuram Airport we are yet to receive the letter of intent from the Government of Andhra Pradesh. Goa, we are waiting for the judgment from the Supreme Court. The judges who were hearing our case, were drafted for the Ayodhya case. That is why there is a delay of more than three months. Now we are expecting the hearing. It is only one or two hearing is leftover. We are expecting that. We will be hearing the final judgment before the end of December.

Moderator: Thank you. We will move onto the next question, that is from the line of Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishor: My question with reference to the Kamalanga project, has there been any capacity charge under recovery in first-half of the fiscal? And do you expect to recoup it on a full year basis?

Ashis Basu: There has been under recovery of capacity charge on a pro rata basis. Though, as you must be knowing, this capacity charge recovery is over annually. So we have second-half of the year to recoup. The first-half saw a hit because of the coal mine strike and result and supplies. But we have done the analysis, the planet is now running, we should be able to reach our PPA levels by the end of March.

Sumit Kishor: Sure. And my understanding is that there are certain positive tariffs resets for the Kamalanga project on favorable claims. So what would be the recurring EBITDA for the project now versus the reported EBITDA of Rs. 7.4 billion last financial year?

Saurabh Chawla: We will provide the details you can take it offline; we do not have it right here.

Saurabh Chawla: On a recurring basis.

Sumit Kishor: Okay. And finally we are seeing at a sector level in power would you see receivables for Genco were going up, what has been your experience in GMR Energy?

Ashis Basu: It has been going up of course, through our persuasion, continuous seeking orders, interim payment orders, we are not allowing to go up further plus from August, Government of India, Ministry of Power came out with a scheme that all power purchases should be covered by LCs. We are happy to report for all our supplies we have got LC or in one case where the buyer has not been able to give LC, he is giving cash daily. So there is no increase on our dues. That is a good part for the regular supply. And regulatory supply we are containing and trying to reduce.

Sumit Kishor: And on the overdue receivables, you are charging late payments surcharge?

GRK Babu: Yes. Delayed payments surcharge, we are charging, though some delayed payments surcharge I must hasten to add has not been accounted for. But we are entitled to that and we are charging.

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

Ashish Shah: Sir, just a question on the Bajoli Holi project. So where are we in terms of the development and commissioning of the project and what are the commercials of the project likely to be in terms of tie-ups and tariffs?

Ashish Shah: Bajoli Holi construction is progressing well, there was some Act of God force major which has delayed it a bit. In terms of commercials, I think it is very well placed it has got a PPA with DIAL, two of the three units has a captive status with DIAL. And third, we have bid for Haryana, Haryana had come out with a hydro power procurement we have bid for, we have been communicated by Haryana officially, they have recommended our bid for acceptance and then going through the regulatory process, they want to first get regulators' approval for buying hydro power and then the tariff. If that comes through, Bajoli Holi would have tied up 100% of its supply or most of its supply.

Ashish Shah: So, when is the construction likely to be completed?

Saurabh Chawla: May 2020.

Ashis Basu: Lenders Engineer had done a recent site visit estimate in terms of timeline by May 2020.

Ashish Shah: And what would be the revise cost? I assume when you say that there was some force majeure event, there would have been some increasing the cost or some of that sort**?**

Ashis Basu: There is an increase in project cost in the range of Rs. 160 crores that is on account of the IDC part of it, but there is no hard cost increase in the project.

Ashis Basu: No hard cost increase, it was more of timeline whatever little hard cost impact was there, is recovered through insurance. So it is more of timeline related costs, which is IDC mainly and some pre-ops.

Ashish Shah: So what is the final cost there?

Saurabh Chawla: Rs. 2,690 crores.

Ashis Basu: Needless to say that CAPEX should not be seen in isolation, its capital versus income. So PPAs are good.

Ashish Shah: So just coming on the PPA, so what is the tariff sign for PPA with DIAL?

Ashis Basu: DIAL tariff it is Rs. 5.67 at BUS.

Moderator: Thank you. The next question is from the line of Gaurav Sud from Kanav Capital. Please go ahead.

Gaurav Sud: Coming to the Airport side, in terms of the Jewar Airport, how does the right of first refusal work? Does your bid has to be within certain range of the highest paid, what exactly plays out there?

GRK Babu: When our bid is within the range of 10% of the L1 bidder then we have a right to match it and then take the award.

Gaurav Sud: Okay. And you are fairly confident that you will be able to win it?

Saurabh Chawla: We have bided for it.

Gaurav Sud: So there is hypothetical scenario is that in case you are not in that range and you are not able to qualify then what would be your strategy around because then they will be a parallel airport building very close to your existing Delhi Airport?

GRK Babu: It is not close it is almost 90 kilometers away from the Delhi Airport and which has got its own connectivity and all the issues. Now, strategies we can discuss.

GRK Babu: Also have the same target audience.

Saurabh Chawla: So yes, just to highlight on the target audience I mean, if you look at the location of Jewar, it is in U.P. on the highway from Noida to Agra it is almost I think, 60 kilometers away from there whereas, Delhi Airport is almost in the heart of Delhi, heart of the city as such. Second thing is if you look at even the income profile, most of the catchment area that Jewar would have is from income profiles slightly, I would say inferior versus what the Delhi catchment area is. Last but not the least is that we are already expanding our capacity to about 100 odd million passengers and here also, we would be completing this within the next three years. So and we are already doing a run rate above our current capacity as such. So, you know, there is enough time, Jewar would come up maybe in next five years, six years, seven years depending upon when all the approvals are in place when the land has been fully acquired, its environmental clearances are in place. We can talk about it maybe five years - six years down the road what impact Jewar has on DIAL once it becomes operational, you know six years - seven years is a long period of time.

Gaurav Sud: The other thing is that the (a) traffic growth has stalled quite a bit for compared to what it was two years - three years back, which was in the high double-digits, high-teens and nowadays come to a stall. So what how do you think this will pan out going forward?

GRK Babu: The traffic in the first quarter, yes year-on-year there was a fall, there was a decrease because of the Jet Airways. Because Jet Airways was having almost 200 slots; 18% capacity of the Delhi. It was not so in Hyderabad was only 4%, that is why Hyderabad has not been impacted much. It was only in the first quarter in the second quarter for example, we were always on par and October month we have already shown year-on-year growth of 3%. So we are expecting that overall FY 2020 we will be growing maybe around 2% to 3% compared to last year.

Gaurav Sud: I was not talking specifically about the Delhi Airport, but generally and even on a national basis the traffic growth has slowed down all over India. So…

GRK Babu: Because of the Jet Airways effect the capacity went out, it was about three months to six months. Now entire capacity has been absorbed by other Airlines like Indigo, Spice Jet, GoAir, Vistara. Everybody has absorbed the all the slots. Now we will see the growth.

Gaurav Sud: I can get the Indigo concall even they were highlighting that they do not have the price power because the demand is not there as they expected. So that is going to a slowdown in terms of how the traffic growth is happening and what people were anticipating.

Saurabh Chawla: Well, if the economy is growing at 5% or maybe even lower, some of the economists are predicting, obviously it will have some impact on the traffic growth. It is a cyclical business; many factors will play it out. If the economy starts to again, grow at 8 odd percent obviously, the traffic growth will commensurate with that. We are highly correlated to the economic growth anyways.

Gaurav Sud: A final equation from my side is, there have been certain deals that have been done in Hyderabad Airport. So how is the progress out there and any new signings in this quarter?

GRK Babu: So land deals we have completed the Amazon, they have taken the additional 200,000 square foot. We are also talking about another 50 acres of the land…

Anand Kumar Polamada: Sir, Sierra project is happening Amazon II project is happening and that is where the Amazon II went ahead for another 2 lakhs square feet place with a 10 acres of land. Sierra project is also another you know, almost something like 25 acres of land so that is as of now the information that we have.

Anand Kumar Polamada: Sir, what is Sierra?

Management: It is basically a company, Sierra company, Sierra.

Gaurav Sud: Okay. And in terms of your own plants about the building and office complex out there, what is the progress on that?

Anand Kumar Polamada: The office project is going on; it is under construction. It takes another, nine months to go ahead and implement that project.

Gaurav Sud: So the construction has started on that?

Anand Kumar Polamada: Yes, we have started.

Saurabh Chawla: It is going on full swing.

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

Atul Tiwari: Thanks for the follow-up. Sir just wanted to know what is the standalone entity GMR Infrastructure standalone gross debt as of today?

Saurabh Chawla: It is about Rs. 3,800 crores.

Atul Tiwari: And it include the FCCBs?

Amit Jain: No, it does not include FCCB. FCCB is over above this.

Atul Tiwari: How much would that be?

Amit Jain: Close to 300 million is what we have raised, so close to Rs. 2,000 crores.

Moderator: Thank you. The next question is from the line of Tapan Karnik from Habrok Capital. Please go ahead.

Tapan Karnik: Sir, I just want to know, why the non-aero revenue from Delhi Airport has been growing at a slow rate. It has just grown by 2%, Duty Free has gone up by 11 and cargo by 28%. Both of them are like sizable chunks of non-aero.

GRK Babu: Basically, one of the joint ventures, IT JV, which has given a good amount last year. Since this year they are incurring the capital expenditure. So, the revenues have not come otherwise all other verticals are growing at much faster.

Tapan Karnik: And what it does this IT do?

GRK Babu: This is information Technology, the entire our IT backbone which was on cost plus basis concession agreement which is expiring next year. So, since they had repaid the entire loan, so last year there was a good amount of concession pay which we have received from them. This year they are incurring the capital expenditure there is because of the T3 expansion and IT refresh. So, they are taking the loans since it is a cost plus contract. So we have not got much concession fees this year.

Tapan Karnik: Okay. And by when do you expect the non-aero revenues to grow faster again?

GRK Babu: Now, excluding IT all are growing much faster, is actually the penetration is much better than the traffic even though the traffic has not grown whereas non-aero are growing.

Tapan Karnik: Correct. No, but if you look at this particular quarter, it has only gone up by ~2%. So I was just wondering whether that is going to prolonged.

GRK Babu: Because of the IT this is nearly Rs. 40 crores which is there.

Tapan Karnik: Okay. So maybe by couple of quarters more we should expect higher growth.

GRK Babu: Yes.

Amit Jain: And just to add, if you look at like what Mr. Babu mentioned is, if you look at retail revenues or duty free or cargo they are growing at different double-digit, cargo has grown by ~28%; duty free has grown by about ~11%. So the net-net impact of 2% is mainly because of the IT JV what we had.

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

Aditya Mongia: Thanks for the follow-up question from my side. Could you share how many bids were there for the Jewar project?

GRK Babu: There were only four bids.

Aditya Mongia: Four bids. So a mix of domestic and overseas names would be there?

GRK Babu: Yes, please. So there are two from India. I mean, one from the Fairfax anyways it is a public news.

Saurabh Chawla: So Fairfax was there. GMR was there, Adani was there, and Zurich from Switzerland.

Moderator: Thank you. The next question is from the line of Swarnim Maheshwari from Edelweiss Financial Services. Please go ahead.

Swarnim Maheshwari: Sir, what is the current outstanding at outstanding the receivables at Warora?

GRK Babu: Warora is about Rs. 650 odd crores.

Swarnim Maheshwari: Warora is 6.5 billion, okay. And sir, on Kamalanga, you did mention that, you know the regulatory receivables are about 11 billion and what would be the receivables in the normal course?

GRK Babu: Normal course receivable is very less that we are getting in time.

Ashis Basu: Rs. 221 crores is the normal and Rs. 854 crores is the regulatory.

Swarnim Maheshwari: Okay, 11 billion is that total, okay. 11 billion is the total one. And sir, just one last one, if you can just quantify what was the under recovery in H1 FY 2020 in Kamalanga?

Ashis Basu: Under recovery, very broad brush number I am giving had it run at ~85% PLF, I think ~Rs. 70 crores would have been more in terms of income.

Moderator: Thank you. The next question is from the line of Vikram Sharma, an Individual Investor. Please go ahead.

Vikram Sharma: For the difference why EBITDA is lower in Delhi Airport compare to Hyderabad Airport?

GRK Babu: See, Delhi Airport, Hyderabad Airport, the revenue share is ~4% and the Delhi Airport, the revenue share is ~46%.

Vikram Sharma: Revenue share will be….

GRK Babu: Yes. And the size of operations in Delhi Airport and expansion which we have increased. And Hyderabad Airport, which is still having their original tariff they are building it. Whereas the Delhi Airport is now on base airport charges. Once we start getting the new tariffs in the third control period and we will start improving our EBITDA.

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*.