



“GMR Infrastructure Limited Q4FY20 Investor / Analyst Conference Call Transcript” Saturday, 1 August 2020

Moderator: Ladies and Gentlemen, Good day and welcome to the GMR Infrastructure Limited Q4 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, and good morning to everybody. I welcome you all to the annual results call for fiscal year 2020. I hope everybody is safe, their families are safe, and I pray that everybody remain safe.

It is indeed a challenging time for our country and the world given this unprecedented COVID pandemic conditions; and as you know, the Government of India enforced lockdown from March 2020, which got extended to June 2020 to control these conditions. The lockdown had an adverse impact on the GMR businesses, Airports, Energy and Highways. However, the good news is that the businesses are all on a recovery path.

Let me brief you on how our business is adapting and realigning to the current conditions. To start with on the Airport side, on the Airports, restrictions on operation of domestic flights were lifted from May 25, 2020. The airports were closed from March 25, 2020 to May 24, 2020 except for cargo and evacuation/ rescue flights for passengers. Scheduled commercial flights, international flights continue to be suspended till further notice.

However, some of the key developments which have had a positive impact on our business in these troubled times, have helped our business back to things. One, the "Vande Bharat Mission",

which the Government of India started early in May 2020. We evacuated many of passengers stuck across the border. And it has played a significant role to brining the airports back to life.

Second and very recently announced establishment of air bubbles. The Minister of Civil Aviation established Air bubbles with U. S., France, Germany and India on July 16th. Air bubbles are an arrangement between these two countries aimed at restarting commercial passenger services. More air bubbles are expected to come in the near-term.

Thirdly, now an option of test on arrival or pre-embarkation which is being adopted by the International Airports. International Airports like Heathrow have initiated COVID-19 test on arrival or key pre-embarkation, based on new testing technologies that will give you results in 20 minutes with 98% accuracy.

For passengers to provide solution for safe travel, I don't know if you have read today's newspaper which also talked about India and Israel initiative and they are testing this in Delhi where the test can be provided in few seconds with higher accuracy. These initiatives will actually help open up Airports as we head in the future. These technologies will ensure that, it will bring the confidence back in order to customer that he is travelling safe.

Having said this, I would still like to reiterate that actually, aviation or air travel is the safest form of travel. It has a very, very low risk transmission, it has been observed through various studies and compared to other mediums of transport and we will handle this with as cabin air is freshened every two minutes with air being filtered through HEPA filters

Second is very disciplined way of maintaining a hygienic condition and also seating arrangement ensures passengers sit facing forwards and not towards each other.

I do not know where I left, but basically, I was alluding to the fact that air travel is the safest form of travel. And as customers as fliers gather confidence based on various technologies and processes that are adopted by the airport operators and by the airlines, we will see this sector come back much faster than all the kind of analysis that has been seen in the public space till now.

So in summary, what I would say is that Airports are back on the recovery path post the lockdown and this has been currently primarily led by the domestic traffic.

Coming to specific Airports, I will talk about the Delhi Airport daily average pax, which was recording at about 13% of pre-COVID levels in the first week of re-opening has now improved to about 17% in the ninth week, whereas domestic average ATMs, which were at about 24% in the first week have now improved about 28% in the ninth week. As a matter of fact, yesterday, both in Delhi and Hyderabad actually received the new high's post the COVID crisis.

International traffic Pax and ATMs has improved to ~14% and ~19% of pre-Covid levels during 9th week from a level of 3% and 5%. On the other hand, the cargo domestic daily average, which

was at about 17% of pre-COVID levels for the first week has improved to 41% during the ninth week. Cargo international daily average tonnage, which was at about 48% of pre-COVID levels for the last week has improved to 78% in the last week; and this is for Delhi Airport.

In Hyderabad, the Hyderabad domestic daily average passenger flow is, which at about 8% of pre-COVID levels for the first week has now improved to 24% in the ninth week and the daily average ATMs are now at about 33% from about 11% in the first week. Cargo domestic daily average tonnage improved from about 8% of pre-COVID levels in the first week to 54% in the ninth week. So overall, the whole business is coming back to life. And as technologies and innovations around us continue to improve and as they get adopted, we believe and we anticipate strong recovery in the air traffic, within fiscal year 2021 back to the pre-COVID levels.

Mind you that Government till now actually has only allowed 33% domestic capacity for airlines. Very recently they have increased it to 45%. So as Airlines also gear up and as passengers get confidence and capacities be further open and that will bring business back to the Airports.

On the Energy business, which falls under essential services as notified by Ministry of Power. We continue to supply power supply even during lockdown, but now it is also seeing positive traction. PLF at both our Warora and Kamalanga plants, which are at 49% and 52% during the April 2020 have now improved to 82% and 69% in July 2020.

Good news is that also on providing the liquidity by the government as you know this sector suffers from a lot of receivables, overdue receivables from the DISCOMs. The Government has taken some positive actions towards that and hopefully, as receivables levels go down the overall health of the of the Energy sector will improve.

The Ministry of Coal has also accepted using letter of credit as a payment option that is also very helpful from the supply of coal to the power plants. Additionally, we believe that about Rs. 900 billion of liquidity is going to be injected for DISCOMs and the Government will also help in expediting the recovery of the receivables.

On the Highway business, we are seeing momentum back, Hyderabad- Vijayawada and Ambala-Chandigarh Expressways recorded 85% and 75% traffic as compared to pre-COVID levels in July 2020. Revenues in remaining two projects are not impacted as they are annuity projects.

I would also like to take this opportunity to share some positive news on the Highway business. We made significant progress on the arbitration claim settlements w.r.t to our key road projects Hyderabad - Vijayawada and Chennai VRR. We expect their work to materialize in the future.

GMR as a group is continuously adapting to the situation, are focused on following measures to mitigate the challenges posed by the COVID conditions and the key one is cash conservation. We are conserving cash very aggressively, we have rescheduled our CAPEX plan, we have trashed down our operating expenses. We are consolidating our infrastructure especially at the

Airports to reduce operating cost for example in Delhi, we have closed Terminal 1 and Terminal 2 and are operating both domestic and international flights from Terminal 3.

We are reviewing our budgets very ruthlessly and reducing operating costs substantially. But this is not at the compromising to compromise on the security and safety of investors. So we continue to actually invest in new technologies and new processes to actually bring much better standards of hygiene at our facilities.

During the first quarter of fiscal 2021, we also achieved a major feat of our strategic partnership with Groupe ADP. As you are aware, we have successfully completed a strategic partnership with Groupe ADP even under an unprecedented time of COVID-19 pandemic. Everybody, most of the capital market players were expecting that this deal may not go through, but thanks to our partners and their firm commitment and their belief in GMR, this transaction really got completed.

We had received the first tranche in February for an effective ownership of 24.99% and we got the second tranche of the investment for the balance 24.01% of GAL. The second tranche of INR Rs. 4,565 includes Rs. 1000 crores of equity infusion in the platform Airport, which is GAL, which was completed on July 7th.

Given that the Airports are all shut across the world, it was commercially agreed that that it is prudent to defer some part of the proceeds of the transaction in the form of an earnouts. So it is more like a deferred payment. So, about Rs. 1,000 odd crores were deferred, and they were deferred up to between 2022 to 2024. And basically, they are pegged into kind of earlier earn-outs, which totaled about Rs. 5,535. So, over the next three years to four years, we are expected to receive substantial amounts of money through the achievement of these earn-outs.

Post the second tranche of completion now Groupe ADP owns 49% in GMR Airports, as part of the terms of the transaction, GMR retains management control over the Airport business, the proceeds from the strategic partnership have been primarily used in servicing the debt and purchase of private equity investors in GAL.

Infusion of cash will help further deleverage the group and result in improved cash flows and profitability over the medium-term. Completion of the transaction is now leading us to our next step. We had alluded in March - April of 2019 that we would like to create your pure play businesses especially the Airport business and put it into a different vertical and hence, we are looking towards a mirrored demerger of the Airport business from the rest of the business.

In the recently concluded Board Meeting, we presented various options to the Committee of the Board. The Board has asked us to look at many other possibilities on which the management will work and go back to the Board for their evaluation and recommendation.

Two structures are being evaluated. One structure is where it is a mirror demerger, which results in two entities, Airport and non-Airport and other structure has been also evaluated, which

actually converts into three different entities, which is Airport, Energy and Highways. So basically, create your place, which gives a lot of flexibility to not only raise to capital for de-leveraging, but also to even get strategic players to participate in that. As I said earlier, the key criteria for the merger would be for creation of the pure plays, thereby, attracting investors or strategic players.

We are on the right path, of course to build our Airport portfolio, in partnership with ADP. Recently, we signed the concession agreement for the development and operations of the Greenfield International Airport at Bhogapuram in Andhra Pradesh with the Government of Andhra Pradesh. The concession period is of 40 years, extendable by additional 20 years to International competitive bidding process, with GMR Airports having ROFR of 10%.

I would also want to share a positive development on our unsolicited proposal submitted on March 2018 for decongestion, comprehensive capacity enhancement at Ninoy Aquino International Airport in Manila. Manila International Authority the project implementing agency has granted GMR Megawides consortium original proponent status for developing the Ninoy Aquino International Airport. The platform is well position to capitalize on evident growth opportunities to further privatization of airports in India and other regions.

In India, there are a lot of opportunities on the anvil. The Government of India has cleared six projects for bidding Bhubaneswar, Indore, Varanasi, Amritsar, Raipur, and Trichy. For Chennai second airport, RFP consultants have been released, internationally also opportunities are on the rise.

As a matter of fact, this COVID condition will accelerate lot of privatization of airports across the world. The presentation with all the financial numbers are already with you. And I look forward to highlight and respond to them during the Q&A session.

At this juncture, I would like to open the forum for the Q&A session. I have my colleagues both from the corporate and from the businesses, who would be more than willing to answer your specific questions. I just urge you that we keep the questions at the high level and any micro balance sheet or P&L specific questions can be offline with IR team, with Amit Jain and his team members. Thank you so much.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We take the first question from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Sir, my first question is on this earn-out mechanism. So, how does it exactly work? It is Rs 5,500 crores of earn-out. So that money comes to GMR Infrastructure as cash, if you hit those milestones or your stake in GMR Airport goes up? And if it is the stake going up then if assuming you are able to earn all of this earn-out what can be the maximum mistake? And what are the some of the milestones what kind of milestones are we talking about? What do they exactly relate to?

Saurabh Chawla: So from a earn-out perspective I think in the first closing that he had with ADP, the earn-out amount was about ~Rs. 4,500, it was basically achievement of certain milestones related to real estate development related to certain regulatory announcements and interpretations, which there were differences and hence, there was a delta in the valuation side, which between the two parties we had agreed. It is structured at least the first one is structured in a manner in which, we will get additional equity in the platform, which is GAL. So currently, we are 51%, if we achieve all the earn-outs amounting to about Rs. 4,500 odd crores, which were agreed in the first ADP closing, our equity will increase from 51% to about 58%. That is number one.

We of course, always have the opportunity to monetize that additional 7% and bring ourselves down to 51%, if we choose to. The second earn-out which has been agreed in the second closing is primarily linked to achieving certain EBITDA numbers, which are EBITDA numbers of fiscal year 2022, fiscal year 2023 and fiscal year 2024. Those are specific EBITDA that shows that we have agreed with ADP and any percentage of achievement of the EBITDA for that fiscal year, the same proportion of cash will get released for GMR. So, the second earn-out is primarily cash that we will receive because that was the understanding. Whereas, in the first one we will get equity, that is the broad difference between the two.

Atul Tiwari: Okay. And sir, for the first round, so you said that it is a combination of real estate and regulatory announcement. So any rough idea how does that relate to the regulatory announcement? Asking because the real estate obviously is under your control, but the regulatory announcement is not under the control of the company strictly. So any rough bifurcation, how much does it relate to operational slash real estate development? And how much is the regulatory announcement?

Saurabh Chawla: So if I remember correctly, there are about seven, eight different triggers. So I would not be able to give you a very accurate, but I would say about 40% would be regulatory related; 40 odd percent and 60% would be business related. That is how I would put it.

Atul Tiwari: Okay. So, Sir, my second question is after the second round of money came in, how is the gross debt and net debt at the parent company level, GMR Infrastructure standalone?

Saurabh Chawla: You are taking about the corporate debt?

Atul Tiwari: Yes, corporate debt, sir.

Saurabh Chawla: So, if I go to the Presentation to give you exact number, you are talking about as on March 31st or you are talking about current?

Atul Tiwari: Currently, after the money was received for the second tranche of ADP.

Saurabh Chawla: So, I do not have the readily available the numbers for June 30th, because our preparation for the call was actually for the March 31st, Amit would you have the numbers for the June 30th?

Amit Jain: Sir, June numbers we do not have. We are not disclosing right now.

Saurabh Chawla: Okay. So broadly, just to again highlight, all the cash that we were getting, whether it is Rs. 4,500 crores in the second tranche, Rs. 1,000 crores of course will go to GAL, but Rs. 3,500 odd crores coming in the second tranche will again go for debt reduction only. So there is no other debt reduction and debt servicing. So, I mean, obviously, there is accrued interest also associated with it. That is where the primary purpose of monetization of this investment in the GAL platform. -

Moderator: Thank you. We take the next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir, I had two questions, primarily, the first one is on again on the debt numbers. So, the debt from Q3 2020 to Q4 FY 2020 has not seen a substantial reduction despite having got the group ADPs, first tranche of investment. So, can you please throw a light on the same?

Saurabh Chawla: Your question was not very clear. We have not seen substantial reduction, that is what you are saying?

Mohit Kumar: Yes, sir. Substantial reduction for Q3 FY 2020 to Q4 FY 2020, Q3 FY 2020 the gross debt was Rs. 322 billion and by the end of Q4 it was Rs. 321 billion as per the presentation.

Saurabh Chawla: So, the monies that we received from the Groupe ADP for the first tranche, that was broadly about ~Rs. 5,250 crores. And from that, if I were to take out the purchase of the PE which was not debt, but it was the private equity, that is about ~Rs. 1250 crores and the balance was again primarily used to pay-off the debt, which was there as on 1st of January. The number that went up slightly is because we took fresh loan also subsequent to the closing of the first ADP transaction. Again back into the mode of and in order to shield ourselves and keep ourselves secured, we secured additional debt, which eventually, actually got paid down in the second closing. So, it was kind of a bridged loan to the second closing and that is why if you were to look from a third quarter to the fourth quarter closing you will not see a big number. But then you will see the closing that is coming on June 30th that will see some reconsideration of that number.

Last but not the least, your numbers do not include some of the intra-group payables. So the cash was utilized. So, when GAL stopped being a 100% consolidated entity into GAL and at the time of the first closing certain intra-group payables were also settled. So, that will be a small difference, which you will see when you see the reconciled numbers there.

Mohit Kumar: Okay, understood, Sir. Sir, my second question is on given the fact this COVID, we think on the capital expenditure and timeline of the Delhi Airport and Hyderabad Airport and has there been any discussion with the regulator on the same?

Saurabh Chawla: So, I will give this question to GRK Babu.

GRK Babu: If I understand, the question is you are taking about the leasings?

- Mohit Kumar:** No, I am talking Delhi Airport expansion program and Hyderabad Airport expansion given that there is COVID, given that the passenger demand is quite low right now. Is there, we think on the capital expenditure timeline on the Delhi Airport and the Hyderabad Airport and has there been any discussion with the regulator?
- GRK Babu:** No. We have not discussed anything with the regulator, because we are not foreseeing any maximum delay, there is not much delay except the Covid period of five months to nine months, other than that, we are not expecting any delay in completing the project. At the same time, if you look at it the DIAL the CP3 release has already been released by the regulator, he has already acknowledged the expansion of the DIAL and they have given the time up to March 2023. So he has already recognized that.
- Mohit Kumar:** Okay. Sir, last question, what is the kind of CAPEX required in Bhogapuram and the International Airport, which you won in the recent quarter? what are the timelines?
- GRK Babu:** In Bhogapuram Airport the concessional agreement is yet to be signed, the dates are being worked out, so we will have six-month time for the date of filing for financial closure, thereafter, within three years we have to complete. Even if we expect it by March, the financial closures is completed 2021 that means by 2024 we are supposed to complete. The project cost is under finalization.
- Mohit Kumar:** What about Sir, Manila International Airport?
- GRK Babu:** Manila International Airport I think what Saurabh has explained about Philippines is that it is a proponent, it has to pass through so many levels. It is only by just proponent.
- Saurabh Chawla:** It is at very early stage right now.
- Moderator:** Thank you. We take the next question from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** The first question that I had was that I had was, if you could give some sense on passengers and how their spread was pre-COVID level? Could you give some sense of non-aero the way it would have fared in a similar way? What I am actually kind of see through is while the passengers coming today are small? What are the kinds of spending trends that you are seeing?
- GRK Babu:** If you really convert into numbers, today, Delhi Airport is in the we are seeing almost around 38,000 to 40,000 passengers per day and Hyderabad if you are looking, it is at a 12,000 to 15,000, it is ranging. The spending we are not seeing much change. But the only thing is the people who are actually, the spenders are continuing to spend actually there is a jump in passengers spending by the people, but the penetration is not that much, and we are just looking at it, how to increase the penetration.

Aditya Mongia: Okay, sir. Your line was not very clear, but what you said was that the spending is similar but the penetration is not as good as it was earlier.

GRK Babu: Yes, that is correct. Penetration the people who were earlier spending actually they are spending much more than that. Actually, we are seeing that the ticket value is higher. The only thing is penetration, we are just looking at it, how to make penetration more, I think we are making all efforts to enforce that social distancing maintain and all the precautions are available, so that the comfort level grows up to the passengers and they start spending. Today, they are having more facility available of spending at Airports rather than in markets where you have to go in the mall, I think this is a better area and we have seen a very good especially in Delhi Airport and Hyderabad is also picking up much faster.

Aditya Mongia: Sure, sir. The second which I had was there is a thought process that Airport may eventually benefit in terms of passengers who otherwise thought it was fine to travel by rail, now they are saying it is safer to travel by Air. What I am essentially trying to kind of get from you is, a, what needs to be done to accelerate this process from let us say Airlines and Airports and you may be working in tandem on that. And b, in terms of non-aero, do you see any meaningful changes in our strategy going forward given that there may be more passengers with limited ability to spend versus earlier?

GRK Babu: I think these are more of a general question that with regards to the passengers especially how to increase and especially people traveling by train going to the air traveling. We are observing that there is a good growth of number of people. The only thing is that because of various lockdown at different states, Chennai, Bangalore, Mumbai, and Kolkata, that is where the passengers are finding it difficult to travel, that is why the routing has happened. What we are expecting is once this lockdown go away; the passenger traffic will bounce back much faster than what we are expecting. Because as you rightly pointed out, people traveling by train are makes it prefer to go by air, we are already observing the profile of the passenger. Regarding the spend, of course, we are just looking at it how to increase support, I think we will not be able to give much guidance on that as of now.

Aditya Mongia: Of course, sir. The last question that I had was on the corporate debt. So I am just talking about the net debt numbers and the corporate debt implied by the pie that you shared. From 3Q to 4Q it appears that the decline has been a modest of Rs. 2,500 crores what was Rs. 9,000 crores debt at the end of 3Q corporate debt including fees has become Rs. 6,600. However, the payment that you receive was much larger. So I am just trying to get a sense of how to kind of take the sense, how to speak through? Why the decline in debt on the corporate level is lower and much lower than on the payout that happened?

Saurabh Chawla: So, as I alluded earlier, there was a component of intra-group debt also in that corporate debt, okay, which apparently because of consolidation was not fully visible. So we have received from Groupe ADP was a number which is about Rs. 5,250 crores. Out of that about Rs. 3,600 odd crores was used to pay down the debt immediately because that was the debt in the legal entity

called GISL and there was a purchase of PE about Rs. 1,250 odd crores. So, if you were to total this, you come to about Rs. 3,600 and Rs. 1,250 which take you to about Rs. 4,850 crores, right and other about Rs. 400 odd crores was the accrued interest and other transaction expenses and things like that. And the balance number is what GISL actually also paid down the group entities because of the transaction in which GISL was going to become a Groupe ADP entity that is how the primary money came in. So that is a delta number which is there, which is where you are finding that gap. So what I would request is maybe Amit can give you offline detail breakup as to why that number has not come off. Last but not the least, we of course again took some debt as I said to you earlier to shore up our cash and ensure that we see through this COVID crises till we have the second closing done. So that was additional debt that was taken just after the closing of the ADP transaction.

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

Ashish Shah: So my first question is on any deferments that we might have given to the Airlines, I mean what we understand is that probably the Airline are not able to pay the charges for the operations. So if you can throw some light on what are the kind of deferments and the terms and when are we expecting those deferments to unwind? And second, linked to this, is there any possibility or any thought in the government to also give us a deferment on our revenue share which can help us have better liquidity in these difficult times?

GRK Babu: Deferment to the Airlines we have not given, neither in Delhi nor Hyderabad. All airlines are paying their dues, like landing, parking and passenger fees. There was no directive from the government, though they were some request from the Airlines, but they did not agree with that they are continuously paying we do not have any issue. Air India only some delays are there, but which they are continuously paying.

Regarding the possibility of getting the deferment of the annual fee payable by DIAL and we have made a request that they have asked for a board resolution which we have given, we have not yet heard but MIAL has already got for a period of three months, so we are also expecting to get a period of three months of the deferment of payment of the annual fee. That is as far the DIAL is concerned.

In case of the GHIAL the payment of the revenue share of 4%, which is able to MOCA, we have already got four-month extension of time up to 31st October.

Ashish Shah: Okay. And just the last one on the Kamalanga sale. So now that it has been sort of called off at this moment, any thoughts on when do we expect to have another transaction in place? Or at this moment, we do not think it would be feasible to go ahead with that sale process?

Saurabh Chawla: Well, I think, purely why the transaction has not happened, reflects in the corporate communication itself. In the COVID conditions everybody wants to be very conservative on the growth and have a conservative balance sheet. So, we are obviously open to all possibilities and

including the possibility of post-demerger exercise, as and when it is approved by the Board, can be looked at doing something else strategically. So, those are possibilities which are there.

From operating perspective, plants are doing much better than what they were earlier. And as the government continues to bring reforms in the sector, as money starts to flow from the DISCOMs, the business will only become healthier. So, while it is still a non-core business for us, but purely the drag that it used to have on our balance sheet and on our P&L, that gets mitigated. And we will still continue to look for opportunities.... different listed entity through a demerger process or getting a strategic player or selling off those assets. Those are something which we will continue to look at. But nothing in any defined timeline. So I do not want to raise any expectations, it is still non-core, but, but that is where it is.

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

Atul Tiwari: Sir, I wanted to understand the impact of current reduced passenger volumes in the airport. So, is it fair to assume and is the regulatory situation clear that the current under recoveries that the airports are doing in Delhi and Hyderabad, on account of the aero revenue, that regulator will compensate for when the next round of tariffs setting happens? Or is it still an open question? Because in some of the other sectors like power, we have seen government asking the companies working on regulatory mechanism to give discounts to the customer. So, that is one.

And the second one is on Hyderabad. So, after the new tariffs kicked in, any rough idea what is the impact on per passenger yields currently? So, the number of passengers is down, but in terms of the per passenger yield, how much is the difference versus earlier?

GRK Babu: When it comes to the tariff, I think that airports are different from the energy sector. In case of the airport, as of now, it is basically your target revenue for a control period. And that is divided to the number of passengers, you would get yield per passenger. Right now Delhi is operating on base airport charge which are provided in the concession agreement. And the third control period tariff determination is under the corporate.

Regulator has already asked us what are their views, they have asked the views of all the stakeholders how the traffic under ATM are going to pan out over the next three four years. Based on that, the tariffs are required to go up or there is no options but the only thing is, maybe on the timeline they may give a literally more breather to the airline, which we are not aware as of today. But our target revenue is the basis and yield per passenger remains the same, that will go up if the traffic comes down. That is the fundamental principle, it does not change.

As far as Hyderabad is concerned, we have implemented the second control period tariff on 1st April 2020, as per the tariff orders that we have received, the yield per passenger has been mentioned at Rs. 209 per passenger, excluding CGF. So, because of the fall in the number of pax, our revenues keep coming down. But this amount in shortfall, if any, will be trued up in the

third control period which we are expecting on 1st April 2021 onwards. For that, the necessary application was just filed before the regulator.

Atul Tiwari: Okay. So, sir, on this Hyderabad one, you said, from the 1st April roughly the yield per passenger is about Rs. 209, and how much as it previously? I mean, from what level it has come down from Rs. 209?

GRK Babu: Rs. 430 that has come down by half and has come down because the regulator said there was an excess recovery. We have agreed upon for this and these tariffs are valid only for one year up to March 2021. In the meantime, as I explained, the third control period application has already been filed for the regulator in the last June.

Moderator: Thank you. We take the next question from the line of Sarita from Lalkar Securities. Please go ahead. As there is no response from the current participant, we take the next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: My first question is, does the over recovery in Delhi airport for the second control period, of course, I understand that this is limited by base charges in the third control period, does this over recovery gets carried over to this fourth control period too to determine the tariff?

GRK Babu: You are talking about the excess recovery of the tariff in second control period. If you look at the computation paper for third control period, they have completely recovered the entire amount. So they have adjusted the INR 57 billion of over recovery after giving the benefits provided by the TDSAT. It is like return on RSD and equity return and some other returns, which they have already provided and brought down the amount of excess recovery to INR 57 billion on NPV basis as on 1st April 2019. So entire over-recovery of second control period is totally set off, everything is complicated.

Coming to third control period, which consultation paper is out, on which now we are submitting our replies by 31st July. Though they have considered the entire CAPEX program and everything, they have considered only pre-COVID level traffic and ATMs, which are not valid as of today. That is the reason why the regulator has asked for the views of all stakeholders on the traffic as well as ATM, basing on that the tariffs will determine. Whereas the target revenue has been finalized, the tariff per passenger will go up because of the traffic is coming down. And through they have mentioned there will be an excess recovery in third control period because of BAC, but because of the pre-COVID level traffic. But considering the fourth level of traffic, we are not expecting any over-recovery in the control period.

Mohit Kumar: I will take it offline. My second question is, of course, we spoke about the demerger of GMR Group in the airport and non-airport business. Is there some kind of timeline tentatively if you can speak of, that this is the timeline that we are looking for, like fiscal year end or calendar year end? And sir, what are the steps required to eventual listing of this businesses?

Saurabh Chawla: So, at this stage, it is still quite preliminary. We have to, first, satisfy our Committee of the Board, which is looking into the matter. Hopefully, I think we should be able to give you a much better guidance post our first quarter Board meeting, when the Committee of the Board will again review what are the possibilities. So, at this stage, I would not say that for sure the completion will not happen within this current fiscal year, it will surely flow into the next fiscal year if you are able to file for the demerger maybe by September-October. But again, these are decisions yet to be taken. So, it is a completion probably which will happen in fiscal year 2021-2022 If we were to get the approval from our Board.

Mohit Kumar: But in case you get the approval, the filing may happen by September, October, am I right?

Saurabh Chawla: No, do not put words into my mouth, my dear friend. What I said is that we have to go back with our analysis and findings to the Board, the Committee of the Board, which will meet I think by the end of August or early September for the Q1 results. And I would be able to give you a much better guidance and much more accurate guidance then as to when the filing can happen if approved by the Board. So that is what I am trying to do. So even in the best-case scenario, the Board approves and we do file, let's say, by end September, October, it is still not the fiscal year 2021 completion, it is the fiscal year 2022 completion. So that is what I am trying to highlight.

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

Aditya Mongia: Thanks for the second opportunity. Sir, the question that I had was, just to get a better sense of future prospects and the ability on GMR to be bidding further. Now, in your opening comments, we did talk about certain projects that we are starting on, let's say, Goa. And then there are two other projects that you highlighted, Bhogapuram and **Ninoy**. Now, for the opportunities to add more assets, could you give some sense of where the funding can come from? And it will be useful if you could highlight in some ways what Group ADP thinks about supporting the JV in terms of funding?

Saurabh Chawla: So, let me answer your second question first. Group ADP is very supportive of all the initiatives and growth initiatives, whether it is in India or it is in Asia. And that is where our focus is currently. Having said that, if you look at Group ADP, they are also quite conservative from their financial, from the leverage and their outlook. So whilst they fully support on the growth, I am sure they will take a considered decision as and when opportunities arise. So it is a combination, honestly speaking, between a very entrepreneurial entity called GMR versus a very process oriented entity called Group ADP. And hopefully, I think we will have the right marriage to take forward any new initiatives.

Secondly, any of these initiatives that we are talking about, even if we look at Bhogapuram, I mean, its investments which are very miniscule as of now, will of course scale up, but they will scale up over the next two to three odd years. Same way, any new opportunities of the new airports that are coming, obviously, we will have a close look at them. We are interested and you have the ability to find capital for investment in those entities, including getting investors also

within the airport vehicle. So it is not that GAL, which is the airport platform now will own 100% of equity in that particular airport, GAL may own maybe 75% of the equity and 25% of equity can come from other long-term investors, sovereign funds and pension funds who desire to be in this particular space. So, the various ways and means which we can source to play this opportunity. But again, it is a little early stage right now. Let us see what the opportunity is, what kind of investments it will require. And whether it makes sense or not, I mean, that is the first step that we will have to sit down with Group ADP and see, okay, does this investment makes sense or not?

Last but not the least, let me again, highlight one aspect that sometimes has got missed out in the past, is that our focus now is to create free cash flow for equity in as short period of time for any new projects. So, obviously, there will be a time of investment, but there will also be a time of reaping. The focus has to be on that, because that is what flows to the equity holders. And the Group ADP is very focused on that and so is GMR. So, we will be taking those calls as we go forward, but at this stage for me to give you sources of capital would be little too premature.

Aditya Mongia: Okay. The second question which I had was, it is a related question only, in terms of our existing investment, which is the Hyderabad and Delhi. Is the thought process of aggregating more stake at an asset level? Or would you want to highlight some ways in which you can monetize the stake that the GMR Airport has in these two entities?

Saurabh Chawla: You are asking whether GMR would like to monetise or what? I mean, I didn't hear that. Because the decision now is not only of GMR, it is now GMR ADP.

Aditya Mongia: Fair. So the question was simply put that, I get that there are two parties to this decision. But what I am trying to essentially assess is, would you want to increase the stake in the asset that you have, which is Delhi and Hyderabad? Or would you want to think through monetizing it in some way?

Saurabh Chawla: So, we are comfortable with whatever stake we have right now, in both the entities. We are not looking at any further monetization in these mature assets, at least in the near-term, let me put it this way. Once it matures further after the expansion, and we get a good valuation for some monetization on these two assets, which allows us to take that capital of a mature asset and put into a development asset, that is a call that we will take at the right point of time. But at this stage, these assets are still in an expansion mode. And true value of these assets is still yet to be realized. So we are not looking at any monetization or part monetization of our investment in these two assets.

Aditya Mongia: Sure, sir. Just one question more from my side. If you just help me assess the funding situation slightly better. Given where things are at this point of time, assuming nothing else changes, whatever projects that you have in hand, this includes Manila, this includes Goa obviously, this includes Bhogapuram. Would you require any equity like loan coming from Group ADP to fulfill your commitment?

Saurabh Chawla: Coming into those SPVs you are talking about or coming to GAL, because they are two very different things?

Aditya Mongia: I am assuming that there will be some kind of equity support any which ways coming from Group ADP for these ventures, now that they are an equity partner. Beyond that, do you need any other support coming from Group ADP for funding the equity portion of these assets? So, the question is simple, does GAL generate enough cash flow to take care of its equity commitment after the Rs. 1,000 crores that have come?

Saurabh Chawla: So, Rs. 1,000 crores is equity with this company is actually capacity for further equity investment into Goa or Bhogapuram, right? So, that is where it has truly come in. GAL has, again, a capacity to lever it up, if it wants to. But like I said earlier, in our thought process and Group ADP's thought, at this stage we would prefer, if required, is that within those entities if I want to monetize, let us say, 25% of Goa and get some equity over there through getting a sovereign or pension fund player in that place, or in Bhogapuram, that would be a path to follow. Both the partners are interested to put actually money directly also into the airport assets.

So, whether it is Group ADP or GMR, at that point of time, they are also interested in putting the money into those assets in a direct fashion. But at this stage, the most probable path, if equity is required, would be coming from either the sovereigns or private equity funds to come in have a direct play in that airport asset. That is what we think. And this correlates also to your earlier question that we would need to monetize further equity in DIAL and GHIAL, which I said to you that at this stage we are not looking at because we do not require that money. But let us say there is six airports which come into play and some do require, then we will get a private player to come and play directly into the asset play while we continue to control significant majority of equity of that airport SPV.

Aditya Mongia: Sure. Just one last clarification, you said that 51% stake which you have in airport limited in GAL, can go to 58%. And it has the ability to monetize the stake that you add up. Does the Group ADP have a right-of-first refusal or can you sell it to any other party if you want to, the additional stake that comes your way, if it comes your way?

Saurabh Chawla: So, there is no ROF part kind of a thing. But yes, in order to find the right value, you will have to open up a dialog and see where the best you derive. We do not want to work with any other third party, to be very honest. It is a marriage that has been created by strategic place, there is no reason for any third player to be there. But it is up to ADP, if they don't want to invest at a particular value, then we are open to go to any third party. But no ROF such in that case it is more of a good scene to go to your partner kind of a understanding there.

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

Atul Tiwari: Sir, just the last one from my side. So just was trying to understand the implication of this deal on how DIAL and GHIAL accounts will be consolidated into the GMR consolidated account?

So, now will it be line by line accounting, revenue and all the cost, or it will just be an equity-based accounting where only the share of profit or loss will come?

Saurabh Chawla: So, GISL is no longer a GMR entity, it is actually owned by my Group ADP. GIL owns directly 51% shares in GAL. And so, it will be, correct me if I am wrong Suresh, it will be line by line, right?

Suresh Bagrodia: Yes, it should be line by line.

Atul Tiwari: Okay. So, line by line, and at the end we will have a minority stake?

Suresh Bagrodia: Yes, it is typically the way that we consolidate the accounts.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for closing comments. Over to you all.

Saurabh Chawla: So, thank you, everybody, for participating in our annual results call. And we are available offline, so you know where to reach out, Amit Jain and his team are available to answer your specific questions. And so, I look forward to interacting with you separately, one on one. Last but not the least, stay safe and be safe. 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.