"GMR Infrastructure Limited FY17 Investor / Analyst Conference Call Transcript"
Friday, 02 June 2017

Moderator: Ladies and Gentlemen, Good day and Welcome to the GMR Infrastructure Limited FY17 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' and 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 audio transcribing of this call without prior permission of the management is strictly prohibited. I now hand the conference over to Mr. Madhu Terdal for opening remarks. Thank you and over to you, sir.

Madhu Terdal: Thank you very much. Ladies and Gentlemen, Good afternoon. On behalf of the Board of Directors of GMR Infrastructure Limited, I welcome you all to discuss the results for the year FY17.

FY17 marks a significant milestone in the turnaround of story of GMR Group. With (a) steep decline in the levels of debt, (b) stunning performance of the airport sector and (c) the turnaround of the energy sector inching towards the profit zone, GMR has shown significant improvement in the financial health. The Group debt has substantially reduced to Rs. 19,856 crore from a level of Rs. 37,480 crore. I would like to remind the investors and the analysts that this is as per the IndAS standards which is mandatory from the current year onwards.

GMR, as you are aware, has been on a consolidation drive for the last few years to mitigate the challenges posed by the infrastructure sector. And I am happy to state that the turnaround efforts are almost on the cusp of completion, our strategy of 'Asset Light, Asset Right, and moving towards the solution of long pending issues such as the final arbitration award in Maldives airport, the receipt of the regulatory clearances and the pending dues, the fiscal prudence adopted by the Group has helped us continuously to reduce the debt. GMR was one of the first companies to work with the lenders, for the unstable and stressed assets and took effective steps towards finding long-term solutions based on the Reserve Bank guidelines and the results are in front of you. The leverage ratios of the Group have significantly improved over the last fiscal. The net debt to EBITDA has improved to 4.3 as against 10.2 the previous year. And the net debt to equity has improved to 1.6. And this is all I am comparing the IndAS numbers for the previous years, the previous numbers have been restated as per the IndAS accounting norms.

Having focus on the reduction of debt, it is not that the Group has lost sight of the growth story. GMR Airport sector has grown substantially over the last year with profits increasing by Rs. 166 crore to Rs. 869 crore. This is a first time that both our airports have proposed a substantial dividend to GMR Airport Ltd. The energy sector also has registered a turnaround, with GMR Warora Energy achieving a net profit of Rs. 143 crore for the first time. So both the airport and energy verticals have turnaround and the health of the Group has improved very substantially.

The instruments for our achievement have been capital raising in difficult times, the getting in of the strategic partnership of Tenaga even in a not so attractive sector like power, liquidity management as well as debt reduction and taking the benefit of the Reserve Bank policies and reducing our stress in the debt portion.

The financial sectors are already in front of you, but I will just mention a few of these things. The group debt has been reduced to Rs. 19,856 crore from Rs. 37,480 crore. This has been achieved by a variety of means (a) Got Rs. 2,000 crore from the proceeds of Tenaga, (b) got around Rs. 2,000 crore from the resolution of the Maldives airport and (c) by way of divestments we got around Rs. 500 crore. So totally around Rs. 4,400 crore of net equity flow as well as the debt reduction happened. In addition to that, because of the GMR's proactive approach on resolution of the SDR, and we completed two successful SDRs in one single year, and let me remind you that both the SDR schemes were approved unanimously by all the lenders. Chhattisgarh debt was reduced by ~Rs. 3,000 crore and Rajahmundry debt was reduced by ~Rs. 1,414 crore. So, effectively another ~Rs. 4,500 crore debt was reduced.

As a consequence of this, and management's control being moved on to the lenders, the SPV debt of ~Rs. 8,200 crore in Chhattisgarh as well as Rajahmundry, that is ~Rs. 5,800 crore in Chhattisgarh and ~Rs. 2,400 crore in Rajahmundry, so ~Rs. 8,200 crore debt also moved away from the GMR infrastructure consolidated financials. And on account of the IndAS adjustment, another ~Rs. 10,000 crore debt reduction has happened. So all in all, almost about 50% of the debt reduction and leveraging has been reduced.

While our airport CFO will go into details about the airport sector, but I will touch upon a few issues, wherein the airport segment on the regulatory front National Civil Aviation Policy is a real benefit to the Group, the Hybrid Till issue of 30% cost subsidization has been resolved once for all.

In other developments, Delhi International Airport very successfully completed the refinancing of their bank debt to the extent of 522.6 million. It is very important to underline the fact that keeping in policy objective of the Reserve Bank and Government of India, GMR has made a significant effort to move away its dependence from the Bank finance to the international market as well as of the bond markets.

Delhi airport also completed its second round of monetization of real-estate wherein we monetised about 23 acres of Delhi airport with a 2.11 million square foot of development area. The long-awaited arbitration award of Maldives airport brought in about Rs. 2,000 crore of the amount, which covers the entire project debt along with the accrued interest. Our entire equity with return of 17%, in addition to that our termination payments, legal costs, everything was reimbursed to GMR.

On the growth front, GMR won a closely contested bid for the development and operation of Mopa Greenfield Airport in North Goa. Technically, we have already achieved the financial closure with the entire debt having been underwritten by the banks, we are waiting for the necessary approvals to announce the financial closure.

Coming to the energy segment, I think the compensatory tariff ruling by Supreme Court as well as the announcement of the Uday Scheme I think have been very positive development in the sector, where now we are going to witness the turnaround in the energy sector as well. Uday Scheme has eased the liquidity constraints on the distribution companies and the payment cycle has considerably improved for our thermal power plants. The compensatory tariff ruling by the Supreme Court also is very positive and it will reduce the resolution time very substantially where the generator company need not have to go around with the respective regulatory authorities and it can get the ruling by the CERC alone.

In addition to the resolution, I would also like to say to that, in GMR and Warora we are yet to receive another ~Rs. 150 crore of compensation on account of 'Change in Law' as well as 'Coal Pass-through'. And when this is fully resolved, per annum it will have a positive impact in the range of around Rs. 85 crore to Rs. 100 crore year-on-year. When it comes to Kamalanga we are to receive totally Rs. 711 crore, of which we have received only Rs. 289 crore and another Rs. 415 crore arrears are still to be received. So between Warora and Kamalanga we are to receive still close to around Rs. 570 crore. In addition, the recurring positive impact in Kamalanga will be to the extent of Rs. 165 crore per annum. So, per annum recurring positive impact will be about Rs. 100 crore in Warora and Rs. 165 crore in Kamalanga.

A few of the other highlights of the energy sector is the entire rewriting of our energy business with the induction of Tenaga. GMR has started to rewrite our growth platform with the help of Tenaga. We also divested our two transmission projects, that is Maru and Aravalli. We have also signed share purchase agreement for divestment of PT BSL, our 100% own subsidiary of our Indonesian subsidiary, and we should be able to get at least Rs. 400 crore net inflow from this when the process is complete.

So the operational assets of both the power plants have improved very significantly. And as I told you GMR Warora has already recorded Rs. 143 crore of net profit. Now, even our 30% investment in Golden Energy Mines has also improved very substantially with the improvement of the coal prices the world over. During 2016 GEMS earned a profit before tax of US$49 million as against a mere US$1.6 million the previous year. This is the result of the improvement in the coal prices.

And coming to the urban infrastructure, we improved our EPC operations very substantially and now currently we are handling close to around Rs. 7,100 crore worth of EPC contracts in two projects across the eastern dedicated freight corridor. In Kakinada SEZ, we have signed an MoU with Gas Authority of India and Hindustan Petroleum where we are expected to monetize close to around Rs. 2,000 acres of land in the coming year.

I think, all in all to summarize – GMR has been able to record a very successful year as a culmination of our three years of untiring efforts which have been a record year where the reduction of debt has happened more than 50%, the leverage ratios have improved, the airports are continuing to grow its robust health and also we have recorded even the turnaround in the power vertical as well.

With these observation, I will open the floor for questions and answers. Please go ahead.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Manish Ostwal of Nirmal Bang Securities. Please go ahead.

Manish Ostwal: As per the slide number 27, there is a asset de-recognition of Rs. 10,490 crore. So, corresponding these assets, what could be the impact on EBITDA level because these assets de-recognition, definitely the corresponding income will also not be there in the P&L.

Madhu Terdal: The assets deconsolidated are the GMR Energy, because you will recall that earlier as per the IGAAP, as long as we are having more than 51% stake, they used to be considered as subsidiaries. Now, as per the IndAS norms, even though we continue to have more than 51%, if any other entity has participative management rights then the subsidiaries would be deemed as associates. As a result of that we have not included these assets into the consolidation. Of course, while on one side debt has also moved out, our revenue as well as EBITDA has been adjusted. And similarly, Cebu as well as the airport JVs also have been deconsolidated in this process. So, that is details, if you want our IR team can give you the separate, exact amount and how much has been deconsolidated.

Manish Ostwal: Sure sir. And second question, of the total gross debt of around Rs. 19,856 crore, could you break this number into our key verticals like airport and energy and other businesses like EPC or energy, etc, something?

Madhu Terdal: I have got the net debt number - 31% is comprised by airports, 20% is energy, 21% is highways and 25% is corporate and 3% constitutes the other assets, I think we will give the absolute numbers in a minute. In terms of Gross Debt, Airport debt is Rs. 8,300 crore, other energy assets are Rs. 3,000 crore, highway is Rs. 3,300 crore, GMR Infrastructure Corporate is Rs. 3,900 crore and others is Rs. 1,300 crore.

Manish Ostwal: Okay, sir. And lastly on our press release, on page number five we have given a EPC order book size of Rs. 7,100 crore. So, on this order book what kind of EBITDA we can generate?

Madhu Terdal: The order book size mainly contains the dedicated freight corridor project which constitutes of more than Rs. 5,000 crore. This EBITDA formation on this EPC is a forward statement, so we can share the details later. But on the current industry practices, I think profit margins range between 8% to 12% depending upon how best you have concluded your contract, I think that could be a general guidance for that purpose.

Manish Ostwal: And when you look at the SEBI filing numbers and the operating profit plus add interest and depreciation and minus other income number, then the EBITDA number reported in the press release, why there is a significant difference in these two numbers?

Madhu Terdal: They are in details there are some non-operating income which we would have excluded.

Manish Ostwal: But this Rs. 3497 crore EBITDA number is sustainable number, right sir?

Madhu Terdal: Absolutely.

Moderator: Thank you. Our next question is from the line of Shirish Rane from IDFC Securities. Please go ahead.

Shirish Rane: Sir, a couple of questions, more clarifications actually. In the net debt reconciliation slide on page 28, the Malay compensation is shown as 10 billion whereas while in every other document you are talking about the compensation being 20 billion. So, where is the balance 10 billion?

Madhu Terdal: Actually, this is a gross & net effect. At a gross level the overall exposure was Rs. 2,000 crore, but because the debt was at two levels, one at the individual SPV level and another at the group level. And so the actual effect in terms of the debt and cash inflow, it is the other way. So, Rs. 1,000 crore of actually the debt has gone out. From gross debt overall angle, Rs. 2,000 crore deduction has happened.

Shirish Rane: So, cash inflow was Rs. 2,000 crore, part of it, about Rs. 800 crore went into retiring existing debt and the balance Rs. 1,200 crore of balance sheet number would have been the surplus which went to retire the balance debt, will that be right?

Madhu Terdal: We will give the actual numbers, but broadly that is the concept.

Shirish Rane: And the same way, this reconciliation of this debt to equity conversion of both Chhattisgarh as well as Rajahmundry, it says 33.5. So if I read the notes to the results, the number should be approximately 44 billion, because 3,000 of 30 billion is for Chhattisgarh and about 14 billion for Rajahmundry, so again there is a difference of about 10 billion. So, just wanted to understand why is the 10 billion difference?

Amit Jain: If you see FY16 net debt was about Rs. 40,000 crore, so this is slide is a reconciliation of the figure which is already available with you from FY16 to FY17.

Shirish Rane: So, you mean to say there are some cash balances in the individual companies which have been netted off and that is the reason for this difference?

Amit Jain: And the accrued interest.

Madhu Terdal: The actual debt that is converted in Chhattisgarh, is Rs. 2,992 crore. And I think in Rajahmundry it is Rs. 1,414 crore. So that is conversion of debt into equity.

Shirish Rane: Sir, just one last clarification. So, after now the numbers you have given in IndAS, the entire energy portfolio virtually will not be there in the balance sheet and it will be accounted on a one line basis, am I right? I mean, all the upgrading assets will be sort of deconsolidated in that sense?

Madhu Terdal: Yes, from an IndAS perspective that statement is correct.

Moderator: Thank you. Our next question is from the line of Sachin Kasera from Lucky Investments. Please go ahead.

Sachin Kasera: Three questions I had. If you could give some more details, you mentioned that we will receive approximately Rs. 400 crore from the divestment of the PT BSL, if you could just explain us to what is the investment that we had also the debt on that and what is actually the debt inflow to the company?

Madhu Terdal: More or less our investment was in the range of around $62 million only, so we would be getting back $66 million and the entire debt will go away from our side.

Sachin Kasera: But if our debt was $100 million and we are getting Rs. 400 crore, then net-net we are having to take a haircut of Rs. 300 crore, is that correct?

Madhu Terdal: No, there is no haircut on that.

Ashis Basu: The external debt was around $40 million, rest we had invested and given the current scenario, the coal market, the coal prices going down, coal company prices going down, we thought this is the best way to exit, debt for only $40 million?

Madhu Terdal: See, after paying off the debt of around $40 million, so that is say around Rs. 270 crore - Rs. 280 crore, we are still left with a surplus of around Rs. 350 crore to Rs. 400 crore that constitutes our equity and the subsequent servicing amount what we have put there.

Sachin Kasera: So, this is mainly to reduce the corporate level debt at the holdco level?

Madhu Terdal: That is correct.

Sachin Kasera: Secondly sir, you had shown the number for PT GEMS, I believe that number represents the 100% and our share is 30% of that, is that understanding correct?

Madhu Terdal: You are right. In fact the current market cap of PT GEMS is around $1.35 million on the Indonesian stock exchange. So, you can say that on a market cap basis also we are above the debt level, our debt level is currently at $373 million.

Sachin Kasera: Sure. And any plans to monetize that also sir, or that will continue to hold?

Madhu Terdal: We are watching the trends in the coal industry very carefully and I can only say though we do have our reduction of debt is definitely going to be the major driving force, but having said that the assets were pickup with a strategic purpose of using the imported coal to shore up our operations in India. That strategic importance has lost significance. So I think at a right point of time GMR will be looking towards divestment.

Sachin Kasera: Sir, this net debt of 14889 shows 20% is energy debt, so this basically pertains to the Indonesian mines or is there also some other asset for which the debt has been shown? Because I think most of the large energy assets are now out of the debt figure?

Madhu Terdal: Indonesian mines, yes you are correct.

Moderator: Thank you. Our next question is from the line of Ashish Shah of IDFC Securities. Please go ahead.

Ashish Shah: Sir, this is more the nature of clarification, you said that the EBITDA of about Rs. 3500 crore is sustainable, but I get an impression that till November 2016 we would have taken the EBITDA from the various energy assets, especially Emco**,** Kamalanga, so to that extent that amount of EBITDA will not really recur, am I right?

Govindarajulu T: Only Emco EBITDA on proportionate basis was considered.

Ashish Shah: And Kamalanga has not been considered for the entire year?

Govindarajulu T: Yes,

Ashis Basu: Actually, it had a negative impact due to Chhattisgarh EBITDA, etc, which holds the EBITDA down. Now that it is out of the group it would have a positive impact.

Ashish Shah: Also, just to get a sense on how the energy assets are doing, if you can give some sense on what is the tariff and the cost at some of these transactions, especially Emco and Kamalanga, I mean we have just have two plants to really talk about.

Parag Parikh: So, I think Ashish, as far as Emco is concerned, broadly our fixed cost for the year is around about a little over Rs. 2. And as far as Kamalanga is concerned, similarly we are a little over Rs. 2 as far as our fixed cost is concerned. Average tariff realization has been similarly about Rs. 4.20 and Rs. 3.25 for Emco and Kamalanga respectively.

Ashish Shah: And after the revisions that we expect in terms of the compensation that we spoke about, where would these tariffs go?

Parag Parikh: So, different implications across a variety of plants, so I think we will have to wait and watch. I think what we have got so far very clearly and positively is as far as the CERC order is concerned on Emco. As far as Kamalanga is concerned, partly it is there partly it is not there. But if I were to give you an immediate impact of a per unit analysis, it will roughly be for Emco in the range of about Rs. 0.25, or an annualized revenue which I think Madhu also mentioned a little earlier of about Rs. 90 crore to Rs. 100 crore.

Ashish Shah: And Kamalanga is not easily ascertainable at this point?

Parag Parikh: Kamalanga, also if I have to give, across PPAs it may have a different impact and if I have to give you only a broad assessment, somewhere it will be in the range of about Rs. 0.25 per unit blended across all the PPAs.

Ashis Basu: Just to add, there is a major impact of arrear, as you know of coal cost pass through, now that Supreme Court has clarified as a change in law, so Bihar PPA alone in Kamalanga there is Rs. 170 crore - Rs. 180 crore outstanding which we would be able to bill once the order comes through. And for Warora there is around Rs. 70 crore - Rs. 80 crore of such outstanding as of March. So, all these are arrears which cash flow will come together.

Moderator: Thank you. Our next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

Giriraj Daga: Sir, just a bit of power plan clarification only. We have signed all PPAs for all the capacity, we do not have any open capacity as of now, right?

Ashis Basu: So Kamalanga we have roughly 150 megawatt of gross capacity which is open, which we are in close discussion for a tie-up with a couple of parties**.** Emco**,** yes there is hardly anything.

Giriraj Daga: Sir, my next question is more like a broader strategy question, like we were talking about the deleveraging & getting our house in order. So to an extent we have been able to do that now. Now the next thing is that what next, what after next three to five years, how we are looking to progress in the business, so which are the areas we will be focusing in terms of our capital allocation going forward? What we will do with our minority stakes like in power, so what is the thought process on that side? Will we consolidate our position there, or will we try to exit at some point of time, maybe a year down the line in these power projects. So what are the thoughts on the capital allocation line?

Madhu Terdal: I think that is a very, very broad encompassing question, let me try to make an attempt. While we were focusing on deleveraging all these debts, we never lost sight of the growth also. So, our airports continue to achieve a very, very robust growth. We have improved our revenues very substantially, we have improved our non-aero revenues very substantially, in fact what is not visible is the non-aero revenues. So whether it is duty free to advertisement or cargo, they are continuing to show a very robust growth. And we have added Goa International Airport as a fresh Greenfield airport. And we are continuing to do the capital expansion in Cebu airports.

Now, that is as far as the growth is concerned. As far as deleveraging is concerned, our efforts will continue to be focused on this area and there are three to four areas where we are going to achieve through this. Number one is, we have targeted to monetize at least about 2,300 acres to 2,500 acres of land in Kakinada. That should give us somewhere between Rs. 700 crore to Rs. 1,000 crore depending on at what price we will finally conclude the deal. Due diligence process of the potential buyers, that is the Hindustan Petroleum and GAIL is on, it may take some time subject to all the necessary approvals. We are continuing the monetization effort in Krishnagiri as well where state government is acquiring the lands in a large way, and we hope to monetize another 600 acres to 700 acres in that area as well. So, I think between these two we should be able to get close to around Rs. 1,500 crore to Rs. 1,600 crore, this is one segment.

The second is, we are still continuing to focus on the divestment of highways. We are continuing our efforts but we are optimistic of closing these deals sometime during the year. The second impact and the parallel impact of that, it will take away close to around Rs. 3,300 crore of debt from my book apart from the actual equity cash flow. So, I have just mentioned to you the divestment of PT BSL where we should be having net cash inflow of around Rs. 400 crore, that also should reduce our debt. So, you can see that there is a clear visibility in the range of around Rs. 2,000 crore to Rs. 2,500 crore from this. In addition to that, our other opportunities like in IPO in GMR Energy and some strategic investor in different segments, these opportunities will continue to exist. So, I think here afterwards, apart from the monetization and deleveraging, our focus will be now refinancing our existing debt and moving away from the bank finance. We have already achieved it in the airport segment (Delhi Airport) and we are looking forward to the same in some other projects also. And also we will be now focusing on reducing our financial cost, already in the airport we have achieved power vertical, now we are going to focus on that. So, the overall objective is to reduce the financing cost, reduce leverage as much as possible and also to refinance these assets whereby our liquidity management will improve.

Giriraj Daga: Sir, just a follow-up there. We are only talking about growth in airport, like that will remain only our focus area. And just a second non-core asset, are we targeting any inflow from the land monetization near our Delhi airport of Hyderabad?

Sidharath Kapur: Yes, let me just touch upon these points. As far as the growth in the airport sector is concerned, our value creation in the airport sector is focused on three broad areas.

Giriraj Daga: Sir, I understand that we are doing value, my view is they are focusing growth in airport only and not in other segment of the business.

Madhu Terdal: See, the airport will be the main driving force, but in the other areas, for example two areas we will be achieving some limited growth. In the power vertical on the back of the Tenaga platform, GMR will be looking at growth opportunities in the O&M, in the transmission as well as the distribution segments. And we will also continue to look at the EPC opportunities in railways and other selective areas. So, again, everything growth in the non-airport business will be asset light, very, very low capital requirement where it is there, only those areas will be there. Plus, we may be looking at some select opportunities in the renewable segment as well.

Giriraj Daga: And any monetization plan of land near Delhi and Hyderabad?

Sidharath Kapur: Yes, so we continue to be focused on monetization of land both at Delhi and Hyderabad. In Delhi, as the announcement has already been made for 23 acres of leasing to Bharti reality for large format retail, it will be one of the largest malls in India which will come up on the airport land between the hotels and the highway in Delhi. This year we have already started the process for another six to seven acres and we expect that over the next one to two years we should be doing another 25 to 30 acres in Delhi. And in Hyderabad we continue to be focused on building value by monetizing further land, Amazon has come up and we are looking at few more deals of this kind. So, the quantum of land in Hyderabad is much larger, though the value is significantly lower than Delhi. So, the focus definitely primarily continues to be Delhi Airport and we will keep the traction alive as far as monetization of land is concerned.

Moderator: Thank you. Our next question is from the line of Yash Agarwal of Quest Wealth. Please go ahead.

Yash Agarwal: So, this Delhi land deal, so how much income will we get for 23 acres over here?

Sidharath Kapur: So, the deal is structured slightly differently, there is a minimum guaranteed amount, but it is a revenue share based transaction. Effectively, there is a revenue share which will come in every year and that will keep on increasing. Typically, retail and malls, the structure is more on revenue share basis rather than a pure rental.

Yash Agarwal: Okay. So is there any sort of NPV that you guys have kept in mind for later?

Sidharath Kapur: See, NPV will depend on what the growth of revenue is. Our assessment is that it is anywhere about Rs. 60 crore to Rs. 70 crore per acre of NPV on a base case.

Yash Agarwal: And how much acre is left in Delhi after this?

Sidharath Kapur: We have already done 45 plus this 23, so another 162 acres is still left.

Yash Agarwal: And sir for this SEZ, the HPCL deal, that is 2500 acres, is it?

Madhu Terdal: Approximately around 2,000 acres. And also, the land for housing and etc there is another 200 acres. Also, lots of ancillary industry already started approaching us, which may take another 1,000 acres.

Yash Agarwal: So, how much would be left after that?

Madhu Terdal: We have close to around 10,500 acres of land there.

Management: Minus around this 3,500 so balance about 7,000 acres will be there.

Yash Agarwal: So, 7,000 acres is left?

Madhu Terdal: Yes.

Yash Agarwal: And sir issue of this compensatory tariff, this one-time income of about Rs. 595 crore odd from Kamalanga and Warora, so is this order passed yet or you are hoping for it to be passed?

Ashis Basu: Whatever is reflected in accounts is after passing of orders, there are significant amounts on which orders are awaited that we have not taken in accounts and it will come in the accounts next year. As I said, coal cost pass through impact between these two companies is another Rs. 250 crore, then there are change in attendant recovery, which is another significant number, all these will come in this year.

Yash Agarwal: So, what I am trying to understand this Rs. 600 crore, will it accrue to us or will it be used to reduce the corporate debt, the Rs. 600 crore that is one-time income that will come in your company?

Ashis Basu: I think that would be used to bring down the SPV debt servicing and bringing down SPV debt.

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

Vipul Shah: Sir, would you repeat how this debt reduction has been achieved? Rs. 10,000 crore has gone only due to IndAS adjustment and only Rs. 7,000 crore to Rs. 8,000 crore is the actual reduction. So, have I understood correctly sir?

Madhu Terdal: Let me tell you, about Rs. 4,500 crore due to the actual inflow and reduction because of the Tenaga infusion of Rs. 2,000 crore and Male settlement, that is Rs. 4,500 crore. Another Rs. 4,400 crore is because of the conversion of debt into equity, there is no IndAS or nothing, it is straight, lenders have converted Rs. 4,400 crore debt in to equity.

Vipul Shah: So, that is Rs. 9,000 crore right?

Madhu Terdal: That is Rs. 9,000 crore. And because of that both these assets, i.e. Chhattisgarh as well as Rajahmundry are moving away from our debt, GMR Rajahmundry as well as Chhattisgarh have moved out of our balance sheet and that effect is to the extent of Rs. 8,200 crore. Only the balance is only because of the IndAS, because now the entire energy portfolio is being seen as a participative management, but we will continue to be in management control, we are continuing to operate both the power plants and we are focused on improving the profitability there. But from an IndAS perspective, that is not included in the consolidated debt.

Vipul Shah: And another question on airport vertical, both Hyderabad and Delhi we are reaching almost close to capacity or we will reach within one to two years. So, what will be the growth drivers there?

Sidharath Kapur: Okay. So, yes the sector is growing exceedingly fast and you are seeing growth in passenger numbers coming. And looking at the initiatives of the government, the aviation policy, regional connectivity etc, we expect that the growth of traffic in the sector will continue at least over the next three to five years. And typically analysts are exceedingly positive about this sector as far as India is concerned. Now keeping this in mind, yes you are right that we have reached capacities in Hyderabad and Delhi, so our approach is of course to go for an expansion, both in Delhi and Hyderabad. The expansion in Delhi is on terminal as well as on the air side, to make air side improvements. And in Hyderabad it is more on the terminal side. Apart from that, what we are doing is, you may have seen that in Hyderabad of course we have crossed the rated capacity and still we are able to operate efficiently, keeping in mind performance standards. So, we have a continuous focus on process improvement to ensure that we are able to operate even beyond the rated capacities by process improvements. So that has been one initiative which we have taken which are ensuring that you can derive greater value from the existing assets. In both these assets there is an expansion plan, in Delhi the master plan has been approved by the government, the revision in the master plan, and that envisages a CAPEX of around Rs. 5,000 crore to Rs. 6,000 crore over the next four to five years. In Hyderabad we have a CAPEX plan of about Rs. 2,400 crore over the next three years. And in respect of financing both of them, both the airports have got adequate cash with them to meet a very large part of the total project cost, in fact more than the minimum equity requirement. And whatever balance requirement will be by raising further debt at both Delhi and Hyderabad. And as Madhu mentioned earlier, our focus has been to look at the bond structure in our airport assets in Delhi. Delhi is probably the only infrastructure asset in India which is completely funded from long-term overseas dollar debt and there is no bank debt in it. And we do not envisage any further infusion of equity into both these assets.

Vipul Shah: But then after the CAPEX what will be the passenger capacity at Delhi and Hyderabad after the entire CAPEX program is complete?

Sidharath Kapur: So, the capacity in Hyderabad is envisaged to take it up to 20 million and in Delhi it is envisaged to take it up to 80 million in the next phase.

Moderator: Thank you. Our next question is from the line of Neerav Shah from Geecee Investments. Please go ahead.

Neerav Shah: Sir, looking at Hyderabad airport numbers, so we have seen a sharp increase in aero revenues because of we being allowed to collect UDF from November 2015. Other than that there is no one off in the numbers, all the numbers till the EBITDA level are recurring.

Sidharath Kapur: Yes, I think Hyderabad is fairly straight forward. There are a few one-off numbers, there is a foreign exchange gain of Rs. 40 crore and there is of course some mutual funds interest income because of the surplus cash lying with them. And apart from that, yes there is no major one-off item as far as Hyderabad is concerned.

Neerav Shah: But these Forex, that will be part of other income, I am talking about the Rs. 802 crore of EBITDA, so that is recurring number, I mean it will grow in line with the passenger and cargo growth?

Sidharath Kapur: Yes. So, it will grow in line means of course here the second control period tariff determination is pending with the regulators and it will of course be dependent on the outcome of that. We hope that there will be a positive outcome as far as the second control period tariff determination is concerned. But just to flag that, yes this number definitely will grow in line with the growth of aeronautical revenues and also will grow in line with the focus on non-aero revenues. And it can also grow disproportionately higher because of further land monetization in Hyderabad.

Neerav Shah: So, even the second control period tariff, this impacts Hyderabad airport as well because it impacts significantly the Delhi airport revenues.

Sidharath Kapur: Delhi and Hyderabad it is currently pending for the period starting from 1st April 2016 and we do expect that this may not change the tariff numbers which are currently charging significantly.

Neerav Shah: And sir for Delhi, can you just throw some light on what is the status of the tariff revision? And secondly, assuming that after approval for a higher ROE does not come through till that time, what can be the normalized… because we have been collecting a higher amount for some years now on Delhi airport, so what can be the normalized revenue assuming ROE stays at 16% and at 24% of our target ROE which you have been asking for then how will the adjust be?

Sidharath Kapur: No, so I think it is an issue of ROI I think, there are multiple complex lag factors which are interplaying into the calculation of tariffs for Delhi and currently there are quite a number of significant issues which are pending in appellate authority and there is a stay by the Delhi High

Court which is applicable on any downward revision by the regulator till the time the issues are decided by the appellate authority and we do expect positive resolution on many of these issues from the appellate authority though has been a significant delay. Having said that I think at this point of time since the issues are all pending in the appellate it may not be appropriate for us to give a forward-looking statement in terms of what can be the normalized EBITDA because it will depend on the outcome from the appellate and what we expect as an outcome from the appellate can lead to significant recalculation of the charges from the regulator and that can shift the normalized EBITDA significantly.

Moderator: Thank you. Our next question is from the line of Amit Goela of Rare Enterprises. Please go ahead.

Amit Goela: Sir, just one question on your consolidated numbers you put the interest charges for the current year. So, where do you see this headed sir going forward like?

Govindarajulu T: Going forward there will be substantial reduction.

Amit Goela: See, interest charges for the current year are Rs. 3,900 crore. So, with post the entire debt restructuring and all that, where do you see this headed, sir?

Govindarajulu T: Yeah, in the consolidated level as we have mentioned debt will be around Rs. 20,000 crore, on that Rs. 20,000 we have to pay interest on the average of 12% so may be Rs. 2,400 will be the gross interest level for all the companies which goes into the consolidation. Current year interest is slightly more because for eight months we have taken the energy operations for the consolidation.

Amit Goela: Okay. And sir, where the debt deconsolidation has happened because of IndAS the response, is there like the responsibility for the debt still lies with the GMR group or is it like now independent debt or is there some, how does that debt work now sir?

Madhu Terdal: Basically two effects have happened. There is an effect of Rs. 11,800 crore which is on account of IndAS that is deconsolidation of GMR Energy Ltd and its subsidiaries. Also there is deconsolidation effect to the extent of Rs. 8,200 where GMR Rajahmundry as well as Chhattisgarh have been deconsolidated. While we will continue to be responsible for the debt of GMR Energy Ltd, but as you know GMR's stake in the energy business is now 52% and 30% is of Tenaga and 18% is our other shareholders like Temasek and IDFC. So, you may say that while the group will continue to responsible, from an equity shareholder's perspective, I think GMR has got only 52% share in this.

Ashis Basu: And these loans are in project SPVs and SPVs (Kamalanga, Warora) have the capabilities to handle. Then there is their holding company where GMR is 52% shareholder.

Madhu Terdal: And these are all non-recourse financing so I think we should see it in that light.

Amit Goela: Okay, sir. And sir, in the consolidated profit and loss which you will be publishing at the end of the year so the results of the deconsolidated entities will come as a single line entry in the profit and loss statement. As minority interest?

Govindarajulu T: Yes.

Moderator: Thank you. Our next question is a follow-up from the line of Sachin Kasera of Lucky Investments. Please go ahead.

Sachin Kasera: You mentioned regarding the JV in Airport being very profitable. So, I was just referring to your Presentation. The consolidated performance of Airport that you have put in, on slide number nine, does it include the performance of the various JVs at the Airports or that is over and above this? And if yes, then what are the separate numbers for them?

Madhu Terdal: No, it does not include the performance of the JV, we can I think give you the numbers separately because it covers various joint ventures across both Hyderabad and Delhi, we can offline take it and give it to you.

Sachin Kasera: Sure, sir. My second question was sir, regarding this mention of Rs. 800 crore to Rs. 1,000 crore monetizing Kakinada. So, this only regarding the 2,300 acres that we have signed for HPCL or this is including the housing as well as 2,000 acres that may give to the ancillaries?

Mohanrao M: Yeah, this is first of all the MoU between the HPCL and GAIL and the Government of Telangana, so stopped the petrochemical complex, Because of that JV between these two they will enter a MoU with us for 200 acres for the housing complex.

Sachin Kasera: Okay. So, my question is this Rs. 800 crore to Rs. 1000 crore represents monetization of 2,300 acres to 2,500 acres or it represents monetization of 4,500 acres.

Mohanrao M: No, that is monetization of only 2,000 acres.

Sachin Kasera: Yeah, sir, my second question is regarding Cebu Airport is that also part one of the assets you would look to monetize in looking to reduce the debt or that is part of the strategic long-term asset that we plan to hold.

Sidharath Kapur: No, we do not have any plan to divest.

Sachin Kasera: Sure. Sir, next question is regarding Goa. What is the type of economics you are looking in Goa, how the equity will be funded and there is already existing Airport in Goa, so we will compete with them or it will be closed down and this will become the only Airport in Goa?

Sidharath Kapur: So, this project will take three years for construction and the entire debt has been fully tied up which also reflects the very strong economics of this project, equity requirement is about Rs. 530 crore which is 100% owned by us and we have adequate funds at GMR Airports which is the holding company to meet this equity requirement. And there is a complete ability to take care of this equity requirement. The project economics are excellent, the current airport is Naval Airport and it is a constrained Airport. There are various operational challenges in the existing Airport that is the reason why Government of Goa wanted to fast track the new Airport. this Airport of course, once it comes we expect that a significant amount of traffic will shift to this Airport in an accelerated manner and that Airport of course will whether it continues or not and what will happen to it will be decided by the Government of India, Airport authority, the navy because there are significant defense plan in that region. So, we are not very sure how they want to handle this Airport going ahead but all we know is that there are significant defense plans in that area. So, it is very possible that the Navy may want to take it back.

Sachin Kasera: I am saying, the various terms and conditions that we have got for Goa are similar to the Hyderabad Airport in terms of what we can charge and how much has to be subsidized and what is the revenue share or is it different?

Sidharath Kapur: Each project has got certain unique conditions. This airport of course is of course on hybrid till basis like all Airports in India are based on the policy. There is a real estate component of 232 acres which we have the ability to monetize. The traffic is growing exceedingly fast, the domestic traffic grew at 40% in Goa for FY 2017 and Goa is as you are aware I am sure, Goa is a premier tourism destination. And even if you go in off season, it is very difficult now a days to get hotel. The other conditions of course, the revenue share is different, we have to pay 37% revenue share in Goa which we have bid for and this revenue share is payable from the fifth year from the start of the concession.

Sachin Kasera: Sure. Sir, what is the current passenger traffic in Goa, you mentioned as 40%, what is the absolute number?

Sidharath Kapur: Current passenger traffic in Goa is about 7 million for the year FY 2017, for the year ended FY 2017 and as I mentioned the domestic traffic is growing at almost 40%.

Sachin Kasera: And we are putting capacity of 14 million, right sir?

Sidharath Kapur: No, we are building the Airport in phases. So, we will of course take a call as we progress and we are looking at a modular construction, we are starting with seven and we will of course take a decision closer to on an interim basis we will take a view as to whether that should be enhanced or not depending on how the traffic grows.

Sachin Kasera: Yeah, because since you get the traffic already is at seven and most of it should move there and growing at 15% - 20%. So, maybe you have to look at higher capacity there.

Sir, my last question is regarding how we are looking on the Airport side in terms of either going for an IPO at an individual asset level or being a strategic investor at the GMR Airport level? And secondly, I believe there are certain investors at the GMR Airport itself. So what is from preferential share they have been allotted to them, so what is the status on those conversion of the preference shares?

Sidharath Kapur: As far as the conversion of PE investors is concerned, that matter is in arbitration in Singapore and there are various issues involved in it including applicability of RBI guidelines. So, at this stage given the fact that the matter is under arbitration, I will not be able to comment too much further on this matter. As far as further growth and fund raising is concerned, we will of course take an appropriate call at the right time. It will be not right for us to comment at this stage. But all options are open.

Moderator: Thank you. Our next question is from the line of Arun Nahar from Alpana Enterprises. Please go ahead.

Arun Nahar: I have just one question, any plans on restructuring your company into the various verticals that you operate on, so that each shareholder is free to choose what part of business or pure business he wants to be a part of? Thank you.

Madhu Terdal: Restructuring of the business is a continuously evolving process. You have seen that last time, last year that is immediately the year passed one we have already on the back of Tenaga, we have already restructured or regrouped our energy businesses and we will continue to take all the effective steps that will create value. But there is no any definite plan about any kind of restructure at this point of time. But we are looking at all the options whatever is available, it could include the IPOs it could include the regrouping. So, I think, we will be pursuing a variety of options and at right point of time we will be able to come back to you on that.

Arun Nahar: Sir, thank you for that answer but my question was more towards whether you are going to restructure it in terms of three different listed entities one may be for Airports, one may be for energy, one may be for your EPC contracts, etc.

Madhu Terdal: At this point of time, we do not have any plans about that.

Moderator: Thank you. Ladies and gentlemen that was our last question. I now hand the floor back to the management for closing comments.

Madhu Terdal: So, ladies and gentlemen, thank you for your active participation. And you can continue to bank upon your company for continued and improved operations and performance. Thank you very much for participating and supporting us. Thank you.

Moderator: Thank you. 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