GMR Airports Limited

(formerly known as GMR Airports Infrastructure Ltd)

Q4FY2025 Investor / Analyst Conference Call Transcript May 23, 2025

Moderator: Ladies and gentlemen, good day and welcome to GMR Airports Limited., formerly GMR Airports Infrastructure Limited., conference call to discuss Q4 FY25 Results. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. We have with us today Mr. Saurabh Chawla, Executive Director, Finance and Strategy. Before we begin, I would like to state that some of the statements made in today's discussion may be forward-looking in nature and 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, Ryan, and good evening, everyone. I welcome our shareholders, analysts and other stakeholders to our Q4-FY25 earnings call. The past few weeks have been very challenging for our entire nation, and we need to be mindful of the environment as we navigate the coming quarter. Minor turbulence is part of the journey, but our view about the long-term remains intact.

Boeing Company forecasts India's air traffic to grow over 7.9% annually through 2043. Indian and South Asian airlines will add over 2,800 commercial aircrafts to their fleet by 2043, of which 90% will come from the Indian airlines. Echoing the sentiment, Netherlands flag carrier KLM is expanding its operations by starting flights to Hyderabad in September. Malaysian airlines also affirm that the Indian market has emerged as a cornerstone for Malaysia Airlines, ranking among the largest and fastest-growing markets in its network, expecting a 14% growth in its passenger traffic flow to and from India in 2025.

Efforts are also underway to establish India as a global transit hub. Air India's “Via” campaign aims to attract foreign travellers by offering enhanced connectivity between the UK, Europe, Australia and Southeast Asia through India, with connection times reduced to about two and a half hours. Many of these connections will be serviced by Delhi Airport, which also serves as IndiGo Airlines' largest base with 250 daily departures.

Airports operated by GMR continue to receive multiple rewards and recognitions globally, showcasing how we consistently improve our services while adapting to changes. Delhi Airport, which is the ninth busiest airport in the world as per ACI, was awarded the Best Airport in India and South Asia by Skytrax, with its global ranking improving to 32 in 2025 from 36 in 2024. Skytrax also awarded Hyderabad with the Best Airport staff in India and South Asia for the fourth time, with global rank improving to 56 in 2025 from 61 in 2024, while Goa Airport's rank improved to 80 from 92. Delhi and Hyderabad airports have also been winning the ACI ASQ award for the Best Airport in Asia-Pacific with respective passenger categories for multiple consecutive years.

On that note, let me now delve into our Q4FY25 performance. Momentum in total income continued with Q4 FY25 at INR29.8 billion, up 16% year-on-year driven by traffic and growth in non-aero revenues, translating to an EBITDA growth of 19% year-on-year with INR11.2 billion. For FY25, the total income was up 18% year-on-year to INR108 billion and EBITDA increased 22.5% year-on-year to INR42 billion. EBITDA margin for the quarter was 51% in Q4FY25 versus 48% in Q4FY24.

Loss from continuing operations for the quarter was INR2.9 billion versus loss of INR2.1 billion in Q4FY24, while that for FY25 was a loss of 8.2 billion, almost unchanged year-on-year. This is despite a 27% increase in income from interest expenses for FY25 and 30% increase in depreciation, both resulting from capitalization of our expansion capex already incurred. Had the final tariff for Delhi Airport been issued by mid-year, our results would have been substantially better. Looking ahead, given the expected traffic increase and tariff revision, our position will only improve from here. Consolidated net debt excluding the FCCBs of INR24 billion, which are deep in money, stood at INR315 billion, increasing by INR18 billion versus Q3FY25. GAL had raised INR15 billion in the form of three-year non-convertible bonds, primarily to purchase the 10% equity stake in Delhi Airport from Fraport, while Bhogapuram availed a subordinated debt facility of INR3.5 billion for its Greenfield project, which is already at an advanced stage of completion.

On the operational front, traffic continues to grow 9% year-on-year and 1% QoQ growth in Q4FY25, reaching 31.5 million passengers. This is a number which excludes CEBU. Domestic passenger traffic grew 9% year-on-year, while international traffic grew 11% year-on-year in Q4FY25. International passenger traffic share for the quarter was 25%. FY25 passenger traffic increased 9% year-on-year to 120.5 million for the group. With respect to specific airports, during Q4FY25, passenger traffic at Delhi rose 7.5% year-on-year to 20.6mn and rose 7.6% YoY to 79.3mn for FY25. At Hyderabad, traffic was up 21% year-on-year to 7.8 million for Q4FY25, and up 18% year-on-year to 29.5 million for FY25. Both these airports handled the highest quarterly passengers in Q4FY25. Goa traffic for the quarter declined 5% year-on-year to 1.27 mn passengers. However, international passengers more than doubled versus last year. For Goa in FY25, traffic rose 7% year-on-year to 4.7 mn passengers. As new aircraft deliveries gather pace, we expect strong growth in international traffic as there is latent demand for international travel.

Total income of Delhi airport rose 24% year-on-year to INR16.4 billion driven by traffic growth, increase in non-aero income, as well as income from commercial property development with EBITDA increasing 42% year-on-year to INR5.3 billion. At Hyderabad, total income was INR5.9 billion, up 7% year-on-year with traffic driving this growth. EBITDA was up 9% year-on-year to INR3.6 billion. Mopa (Goa) airport reported a total income of INR1,201 million almost unchanged year-on-year as Q4FY24 had some CPD income arising from signing hotel agreements. The airport continues to report positive EBITDA in its initial years of operation with Q4FY25 at INR253 million despite a full quarter impact of revenue share kicking in.

Notable achievements during the quarter are:

Non-aero revenue at all our airports was stronger in the quarter. Combined non-aero revenues at Delhi, Hyderabad and Goa airports rose 13% year-on-year both in Q4 and for the full FY25. Duty free SPP at Delhi increased to INR1,010 in FY25 from INR 997 in FY24 while Hyderabad SPP was INR 727 in FY25 up from INR 683 in FY24.

The tariff order for control period 4 for Delhi airport was issued by AERA and new tariffs have been effective from 16th April 2025. With this the aero yield per pax or YPP should now be close to INR 360 versus INR 145 prior to the order. This also should drive a significant improvement in aero revenue, overall profitability and cash flow generation at Delhi airport during the current fiscal year.

The share purchase agreement with Fraport towards the acquisition of Fraport's minority 10% equity stake in Delhi Airport was concluded in the quarter thereby increasing GAL stake in Delhi to 74% from earlier 64%. This was done at a deep discount to what the analysts have been valuing Delhi airport.

Moving forward in its strategy towards consolidation of stakes in existing assets, Hyderabad airport entered into a share purchase agreement to acquire 70% stake in ESR GMR Logistics Park Pvt. Ltd. (EGLPPL) from other shareholders at a consideration of INR413 mn. The airport’s wholly owned subsidiary GMR Hyderabad Aerotropolis Ltd. already holds 30% stake in EGLPPL and with this transaction EGLPPL will become a wholly owned subsidiary of the airport.

Progress on developing the airport adjacency business continues. We are steadfast in long term strategy of converting GAL into a consumer business with the underpinnings of a utility company. GAL will start operating the Delhi duty-free concession from July 25 and will also take over the operations of duty-free at Hyderabad airport in Q2FY26. Very recently GAL has been granted a concession to operate, maintain and manage the existing cargo terminal at Delhi airport on similar terms to ensure continuity of operations post the termination of security clearance of one of the cargo operators resulting in cancellation of that concession. Overnight, GAL had to take over this concession thereby ensuring seamless transition and no disruption of services to customers.

Construction of multiple airport land development projects are underway at all airports.

As of March at Bhogapuram, 69% of physical progress is completed and we expect the airport construction to be completed by December 2026. At Crete 48% has been achieved with our target completion date being February 27.

Credit ratings of Delhi airport were upgraded by Standard and Poor's to BB from BB-, by Fitch to BB+, and by ICRA to AA from AA-. The expected improvement of financials in FY26 will further improve ratings and costs further. At Hyderabad too, Moody's upgraded the credit ratings from BA1 to BA2.

At GMR we firmly believe that integrating ESG principles is crucial for airport operators to build resilient operations, mitigate risks and secure a license to grow with an evolving regulatory and community expectations.

Delhi airport released its sustainability report 2024, a comprehensive disclosure that sets a new benchmark for climate action, innovation and social impact in the Indian aviation industry. The report outlines airport's transformation journey in embedding sustainability to the heart of its operations, making it not just India's busiest airport, but also its greenest.

Key highlights of the report are: Delhi airport became Asia's first level 5 carbon accredited airport in over 40 mn passengers per annum category. Delhi airport continues to operate entirely on net renewable energy. Over the last four years the airport achieved a 52% absolute reduction in carbon dioxide emissions and a 36% reduction in carbon dioxide emissions per passenger. Infrastructure projects like Eastern Cross Taxiway and deployment of taxibots and 22 new bridge mounted equipment have dramatically cut aircraft taxing time, fuel usage and greenhouse gas emissions. Delhi airport is on track to become a water positive airport. Through the GMR Varalakshmi Foundation, Delhi airport is actively uplifting the underprivileged communities across the national capital region. It recently implemented a hidden disability sunflower program making Indira Gandhi International Airport a sunflower friendly airport with personalized support for persons with non-visible disabilities. The report is available on Delhi airport's website and I would encourage you to read the report to appreciate Delhi airport's initiatives and actions on the ESG front.

Hyderabad airport achieved a level 5 carbon accreditation under the globally recognized airport carbon accreditation or ACA program, placing the airport amongst the top four airports in ACI, Asia Pacific and Middle East region. Goa airport won Build India Infra Awards in 2025 for sustainability in civil aviation sector.

Our IR presentation with all the financial numbers are already available with you. If not, you can download it from our investor relations section of our website. We are available to respond to your questions on this call and offline after the call. Now I would like to open the forum for queries that can be addressed by my colleagues from the corporate and the business teams. Thank you so much.

Moderator: The first question comes from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: Good evening, sir, and thanks for the opportunity. My first question is, sir, can you please explain the impact of Delhi tariff order expected on the annual revenues of DIAL?

Saurabh Chawla: Mohit, we do not give forward guidance on revenues. So the new tariff order we can talk specifics on that aspect of it.

GRK Babu: The current tariff was INR145 yield per pax. Now the revised tariff, which is now implemented from 16 April, 2025, is INR360 yield per pax. That means there is an increase of INR215 yield per pax. So, based on that, you can do the calculation. If it is 80 million passengers, it is about INR1,600 crores upside.

Mohit Kumar: Understood, sir. My second question is on the depreciation and interest. Of course, the interest has seen a sharp increase, Y-o-Y and Q-o-Q. Is this 9-10 billion quarterly number we should work with for the F26? Is that a fair assumption?

GRK Babu: Increase in the interest cost and depreciation arising due to on capitalization, which has been completed in last year, this is on a yearly basis. This will be more or less the final depreciation and interest cost.

Mohit Kumar: Is there scope for reduction in the interest cost as you go forward? This number looks to be sitting on the higher side?

GRK Babu: There will be some reduction in the interest cost because in the case of Delhi, there is one off about INR80 crores charged because of the cancellation of the hedges and that will not be there going forward. Further, since we have refinanced nearly INR2,500 crores in case of Delhi, from about 12% rate of interest to 9.5%. So, there will be some more savings. So, going forward, there will be some reduction in case of the interest cost.

Mohit Kumar: Understood, sir. Thank you and all the best. Thank you.

Moderator: Thank you. We take the next question from the line of Karthik Chellappa from Indus Capital Advisors. Please go ahead.

Karthik Chellappa: Good evening, sir. Thank you very much for the opportunity. Three questions from my side. The first question is, if I were to look at our CPD rental income for Delhi Airport against a run rate of about INR200 crores for several quarters, this quarter we have seen a sizable bump up to about INR383 crores. What has actually driven that and what is a steady state kind of CPD rental that we can actually expect going forward?

GRK Babu: Okay. This quarter, one of the assets which has been leased out in case of the CPD land, now all the CPs (conditions precedent) have been completed. Hence, IndAS 116 lease financing has kicked in. So, we have equalized all the MMGs which have been receivable over a period of next 46 years. As a result, there is a bump of about INR188 to INR190 crores this quarter. And going forward on a yearly basis, there will be an increase to the extent of about INR120 crores going forward.

Karthik Chellappa: Okay. So, from here on, the steady state should be somewhere about INR3 to INR3.2 billion per quarter?

GRK Babu: No. INR120 crores increase going forward on a yearly basis.

Karthik Chellappa: Okay. So, 1.2 billion increase on a yearly basis. Okay. Great. Thank you. My second question, sir, is now the FY26 will see the first year of the full effect of the new YPP. So, I don't mean it in the form of a guidance, but if I were to just do a basic math of keeping all other things equal, our aero revenues will now more than double. And if I keep our interest depreciation, everything constant, is it reasonable to assume that FY26 Delhi Airport should be able to break even?

Saurabh Chawla: I think that would again allude to guidance. I really don't want to give that forecast to you, but there is a significant improvement if you look at the Delhi Airport's P&L. And if you impute the numbers that you're articulating, I think the results will be quite obvious over there.

Karthik Chellappa: Okay. Great. My last question, sir, is on Hyderabad Airport. What we have seen is this quarter, there has been a sequential softness in the EBITDA margins for the Hyderabad Airport. And the effective tax rate this quarter has also been very high, almost about 44%, 45%. So, could you please clarify what led to the sequential softness and also the effective tax rate?

Saurabh Chawla: Just one minute, please.

Karthik Chellappa: Sure.

Amit Jain: Karthik, if you adjust this with respect to other income, you will see an improvement in EBITDA margin is mainly because in Q4, the other income is lower compared to Q3. That's the main reason.

Karthik Chellappa: Okay. Because even if I adjust the other income, even if I exclude it, there seems to be a reduction. So, that was why I was curious to see whether there was anything else apart from other income?

Saurabh Chawla: No, there could be some year-end expenses.

GRK Babu: Year-end expenses have been booked. Some of the expenses which have come around INR10 crores rupees extra, which has been accounted for. And as far as the tax is concerned, it is only in a book entry. And we actually take MAT credit back into the books. Hyderabad Airport is not paying any taxes as of now.

Karthik Chellappa: Got it. So, which means the steady state tax rate, I mean, it's not paying any taxes, but the steady state tax rate should continue to be about 33%, 34% then, right?

GRK Babu: No, this is actually what we have accounted for is only a MAT. It is not full tax. We are under MAT because we have carry-forward losses available under income tax.

Karthik Chellappa: Okay, excellent. Just one follow-up, sir, if I may, to your earlier comments that you made at the beginning that the economic environment had been a bit volatile in the first two months because of the developments recently. Has that had any impact on your volumes or your forward bookings in the short term? And if yes, how long do you expect that to last, whether it is in Delhi or in Hyderabad?

Saurabh Chawla: Basically, you are talking about the India-Pakistan issue and the impact on the traffic. So, honestly, it's a very minimal impact on traffic. It was only certain airports in North India to be shut down during those operations, during those 7 - 10 days. Minimal impact with the size of operations at Delhi. Hyderabad almost no impact and now we see a comeback even in those jurisdictions.

Karthik Chellappa: Excellent. Okay, that's it from my side, sir. Thank you very much and wish the management team all the very best for FY26.

Moderator: Thank you. We take the next question from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: Hi, good evening, sir. I have a few questions. Firstly, on the CPD income jump. So, we are implying that our annual CPD income at Delhi will jump from around INR800 odd crores to INR920 - INR930 odd crores going forward annually. Is this the right assessment? Also, related question, what is the timeline of other Real Estate projects which are going to commission including Bharti Realty starting to give you lease rental and other projects including the destination mall which we are building in that location?

Saurabh Chawla: Prateek, I have here Aman Kapoor who heads our CPD business over here. So, he will guide you on developments in that business. Aman.

Aman Kapoor: So, with respect to Bharti, in the first phase of the 5 million square feet FAR that was granted, almost 55% will get ready and commissioned by third quarter of this calendar year. That has no impact on revenues for DIAL because there is no revenue share and the fixed land rentals are continuing to be paid. So, it has no necessarily an economic impact. With respect to the shopping center, it is expected in first quarter of 2028 to start operations. From this financial year onwards, the minimum guaranteed rent has kicked in and that will continue to be paid irrespective of whether the project is completed or not. So, that's what the straight lining which GRK Garu had highlighted, explained earlier.

Prateek Kumar: And the Bharti Phase 2, when is that supposed to come in picture in terms of rentals, contribution to DIAL?

Saurabh Chawla: Well, they have a right to choose up until end of FY, I think it's the year 2027. They have a right to exercise that option.

Prateek Kumar: So, from FY '28 onwards, we should probably render that number?

Saurabh Chawla: Yes, if they exercise that option. Correct. Then the rentals will start kicking in.

Prateek Kumar: My other question was regarding Delhi duty-free. We have given this data on annual numbers for the big entities, duty-free, cargo, et cetera. That shows that EBITDA and PAT for the financial year '25 has INR340 crores and INR205 crores. That seems to be suggest a very small growth year-on-year, like basically compression of margins and almost a decline in PAT, while the top line thinks to be growing well. Why is that specifically?

GRK Babu: This is basically, if you look at it, FY'23-24 the duty-free was getting the refund of ITC on both arrival at departure stores. So, they got a benefit of about INR50 crores to INR60 crores. Whereas the government has withdrawn on arrival store and they are allowing only on departure store the ITC credit going forward from October 2023 onwards. As a result, if you compare '24 and versus '25, even though turnover has gone up, because of that ITC credit not available in FY '24-25, it has come down. So, it's just a 4% impact.

Prateek Kumar: So, it's a sustained impact. So, is this below EBITDA or above EBITDA line item?

GRK Babu: That was above EBITDA line item.

Prateek Kumar: So, your top line has grown 14%, EBITDA has grown 3% and PAT has declined by around 10% in FY '25 in this segment. So, that's why the question was there. So, I am not sure if it is completely explained. So, there are line items below EBITDA also which explains the PAT performance?

GRK Babu: Below EBITDA, there are no issues. So, below EBITDA is basically the last year profit versus this year profit. Profit has come down mainly because of the ITC refunds which they used to get. They used to put less cost in FY'23-'24, whereas 100% cost has been accounted for in FY'24-'25. That is the reason why at EBITDA level it has come down compared to FY'24-'25. And going forward that will be the final.

Saurabh Chawla: So, Prateek, your EBITDA margins in your duty-free business maybe about 15% to 17% going forward. Taking into account this one-time adjustment of withdrawal order from the government. This was as against 20% EBITDA margin earlier. So, from your modeling perspective, you should assume about 17% EBITDA margin.

Prateek Kumar: Sure. And lastly on net debt, now touched INR31,400 crores in this quarter. How do you see net debt in FY '26 from here and what is the capex expectation in FY '26 for the overall operation?

GRK Babu: There will be an addition because the Bhogapuram construction is happening. If you look at it in this INR31,000 crores, the Bhogapuram is accounted for only INR1,400 crores, INR1,500 crores So, we will be drawing additional INR1,700 crores in this FY'25-'26. So, to that extent, the debt can go up further. And GAL level also we have raised INR400 crores in April and we may likely to raise another INR200 crores - 300 crores in this financial year. So, about INR700 crores also GAL level will go up. So, total about INR 1700 crores plus INR 700 crores so overall it can go up by INR2,400 crores.

Prateek Kumar: This is the gross debt but net debt because your EBITDA cash accruals have also increased significantly because of tariff benefits in GAL. So, net debt can continue to go up or that may have peaked in FY '25?

Saurabh Chawla / GRK Babu: So, net debt will also go up slightly but not as much as the gross debt is because of the cash accruals, because of the enhanced tariff that we have now in place. Because DIAL will throw a good amount of cash because of implementation of the tariffs. So, that cash accrual will be there. Gross debt may go up by around INR2,500 crores but net debt may not go up that much.

Prateek Kumar: Sure, I will get back to the queue. Thank you.

Moderator: The next question come from the line of Dario Maglione form BNP Paribas. Please go ahead

Dario Maglione: I have two, if I may. One is on the Noida Airport just outside Delhi. It should open in the next few months. So, are you seeing any impact on airline scheduled capacity for the New Delhi Airport? And question number two is on, actually, Group ADP, as you know the CEO has changed at the beginning of the year and on the full year results call, the CEO mentioned that one of the pillars of his strategy is to get basically dividends from international assets including GMR airports. However, he also mentioned previously that there is a lot of opportunity to invest in India. So, within this context, when do you think that GMR airports will pay dividends? Thanks.

Saurabh Chawla: Yes, so on Jewar, honestly speaking, the opening of that airport is quite complementary to our Delhi Airport. Delhi Airport as you know we have expanded our capacity to about 100 million passengers. And there will be some, we would actually encourage some of the low yielding traffic and when I say low yielding traffic is, the ATRs and some domestic traffic, which does not spend too much at my airport to move over the next three to four years. It's not going to happen immediately. But next three to four years is what we expect that to happen, which is beneficial because my international airport, international traffic is growing quite robustly and that will release the capacity at the airport on the air side of it for the aircraft movements. So, it's very complementary for us that Jewar will open. The market itself is growing almost, 8% to 10% every year. There is enough for everybody. From a competitive scenario, Jewar Airport is almost, 70-80 kilometers from centre of Delhi. So, purely from a distance perspective, it doesn't serve the main Delhi and Gurgaon clientele. Even

Noida clientele, it doesn't service. It does service the greater Noida. And the catchment area for that is mostly Agra and Aligarh areas, which are from an economic standpoint a notch lower than the high yielding passenger traffic that we have from Delhi, Gurgaon and also other northern parts of India. So we expect that, as time goes by and over the next two to three years, as our capacity starts to reach about 100 million passengers, we expect some of the low yielding passengers to continue to move away from Delhi airport. And we concentrate on the high-yielding passengers, which are usually the international traffic of full-service airlines.

So that's the strategy. In nutshell, Jewar is very complementary to our business model. And as we go forward, we will continue to work with airlines to facilitate, their slots over here at Delhi airport. I just want to highlight one aspect that airlines don't give up slots. Once they get hold of slots, they hold them very, very dearly. But yes, on the low yielding ones, we would encourage these airlines to move to Jewar.

On ADP, I just want to again highlight, Philippe Pascal has taken over as the Chairman and Managing Director of ADP. Philippe was the CFO when we did the transaction in 2020. And he was one of the persons who negotiated with us. He fully understands the spirit behind their investment in GMR airports. And so we have a very strong relationship with the current senior management. Many of them have also worked for a brief period of time at GMR airports here in New Delhi. So from a transition perspective, we don't expect any turbulence. There's total alignment of strategy and objectives between Groupe ADP and GMR as far as the GMR airports business is concerned. With respect to dividend outlook, we have always highlighted that we should be achieving, on a consolidated level at GAL, FCFE positive status by FY'28. And the prerogative of giving dividend, of course, is with the Board of Directors. I really can't speak for them. All I can highlight to you is that purely from a cash flow perspective, going forward from FY'28, GAL would be in a position to give dividends as it goes forward. So we will, of course, guide the markets as we reach that milestone. But that's what our thought process is, that GAL should be a dividend paying entity for its shareholders. As you would have seen during last fiscal year, Hyderabad Airport has already declared dividends which have come to GAL. With the new tariff order Delhi should also start giving dividends after three years. Hence, we believe that also by that time, the transition of the non-aero businesses into GAL would be mature enough. So enough cash flow generation would have started to happen at GAL, facilitating any outflow of dividends from FY'28 onwards, that's my, guidance.

Dario Maglione: Okay. Thank you very much.

Moderator: The next question comes from the line of Nidhi Shah from ICICI Securities. Please go ahead.

Nidhi Shah: Yes, so my first question is, now since the cancellation of the Celebi in Delhi, who is managing it? Is it DIAL or is it GAL? And what are the revenues and PAT for FY '25 and what can we expect for FY26?

Rajesh Arora: Yes. So this is being managed by GAL now in terms of concession being taken over by GAL. And in terms of the revenues for FY '25, they clocked about INR780 crores and with a PAT of INR 120 crores.

For FY '26, this will be a forward-looking number. So maybe I'll, not talk about that, but you can assume reasonable growth over the numbers what I've just told you.

Nidhi Shah: And the Delhi duty-free, could you disclose the revenues and PAT for FY '25 if I missed it earlier?

GRK Babu: Delhi duty-free FY '25 clocked a revenue of INR2,200 crores with a PAT of about INR210 crores.

Nidhi Shah: And lastly, just at the Hyderabad airport duty-free, has that moved from GMR Hospitality and retail to GAL?

GRK Babu: Yes, it started moving into the GAL and full-fledged operations will be started by GAL from July 25.

Nidhi Shah: All right. Thank you so much.

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

Aditya Mongia: My first question links to the (traffic) growth we've seen in recent months at the Delhi airport. It started becoming more like a 6% kind of trend. Could you give us a sense of why growth appears to be kind of slowing down in these months - March and April? Because I would want to assume that like Hyderabad, capacity is only expanding. And could you give us a sense of how to kind of then think through about growth happening in Delhi?

GRK Babu: In terms of the Delhi, I think March has clocked very well and April. Since the base is very high, Delhi always growth is between 5% to 6%, maximum 7%. When it comes to Hyderabad, the base is very low, which is about 24 million. It has achieved 29 million. The growth is 17%. And as far as the capacity is concerned, Hyderabad has been built for 34 million capacity. And it has closed with 29 million this financial year. Next year, we are expecting to touch about 32 to 33 million.

Aditya Mongia: Essentially Delhi should be on the stable 5%-6% growth pattern here onwards given the high base

Saurabh Chawla: Yes, between 6% to 8% is the growth you can assume at Delhi airport, given the fact that today we are doing almost 80 million passengers. The base is so high.

Aditya Mongia: Yes. So it's not a capacity issue right now, right? It's just the way the demand is panning out in recent months. And its getting slightly better?

Saurabh Chawla: Also, Aditya, capacity is already done. The airside capacity is fully completed. We don't have to put in any capex to increase the airside capacity. The airside capacity will only now increase due to technological improvements for better ATM management. It can go up to almost 140 million there. But for that, you have to continuously work with the regulator, which is DGCA, to improve the software and other equipment over there. On the city side is where we have 100 million terminal capacity as on date. We can sweat these assets to take it to about 120 million. And if we reach that level, it's good news for all of us. And if we need to put some capex to further enhance the terminal to balance the capacity, we will do it at that point of time. So now it's only a question of passenger throughput. And for that, the best guidance you will get, at least in the listed space, is from Indigo. And I think I read today there was some news reports of Indigo that almost 80 aircrafts which were grounded are coming back over the next 6 months with their Pratt & Whitney engine issues getting resolved. So as the aircraft supply increases, the supply side will get de-bottlenecked and obviously, Delhi being almost 30% to 40% market share in India, that will also flow through Delhi. And last but not the least, will have a positive impact on fares, which will again put some tailwind on the demand for flying.

Aditya Mongia: Understood. That clarifies. The second question that I had was that, again, trying to kind of pick your brains up. You said 13% is a non-aero growth for the three aggregate assets in the fiscal and about I think 10%-ish is the growth in pax count. So it's about 1.3x that is happening in terms of growth and obviously inflation. It doesn't seem as if beyond inflation, any other meaningful factors that should be driving up performance, penetration, premiumization, so on and so forth, is helping us right now. How soon should we be expecting more than kind of a 3% differential in non-aero revenue growth versus the pax growth for the three assets that we have?

Rajesh Arora: Yes. Aditya, if you would have seen even in the past, our growth of SPP, which is growth over the normal traffic growth, has been in the range of about 5%. And that is like with the available space and all that. As we go forward, and you would have seen in case of Hyderabad airport duty-free business, the SPP growth has been significant. This was with the expanded area with the new offerings. So our focus is on three counts. One, how do you get more space to cater to the additional offerings? Second, in our given space, how do you bring in premiumization? So what we are doing is like in Hyderabad, we are bringing in reach to luxury and luxury segment as part of our retail offering. Similarly, on the F&B side, we are bringing in Michelin star restaurants. So those are the steps which are being taken to bring in premiumization of the offerings, more space, and also basically bringing in the differential product offerings here. So that's something that is now the focus and which will be driving our further growth beyond what you generally call it as an endurative growth for SPP.

Saurabh Chawla: Also Aditya, I think you need to take into account as the concession of the previous concessionaire was ending, obviously the focus was more on the transitioning aspect rather than on the growth aspect of it. As it comes back to GMR Airport fold, full efforts will be there to put the necessary investments, both from area space perspective, brands perspective, to take it to a different level.

Aditya Mongia: Understood. Third question that I had was on the part beyond the three airports in terms of revenues and EBITDA. And thank you so much for providing color in the presentation to the extent that you have. It's very helpful. The way I see through it, the additional EBITDA, the other three assets, is coming in from two buckets, one of which is very clear, the facilities of yours, the hotel, the duty-free in Hyderabad, parking in Delhi. The other half has been clubbed up inside GAL standalone as an EBITDA. And by the way, this is a fairly high EBITDA margin business that is getting clubbed up. Could you give us a sense of this bucket and what are the key drivers and how should we be taking to growth in this fairly large EBITDA item which is all clubbed up for now? Clarity would be useful.

GRK Babu: Basically, in case of the GAL, the revenues are, we put it in three buckets. One is basically the management fee and operator fee which we collect. The second one is the interest income. The third one is the adjacency business non-aero, basically four verticals. One is the retail, other one is the cargo, third one is the car park, and fourth one is the duty-free. So now all those things have started showing in this current financial year in GAL, which are likely to grow substantially going forward, especially duty-free, where we are taking over the Delhi as well as Hyderabad duty-free, which will start operating from July 2025 onwards.

Saurabh Chawla: So, in a nutshell, I think what GRK Babu is highlighting to you is that this is mostly management fee, dividend earned from Hyderabad, and interest earned from loans extended towards subsidiaries. That's the component that today that bar represents. But as the transition happens of the non-aero businesses, this component as relative to the growth of the other component will slowly come down, and operating income will substantially go up.

Management: So, operating income in the FY '26 can go as much as more than INR2,200 crores.

Aditya Mongia: From the existing INR800 crores, INR900 crores that is there, maybe in this bucket at this point of time. Now, I just wanted to kind of clarify, will you be adding in the next year, Delhi duty-free to GAL? You will be adding Delhi cargo to GAL?

GRK Babu: That's correct. Delhi duty-free, Hyderabad duty-free, both will be operated by GAL from July 2025. That's what I said, the current financial GAL has closed with a turnover of about INR1,200 crores, with EBITDA about INR600 crores, which will substantially go up the next financial year because of adding of the duty-free business. And EBITDA also will substantially go up.

Aditya Mongia: And in this case, are you also counting in Delhi cargo and Hyderabad warehousing ventures? Will they be over and above INR2,200 crores?

Amit Jain: Aditya, sorry to intervene, there are two other participants also in the queue. I would request if you can come again in the queue.

Aditya Mongia: Thank you so much for your response. Thank you.

Moderator: Thank you. We take the next question from the line of Karthik Chellappa from Indus Capital Advisors. Please go ahead.

Karthik Chellappa: I just have one question to a comment that you had made earlier, that you expect the gross debt to still go up by about 24 billion, split between Bhogapuram, which would be another 17, and another 6 to 7 at the holding company level. So am I correct factually?

GRK Babu: Yes, correct. You're absolutely right.

Karthik Chellappa: Okay. So just one question on that. Number one is Bhogapuram is already 69% complete. In other words, almost more than two-thirds complete. And if I look at the net debt on Bhogapuram, it's already about 17 billion. But if we are borrowing another 17, it's almost doubling the borrowing there for an additional 30%. So how do I reconcile that?

GRK Babu: No, the physical progress we are showing, but billing has not happened from the contractor. So we continue to pay them as and when the bills have been received. There will be always a lag to the extent of INR300 crores to INR400 crores in payment. It is not because we don't have the money, because they take more time to submit those, Number one. Number two, the total debt for Bhogapuram Airport itself is INR3,215 crores. That means we have raised about INR1,400 crores to INR1,500 crores. Another INR1,600 crores to INR1,700 crores we have to raise to complete the project. Complete and pay all the loans.

Karthik Chellappa: Excellent. One last question, sir. On the holding company debt, where you're raising another 6 to 7 billion, what would that be employed for?

GRK Babu: Basically, about INR250 crores is the deposit which we have to give to DIAL for the duty-free business. We also have to make equity investment in case of Nagpur Airport to the extent of about INR200 crores. And we also have to make another INR110 crore rupees equity investment in case of Bhogapuram. And other small other requirements. All put together about INR6 - INR7 crores.

Karthik Chellappa: Okay. Thank you very much for this detailed clarification, sir. That's all from my side.

Moderator: Thank you. We take the next question from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: Yes, thanks for the opportunity again. I have just a couple of questions. Firstly, because of this Pakistan airspace ban and diversion of traffic routes because of that, has there been any instance of some airlines shifting traffic to maybe Mumbai? Or do you foresee that happening?

And second question is, which is a different question, on regarding new concessions, like government has recently approved few new greenfield projects at Odisha, Kota and Chennai part 2. So how are we looking at these concessions coming up?

Saurabh Chawla: So typically, I'll just say that there is no movement of traffic from Delhi to other airports because of the airspace having got shut by Pakistan. And actually, most of the foreign airlines are now operating. They started to operate through Pakistan airspace. Indian owned airlines or Indian flag airlines are not operating. So there was no movement away from Delhi. So that is one feedback.

Rajesh Arora: On the part of the new Chennai second airport and other opportunities, these are the projects which we look at on the merit of it. And as and when those processes are launched by the government, yes, we definitely have keen interest in all opportunities in India. But it should be value accretive to all the shareholders. So those will be evaluated and considered on the basis of merit of that opportunity.

Prateek Kumar: Thank you.

Saurabh Chawla: Again Prateek, very simply put, today I am at about 120 million passengers. Going at about 8% to 10% every year. I want to make money on the investment we have already done. I am under no pressure, obligation or optical reasons to have more airports under my belt. As a preference, we like to put more money to work in Greenfield airports. Let's see what the terms and conditions come for these Greenfield airports. But we are hungry for returns. We are hungry for dividends. And we will grow our current portfolio to whatever levels of capacity that we have created. So that is the only guidance I would like to give to you.

Prateek Kumar: Thanks for the clarification.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question and conclude the question-and-answer session. I now hand the conference over to Mr. Saurabh Chawla for his closing comments.

Saurabh Chawla: Thank you friends for joining us on this Q4 FY'25 and Annual results call. I hope we have been able to satisfy all your queries. But in case you have any further questions, the IR team is available offline both through email questions or by having a call with them. I urge you to contact them and clarify your questions. And look forward to meeting with you very soon. Thank you so much.

Moderator: Thank you. On behalf of GMR Airports 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*