



“GMR Infrastructure Limited Q1FY23 Investor / Analyst Conference Call Transcript” July 30, 2022

Moderator: Ladies and gentlemen, good day and welcome to GMR Infrastructure Limited Conference Call, to discuss Q1FY2023 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 ‘*’ then ‘0’ on your touchtone 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 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 opening remarks. Thank you and over to you, sir.

Saurabh Chawla: Thank you, and good afternoon, ladies, and gentlemen.

I also have my other colleagues on the call G. R. K Babu, who is the Secretary CFO of the Airport business, now of course has become a pure Airport vertical, but he handles the minuter details of the Airport business. I also have Amit Jain who is the IR Head and Navneet Singh who Heads our Strategic Finance who has joined us recently. Rajesh Arora is also there. And on the call from Mumbai, we have Suresh Bagrodia who is the CFO of Operations, and Ashish Jain, who Heads, Strategy. So, all my colleagues are here to answer any of your queries.

So, first, thank you for joining our 1st Quarter Fiscal 2023 Earnings Call. As you can see, various countries are facing lots of challenges emanating from a high inflation, commodity, price shocks, diminishing value of currencies, and of course, monetary tightening that’s happening world over.

However, India of course remains an outlier, a bright spot in this current global scenario. Most economic activity indicators in India remain robust, despite the global headwinds, and despite the monetary tightening at home.

For instance, Services PMI has now grown to 59.8 in June. IIP growth rate for May '22 is at about 19.6%. Manufacturing PMI is holding steady between 53 to 55 since January of '22.

Performance of GMR Infrastructure for Quarter 1 Fiscal Year '23

Coming to performance of GMR Infrastructure for Q1FY23, net revenue increased by 24% year-on-year to Rs. 1,030 crores odd, while EBITDA increased by about 21% year-on-year to about Rs. 428 crores in Quarter 1 Fiscal Year '23, mainly driven by traffic improvements in our operational Airports. Thereby a net loss after tax has also reduced from about Rs. 180 crores odd in Quarter 1 Fiscal Year '22 to about Rs. 113 crores in Quarter 1 of the current fiscal year.

Highlight -Key Points in Business

Here, I would like highlight key points in our business. We made significant progress in our CAPEX programs of Delhi, Hyderabad, and Goa. Delhi has achieved about 68%, Hyderabad about 75% and Goa Airport has achieved about 85% completion as of June 30th, '22. As you are aware Goa Airport is targeted to be inaugurated in August '22, while Delhi and Hyderabad are targeted for completion in September of '23 and December of '22, respectively.

In Goa, we have already filed the multi-year tariff proposal for the first control period starting from 1st April '23 to 31st March '28, with inclusion of partial period of 1st September '22 to 31st March '23.

In Crete Airport, about 13.2% financial progress has been achieved, with completion of 90% of earthworks in the Airport area, and 32% earthworks in external access roads as of June 30th. We are on track to achieve the completion target as stipulated.

On the Medan Airport, the Angkasa Pura Aviassi, APA, the joint venture company of GMR Airports and Indonesian State-owned Airport operator which is Angkasa Pura II or APII as its more popularly known, formally took over the operations of Medan Airport beginning July.

Passenger Traffic

On the passenger traffic, Delhi Airport and Hyderabad Airport have exhibited continued recovery of international traffic, which is currently standing at about 79% and 87% of pre-COVID levels respectively as of July 17, 2022. As post removal of restrictions on scheduled flights, various international carriers have resumed their operations and added capacity to various Indian destinations.

Domestic traffic at Delhi Airport and Hyderabad Airport have recently been impacted by seasonality, and also to a certain extent by high airfares, which have resulted in traffic being at about 88% to 87% respectively, to the pre-COVID levels. However, the long-term growth story remains intact.

In our Medan Airport, traffic recovery is encouraging as domestic traffic recovered up to 94% of pre-COVID levels and international traffic recovering steeply. Overall traffic recovery is above 80% in Medan Airport.

In our international Airport Cebu, it continues to be in a recovery phase as domestic daily pax is now nearing 60% of the pre-COVID level, while international traffic is still lagging behind at 10% of Quarter 1, and that's mainly because the international traffic into Cebu is mostly from East Asia which is primarily China, Koreas, and Japan.

In our Delhi Airport as an interim arrangement, we and the Airport Authority have entered into a settlement agreement on the payment of monthly annual fee, with effect from April '22 prospectively. So, the results that you see is after the payment of the monthly annual fee, the last three odd months during the quarter.

In Delhi Airport, we have successfully completed the issuance of five-year non-convertible debenture amounting to about Rs. 1,000 crore odd, the proceeds will be utilized partly to finance the Phase III expansion plan.

In our Hyderabad Airport, we have received a letter of confirmation from Ministry of Civil Aviation, extending the term of Concession Agreement for a further period of 30 years. That is from March 2038 to March 2068.

On Airport Land Development in Hyderabad Airport, lease agreement has been executed with Schneider Electric for a lease of build-to-suit facility of about 0.38 million square feet in two phases on 18 acres of land.

In Delhi Airport we have recently or yesterday actually awarded a contract to the Chalet Hotels. The owner developer and asset manager of hotels for developing a hotel at Terminal 3. The terminal hotel will be about 350 to 400 rooms and position in the 5-star Deluxe space. The development of terminal hotel at T3 will bring hospitality to travelers at the gates of international terminals. It will provide significant benefit to transit passengers both domestic and international.

In Nagpur Airport, the Supreme Court of India has upheld the judgment of Nagpur Bench of Bombay High Court that had previously quashed and set aside the letter issued by MIHAN India Limited., annulling the bidding process for Nagpur Airport. Accordingly, the authorities are expected to execute the concession agreement at the earliest at Nagpur Airport with GMR.

Going forward traffic recovery will be mainly driven by lifting of curbs in airline capacity, addition of routes and capacity opening up with the opening up of East Asia especially China and Japan. As per industry experts airline fleet is expected to go up by 2.5x over the next five to seven years.

New airlines such as Akasa is now getting ready to launch its operations in India. And Jet Airways is not far behind re-launching under a new owner. I believe that Akasa's first flight is expected next week or 10 days' time.

Existing airlines are also adding capacity and flying to new destinations.

On the ESG front, sustainability has always remained a key element of GMRs corporate ethos and strategy. GMR led Airports across the nations are making consistent efforts to maintain the ecological and support sustainable development. Our endeavor is to ensure operations are carbon neutral and accordingly we constantly monitor our activities carefully to further reduce emissions. A major milestone was achieved during this fiscal year where Delhi Airport now has started to operate, with 100% of its energy requirements being met from renewable sources.

The presentation with all financial numbers are already available with you. If not, it can be downloaded from our IR section on our website. We are available to respond to your questions on this call and offline post the call. Now I would like to open the floor where my colleagues from the corporate and businesses can answer your questions. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Abhiram Iyer from Deutsche Bank. Please go ahead.

Abhiram Iyer: Congratulations on a strong set of numbers in a challenging quarter. My first question was on CAPEX expenditure over the next three quarters of the fiscal as well as into the next fiscal. Could you just give out individually what those would be for Delhi Airport and GMR Hyderabad Airport? And with and without any proceeds from lease facility as well?

GRK Babu: In case of the Delhi Airport, this current financial year, we have expected to spend about Rs. 3300 crore. And we have already spent about Rs. 600 crore so far. And in case of the Hyderabad we will be spending about Rs. 2,000 crores this financial year and with that entire expansion will be completed.

Abhiram Iyer: So, Rs. 2000 crore will be till December '23 that's a targeted date for Hyderabad, right?

GRK Babu: Yes, December '22 is the target for Hyderabad Airport. But maybe it may take one or two months more, but by March 2023, everything will be done.

Abhiram Iyer: And this Rs. 3300 that you mentioned for Delhi, this is before we take into account any proceeds from the lease facility?

GRK Babu: Some amount of lease facility also will be used in that. But as of today, it is about Rs. 500 crore to Rs. 600 of lease facility we expect to use.

Abhiram Iyer: And the second question was on the Tribunal case, with regards to the Delhi Airport. If I may, what's the current status? When is the next hearing?

And just one quick question, I know we have said that it's around Rs. 1,300 crore of payment that we have sort of mentioned and we have protested around Rs. 400 crores of payments already made. May I know what the opposite party AAI is claiming or is bringing to the Tribunal?

GRK Babu: No, always our stand was that as per the concession agreement and the OMDA we are entitled in case of the forced majeure. We are entitled to excuse from the performance of our obligations. So, that has already been I mean, at Delhi High Court level since they have agreed upon they have found the merit in our argument, they have given us stay on payment of the annual fee.

So, for the '20/'21 and '21/'22 together we have not paid is about Rs. 13 billion that is about Rs. 1,300 crore. However, from 1st April 2022 onwards, we have started taking the payment of annual fee. It is only the issue is now pending only for two years, Rs. 1,300 crore. The arbitrary tribunal all the documentation, everything has been completed, everything has been filed before them, the dates have already been provided by the Tribunal in the month of October they will be doing the cross examination of the main witnesses, and then after that, arguments and the judgment is expected to be by end of December. This is as per estimation.

Abhiram Iyer: And the Rs. 1,300 crore, this is the disputed amounts at most right. I know obviously if it goes in our favor, then this will, and we do have the right of force majeure so this will may be waived. But is this the actual amount that is claimed by AAI or are they putting any penalties or additional interest or any other charges?

GRK Babu: You know in case of the force majeure as it is the interest and penalties are not applicable #1. #2 The company has not been paying it because of the High Court stay so that is the second ground. So, far AAI has not put any claim, they were only asking for the MAF payment as of today.

Moderator: Thank you. We have our next question from the line of Mohit Kumar from DAM Capitals. Please go ahead.

Mohit Kumar: Good Afternoon Sir. Good to see good recovery in traffic. My first question is, so by the end of this quarter, and next year, we can see the Goa and the Hyderabad Airport, the expansion adding to our revenue is the right assumption?

Saurabh Chawla: Correct. That is the right assumption that by next year, they will add to our revenue. Goa and Hyderabad on a consolidated basis, yes.

Mohit Kumar: Second is, what is your outlook on the Airport, land monetization, especially for Delhi Airport. And where are we in terms of land anticipation of 2.16 million square feet at Delhi Airport for the two developers?

GRK Babu: 2.73 million has already been taken over by the existing winner of the the bidder. And he has already that's called Bharti. They have already paid the money in the last year September. The next 2.16 million, they are going to take over by March 2023. And we are expecting the payment by April 2023.

Mohit Kumar: The land has identified is, you don't expect, so you don't expect any hurdle, right --?

GRK Babu: No, no, land is already identified. It is already available in case of the hospitality districts next to it, so there are two land parcels have already been identified and the infrastructure needs to be developed. So, there should not be any challenge.

Saurabh Chawla: As a matter of fact, the work has already begun on that, on the 2.73, that is already with Bharti and they have begun the work also on it. So, it's not that something which is speculative in any nature.

Mohit Kumar: And what is the outlook for the rest of the, let's say 24 months for the monetization?

Saurabh Chawla: At this stage, we are not looking at any further monetization, beyond what has already been contracted. So, in the last bid, it was a bid which was five plus five. And as you know in real estate, the absorption levels have to be taken care of before further monetization. We are not contemplating any monetization of further land beyond this 5.0 in the near future. Subsequent to that we will see what happens. But even then that now mostly our strategy is going to veer towards our self-development rather than monetization of that.

GRK Babu: Our right of Bharti for the next 5 million is still available today.

Mohit Kumar: Lastly is there any cash losses in expected in FY'23? And if yes, how do you intend to fund it? And does it mean the corporate loan which is 19 billion at this point of time will inch up by the end of this fiscal?

Saurabh Chawla: Yes, so, we are, I mean, the cash losses which are there, are very minute as of now, as far as Q1 is concerned. And I think by the end of this fiscal year, this will also get mitigated. There is enough liquidity available within the group to manage any of these liquidity mismatches that may be there, from a losses perspective.

Mohit Kumar: My question is there any specific policy enablers which you are looking at, which can improve our non-aero revenues, especially on the duty-free side?

Saurabh Chawla: No, we are not looking for any specific policy initiatives, businesses on the non-aero side are quite robust. And in our strategic plan over the next few years, we want to consolidate the non-

aero businesses and various entities and manage at the holdco level, that is the way we are going to proceed forward because as we keep adding number of Airports in our family, we believe that if we can create consumer businesses out of that, then we can change the nature of our business just from merely an infrastructure company to a more of a consumer driven company.

That's a strategy that we will articulate, we have articulated in the past. And as we go forward, we will implement it but that's a three-year journey as we go forward. But from a government perspective, we are not looking for any specific policy initiatives which may help the non-aero side of the business.

Moderator: Thank you. We have our next question from the line of Rushabh Sharedalal from Equirus PMS. Please go ahead.

Rushabh Sharedalal: You know, the first question will be on the DIAL Airport. So, our presentation on Page 13 mentioned that the maximum capacity at DIAL which we can handle is 119 million so that's like a 12-crore kind of a number annually. Now, if I do the rough math of it considering that there will be 130 to 140 people at the aircraft on a particular aircraft, my number comes to roughly managing 9 lakhs aircraft per annum, which is roughly almost 100 aircrafts per hour. So, considering the fact that we presently have three runways at the Airport and the fourth runway is cutting the third runway. So, how will we able to manage such a kind of number given the fact that even the best Airports in the world manage roughly 40 aircraft, air traffic management per hour. So, if you can just help me get a sense of those 119 million that we want to manage, that will be my first question.

Saurabh Chawla: So, let me answer the first question, I think your facts are a little wrong, we have four parallel runways. One runway is slightly elongated but it is fully operational. So, from an efficiency perspective, it does not put any drawback on the ATM at the Airport itself. So, I don't think your maths will work out if you were to take into cognizance that there are four operational runways, that will be available and they can be switched with a cross taxiway, we will be able to handle many more aircrafts both from a takeoff and movement within the Airport perspective.

GRK Babu: Another thing is you are taking an average of 134 passengers, but in case of wide body aircraft, which we are going to employ, we are going to allow more, they are going to carry upto 250 to 300 people average #1.

#2 On our air side capacity, which we are now building up can take 2000 movements per day that is the capacity we are building even today itself. So, you are talking about 119 million which is going to take after to 7, 8 years. By that time, a lot of technology will also change and with the existing capacity available we do not foresee any challenge.

Rushabh Sharedalal So, basically just wanted to understand that you said that these larger aircraft, so let's say if there are 100 aircraft that we are landing, how many of those 100 would be larger and how many of those would be normal aircraft, if you can give just a rough ballpark number --?

Management: No, Rushabh I would request you, why don't you come to Delhi. Okay, you come and meet with our technical team and you see what is happening both on the technology side and what process improvements are happening other than the physical infrastructure that is coming up, that would be, you would be able to get a much better comfort.

GRK Babu: On an average about 20% are wide body aircraft right now.

Saurabh Chawla: Right now, but that is expected to go up because of international travel going up. See Delhi is an international hub for India. And hence, our focus is yes, it's a wide bodied for all international flights, most international flights, whereas narrow and cargo also and narrow bodied for the domestic or regional flights, if I may say so.

From a maths perspective, you should assume about 30% odd of wide bodied as we go forward and the capacity being about 250 to 300 seats per aircraft.

GRK Babu: So, another thing is all the airlines are moving to three to one, and which are the bigger aircraft even domestic also, which can carry up to 220 people.

Rushabh Shredalal: And just wanted to know your views on the upcoming Jewar Airport. So, how are we, you know, because the Phase I of the Jewar Airport, they expected to commence by 2024 with roughly managing 1.2 to 1.5 crore passengers and going ahead it will be some 7, 8 crore passengers. So, how many passengers or air traffic do you feel that will shift from DIAL to Jewar? Or if not, then how are we actually anticipating the capacities going ahead?

Saurabh Chawla: So, if you were to assume the same maths that we are assuming for Jewar then we can very easily handle not even 119 million passengers, but much, much more. But coming back to your specific question, yes, Jewar is going to go live sometime in 2024. '24 it will get complete, in '25 it goes live. It really does not pose too much of competition for us because the location of Jewar is a little distant from the economic centers of Delhi and Gurgaon. Delhi Airport is actually a city Airport now. It's right in the middle of Delhi and Gurgaon, which are the true economic engines of the National Capital Region. So, we don't foresee much competition.

The second aspect is even as the Airport starts operations and starts to grow, it will be primarily more low-cost airlines that would have a look at it, serving passengers from the Western UP, agricultural belt or industrial belt of Moradabad, Aligarh, and Agra. The highly what you call paying passengers if I may say so, will be all catered out of Delhi, most of the international flights will get catered out of Delhi because that's where the passengers prefer.

So, both from a geographical location attribute perspective and also the underlying economic activity perspective Jewar has still a long way to go before it can pose any competition for Delhi Airport. But yes, in 10 years, as the traffic is growing, and air travel will continue to grow Jewar will be a very successful Airport at that particular point of time. So, nothing to be worried about at least in the medium term for us.

- Rushabh Sharedalal:** So, we have shared some amount of revenue with Airport Authority of India starting 1st April, '22. So, if you can just quantify the number that we have shared this quarter and the sustainable number that we will be sharing every quarter going ahead, some ballpark figure if you can?
- GRK Babu:** See 1st Quarter we have paid Rs. 400 crore as a revenue share to Airport Authority of India by DIAL. So, going forward, since 1st Quarter we achieved about 15.3 million, so 60 million if you say, more or less, we will be sharing the same amount every quarter.
- Rushabh Sharedalal:** So, that will be Rs. 400 crores every quarter. Did I get the number correctly?
- GRK Babu:** That's is what we say that Rs. 400 crores this quarter we paid and we are expecting the traffic will be the same for the next three quarters. Yes, it is about Rs. 400 crore.
- Moderator:** Thank you. We have our next question from the line of Anshuman Ashit from ICICI Securities. Please go ahead.
- Anshuman Ashit:** Congratulations on good set of numbers and also for taking over Medan Airport. Sir, on Medan itself, so correct me if I am wrong. So, this will also add to FY24 full year revenues apart from Goa and Hyderabad, is that understanding correct?
- GRK Babu:** Yes that is equity matter, because in Medan Airport we are holding 49% stake and 51% is held by APII. So, they will be consolidating, we will be counting on equity matter.
- Anshuman Ashit:** And if you could give us some data on the FY'22 performance of Medan Airport, maybe the EBITDA and the traffic, which was there in FY'22? Will it be possible?
- Saurabh Chawla:** We will share it offline with you. Amit will share it with you separately, I don't have it readily available here with me right now.
- Anshuman Ashit:** Moving on to the Goa Airport. So, you mentioned that there will be an interim arrangement because the petition which has been filed is starting from April'23. So, what is the traffic assumption that you have made for this interim arrangement and will the tariffs also be the same as you have mentioned in your petition?
- GRK Babu:** No as far as tariffs are concerned in case of the Goa, we have filed an application for a control period April '23 to April '27 March '27, that is but in the interim period of this six months or five months to six months, we have asked for adhoc UDF which the regulator in principle agreed and they are examining it, we are filing necessary papers –
- Anshuman Ashit:** And how do you see the traffic shifting from the existing Airport to this Airport, how do you see the growth for this new Airport which is coming, Goa?

- GRK Babu:** There is a good momentum and the airlines are actually asking for the slots, but we are expecting the winter schedule will be starting by them. And as you know, there are five hours of the block period in case of the existing Dabolim. So, we are expecting that these five hours will be the crucial for the airlines and also then we are expected good amount of the traffic -. As of today, airlines are already requesting for the slots which our team is already working on.
- Anshuman Ashit:** And are we planning to monetize the land bank over there as well?
- GRK Babu:** Yes, the work is going on in that direction also.
- Anshuman Ashit:** Coming on to the revenue share in Delhi. So, in the presentation an amount of Rs. 817 crores is mentioned. So, you just mentioned that the revenue share was Rs. 400 crores for Q1. So, what does this Rs. 817 crore comprise of?
- GRK Babu:** No, Rs. 400 crores only we have paid in 1st Quarter.
- Anshuman Ashit:** In the presentation so, if I look at the Slide #35 revenue, that was a mistake on my end. Then a final question on Cebu Airport. So, the profit over there, in fact the loss over there has been consistent despite the growth in traffic and revenues. So, when do you see this turning around.
- GRK Babu:** So, in the 1st Quarter of this calendar year because Cebu follows the calendar year was, we grow the traffic but April onwards it started improving a lot. And this is the second quarter, June quarter, they will be much better placed. And we are expecting Cebu, this financial year this will be able to do more than 60% of the pre-COVID level traffic.
- Anshuman Ashit:** So, probably by next financial year, we may see some profits over there.
- GRK Babu:** Profits we cannot comment, but at least it will be able to meet all its obligations.
- Anshuman Ashit:** So, one final question. So, there were supposed to be testing of the earnouts of Rs. 1060 crores by FY22. And so could you tell us whether that has happened and where do we stand?
- GRK Babu:** So, the earn outs will be, you see, they were supposed to be tested after the audited accounts although the audited accounts are over with. We are in conversation with ADP. And it should be settled over the next few months itself. So, that's not an issue at all.
- Moderator:** Thank you. We have a next question from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** The first question that I had was on the capacity front. Now, you did mention 119 million Delhi capacity. I wanted to get a sense that is this today constraint more by the air side capacity, and can this number become larger over time?

GRK Babu: Yes, as of today, it was constrained by the air side we are now building up the capacity on air side, which is we will take care of up to more than 100 million, 119 million.

Aditya Mongia: Okay, can the number be meaningfully different than 119 over time, just getting a sense from you, because I think this is for an asset like Delhi an extremely important parameter for us to monitor.

GRK Babu: No, but 119 is the capacity --, you can always sweat it, because today the technology and going forward the technology is going to change and the aircraft mix can change and anything. So, because of that 119 million basically we have estimated basing on 2200 movements per day, it was highest movements. So, there should not be any challenge as far as the handling of 119 million.

Saurabh Chawla: And with the sweat, actually, Aditya it can go up to about 140 odd million. That is normally that we have seen in our Airports, we have experienced that in Delhi also, we have experienced that in Hyderabad also. So, we take into account all that as we go forward. But yes, physical rated capacity will be 120 with the potential to go up to about 140.

Aditya Mongia: The second question that I have was this notion that obviously Delhi will become an international Airport hub at some point of time you did allude to let's say a 400 keys hotel coming about at the terminal. As we see through this transition, which are the other things that you need to do for Delhi to start becoming attractive as a hub over time?

Saurabh Chawla: Well, I think the best is that if we can offer wide bodied direct flights to North America, and to also Australasia, if I may say so, so Australia and the Far East. These are two aspects which will catapult Delhi into a hub similar to a let's say hub in Dubai.

What does Dubai offer? It offers direct flights all across the world, it has a great duty free and shopping environment at the Airport. That's all, I mean, for a transiting passenger he requires these two aspects very well right. And Emirates, which is the main airline servicing Dubai is able to cater to these transiting passengers globally.

So, if we have Air India now, which is now in the private hands catering to similar fashion. And Air India is, has its home in Delhi. And along with that in the low-cost category if I may put you know Indigo as it starts to grow and spread its wings, Delhi has all the attributes to become a global hub over here.

So, yes airlines have to play their role for Delhi to become a global hub. The government policy is very much there now incentivizing airlines to use Delhi as a hub. So, our previous policies were more inclined to encourage hub flying from Middle East that has all now gone. New technology has helped airlines now to shift to direct flights from Delhi, so the 777ERs or the 787 aircrafts are now flying all over.

So, all the attributes are there and it is always a partnership between the airline and the Airport. We are fully supportive of the airlines. And with the Air India now being in private hands, I hope they have the same global aspirations with which actually that airlines started many years back right. So, that is where we are also banking upon them, and also on Indigo.

So, we are quite well-positioned from that perspective. As the Indian diaspora grows, as tourists traffic within India grows Delhi will be a main hub that will be servicing both Asia, Europe, and North America.

GRK Babu: To add on to that, basically, because of the COVID people are more preferring to have a direct flights rather than via flights. So, that will also enhance the connectivity of the Delhi, the far distance places, especially in the U.S. now, we are connecting more than 80 destinations and Canada. So, that will improve further I mean, reduce the dependence on the Middle East carriers and Middle East. And that connectivity will improve.

Aditya Mongia: And just to gel well both my questions together, the capacity is also important. In this scenario that Delhi starts becoming more like a hub, the way you put it, is 30% a good number of wide bodies, because it kind of defines the capacity or have you seen instances of Airports having a larger proportion also, as they become a hub?

Management: No, no, the number will surely go up. Honestly speaking and this also answers an earlier question by other analysts, I think Mohit asked that question is, how do we compare ourselves with Jewar. Delhi Airport is going to be an Airport, which targets the creamy passengers, international fliers versus the low costs flying within domestic. So, 30% is just a number out of the hat, our focus is how we can continuously increase that number, because that's where the cream lies, right. And that brings in shopping in our Airports that gives us much better per passenger fees.

So, airlines are also happy because they are far more efficient. And the hub and spoke model that will service the domestic side of it also gets serviced. So, it's a composite strategy. Don't limit yourself with that 30% that was just an anecdotal benchmark given because the earlier comment was that we are only 20%, right. So, we grow to meet that capacity, we are gearing up to go that capacity.

GRK Babu: So, I complement, what Saurabh has said, if you look at about four or five years back, we used to have a lot of ATRs. And still the movement the ATMs means there is ATR whether it is Jet, whether it's a bigger aircraft time is one in the same. Now almost ATRs have moved out, only wide body and narrow body have come. And over a period of time narrow body also will come down and we will have a more and more wide bodies.

Saurabh Chawla: See narrow bodies are far more efficient. And I think maybe airline analysts can give you a better answer over there. They far more efficient if the flight is between you know five to six hours, six hours after which it becomes fuel inefficient. So, you need to have wider bodied aircraft which can fly longer distances for airlines to make money. And that's going to be our focus.

Aditya Mongia: The third question is more micro from my side. So, if I see the debt numbers of Delhi and Hyderabad, inside your overall debt, it seems as if your standalone debt numbers are basically going up quarter after quarter. And situation today is such that you have not capitalized on the CAPEX that you are doing at some point of time interest costs are going up. So, it will be useful if you can give us some sense that let's say by FY24 when you start kind of paying the interest costs as well, assuming no moratorium. How are you kind of thinking of funding this thing up? Because today already your standard debts are going up because interest costs keeps on piling up.

GRK Babu: The issue is as far as the DIAL is concerned that the debt has not gone an except Rs. 1000 crores which we have added this quarter. And the total project cost of Rs. 10,500 crores approved by the Board. And this amount is part of that and after that the with the lease financing we don't require any further debt.

Yes, you are correct but over a period of time once by FY24 when their capitalization is completed the entire debt will, the interest will carry to the P&L account, but at the same time, our tariffs will also go up and the traffic also estimated to be 75 to 80 million. So, that will take care of the entire the debt servicing. And further monetization of the land and raising of the RSDs will help us out in repayment of the debt also over a period of time.

Aditya Mongia: So, see maybe this is not the right forum, and we can discuss this later on also but the fact that you are suggesting that on land, you probably want to kind of not lease out, but actually construct. It just makes the dependence on internal accrual and thus the traffic growth and non-aero revenues, a lot more to kind of service, our commitment. So, maybe later on, if one, can you discuss the funding part over a two-to-three-year perspective. And whether one really needs to get external support or not, would be useful for investors to kind of assess the company. I get it's a timing call, but yes still.

Saurabh Chawla: Exactly, it's a timing call. In our modeling, the operations both at Delhi and Hyderabad are very much supported. Hyderabad, of course, because it has a very low revenue share. But Delhi also and again, it's all a question of what you are assuming how much the non-aero will emerge? What is your assumption on the traffic? Absolutely, those can be discussed with us offline, but the optionality for creating more internal accruals through monetization. We prefer to monetize now assets than just to monetize land. And that's the focus that with which we are now moving forward. And hence, that's why we talked about self-development.

So, there are a number of built to suit opportunities where we will build for third parties for their particular requirements. And then we can monetize that building into InVIT or a REIT, whatever makes sense, or to any Sovereign or a Pension Fund, similar to what Bharti has done very recently with Brookfield. So, that's a strategic call as to how we should be doing. We don't want to leave substantial amount of development profits in the hands of a real estate developer and we are just a landowner over there. We rather create value on that land, it is our land, and how

much does it take to create your own building? It's not a very complicated business, right. So, it's a timing issue nothing else other than that.

Aditya Mongia: I will just kind of end it off with this final question and it kind of summarizes most things said, do you think that you will have to choose one of these two things, whether you monetize your land as part of your existing concession or you add more output for overtime, would there be a choice that you would have to make or do you think you can do with both without external funding?

Saurabh Chawla: No, so adding Airports is a very different strategy.

Aditya Mongia: Funding perspective, that's common right, you put in money either there or there?

Saurabh Chawla: Yes so even in the funding side of it, if we look at it and clarity will emerge over the next six months, which I can't really highlight at this particular stage. But our strategy over there is mostly in the Brownfield Airports. And hence, the equity requirement in those Airports would be very minimal. We are not very aggressive on Greenfield developments, but mostly on the Brownfield side. And hence, bringing in operational efficiency and capital efficiency in an Airport that is our forte and that's where we will be operating on. So, whether it is Nagpur or Medan right now in Indonesia, and there will be many more opportunities that the teams are working on, those are mostly Brownfield in nature and hence the equity requirement is going to be minimal, which can be actually funded through internal accruals itself from a group level perspective.

Moderator: Thank you. We have a next question from the line of Renjith Sivaram from Mahindra Manulife Mutual Fund. Please go ahead.

Renjith Sivaram: Just a clarification, I think in the last call, you had mentioned there are certain revenue share which were not paid during that COVID time. And I think we had approached the Tribunal or the Court to get some concession for that, along with the other players also. So, any update on that, has that passed or still yet to be finalized?

GRK Babu: I think they have already clarified on the call; I think you have just joined a little late. As far as the 20/21 to 21/22 the amount which has not been paid is about Rs. 13 Billion INR and 22 1st April onwards, we have already started paying the annual fee, monthly annual fee. 1st Quarter we have already paid Rs. 400 crore. The matter now which is pending before the Tribunal, all the necessary documentation has already been done. And cross examination is expected in the month of October after that the final arguments and expected to have the final verdict by December or January of this year.

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

Vipul Kumar Shah: So, what will be our steady state revenue from lease rentals at Delhi Airport once this second tranche of land is also leased out, annually, can you give any ballpark figure?

- GRK Babu:** Yes, 2.73 they have already taken another 2.16 they take the total lease rentals the company DIAL will receive is existing hospitality district is about Rs. 130 and the new one is Rs. 360 total about Rs. 500 crore annually.
- GRK Babu:** This is the about the new hotels or new monetization without considering that.
- Vipul Kumar Shah:** And this revenue is also subject to that 44% revenue share to Airport Authority?
- GRK Babu:** Yes, as per the existing concession agreement as of today entire revenue earned by the DIAL we pay 45.99%. Only in case of the tariff determination this revenue cross subsidy will not be done on CPD revenues there will not be any cross subsidy.
- Vipul Kumar Shah:** And secondly, once Goa Airport becomes operational. So, what is your assumption? What kind of revenues we can generate annually or once it stabilizes the operation?
- GRK Babu:** This is basically forward looking, but if you look at it, because it all depends upon the tariff determination, aeronautical revenue, and non-aeronautical revenue. So, when you go into the full capacity of 7 and 7.5 million we can touch about Rs. 800 to Rs. 1000 crores in revenue.
- Moderator:** Thank you. We have a next question from the line of Rushabh Sharedalal from Equirus PMS. Please go ahead.
- Rushabh Sharedalal:** Just two small bookkeeping questions from my end. So, one regarding the Airport land monetization, you already said that 2.73 million has been taken over by Bharti and 2.16 we expect to do it by March '23 and the payment to be received by March '24. Any expected amount what sort of an expected amount do you expect to receive from this transaction?
- Management:** On 2.16 million we will get another Rs. 600 to Rs. 800 crores with regard to ADC and RSD together.
- Rushabh Sharedalal:** And one question on the DIAL and the Hyderabad Airport. So, our revenues are 8.9 billion and 2.7 respectively with EBITDA in DIAL being 2.9 billion and Hyderabad being 2.1 billion right. Just wanted a breakup of this 2.9 and 2.1 billion in aero and non-aero for DIAL and Hyderabad?
- GRK Babu:** In case of the DIAL the aero revenue is Rs. 219 crores in case of the Hyderabad aero revenue is about Rs. 178 crores.
- Rushabh Sharedalal:** No actually I wanted the EBITDA breakup of aero and non-aero –
- GRK Babu:** We do not do aero, non-aero EBITDA. It is a simple P&L account where we have revenues of aero and non-aero other income and other expenditure, total expenditure, then EBITDA is drawn. There is no separated preparation of EBITDA for each line.

Moderator: Thank you. We have a next question from the line of Anshuman Ashist from ICICI Securities. Please go ahead.

Anshuman Ashit: So, just wanted to know what will be the equity requirements for FY23 and 24. And I suppose this will be mainly for Crete Medan and Bhogapuram projects. So, if you could just tell us the details of FY23 and FY24.

GRK Babu: The equity requirement in case of Crete there is nothing because Crete investment has already been done last year itself. Medan equity has already been completed in the month of April itself. And Bhogapuram we are not expecting much it is only Rs. 30 to Rs. 40 crore this year.

Anshuman Ashit: What was the amount for Medan that we have already done?

GRK Babu: Medan we have already infused \$13 million dollars it's about Rs. 110 crore.

Anshuman Ashit: One final question, we see a significant jump on the non-aero revenues both for Delhi and Hyderabad. So, could you please tell us what will be the current spend per pax especially in the light of international passengers traffic also coming in from March onwards. So, what will be the current level of spend per pax at both Airports?

GRK Babu: We can provide offline --

Saurabh Chawla: Slide #18 it's there.

Moderator: Thank you. I now hand over the call to Mr. Saurabh Chawla for closing comments. Over to you sir.

Saurabh Chawla: Thank you, ladies, and gentlemen, for joining our Quarter 1 call. The IR team is available for any further queries that you may have, you can take that offline, you can send us an email or you can get on a call with them. Thank you so much. Have a good weekend, bye.

Moderator: Thank you 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.