GMR Airports Limited

(formerly known as GMR Airports Infrastructure Ltd)

Q2FY2025 Investor / Analyst Conference Call Transcript
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Moderator: Ladies and gentlemen, good day, and welcome to GMR Airports Limited (GAL) conference call to discuss Q2FY2025 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 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 the opening remarks. Thank you, and over to you, sir.

Saurabh Chawla: Thank you, and good afternoon, everyone. I welcome our shareholders, analysts and other stakeholders to our Q2FY25 Earnings Call. Q2FY25 has set the right momentum going into the festive quarter which is the best quarter for travel. According to Moneycontrol, data from Atlys, a visa platform, showed that there has been a considerable surge in visa applications from Indian travellers during this festive season. For instance, Visa requests for Diwali and Durga Puja have increased up by 18% as NRIs (Non-Resident Indians) and international visitors from Europe, the US, and Southeast Asia have planned trips to India. Similarly, the annual Oktoberfest in Germany, which was held between September 21 and October 6 this year, reported an 18% rise in visa applications from India. Besides festivals, music concerts and sporting events also drove travel demand among Indians, especially for overseas destinations, leading to a rise in visa applications.

The Hong Kong Tourism Board has said that Indian travellers are among the top spenders in Hong Kong, with an average expenditure of HKD 9,000. Additionally, the average length of stay for Indian visitors has increased from three days in 2018 to 4.5 days in 2024. The special administrative region of China is setting ambitious goals to double the number of Indian visitors this year, by organising a series of festivals and events to attract them. As such, the type of focus on Indian travellers is tremendous and this was just is small example to demonstrate that. And of course, the first and the last leg of this travel happens at the airports. Hence, we are very excited and optimistic of the opportunity space and the prospects of GMR Airports. In fact, Delhi's Indira Gandhi International Airport climbed to 24th position among the world's best connected airports, improving from 25th spot in 2023, reflecting its growing importance as a global aviation hub, travel data Official Airline Guide (OAG)'s report stated. Delhi Airport was the only Indian airport in the Top 25 list.

I'm also happy to share that GMR Airports was the sole Indian airport developer to be named in one of the "World's Most Trusted Companies" in Newsweek's 2024 survey and achieved 5th place globally, in the Transport, Logistics & Packaging Category. This echoes our strong focus on governance as well as stakeholder relationships. Our Hyderabad Airport has also won the India Travel Awards for Best Airport for the 3rd consecutive year.

On that note, let me now delve into our Q2 performance.

Momentum in total income continued, with Q2FY25 at INR 26.0bn up 20% YoY driven by traffic and tariff growth, translating into EBITDA growth of 17% YoY to INR 9.6bn. EBITDA Margin for the quarter was 49% in Q2FY25 (vs 52% in Q2FY24). Higher finance cost and depreciation arising post completion of expansion of Delhi and Hyderabad airports lead to GIL reporting a loss from continuing operations of INR4.3bn. These movements are expected in any infrastructure company post a heavy capex round. However, we are encouraged to see that we are close to cash break-even on consol basis and given the expected traffic increase and tariff revision due at Delhi Airport, our position will only improve from here in coming quarters and years. Consolidated Net Debt (excluding FCCBs of INR 24.3bn) stood at INR 287bn, increasing by INR 7bn vs Q1FY25. This was mainly driven by a combination of borrowings raised at Bhogapuram which is a greenfield project being undertaken and payment of balance capital expenditures at Delhi.

On the operational front, we continue to see the growth in traffic, i.e. 8% YoY growth in Q2FY25, reaching 31.5mn passengers. Domestic pax traffic grew 7% YoY and International pax traffic grew 12% YoY in Q2FY25. There was a marginal dip in traffic vs last quarter driven by seasonality. International passenger traffic share for the quarter was at 24%. Regarding specific airports, during Q2FY25 passenger traffic at Delhi rose 8% YoY to 19.0mn. At Hyderabad, traffic was up 14% YoY to 6.9mn. Both these airports handled the highest number of half-yearly passengers ever in H1FY25. Goa traffic rose 16% YoY to 1.04mn passengers.

Total Income at Delhi Airport rose 10% YoY to INR 13.8bn driven by traffic growth with EBITDA almost unchanged YoY to INR4.0bn. A couple of points to highlight here – one is that our employee benefit expenses for the quarter increased (post disbursement of annual increments) and also, the DIAL JVs especially Duty Free declared dividend on which revenue share is payable (so while income from associates gets accounted below EBITDA but revenue share is captured above EBITDA when dividend is declared). At Hyderabad, total income was INR5.8bn, up 15% YoY with growth driven by both traffic and slight increase in aero tariffs for FY25. EBITDA was up 9% YoY to INR 3.7bn. Mopa

(Goa) airport reported total income of INR 978mn, an increase of 134% YoY on a lower base, strong traffic growth and new tariffs applicable from Jan'24. The airport continues to report positive EBITDA in its initial years of operation, with Q2FY25 at 406mn.

Notable achievements during the quarter are as follows:

We continue to consolidate our stakes within our airports. GAL entered into a Share Purchase Agreement with Fraport AG Frankfurt Airport Services Worldwide ("Fraport"), towards acquisition by GAL from Fraport, of their minority 10% equity stake in Delhi International Airport (DIAL). Post the proposed acquisition, GAL stake in DIAL will increase to 74%

Progress on foraying into the airport adjacencies businesses continues. GAL entered into a License Agreement with Delhi Airport on 21 Aug'24 after emerging as the selected Bidder to develop, operate, manage and maintain the Duty-Free Outlets at the Delhi Airport. GAL will take over the operations of Delhi Duty Free from 28 Jul'25. As all the adjacency businesses start generating cash at GAL level along with dividends from Airports, we are very confident that corporate debt of GAL would start to slide down over the next few years.

GMR Nagpur International Airport Limited, a wholly owned subsidiary of GAL signed a Concession Agreement with MIHAN India Limited on 8 Oct'24, towards the upgrade, development and operation of the Nagpur Airport. The process to take over the Airport is underway. Hon'ble Prime Minister Shri Narendra Modi graced the groundbreaking ceremony for the upgrade and modernization of the airport on 9 Oct'24

I'm also happy to announce that operations at Delhi's new terminal 1 started from 17th August. This will significantly boost our capacity, easing pressure on Terminals 2 and 3. Post this expansion, capacity of DIAL is 100mn passengers. At Hyderabad also, the expansion works are complete and commissioned, taking the airport's capacity to 34mn from 12mn passengers

Earlier this week, GMR Promoter Group executed an agreement with a wholly owned subsidiary of the Abu Dhabi Investment Authority ("ADIA") on 22 Oct'24, securing INR 63bn in structured debt instruments with a tenure of up to 8 years and carrying no cash coupon (i.e. 100% PIK). Proceeds from this transaction will be used to refinance all "Loan Against Shares" of the GMR Promoter Group, thereby consolidating multiple lenders into a single source of very long-term capital. This will lead to a significant reduction in pledge of GMR Promoter Group shareholding in GAL along with mitigating both, refinancing and settlement risk

As you all know, we completed the merger of erstwhile airports holding company with the List co in Jul'24. Subsequently the name of the List Co has also now been amended to GMR Airports Ltd.

I would also like to highlight and clarify a couple of regulatory updates in the past few weeks.

- The first one being the Supreme Court order of 18th Oct where it held that appeals filed by Airports Economic Regulatory Authority (AERA) against orders of Telecom Disputes Settlement and Appellate Tribunal (TDSAT) are maintainable. We would like to again clarify a misunderstanding created by certain media groups on this order. The Judgement has nothing to do with decision-making power of AERA over tariffs for Non-Aeronautical Services. It simply maintains AERA's rights to contest the TDSAT judgements received by Airport Operators/Service Providers in Supreme Court. The cases / litigations that have been filed by AERA will proceed for hearing based on merits.
- The second order (which represents a significant upside to DIAL EBITDA when implemented) came from Delhi High Court where it dismissed the appeal by Airports Authority of India (AAI) against the Arbitral Tribunal's award. The award pertained to definition of 'Revenue' for computation of the Annual Fee (i.e. Revenue share) payable by Delhi Airport to AAI. Specifically – in calculating 'Revenue' certain items have been allowed to be excluded (details are in the Press Release and Presentation). Also, DIAL is entitled for refund of excess Annual Fee paid from Jun'15 basis this calculation of 'Revenue'.

As of September, at Bhogapuram, ~42% physical progess is complete while at Mopa (Goa) ~99% of expansion is complete and we expect commissioning within Q3FY25 at Goa. At Crete, ~40% progress has been achieved as of September.

At GMR – as we connect the world, we recognize our responsibility to reduce carbon emissions and environmental impact, foster inclusive, diverse and safe airport communities and govern with transparency, accountability and integrity. CSR Spend for Q2 totaled INR 40mn with total beneficiaries over 20,000. Delhi Airport became the first Airport in Asia to achieve Net Zero Carbon Emission status, surpassing its original target to achieve this by 2030. It has earned the esteemed Level 5 certification from Airport Council International's Airport Carbon Accreditation program. This underscores a 90% reduction in scope 1 and 2 CO_2 emissions with remaining offset through approved methods. Our Hyderabad Airport was conferred with 2 titles at the 25th National Award Ceremony for Excellence in Energy Management organized by the Confederation of Indian Industry. The first award, "National Energy Leader", marks the Airport's 6th consecutive win, while the second, "Excellent Energy Efficient Unit", was secured for the 8th successive year.

The presentation with all financial numbers are already available with you. If not, you can download it from the IR 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, which may be addressed by my colleagues from the corporate and business teams. Thank you.

Moderator: Our first question is from the line of Prateek Kumar from Jefferies.

Prateek Kumar: My first question is on Hyderabad Airport. In this particular quarter, we have seen non-aero revenues have been like, sort of flattish on a year-on-year basis at Hyderabad, despite commissioning new capacity and much higher volume numbers, et cetera. Why that would be the case? That is the first question.

Management: Prateek, can you please again ask the question a little slowly because there is a little bit of disturbance. Just ask slowly. We have not understood your question please.

Prateek Kumar: The non-aero revenues at Hyderabad Airport are flattish during this quarter on a year-on-year and quarter-on-quarter basis at INR148 crores. Any specific reason, despite the growth in volumes, why the overall non-aero revenues are like slower showing growth in this quarter?

Management: Sure, so Rajesh, you want to take this question, please?

Rajesh Arora: So, Prateek, in case of Hyderabad, there are some stores which are still under renovation, and we are re-doing some of the stores, both on the retail side as well as on the F&B side. And those stores will be up and running in the next two quarters. So, as we go along, you will see further growth in the spend per pax. And secondly, when you see on this quarter versus last quarter, it will be primarily because of the seasonality impact on primary and the duty-free business.

Prateek Kumar: No, I was just comparing it to last year's number, which is exactly the same. But your volumes are much higher year-on-year, but your non-aero revenues are actually the same year-on-year.

Rajesh Arora: As I mentioned, Prateek, there are some stores, because we just expanded our capacity, and there are new stores which are getting ready. The older stores are undergoing renovation and we are redoing those stores. So, those are being kind of renovated in a phased manner and you will see the full impact of the total growth coming in the next subsequent two quarters.

Prateek Kumar: Okay, second question is we have now completed the expansion at both Delhi and Hyderabad. Are there any startup costs which are part of P&L which is also impacting margins in second quarter and maybe third quarter also because they're just completed and maybe it will take some time to ramp up and they'll get absorbed as the volumes pick up?

Saurabh Chawla: Prateek, you are right. I'll ask GRK Babu to answer this, but you are alluding to the right aspect here.

GRK Babu: No, as far as the costs are concerned, we have almost accounted for. The manpower has already been ramped up and it has already been accounted for in the second quarter. There will be a slight increase in manpower, otherwise more or less everything has been now in place.

Saurabh Chawla: So, not much of a delta, Prateek on increase on the costs. You're absolutely right. In Q2, there would be ramp up costs that would have been taken into account in the both expanded airports of Delhi and Hyderabad.

Prateek Kumar: This will get accounted only in the employee cost or somewhere else also in any other line item?

GRK Babu: No, employee cost, whatever the increase in the employee number has already been accounted, there will be a slight increase in the maintenance cost, because now we are awarding the contract for expanded terminals. There will be a slight increase.

Prateek Kumar: Okay, third and last question is on interest expense. So, that seems a bit higher at Delhi and the consol level this quarter Any one-off in that number if you can help us?

GRK Babu: The increase in interest cost in Q2 in case of Delhi is basically because we have completed the refinancing of INR2,500 crores. In that context, the old hedges have been cancelled and because of that INR 82 crores has been accounted as a one-time in the interest cost.

Saurabh Chawla: The benefit of this refinancing, Prateek, will flow over the next many years, because there was a substantial delta between the existing bonds that were there in the books of DIAL versus the new financing that we have in place.

GRK Babu: The existing bonds were carrying almost 11.5% rate of interest, and we have refinanced with 9.5% rate of interest. So, you will see the reduction in interest cost going forward quarter-on-quarter.

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

Moderator: Thank you. The next question is from Karthik Chellappa from Indus Capital Advisors. Please go ahead.

Karthik Chellappa: Yes, thank you for the opportunity, sir.

Moderator: Karthik we can barely hear you. If you are on a hands-free, request you to use the handset.

Karthik Chellappa: Sure. Is this any better? Am I audible right now?

Management: Yes slightly better, Karthik. Please go ahead.

Karthik Chellappa: Okay. I will try to speak louder as well, sir. My first question is, if I were to look at our cash flow statement for the first half today at an operating cash flow, we are almost like down about 40%, 45% year-on-year, purely on operating cash flow. What would be the reason for that?

GRK Babu: So, basically, the capitalization of the entire assets and the interest cost hitting the P&L account. Earlier, it was taking into the CWIP as we were capitalizing the interest during construction which has fully has been capitalized as on 31st March, 2024. Now, it started hitting the P&L account.

Karthik Chellappa: So, this is something that should continue for the rest of the year, at least this year, because the capitalization was higher this year relative to last year. Would that be a fair understanding?

Saurabh Chawla: Karthik I would actually allude to a little different thought. It has already hit. Now, the impact will only get mitigated as the traffic continues to grow and the new tariff as in when it comes. So, this is a very short-term phenomenon as far as this fiscal year is concerned.

Karthik Chellappa: Got it. Okay. My second question, sir, is if I were to look at Delhi Airport and Hyderabad Airport's P&L, I mean, in Delhi Airport the revenue growth is still pretty decent, but the EBITDA, absolute EBITDA is almost flat whereas in Hyderabad again, the revenue growth is healthy, but the EBITDA is still growing lower than our revenue growth. Now, you alluded to some factors like renovation of some stores on the non-aero side in Hyderabad and some maintenance expenditure or so.

I'm just curious to see at what point of time do you think we will start to get this non-linear growth at both these airports where the EBITDA growth will be faster than revenue? At what point do you think we can start to see that?

Saurabh Chawla: So, you'll have to wait for a few quarters for that to happen because as businesses migrate from being either in the JVs or in the subsidiaries into the main entity, the EBITDA growth will still remain, I would say range-bound, but as those businesses stabilize and the revenues start to getting fully captured, for example, in Delhi the duty-free will only happen from next year. In Hyderabad, while the duty-free is already being captured in the main entity, but it is still a kind of treated as a pass-through. So, it is still a work in progress.

I would say you should look at the absolute numbers that will emanate over there over the next few quarters and not look at the initial gyrations that are happening as these businesses migrate.

Karthik Chellappa: Got it. My last question, sir, is if I were to look at the GAL's profitability statement and if I take that whole EBITDA which you have disclosed which is 9,618 million for this quarter, if I were to deduct the Delhi airport EBITDA, Hyderabad airport and then Goa and if I were to do a year-on-year comparison the EBITDA which is not attributable to these three airports has actually grown significantly year-on-year. What would be the income streams or drivers of this EBITDA and should we expect that this EBITDA will continue to grow faster than the EBITDA at the three airports?

Amit Jain: Karthik your understanding is perfectly right. The growth in EBITDA is more because one is the GAL's standalone plus if you look at the subs what we have at the Hyderabad or the Delhi airports, those JVs especially the MRO is doing very good. So, this EBITDA is contributed by the GAL standalone and these subs at the airports. And as we move forward, these subs are performing very well and hence the visibility in expansion in EBITDA moving forward will be more.

GRK Babu: Especially the MRO has done exceptionally well this quarter and also GMR Airports also started operating the car parks at Hyderabad airport. All those things have added the additional EBITDA.

Karthik Chellappa: Which means we can expect that going forward, the GAL EBITDA growth will probably be even faster than the EBITDA growth at the three airports because these income streams are growing faster. That would be a reasonable conclusion?

GRK Babu: To some extent.

Saurabh Chawla: Correct Karthik.

Karthik Chellappa: Okay. I do have a few follow-up, but I'll probably come back in the queue. Thank you very much, sir and wish you and the team all the very best, and wish the team a Happy Diwali.

Saurabh Chawla: Happy Diwali to you also, Karthik. Thank you so much.

Moderator: Thank you. The next question is from Jainam Jain from ICICI Securities. Please go ahead.

Jainam Jain: Good afternoon, management. Congratulations on the results. So my first question is why are we seeing the higher interest cost that is INR140 crores higher compared to the previous quarter, even though the debt level has not increased?

GRK Babu: The same interest cost. The premium which we have paid on the cancellation of the hedges has been accounted for in Delhi, to the extent of about INR82 crores and there is additional FCCB to the extent of about INR30 crores and total about INR120 crores additional interest has come.

Jainam Jain: Okay. And so where do we see the Bhogapuram and Crete airport capex getting completed?

GRK Babu: Bhogapuram will be completed by only 2026 July and that is what the target, though the time is available to December. Delhi has already been completed. Crete is up to 2027 February.

Jainam Jain: Okay sir. Thank you so much.

Moderator: Thank you. Next question is from Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: Yes. Good afternoon, sir. Sir first question is on the tariff order for Delhi. I think a consultation paper is yet to be issued. So what is your expectation of the final tariff order for Delhi airport, some timelines?

GRK Babu: The application has already been filed very recently. The entire AERA along with the chairman members have visited the airport and visited all the facilities. SBI Caps has been provided with all the explanations, whatever they have asked. Now, the data submission is completed. They are in the process of drafting the consultation paper. We are expecting that it should hit anytime by end of November. That is what we are hoping for.

Mohit Kumar: Is the consultation paper to be out by end of November or December?

GRK Babu: By end of November.

Saurabh Chawla: But that will be your interim tariff.

GRK Babu: No, it is basically the consultation paper will be out. After the stakeholder consultation, once it is completed, we are expecting the final tariff order in the mid of February, hopefully, and it will be implemented by the first April.

Saurabh Chawla: From a retrospective effect.

Mohit Kumar: Understood. The second question is on the Delhi duty-free. I think you won the contract. That is what you did. My question is what was the bidding parameter and what is the revenue for Delhi duty-free in H1 and profit? Is it possible to share?

Saurabh Chawla: So, Rajesh, you want to take it for Delhi duty-free what were the bidding parameters and what was the profitability last year and in H1. I think those are the two questions. Correct me if I am wrong?

Mohit Kumar: Revenue and profit, yes both.

Rajesh Arora: Saurabh I will take up the first question, which is the bidding criteria. So, this was basically highest revenue share. That was the criteria and there were certain technical qualification requirements and plus the financial criteria was the highest revenue share. And GMR Airports got it on a competitive basis which is the revenue share is again competitive to what currently being paid by Delhi duty-free to Delhi Airport.

Mohit Kumar: Understood.

Rajesh Arora: On the profitability and revenue, maybe GRK Babu, if you can take up.

GRK Babu: As far as the Delhi duty-free is concerned in the first year it has achieved a turnover of almost about INR1,050 crores with a PAT about INR90 crores. And the last year, it was also about INR1000 crores turnover, but the PAT was a little higher because last year, the corresponding period, they have ITC (input tax credit) was available. Now, it has been withdrawn because of that, the profit has come down.

Mohit Kumar: My question for the entire year, the entire fiscal, FY24?

GRK Babu: FY24 in Delhi duty-free has closed with a turnover of INR2050 crores with a PAT about INR200 crores.

Mohit Kumar: Understood, sir. My last question, sir, of course, you mentioned that GMR Enterprises enter in structured debt transaction with ADIA. How does it help us as a company level. Given that, I am asking this question because our interest cost of INR1,000 crores has to be very high on it INR30,000 crores debt. Of course, I do understand that a part of it is premium or is that something which you paid for refinancing, but still that number is still very high.

Is there any way we can reduce to maybe something, I can expect a INR3,000 crores run rate on the current debt? Is it a fair assumption in the next couple of next three, four, five quarters?

Saurabh Chawla: You are talking about GEPL debt or talking about GAL debt? I'm a little confused with yours.

Mohit Kumar: I'm just putting two plus two together. I'm actually saying that GMR Enterprises the structured debt transaction, my question is how does it help us, right?

Saurabh Chawla: Well, let me answer that first. As you are aware, GEPL is a promoter entity. This promoter entity had taken certain loans from financers from financing companies by pledging its shares in the GMR Airport and used those for business purposes, for investment purposes. These loans were from more than 15, 18 or different finance companies and these loans also carried a cash coupon and they were always in a mode of some refinancing and some settlement happening all during the year. What this transaction allows is the access to not to a short-term financing, but a very long-term financing. It's an eight-year financing that is there in place.

The pledges that were given in the earlier loans, this particular facility reduces those pledges substantially or significantly. Third is the fact that there is no cash coupon servicing in the interim over the eight years and hence, it is only a settlement to be done at a later point of time and hence, there is no pressure on the promoters to finance, to service that debt. Basically, it truly matches the purpose of which the loan had been taken through this financing and removes this overhang of high pledges on the GMR Airport shares. That was always a concern for investors in the capital markets. It permanently reduces that overhang. I hope I've been able to answer that.

Mohit Kumar: That's very helpful, sir. My last question is on the interest cost or interest on the higher side. I understand that you have refinanced the Delhi Airport loan, but there is also a large amount of loan which is on the GAL level of 48 billion. Is there any plan to refinance the debt to lower coupon in the next three, four quarters? Can we expect that?

Saurabh Chawla: At every step of the way, our cost on the new financing or the refinancing is only reducing. Here, I would like to highlight one aspect. As many of the adjacent businesses have now moved to GAL or GMR Airports, this entity is no longer a holding company but has now become an operating company.

With the operational cash flows, for example, from duty-free business or cargo business and other businesses, we expect that in the next round of refinancing, the cost of that refinancing will be substantially lower than the current cost because it's an operating company. There's significant free cash that gets generated by these businesses. Yes, to answer your question, will there be a compression in the interest cost as we go forward at GAL level, the answer is in fact a yes

Mohit Kumar: Thank you, Sir.

Moderator: The next question is from Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Good afternoon, everyone. Thank you for the opportunity and congratulations on a fairly healthy set of results. I had a few questions from my side. The first one being linked to the question just asked. This is related to when does the peaking out of standalone debt for GMR Airports happen?

I understand that there'll be new business claims that come about and there'll also be refinancing of debt. In your assessment, how far away are we from coming to, let's say, a peaking out of debt happening at the standalone level?

Saurabh Chawla: So, Aditya, we are very close to peaking out. As you know, we have already announced the acquisition of a 10% stake in Delhi Airports held by Fraport. That will be financed through debt. So, currently, our debt is about INR5,000 crores. Another INR1,000 crores will get added to it, so let's say INR6,000 crores. So, I would say that would be a peak level of debt at GMR Airports. And during this period of time, cash flows have also started to generate from the existing businesses that have moved to GMR Airports.

So, I would say if you were to combine a few things together, if you were to combine dividend flows from the assets, especially from Hyderabad, cash flows coming from these asset-like non-aero businesses, which GMR Airports is now currently doing, fees that this GMR Airport earns from the airports for the management, and some of the receivables that are already there that GMR Airport has to receive, I am very, very confident that in the next three to five years, actually, this debt will come down to zero. So, that is what we are working towards. This particular debt no longer carries a credit risk of a high nature. It's a low credit risk debt that is there.

Aditya Mongia: Thanks for the cover. The second question I had was more on the Supreme Court hearings that are happening as regards to TDSAT's kind of supportive orders for the aero tariff of Delhi. I believe a hearing would have happened yesterday. A) could you give us a sense of how this case is kind of proceeding? When do we expect a final judgment? And B) will the eventual tariff order that comes from AERA only happen and be dependent on the result of this kind of petition or both of these are fairly different events in themselves?

GRK Babu: Aditya, this is basically on CP2-CP3, where Delhi Airport has got a favourable order from the TDSAT. It has been challenged before Supreme Court by the AERA and other contestants. So, the hearing has started yesterday, and it may take some more time. Most probably, Supreme Court gives only three, four days for all the contestants to argue and close the case, unless they ask for more time. So, we are keeping our fingers crossed. That is one aspect of Supreme Court.

The second side is, as far as the regulator is concerned, we have filed in our application even requesting for the CP2-CP3 benefits from the TDSAT. But since the matter has been contested before the Supreme Court, how the regulator is going to view it, we are not very clear. But most probably, they may not consider unless there is a favourable order from the Supreme Court.

So, for this consultation paper, which is likely to come up, the CP2-CP3 benefits may not be included. However, our claim of the Supreme Court earlier order on corporate taxes that we are entitled to, and the entire capex of INR 12,000 crores, which we have incurred, both will be considered by the regulator for the purpose of tariff determination, plus also our future operational capex and everything. So, that is what we are considering right now.

Aditya Mongia: Understood. And just to close this topic out, now that we are kind of moving towards a scenario where in the variables and the quantum of benefits is broadly known i.e. the corporate tax and capex – would INR400 to INR450 be an adequate range for the aero yield per pax for the next five years? Or do you think there are significant upsides and downsides to this number? And I'm assuming TDSAT numbers only reflect in the next control period, not in this one. I'm just trying to focus on the corporate tax and the capex numbers.

GRK Babu: You are right. Currently, our yield per passenger is about INR150-INR152. Considering there's so much of huge capex, which has not been given any benefit in the last control period, we can assume between INR400 to INR450. And with potential upsides from there on.

Aditya Mongia: Absolutely. I completely agree. Now, the next few questions from my side are linked to Goa. One thing I want to kind of congratulate, Goa non-aero revenue per pax are moving quite swiftly towards the Hyderabad level. We wanted to get a sense of where do you think things are going to stabilize. Today I think that non-aero per pax number is closer to about INR170 or so. This was INR140 not so long back. Hyderabad is at whatever level it is at today, which is 210 or so. How do you see the trajectory of the Goa non-aero revenue per pax moving from here on?

Rajesh Arora: I think you're right, Aditya. The trajectory that you're seeing as the business is stabilizing in Goa, both in terms of the traffic. In the coming quarter, you will see more of international traffic is again increasing. What we can expect is that the Goa spend per pax on the non-aero income should move more or less like Hyderabad and could be going forward like Delhi. Very difficult to say what the number will be, but yes, it is in the same direction one can expect. What we have seen so far is spend per pax both for retail and F&B in Goa is better than a couple of our other airports, being a tourist airport.

Aditya Mongia: Understood. That clarifies. Just the last question, then we can get inside the queue. Again, linked to Goa only. From our assessment of things, there was a three-year period wherein the revenue share was exempted from. It seemed that period would have ended somewhere in FY25. Am I right or wrong in this judgment? Could you give us a sense of when does the revenue share start hitting the Goa airport? At what point of time?

GRK Babu: It is not three years, it is two-years revenue holiday. Since we have started operation and the Prime Minister inaugurated on 2022, 7th December. So 7th December 2024, the revenue holiday period ends and the revenue share will start kicking from 8th of December. So, we will be seeing the quarter financials for the 23 days. There will be revenue share that is payable on 7th of January 2025. So it is payable on a month-on-month basis.

Aditya Mongia: Thank you for the comment. I'll get back into the queue.

Moderator: Thank you. The next question is from Karthik from Unifi Capital. Please go ahead.

Karthik: Good afternoon, sir. Wish you a very Happy Diwali, before I shoot up the question. So we just wanted to understand, with respect to the orders that Delhi High Court has with us in terms of how much would be the retrospective impact if at all we had to recompute revenue and we had to get an excess refund from June 2015. What would be the tentative number?

GRK Babu: It will be very difficult to guess and give the numbers, Karthik. It is basically from 21st June 2015 onwards, it has to be calculated. And as per the order of the tribunal, the Airport Authority of India has appointed an independent auditor who shall calculate the numbers. So it will be very difficult to provide.

Saurabh Chawla: I mean, it's easy to calculate it, but it will be too speculative for us to guide you on that. Let the things roll. In the course of time, we'll come to know. But it is a significant number and upside that would be available.

Karthik: Sure, I get it. So and just on the credit rating of the airport entity, the listed company, when do we expect to initiate a credit rating upgrade or now that the KIA issue is done, so when do we expect a rating upgrade with a listed company?

Saurabh Chawla: At the list co, the rating, I think we'll wait for another few months for the rating agencies to see the stable cash flows emanate from the other adjacent businesses that are there. And also, once GMR Airports takes over the operations of Delhi Duty Free, I think it will be a two-step process. But clearly, the indications are on the positive side, on the upside of it. So I would still say, let's wait for another, between three to six months, another two quarters.

Karthik: And lastly, on the revenue. So we have now independent revenues as you specified that listed company has become an operational company by itself. But when do we expect the dividend flows from Hyderabad and Delhi Airport to flow into the holding companies?

GRK Babu: Hyderabad Airport, we are hopefully targeting this year to be able to declare the dividend, because it has to comply with the bond covenants, which we'll be able to comply with most probably third quarter of the financial year. We may look for some dividend payout in the fourth quarter. That's what we are expecting. Delhi, it will take another minimum two to three years.

Karthik: That’s it from my side, thank you very much and wish you all the best.

Saurabh Chawla: Yes, just as a disclaimer over here, because Hyderabad Airport also has the government as a partner, as a shareholder. And so, any dividend declaration is a prerogative of the board. From a financials and cash flow perspective, it is ready, but subject to any regulatory or board approvals there. Just want to highlight that.

Moderator: The next question is from Shrey Gandhi from CR Kothari Stock Broking. Please go ahead.

Shrey Gandhi: Good afternoon, sir. And thank you for the opportunity. My question is regarding the Delhi Airport tariff hike. If you could quantify how much tariff hike we are expecting, what benefit can we expect as an entity out of it?

Saurabh Chawla: I think what GRK Babu earlier highlighted is that the expected tariff should be between INR400 to INR450 as we go forward on yield per passenger basis. That is what he had alluded to. But still early days, the process is underway.

GRK Babu: This is from our side, but regulator will take his own call.

Shrey Gandhi: Okay. And when can we expect this to be implemented and commissioned?

GRK Babu: This is what I've explained that we are expecting by end of November the consultation paper, and then there will be a stakeholder consultation. After that, the regulator may finalize and issue the final tariff order by mid of February, and hopefully it will be implemented by 1st of April 2025. That is what our estimates are as of today.

Shrey Gandhi: Okay. Thank you, sir. Thank you.

Moderator: The next question is from Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Thank you for the follow-up opportunity. Just wanted to get a better sense of where the MRO EBITDA is as a contribution today, and how to think through the story from the next three to five years. I think I understand this number today may be less than INR50 crores of EBITDA. Let's say on a quarterly basis.

But how to think through these numbers? When does this start becoming significant in the overall consol EBITDA of the company?

GRK Babu: As far as the MRO is concerned, this quarter exceptionally they have done very well, and especially 6 months. They have achieved the last year turnover of INR275 crores, and they have touched on EBITDA of INR140 crores - INR150 crores. So that may not continue, because this half year, because of the GoAir, Lessors, and some other, they wanted to take over the aircraft, they want to take out from India. So all those aircrafts have come for special C-checks and D-checks.

But going forward, we are expecting that the MRO will continue to grow. This year we are expecting it should touch about INR400 crores to INR450 crores turnover. And that will be stabilized around

400, and keep going around 10% to 12%. That is what our estimation. And it will provide EBITDA of almost INR100 crores to INR140 crores on an overall basis. And coming to GAL, as a standalone entity, it started generating a good amount of EBITDA. For the whole year, our estimation is about INR350 crores EBITDA it will generate. So that will keep growing as and when we are adding the duty-free, and Hyderabad duty-free, and Delhi duty-free businesses, plus cargo and F&B businesses. That we will see a major jump in EBITDA in GMR Airports at standalone level by 2026, '27, which should in all probability surpass around INR1000 crores.

Aditya Mongia: I think that was the only question. Thank you for the color. That will be all from my side.

Moderator: Thank you. Next question is from Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: Yes, sir. Thanks for the opportunity again. My question is on Nagpur Airport. While you have talked about taking the capacity to 4 million and then to 30 million in long term, what is the kind of capex which you are looking at maybe next 12 months, or how should we think about capex over medium term in that aspect?

GRK Babu: Right now, we are in the process of completing the CPs. So the time is available is up to 8 April 2025. Thereafter, we'll take over. As far as the concession agreement itself stays, the capex will be over a period of 4 years. Starting capex, it will be completed over a period of 8 years. So we are not seeing any substantial capex in the initial years.

Prateek Kumar: Okay. And how is the profitability and tariffs currently at that airport?

GRK Babu: Tariffs have already been fixed in case of Nagpur Airport, which is not a major airport under AERA Act. So MoCA has already given the tariffs, which are now under implementation. So that is a good amount of yield they have given. So that are valid for a period of 3 years. So we continue to operate with these new tariffs, which MoCA has already given for the next 3 years. Thereafter, if we cross the 3 million traffic, then we'll move into the AERA. So we are likely to get into the AERA regime after 3 years, once this tariff period is over.

Prateek Kumar: And once you start operating this airport, the revenue share of 15% kicks-off?

GRK Babu: The moment we take over and start operating it, it will kick the revenue share that is 14.49%.As soon after we take over, we have to pay every month.

Prateek Kumar: And you can also develop non-aero facilities at the airport?

GRK Babu: Absolutely. The actual requirement is that we have to refurbish the existing terminal, which is about 19,000 square meters. Plus we have to build a new terminal for 4 million capacity. That is the immediate requirement. And thereafter, only the runway and the ATC Tower, which has to be completed over a period of 8 years. That is the reason why I said that there may not be any major capex in the next 2 years, minimum.

Prateek Kumar: Thank you, this was my question, and all the best.

Moderator: Thank you. The next question is from Karthik Chellappa from Indus Capital Advisors. Please go ahead.

Karthik Chellappa: Yeah, thank you, sir. Just one follow-up from me. Would you have any guidance for the actual capex spending for this year and next year?

GRK Babu: No, as far as the Delhi and Hyderabad -- is concerned, the major capex is completed. There will be some operational capex. Every year, we incur about 2 to 3 billion or so on of each airport. Beyond that, there is no capex. Bhogapuram is under construction, we have already spent about INR800 crores till now. And we expect that by the end of this year, we may spend another INR800 crores.

Karthik Chellappa: So next year, the capex, you had just highlighted that it will be down significantly. So is there any capex budgeted number for FY '26, or is that a bit too early?

GRK Babu: No, it's too early, sir. The only point what I'm trying to say is Delhi and Hyderabad, there is no capex. Expansion capex is completed fully. There will be operational capex, which normally they incur about INR150 crores to INR200 crores in a year. That is the normal operational capex. Other than that, only Bhogapuram, which is the new Greenfield airport we are constructing, we have already spent more than INR800 crores. And we're likely to spend another INR800 crores to INR1,000 crores by end of this financial year, FY '25. Because FY '26 and FY '27 is going to start operations. The entire project cost of Bhogapuram itself is about INR4,500 crores. So it will be spent over a period of 3 years.

Saurabh Chawla: So Karthik, the only airport live from a capex perspective is Bhogapuram, as GRK Babu said. The rest is all smaller operational capex at Delhi and Hyderabad airport. That's the summary.

Karthik Chellappa: Okay. This is very useful, sir. That's all from my side. Thank you very much.

Moderator: Thank you very much. That was the last question. I would now like to hand the conference back to Mr. Saurabh Chawla for any closing comments.

Saurabh Chawla: Thank you, everybody, for participating in our Q2 call. I appreciate your time. We are available offline to answer any further queries you may have. So Amit Jain and his team are available. So please reach out. And all the very best to you. Happy Diwali to every one of you. And let's hope to catch up soon. Thank you so much. Bye-bye.

Moderator: Thank you very much. On behalf of GMR Airports Limited, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.

Note: *Transcript has been edited to improve readability*