



“GMR Infrastructure Limited Q1FY22 Investor / Analyst Conference Call Transcript” Saturday, 14 August 2021

Moderator: Ladies and gentlemen, good day and welcome to GMR Infrastructure Limited Conference Call to discuss Q1 FY 22 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 over the conference to Mr. Saurabh Chawla for the Opening Remarks. Thank you and over to you, sir.

Saurabh Chawla: Thank you. Good afternoon, ladies and gentlemen. I welcome you all to the First Quarter Fiscal '22 Earnings Call. I hope everyone on the call and your families are safe.

As you know, India's economy which was showing signs of early recovery until early 2021 after the first COVID-19 surge was again hit by a second wave of the pandemic. Most economic activity indicators which peaked in the month of March took a hit again during April and May. However, after peaking in mid-May, the second wave conditions have abated faster than we all anticipated. COVID daily cases are now significantly down from the second wave peak of 4 lakh cases a day to under 40,000 cases a day today.

Given these conditions, our focus continues to be on firstly, to ensure safety and welfare of our employees. We launched workplace vaccination centers in our offices for accelerated vaccination of all employees and their immediate family members. We continue to operate a war room to assist employees and family members with hospitalization, especially at the time of shortage in hospital beds.

Secondly, we ensure that adequate liquidity was always maintained in our operations. We completed offerings of non-convertible debentures at Delhi airport and raised about Rs..3,257 crores. The proceeds of the NCDs were utilized to refinance the outstanding debt of about USD 289 million due in fiscal year '22 and to partly finance the Phase-3A expansion.

We completed the financial closure at Goa for a CAPEX of a new Greenfield International Airport amounting to about Rs.26 billion. We also completed divestment of the Kakinada special investment region and have received the first tranche of consideration of INR1,692 crores out of the total consideration of INR2,719 crores. Additionally, about INR1,027 crores is to be received in the next two to three years which is contingent upon certain agreed milestones. As part of the agreement, 51% equity stake held in Kakinada SEZ through GMR SEZ and Port Holdings Limited is divested to Aurobindo Realty and Infrastructure Private Limited.

Thirdly, we initiated cost saving measures mainly through consolidation and reopening of terminals as per the demand/supply dynamics. Due to second wave, we closed Terminal-2 in May of 2021, which was reopened in October 2020 post the first wave of the COVID pandemic. As we speak right now, it is again being reopened in July as the traffic has recovered substantially since the trough of month of May.

Fourthly, our focus continues to be on the completion of CAPEX as per schedule. In Delhi, Hyderabad and Goa airports 47% 62% and 35% of overall progress has been achieved respectively as on July 31, 2021.

Lastly, and very importantly, we've been taking proactive steps to expedite activities for completion of the demerger within fiscal year '22. In this regard, process for obtaining requisite approvals from the relevant stakeholders, especially the financial and operational creditors were initiated. I'm happy to announce the approvals for the demerger from majority of the financial creditors is now in place. We just await the judicial process to be concluded by the NCLT to formally record the approvals from the financial creditors and shareholders in a NCLT convened meeting.

Coming to the business front, GMRs businesses which have been impacted by the lockdown measures of the government due to the second surge of COVID is on a recovery path.

I want to talk first on the airport business. The second wave of COVID significantly impacted traffic at the operational airports, bringing the domestic passenger numbers down to ~20% of peak COVID level in this May from a level of ~70%. However, traffic has now recovered and has reached near post first wave highs.

To give you some perspective on the airport's performance, let me speak on how Delhi airport is performing. Since reopening in May 2020, Delhi airport daily average passenger peaked in February of 2021 and domestic and international traffic reached 71% and 31% of pre-COVID levels respectively. In May 2021, domestic and international traffic of passengers declined to

19% and 11%. But as COVID cases subsided, domestic and international traffic has turned around and has reached a level of 67% and 21% during the week ended August 8, 2021.

Trend was similar for Hyderabad airport, as the domestic and international traffic peaked at 72% and 29% of pre-COVID level in February 2021 and declined to 18% and 10% respectively in May 2021 and now has quickly increased back to 67% and 19% during the week ended August 8, 2021.

Indian airport traffic is supported mainly by the visiting friends and relatives, which contribute to almost 50% of total domestic passenger traffic, whereas leisure travel has contributed between 20% to 25%. The quick turnaround and surge in traffic is encouraging considering Government of India imposed curbs on the capacity of the airlines at 50% from June 2021, which was later revised to 65% from July 5th, and as on date, this has now gone up to 72.5%.

Cargo business continues to be resilient and was not impacted much by the second wave with the traffic at above 85% of pre-COVID level for both Delhi and Hyderabad airports.

We expect traffic to gain further momentum, with the reducing trend in COVID cases, lifting of government restrictions on airline capacity and the increased pace of vaccination.

India's daily new COVID cases remain stable and low while vaccination is picking up pace. About 52 crores vaccine doses have already been administered as on August 11, 2021 in India.

Metro cities which are core to our businesses have recorded much higher vaccine coverage than the India average. Going forward speed of vaccination is set to improve due to increased production of Covishield and Covaxin. Additionally, rollout of Sputnik and Johnson & Johnson doses will further strengthen the vaccination program. The Government of India is working on vaccinating all citizens by December end of 2021 and when I say vaccinating all citizens, I mean, double doses wherever required.

Globally too, countries have resorted to fast vaccination measures to unlock the economy, which will provide further boost to international traffic. Globally, about 450 cr doses have been administered so far. The effect of vaccination in other countries can also be seen from the fact that July 2021 was the busiest month for Britain's Heathrow Airport since March 2020, as the passenger numbers surged to about 1.2 million as travel restrictions were eased. Only this morning, UK has increased flights from India to 34 a week.

Air bubbles arrangement will continue for the next few months aiding the recovery of international traffic. Currently, air bubbles arrangements are with 28 nations including USA, UK, Canada, Germany, France, etc., During COVID second wave, most nations had banned entry of Indian travelers. Post moderation of the second wave, various countries including Netherlands, United Arab Emirates, US, UK, Qatar, Germany, Lebanon, Maldives, France, Spain and Cambodia have lifted their ban on the Indian travelers. Additional driver for traffic is also expected to be fleet addition by major Indian airlines and entry of new airlines, including

Jet Airways, which will aid expansion of the operating capacity. Media sources indicate that four entities, SMV Aviation, Turbo Megha Airways, Jet Freight Logistics and SpiceXpress and Logistics have applied for NOCs from the Ministry of Civil Aviation to start scheduled air passenger services and air cargo services. Market expansion from entry of new airlines suggests significantly higher potential for traffic growth in India. Based on all these key factors, we anticipate a return to pre-COVID level of traffic in our Indian airports by end of fiscal year '22 driven primarily by the domestic segment.

Coming to other sources of revenues for our airport business, CPD, for example. Even during the ongoing pandemic, we were successful in monetizing land at a Hyderabad airport. Boston Living, an incubation venture of INCOR signed definitive agreements with GMR Hyderabad Aero City to develop co-living and service residences. As part of the agreement, GMR Hyderabad AeroCity will lease land to Boston Living to develop 0.5 million square feet space.

During Q1 of this fiscal year, we also executed industrial partnership with Group ADP, our 49% shareholders in the airport platform, demonstrating our intent to cooperate with each other with a shared global vision for the airport sector. This marks a new significant step to build the world's largest airport alliance to welcome passengers and leverage both groups expertise to continuously improve operations. This industrial partnership allow us to systematically explore and seize the opportunities to design the future of our industry with the ambition to set the highest standards in terms of performance, operations, hospitality and sustainability.

I would like to highlight a notable development in the airport sector. Airports Economic Regulatory Authority of India Bill, 2021 was recently passed in the parliament. The bill amends the definition of major airport allowing tariff determination of group of airports. It would help encourage the development of smaller airports. This approach would help in the development of more airports through the PPP route, thus, expanding the air connectivity to relatively remote and far flung areas. We expect the bid opportunities to gain momentum in India due to this bill.

On the Energy business, power demand and coal supply are improving as the lockdown is easing up. In our power plant in Kamalanga, we clocked the best operational performance in Q1 fiscal year '22 with the PLF of 83%. However, in July, the PLF was marginally down at 77% basically impacted due to the maintenance of unit-1.

In the Warora plant, the PLF of 54% in Q1 was impacted by lower supply of linkage coal from mines, lower rates on the exchange and delayed realization from discoms. Our PLF in July '21 improved to 67% due to improvement in the rates on the exchange and greater availability of coal.

On Kamalanga, we have received a favorable order from APTEL. As per the APTEL order passed on August 6, 2021, all the amount due and payable to Kamalanga by Bihar discom due to various changes in law events shall be paid along with the carrying costs in accordance with law within six weeks from 6th August 2021. Kamalanga is entitled to recover expenditure involved in the procurement of alternate coal due to shortfall in domestic coal supply

corresponding to scheduled generation pertaining to Bihar PPA, thereby restoring Kamalanga to the same economic position as before, as if there was no change in law event that had happened.

PT GEMS, our investment in the Indonesian coal mining company was able to showcase its strength despite COVID by reporting sales growth of 4% YoY and EBITDA margin of USD 14.6 per ton for Q1 fiscal year '22. This is primarily driven by 16% YoY increase in realization. Per ton cost reduced by 11% YoY to USD 26.5 per ton in the Q1.

This quarter has been significant due to the following:

It is the best quarter in PT GEMS history in terms of PBT, generated about USD 129 million;
Highest coal production in a quarter since inception despite adverse weather conditions;

Robust EBITDA margins of USD 136 million which is almost USD 14.6 per ton.;

And finally, a final dividend of calendar year 2020 of USD 75 million was declared in May 2021. Additionally, an interim dividend for calendar year 2021 of USD 75 million was declared in April of this year.

The market prices of coal continue to be bullish with increased demand from China, which is reflected by PT GEMS profitability for the period. Market prices are expected to be in the current range for the next few months, as the spat between China and Australia is not coming to any resolution as we speak.

Thermal coal continues and remains to be an important source of fuel for developing countries in Asia and our business will remain well-positioned to benefit from this growing demand in the emerging markets.

On the Highways business, Hyderabad, Vijayawada Expressway traffic increased by 61% YoY to 8.4 million vehicles during April '21 to June '21. However, per day average volume decreased by 36% month-on-month in the month of May due to the lockdown, but bounced back by 30% month-on-month in June '21 and 24% in July '21 as the lockdowns were eased.

Toll at Ambala-Chandigarh Expressway has been suspended since October 12th due to the farmer agitation. In this regard GMR Ambala-Chandigarh Expressway has declared a force majeure event under the concession agreement and has notified NHAI. As per the concession agreement, GMR Ambala-Chandigarh Expressway is entitled to compensation for this force majeure event by way of extension in the concession period, reimbursement of O&M costs, etc., claim for force majeure up to March '21, has been filed by us.

On the status of arbitration award on Hyderabad-Vijayawada project, an independent expert appointed by the sole arbitrator has submitted his report on the quantification of claims. Arguments will be made from September 22nd for finalization of the claim amount. As per the management expectation based on external legal opinions and valuation performed by

independent experts, the recoverable amounts are in excess of INR 1,900 crores as at March 31, 2021.

On the Dedicated Freight Corridor project, the construction work is picking up pace. As you know, GMR along with its partner, SEW have been executing an EPC contract to construct a part of the Eastern Freight Corridor that is 181 kilometers of Mughalsarai to New Karchana in UP and 236 kilometers of New Karchana to New Bhaupur UP lines. Around 74% of Package 201 and around 80% of Package 202 has been completed.

I would also like to briefly touch on the best practices and recognitions received by GMR Group on the ESG front. On the airports front, Delhi Airport received the Platinum Recognition in the Green Airports run by ACI Asia Pacific in over 25 million passenger categories. It has been adjudged the Best Regional Airport in India and Central Asia for the Third Consecutive Year in 2021 by Skytrax. It is bestowed with COVID-19 Airport Excellence Award for Providing Exemplary Safety Protocols during the global pandemic, making it the only airport in India to be ascribed this category. Hyderabad Airport received ACI Asia Pacific Green Airports Gold Recognition in 2021, and adjudged the Best Regional Airport in India and Central Asia by Skytrax. It also bagged the Third Rank of the Cleanest Airport in India and Central Asia Category, Fourth in the Best Airport Staff in India and Central Asia and Sixth Ranked in the Best Regional Airports in the Asia Category by Skytrax. Hyderabad airport also commissioned its second 5 MW Solar Power Plant in July '21.

On the Energy Business front, some of the safety performance highlights were Kamalanga's plant's Loss Time Injury Frequency Rate, which is LTIFR and Loss Time Injury Severity Rate which is LTISR of 0.00 in Q1 fiscal year '22. The same was achieved at the Warora plant for this particular quarter.

In PT GEMS corporate, social, economic, and environmental responsibility programs are constantly aligned with the seven core subjects of ISO 26,000 and support the UN Sustainable Development Goals. PT GEMS through its subsidiaries has won several awards certifications in the field of environmental management, which include Green Rating for Proper to PT Borneo Indobara from Ministry of Environment and Forestry for the Achievement and Performance in the Field of Management and Monitoring of Mining Environment of Subsidiaries for the period 2018 to 2020. Blue Rating for Proper to PT Kuansing Inti Makmur from the Ministry of Environment and Forestry for the Achievement of Performance in the Field of Management and Monitoring of Mining Environment of Subsidiaries for the period 2018 to 2020.

The presentation which we have sent to you with all the financial numbers is available with you. If not, you can download it 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 forum where my colleagues from the corporate and the businesses can answer your queries. Thank you so much.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Congratulations on raising money this year, financial closure at Goa, raising NCDs at Delhi Airport. Ofcourse, it has been a challenging environment for us. My first question is around the rephasing of projects at DIAL and GHIAL mentioned in the PPT. Can you just let me know the new commissioning deadline for DIAL and GHIAL

GRK Babu: As far as the DIAL is concerned, we have originally planned in April '22 which last year we have shifted to June '23. And because of the second wave is expected to end by September 2023 as far as the DIAL is concerned, Hyderabad is getting closed by December '22 and Goa in August of 2022.

Mohit Kumar: Given that we are coming very close to the demerger, is there a broad understanding between the financial creditors on the way our balance sheet will look like? And when can be expected to be made public, in the sense, that we as an analyst community could see it?

Saurabh Chawla: Well, you're right, I mean, there is an agreement in place and their understanding is much better. Based on that understanding, we have been given the in-principle approval for the demerger to go through. If you look at on our IR website, there is a kind of a proforma balance sheets of both the demerged entity and the original entity available there. That's still a proforma one. Because as debt reduces, these numbers will continue to change. Any capital raise that happens, these numbers are subject to change, but there is a general proforma guidance that is already given there.

Mohit Kumar: Lastly, on the corporate debt, which is 45 billion at the end of June '21, we have received 17 billion from Kakinada land parcel, I'm guessing that is post June '21. So is this money been used to reduce the corporate debt further?

Saurabh Chawla: Yes, some part of it has been used for reduction of corporate debt and some part has been used for investment in some of our projects, which are under development, for example, the Bajoli Holi project of ours, the hydro project required some further investment from the corporate. So, it's a multitude of end use that has been effected from the sale proceeds of Kakinada SEZ.

Moderator: The next question is from the line of Abhiram Iyer from Deutsche CIB Center. Please go ahead.

Abhiram Iyer: Congratulations on the good set of numbers despite the pandemic. My questions are three-fold and primarily related to the Delhi airport. One is can you give a bit more details on the Bharti Realty deal, how it has sort of progressed from when we had the discussion last time around because there's no specific update on movements since the last call? The second is when would you expect the cash from the Bharti Realty to come and sort of alleviate the balance sheet because cash has gone down for Delhi international airport while repayments upcoming and CAPEX requirements are obviously still on. Is there any specific funding plan for the Delhi airport as well, could you just elaborate on that?

- Saurabh Chawla:** So, I leave the detail answer to be given by GRK Babu, but just generally the deal with Bharti is on. There was certain delay because of certain approvals that were yet to be received, which now have been received and the cash flow from Bharti is expected to begin imminently very-very soon.
- GRK Babu:** I think we are expecting Bharti deal shortly. And as far as this DIAL funding plan is concerned, the total project cost has already been tied up through debt what we have raised and also internal cash and we have also had a lease financing. As of now, once the Bharti money also is a part of our expansion cash. Once this Bharti money is received and lease financing is tied up, we may not need right now any further cash for expansion, but we are looking into further details because of the delay of this project by three to six months. There may be an increase in interest during construction. To that extent, we may have to tie it up that right now we are not looking into that, but we may look at it up after about six months.
- Abhiram Iyer:** Sir, there was a hearing on the AAI arbitration with respect to the fees due to the AAI which we are obviously contesting under force majeure. Has there been any update and when would be the next hearing?
- GRK Babu:** The case was heard on 11th August. AAI has raised certain points, but the court has adjourned the case, the division bench to 17th September '21, and single judge case is posted to 28th September '21.
- Moderator:** The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.
- Atul Tiwari:** One more question on the corporate level debt and other liabilities. So, after the receipt of this money from Kakinada SEZ sale, how much is corporate debt left as of today broadly?
- Amit Jain:** As far as the corporate debt is concerned, as of June, the corporate debt is close to Rs. 4,500 crores, which if you look at in March was about Rs. 4,600 crores, so, there is a reduction of corporate debt and that reduction what just now Saurabh also mentioned was because we received some money from the Kakinada deal, so that money was used to repay our corporate debt. So, corporate debt as of June is Rs. 4,500 crores.
- Atul Tiwari:** So, Kakinada money has come in after June right that has reduced the corporate debt, right?
- Amit Jain:** Yes.
- Atul Tiwari:** Has there been a substantial reduction from that Rs.17 billion rupees that came, any idea about how much of that was used to pare down the corporate debt?
- Amit Jain:** So, if you see this money was coming over a period of time, so, we had received major portion by March itself, so, by March a major portion was utilized for debt payment and other activities which was highlighted. So, from March till June, in Q1 we received Rs.130 crores. The total amount was used to repay our corporate debt.

- Atul Tiwari:** So after June, there has not been much of a reduction, right, like between June and August, it has broadly been the same level because I thought that a bunch of that money came like in August and end July, but that's not right, right?
- Amit Jain:** So the number is as of June, not August.
- Atul Tiwari:** Second very broad question is now that we are very close to the demerger and if I look to notes-to-accounts, obviously the holding company has given corporate guarantees for energy assets as well, some debt and some preference shares, etc. What is the total corporate guarantee and what is the understanding with the creditors on that issue? Will that corporate guarantee be crystallized or how do you plan to take care of it or will going ahead the new airport entity continues to have that corporate guarantee on the balance sheet?
- Saurabh Chawla:** Yes, so, in some cases, there will be continuing corporate guarantee. It is not going to crystallize because the agreement is already there in place. The underlying assets continue to service those debts, right. And as those debts come off, obviously, we will be working towards reducing those limited corporate guarantees that will continue. So, that is the way forward, that is what has been agreed as a path with the lenders and based on that is where that in-principle approvals are in place.
- Atul Tiwari:** Let's say for example, those assets were because of lack of fuel, like for example, Rajahmundry, etc., which have about Rs. 2,000 crores of corporate guarantees, so, if that corporate guarantee remains on the books of the airport entity, then what happens to that, because is that asset as servicing debt and if it is not, then what happens?
- Saurabh Chawla:** Yes, obviously, if we are unable to service the debt, the legal position will remain that the corporate whichever has given that guarantee will be liable to pay. But as I said, other than one or two, which you just mentioned, Rajahmundry, one, which is not an operating asset as of now, that corporate guarantee is continuing. But we expect that gas to start to flow. If you look at all the announcements that we have also gone to the courts that the gas should be now allocated to us. As soon as these gas plants started generating electricity, obviously they will start to service their debt and there will be a dilution in the corporate guarantee going forward.
- Moderator:** The next question is from the line of Rushabh Shredalal from Pravin Ratilal Share & Stock Brokers. Please go ahead.
- Rushabh Shredalal:** The first question is on the annual fee front that we had to pay to Airport Authority of India. So, this time around, we have not recorded them in our books of accounts. So, if we were to record them in our books of accounts, what would that amount be?
- GRK Babu:** The amount of that we have not recorded in the current quarter is about Rs. 201 crores and the previous quarter is about Rs. 336 crores.

- Rushabh Sharedalal:** So, on an annual basis, would this amount be like 800 to 1000 crores that we were to pay to AAI?
- GRK Babu:** It depends upon the total turnover of the company. Yes, the last year, the total amount was about Rs. 750 crores. This year if the traffic goes up and the business is good, it could be around Rs. 800 crores to Rs. 900 crores.
- Rushabh Sharedalal:** The second question is on the Delhi airport front. So, we have a lot of land parcel around the Delhi airport and as a company we also plan to utilize that land. So how much land are we going to sell in this quarter to properly utilize it?
- Saurabh Chawla:** So, there is no plan to sell any land in Delhi airport during this quarter or this fiscal year. Last year itself we had already through an auction mechanism monetized development FSI of about 10 million square feet in two different phases; 5 million in first phase and 5 million in second phase. And in that open auction, Bharti was the best bidder and they have the right at this stage to build out commercial spaces in Delhi Aerocity. But during this year or going forward on an immediate basis, we have no plans to further monetize any of the land parcels in Delhi airport.
- GRK Babu:** There may be one land parcel which is Silver Resorts which we have taken back in hospitality district...
- Saurabh Chawla:** That's more of adjustment. You're right. Please highlight that.
- GRK Babu:** There is another five acres of the land, which was taken back from the silver resort because they did not pay the fees. Through Court processes have taken back that land parcel. That is likely to come back to the market in this financial year. And maybe we are looking for another four or five acres of monetization before this. That is what as of today plan.
- Rushabh Sharedalal:** One more question on the demerger plans. So, the scheme has been filed with NCLT on 5th of March, but when is the next hearing date for NCLT? And why don't you announce such dates as your corporate announcements on BSE and NSE as a part of good corporate governance?
- Saurabh Chawla:** Well, honestly speaking, the date has not been announced by NCLT. So, how can I announce it on the NSE and BSE?
- Rushabh Sharedalal:** No, but you mentioned that you expect to even receive the order by the end of Q3FY'22. So, I am sure that presently we are in Q2 FY'22. So, maybe we are expecting a date to come very soon or are we not?
- Saurabh Chawla:** Yes, we are expecting a date to come very soon. And as soon as that date is announced, we will be informing the stock exchanges. There are no two bones about it. So, we have to go as per the pleasure of a judicial court. I cannot predict and pre-suppose what date they're going to announce. We are pursuing the matter. We have filed a petition with NCLT for an expeditious hearing. They have agreed to hear it on an expeditious basis. Hopefully, I think next week, there

would be some movement by the court to give us an appointed date. As soon as we get it, we will surely let the markets know.

Rushabh Sharedalal: And just one last question on the Kamalanga order that you received on the 6th of August. So, what is it exactly about and what is the expected amount that we would receive from that?

Ashish Basu: Basically, this order is regarding coal cost pass-through as you would know Coal India had shortage in coal supply. There was a Presidential directive long back saying if shortages in supply is there and the power producers to meet the PPA requirement and buy coal from the market, the incremental coal cost will be passed through. So, while in our case, there was this added aspect that we had the share of a captive coal mine which also got canceled. So, while we got an order, the cost of coal incurred to bridge the gap of this captive coal mine supply not coming, was not cleared by CERC. After prolonged interpretation and APTEL orders, APTEL had laid down the principle, CERC had challenged that and APTEL has upheld our challenge, which means that we will be able to get reimbursed entire coal cost differential including the carrying costs. This has already been booked in revenue, but the impact will be on the cash flow. In terms of the amount, while it is being reconciled it will be Rs. 150 crores plus okay.

Rushabh Sharedalal: So, we do expect to receive Rs. 150 crores from this order, is my understanding correct?

Ashish Basu: That's very correct, Rs. 150 crores plus.

Rushabh Sharedalal: Last follow up on the Delhi airport. On the annual fee portion of the Rs. 200 crores that you said that we have saved by not providing in the books of accounts and you do mention on your slide #18 of the investor presentation that we use the cash does conserve for additional resources for the current operation. So where is this Rs. 200 crores being exactly used, if you can just highlight some points on that?

GRK Babu: The funds have been used. We have not kept anything separately all the funds. Whatever amount of collections that we have, entire amount has been utilized for our operation. So there is no specific head that has been used but entire cash has been used for our operation.

Moderator: The next question is from the line of Apoorva Bahadur from Investec. Please go ahead.

Apoorva Bahadur: Wanted to understand a couple of things. Firstly, I believe, as part of our deal with ADP, we were supposed to receive 10 billion as earn-outs on achieving EBITDA milestones. So, based on this FY'22 run rate so far, do we expect to meet this milestone for the year and receive the due amount?

Saurabh Chawla: Yes, so, we are expected to get about Rs. 1,060 crores in totality as cash earn outs and this is divided into three years, so we will not get the full Rs. 1,060 crores this year if we achieve those milestones. Every year it will be tested with the EBITDA that is achieved for that respective year and then the earn out will be determined. As on date, we expect a part of that earn out to come based on the current trend lines that we have for this current fiscal year.

Apoorva Bahadur: And this trendline is existing for the amount under litigation for the AAI fees. In the unfortunate event if we do not get that AAI litigation our way, so currently, we're not booking as part of the revenue share, and if we have to reverse that, even then are we eligible for the earn out?

Saurabh Chawla: We'll have to test it at that particular point of time. As on date, yes, as I said, even if we were to adjust that, we will achieve that earn out. But we really cannot give a full guidance because there is always a possibility of a third wave and some impact come into play. Little uncertainty over there. In our belief, with respect to our litigation, on the force majeure, we are on a very strong footing. I would urge you to read the OMDA. The OMDA will clearly state that it is at the election of the concession entity, it's not dependent upon an agreement that is to be agreed by the government or by the regulator or AAI over here, it at the selection and purely from any judicial stance, the defense that is being put up by airport authority is not great at law. But yes, we can't decide for any arbitral authority or a judicial authority. As and when that decision comes, it will be clear at that particular point of time. I also want to highlight, last year, the government itself had declared force majeure conditions, right. So after declaring force majeure conditions, they cannot go back on their own declaration. So I just wanted to highlight that aspect also.

Apoorva Bahadur: When, during the year, is this cash expected to be accrued for this cash earn out. Typically, I believe, it will be at the end of the FY'22?

Saurabh Chawla: Yes, it will be at the end of the fiscal year, the accounts will be drawn up, EBITDA levels that have been agreed will be tested, and then that earn out which is accrued for that particular year will be paid out. And it is also a range. So it's not digitally zero and one. So if it is within that range and let's say you achieve 70% of within that range, then you get 70% of the cash that is supposed to accrue to you.

Apoorva Bahadur: Currently, you are meeting the 100% requirement?

Saurabh Chawla: Currently we are, but let's keep our fingers crossed and that we are primarily meeting because of the MAF dispensation.

Apoorva Bahadur: On the AAI fees front, how much is the total amount which is under litigation, I believe Rs. 200-odd crores this quarter and Rs.330 crores previous one, the first 400 crores previous one - I think Rs. 1,000-odd crores?

GRK Babu: No, till June it is about Rs.537 crores and July and August all put together maybe around Rs.700 crores.

Apoorva Bahadur: So you mentioned that at Hyderabad we have entered into a realty agreement with Boston Living. Can you share how much is the recurring income from this?

- GRK Babu:** It is a license fee concept where the airport operator will get the money in upfront. The valuations, I don't have exact number, we can let you know. Otherwise, on year-on-year basis, there will be a nominal income.
- Apoorva Bahadur:** So, it will be an upfront payment
- GRK Babu:** Yes
- Apoorva Bahadur:** Also, wanting to know on this PT GEMS doing quite well over there. Obviously, the coal price support is very, very strong. We have roughly around USD 150 million in dividend over the last year and this currently. How do we intend to use that cash and where can be used that cash, can we bring it to India given tax is quite high if I'm not wrong?
- Saurabh Chawla:** So the investment in PT gems was also a leverage investment. So we had taken an offshore loan or our subsidiary offshore had taken a loan to put that investment, it was almost \$ 500 million. Today, that number is down to about \$ 250 million. Primarily, all the dividend proceeds that come are going towards servicing the interest and principal payments of that loan. That's the current usage. But we expect given the trend lines that we see and the agreement with our majority partner, there is to maximize dividend flows to both the shareholders. We expect that actually surplus cash to start accruing to us next two and a half years. We're also working towards actually refinancing that loan to see if we can term out that liability through an international bond issuance that we are trying to evaluate. Nothing concrete right now, but that is something that given the current momentum in the debt capital markets all over the world, can we do something of that type, that is also under evaluation. So, if we succeed in that, then then there'll be a decent flow of dividend coming back to the corporate. But it's a very valuable asset, PT GEMS as an investment and we feel quite good, we had been patient for its performance to start flourishing, and as we've seen over the last 12 to 18 months, we can see very good trend lines, and these trend lines are honestly speaking, will continue to improve given the demand that we have from China and other emerging markets, developing markets, and also the spat between China and Australia, where China is not procuring its contracted supplies from Australia. So given these trend lines, there is buoyancy as far as this business is concerned.
- Apoorva Bahadur:** If I'm not wrong, we were looking to monetize this last quarter. So any progress on that?
- Saurabh Chawla:** No progress as of now, we always are open to any suggestions, any offers, but nothing concrete has emerged so far.
- Apoorva Bahadur:** This is on the government's cap on air capacity. So, if there were to be no cap, how do you see the recovery emerging?
- Saurabh Chawla:** It will be much faster if there is no cap on capacity and there is no cap on pricing. You see that will allow more aircrafts to fly, ATMs will go up, dynamic pricing, people will of course, seek the best price, people who plan well in advance will pay reasonable amount and people who are last minute travelers will pay a higher amount. So I think while the government has opened up

capacity of bringing it up to whatever 72.5% I think, personally our take is that they should remove the cap on the capacity.

Moderator: Next question is from the line of Shricharni from Srii Capital. Please go ahead.

Shri Charni: So this question is regarding progress on Goa airport. As per earlier communication, you mentioned that the Goa airport is ready to be scheduled by August 2022. But as per your latest presentation, there is only 1% progress each month from May to June and then to July, that is from 33% to 34% and then to 35%. So still 65% is pending. Are we on track to complete it in the next 12 months?

Saurabh Chawla: You want to highlight about the monsoons in Goa?

Saurabh Chawla: I hope you know that the intensity of monsoons in Goa is quite high. So during this period of time, usually we do not have much progression on the construction activity. But as soon as the monsoon starts to subside, then the construction activity will pick up.

Shri Charni: My second question is, we have approximately 1,700 acres of land in Hyderabad and Delhi airport. And if I'm not wrong, we're operating these airports from around 10 to 15-years. You mean to say that this land is vacant from 15 years without utilizing and then the land lease is going to expire by 2068, means we wasted 15 years of time, and is my understanding, right?

Saurabh Chawla: No, your understanding is absolutely wrong. You're absolutely right from the time aspect of it, we have another 50, 55 years to monetize the land and earn these rentals from it. But real estate is not a commodity business, real estate is a business where you have to work hard to make the land mature before you start to monetize, and it takes time to create mature parcels of land. That's why these are very long cycle businesses. Investors who really make big money in real estate are not public market investors because they are on the very short end of it, they look at only next few quarters of earnings. But when the asset matures, then it makes great sense for them. Private investors make much more money because they have patient capital to look at four to five years tenure on any real estate development. So as we speak now, our strategy was more as a landlord in Delhi. We leased out a land and earned lease rentals out of it. Now, that land has matured and hence the next round of monetization, you're seeing much compelling values coming to Delhi airport. Although Hyderabad airport is still behind the curve as far as creating a mature land parcel over there, but Delhi is slightly ahead. In next 10-years' time you will see most of these land parcels being fully developed. And that's where the next trend line of your earning of lease rentals will really kick in, in large quantities.

Shri Charni: My third question is during GMR and ADP deal, if I'm not wrong, in one of our investors' presentation, you mentioned that ADP has an access of getting loans at a rate of 1% and subsequently, we will also get access to cheaper funds. Why are we still raising capital at high interest rates?

Saurabh Chawla: Well, I'm sure you also know that ADP is also an airport operating entity, correct. Their main airports in France are also shut down during the current pandemic. In these circumstances, no management will give out loans when their own house is burning. So, first, they will stabilize their own businesses and then look at expanding or allocating more capital to their other businesses or subsidiaries or joint ventures. As on date, if you look at, last whole year of ADP, they were at a much worse position. They also had to raise substantial amounts of capital in the debt capital markets. I think if my memory is right, they have raised almost €5-odd billion from international capital markets just to maintain their own liquidity levels in shutdown airports, right. Would the management give out a loan when they themselves in need of liquidity? No. But yes, in normal circumstances, that was an agreement and they stand by that agreement if tomorrow the COVID conditions abate and traffic is rolled out in normal circumstances, our strategic relationship, these agreements that we have with them will be surely met.

Moderator: The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Only one clarification. What is the status of Hyderabad tariff order?

GRK Babu: So as far as Hyderabad is concerned, that consultation paper has already come out. So all stakeholders have given their views. We are expecting by end of this month the final tariff order of the Hyderabad.

Moderator: The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: The second part of the question on the corporate guarantee that I wanted to find out was, I can see the pro forma balance sheet on your website, is a good idea about the shape of the balance sheet of the airport entity. But any idea about what is the size of corporate guarantee that the airport entity will have given to the rest of the non-airport entity? And out of that corporate guarantee, how much is for the assets which are operational, and how much is for the assets which are not operational as of today?

Saurabh Chawla: I think the right time for that question will be once we have the demerger order after the court has given full consideration to the petitions made by all the financial creditors. I've given some insight into that there will be some guarantees that will be continued like Rajahmundry one, but majority of them will not continue, but we have to wait for that period of time for me to give you a much accurate and firm answer on that.

Moderator: The next question is from the line of Apoorva Bahadur from Investec. Please go ahead.

Apoorva Bahadur: I am just continuing with the previous question. I'm sorry if I'm harping on this corporate guarantee thing, but just wanted to know this Rajahmundry one guarantee, will this be at the GMR airports level or will it be at GIL level?

Saurabh Chawla: So, again, there will be two entities that will be formed in the demerger; one will be GIL and other will be GPUIL. You will see it on our website and also in our presentation will be two

entities that will emerge. Both the entities will be giving the corporate guarantee for any loan that is residing into GPUIL if it is to be given. At a point of time, the guarantee from GIL level, which is the airport entity, that will fall off, and that is where we are continuously working with our vendors so that as the levels of debt comes down, they are able to remove that contingent liability on the airport side of it. But with respect to Rajahmundry, which is what I highlighted earlier, currently it is a plant which is mothball, right, it's not an operating plant. But as soon as it starts to operate and starts to generate its own cash, and reaches a good level of operations, automatically guarantee, not automatically, we are in dialogue with the banks from a principle perspective that guarantee will then get dropped off and the GPUIL guarantee will continue. But these are very early days to talk about specifics. Let the scheme get notified. I can't predict and give you a wrong trend line. I'm just giving you an insight into it.

Moderator: Ladies and gentlemen, we will take the last question from the line of Rushabh Sharedalal from Pravin Ratilal Share and Stock Brokers. Please go ahead.

Rushabh Sharedalal: Just one clarification. Correct me if my understanding is wrong, but you said that as far as the case regarding the annual fee to AAI that is pending in Delhi High Court is concerned, you said that the 11th August hearing is adjourned and now it is on the 21st of September, is my understanding correct?

GRK Babu: Your understanding is correct. Actually, the Delhi High Court single judge actually have given on 5th January 2021 a stay order from payment of annual fee. On that Airports Authority of India have gone to the division bench for appeal. That is what the hearing is postponed to the 17th September, 2021.

Rushabh Sharedalal: Just one more question again on the annual fee front only. So, you said that the amount that is under litigation is roughly close to 500 crores and as far as our payment that if an outgo come, then it will be close to 800-1,000 crores. So, is it fair to assume that the remaining part of that 800 crores so that is like 250 to 300 crores that will come in our books of accounts at a later part of the financial year?

GRK Babu: The annual fee is payable month-on month basis basing on our turnover, that is 45.99%. What we mentioned was till the last quarter the amount not paid was about Rs. 336 crores, the current June quarter was about Rs .201 crores. Because of the stay that we are having, we continue not to pay, so the amount continues to accumulate. What will be the final amount depends upon when the case will get closed. But estimate is by March, it could be including the last quarter of the last financial year, it can be around Rs. 1,000-1,200 crores.

Rushabh Sharedalal: So, entire amount will be under litigation only, right, so, if we were to pay, then we will have to pay full amount, and if we don't have to pay, then we don't have to pay a single rupee. Now, is the understanding correct?

GRK Babu: The case is reposed of. The thing is now Delhi High Court role is limited to stay order only, but simultaneously there is a tribunal which has already been constituted because it is a dispute that

AAI has raise. As Saurabh has already explained that under force majeure clause, either of the party to the agreement is entitled, the word is 'entitled' to seek waiver of their obligation in case of force majeure. We have stopped the waiver. But AAI has agreed that there is a force majeure, but they say we will not agree for waiver, we'll say only deferment. That's where dispute has come. That dispute has already been referred to a tribunal. Tribunal has already been constituted with three member retired Supreme Court judges. They have started hearing already a case where we have already filed our statement of claim and statement of defense already by the AAI. That is what they will decide final case, whether we are entitled for the waiver or we are entitled for the deferment.

Rushabh Shredalal: So, I guess the amount of Rs. 500 crores is coming from the fact that in the last quarter it was roughly Rs. 300 crores and this quarter it is 200 crores, so, under litigation at present it is Rs. 500 crores, right?

GRK Babu: That's right.

Moderator: Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Saurabh Chawla for closing comments.

Saurabh Chawla: Thank you so much, everybody for joining our Quarter 1 call. We are available offline. You have the contact details available with you to reach out to Amit and his team. And any questions that you may have, we can answer them offline. Thank you so much. Be safe, stay healthy.

Moderator: Ladies and gentlemen on behalf of GMR Infrastructure Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Note: Transcript has been edited to improve readability.