



“GMR Infrastructure Limited Q2FY18 Investor / Analyst Conference Call Transcript” Wednesday, 15 November 2017

Moderator: Ladies and Gentlemen, Good Day and Welcome to the GMR Infrastructure Limited Q2 FY '18 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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 ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

We have with us today, Mr. Madhu Terdal – Group CFO and CFO of GMR Business verticals. Before we begin, I would like to state that some of the statements made into today’s discussion maybe forward looking in nature and may involve risk 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. Madhu Terdal for opening remarks. Thank you and over to you, Sir.

Madhu Terdal: Thanks Tanvi. Ladies and Gentlemen, Good Afternoon and Welcome to the Investor Call for the half year ending September 2017. The broader domestic economic environment in India continues to be sanguine despite the rise in crude oil prices and a moderate increase in inflation. The Reserve Bank has cut the repo rate by 25 basis points and has signaled its inclination towards the lower interest rate regime, which at sizeable re-capitalization program coupled with the banking industry reaching its peak of non-performing assets, we expect the bank’s liquidity taps will start easing in the coming few quarters, and the good and creditworthy borrowers shall be able to take advantage of this changing scenario on the banking scene. GMR continued its focus to improve the balance sheet and reduce its leverage portion relentlessly. Nevertheless, before reaching our ultimate goal, there will be occasions of some deviation during this transformation. You will notice that our long-term borrowings have gone up by around 1560 crores from 17,030 crores to 18,592 crores during the half year between March to September 2017, but at the same time you will also observe that our short-term borrowings have come down substantially and the cash and cash equivalents have improved by around 1300 crores from 5245 crores as of year March '17 to 6512 crores. Investors and analysts will notice and appreciate the reduction of

short-term borrowing and the replacement by long-term borrowings which shall be a healthy development for the group as a whole.

As you are aware, stringent norms are being enforced for the on-time repayment of the obligations, and therefore, your company which is duty bound to ensure our readiness for meeting the commitments and to avoid any mismatch between our divestment receipt and our obligations have proactively secured a large credit facility to ensure that the group's liquidity is maintained at all times at a very comfortable level. I would like to assure the investors that the increase in borrowings shall be brought down as early as possible coinciding with the disinvestment receipts expected in the coming few quarters. You will also notice that the group's position of net debt has not changed much.

Our main area of business in the airport, the Government has announced a series of initiatives like 25 year master plan for the airport sector, the announcement of building of new 100 airports, building of new terminal in 16 airports by Airport Authority of India involving an investment of about 11,000 crores are pointers to a healthy growth in the airport sector. Reflecting this, our airports particularly Delhi Airport and Hyderabad Airport continue to show its robust growth. The aero revenues in Delhi, traffic went up by around 13% while in Hyderabad the traffic went up by 18%. Of course, on the tariff determination part, obviously in line with the Supreme Court order, AERA had implemented the interim tariff order with effect on July 7, 2017, and which has led to a significant drop in the aeronautical tariffs by 89%, but the reduction in Aero revenues has been partially mitigated by a very healthy traffic growth of 13% coupled with 15% strong growth in the non-aero segment. The Delhi Airport's non-aero revenue increased by 15% from 744 crores to 853 crores. Retail revenue grew up by 10%, cargo revenue went up by 22%, and advertisement revenues grew by 38% for the half year. Even the CPD, the commercial property segment, the rentals grew up from 82 crores to 87 crores during the half year. In the meantime, Delhi Airport has operationalized the Terminal-2 to ease the congestion and pave way for the expansion of the Terminal-1.

As far as Hyderabad Airport is concerned, the traffic again showed a robust growth of 18%, but most importantly, its non-aero revenues also grew up by another 15% from 185 to 213 crores. You will notice that the GMR Hyderabad Airport continued its profit streak where during the half year, the profit went up by almost 72% from a level of 146 crores to 251 crores and reflecting this Hyderabad Airport also declared an interim dividend of 15% on the back of the half-yearly performance. Another significant development over the de-banking as well as reduction of interest was the successful issue of a \$350 million bond from Hyderabad Airport. In an unprecedented pricing advantage, Hyderabad Airport secured a \$350 million ten-year money at 4.25% per annum, and it has replaced all its rupee term loan as well as the current ECB. With this, you will notice that both Hyderabad Airport and Delhi International Airports have been completely refinanced by long-term bonds and there is no dependent on the banking sector.

Continuing with the same trend in the improvement of airport performance, our Cebu Airport in Philippines also achieved a traffic growth of 14% during the half year, while the EBITDA grew

up by 36%, the Cebu profit went up by as much as 50% from a level of 64 crores to 94 crores, and our latest bid in the airport sector Goa, it achieved the financial closure of project debt of 1330 crores in time and we are expected to sign the EPC contractor in a very, very short time. Energy sector which has been a relatively laggard sector, continue to consolidate during the half year. Our revenues increased from 416 crores for the year March '17 to 681 crores and the losses of continuing operations maintained at the same level without any adverse effect. As far as Warora is concerned, which is our most operating and healthy energy company, PLF improved from 61% to 71% and EBITDA increased from 255 crores to 278 crores. It continued to be profitable and for the third quarter successively. It achieved net profit of 24 crores for H1FY18 against a loss of 50 crores during the previous half year, and very important point reflecting the GMR's borrowing ability, it brought down the interest cost from 236 crores during the last half year to 206 crores, you will notice that across all the energy verticals, more or less the interest cost has come down.

As for as Kamalanga is concerned the most significant achievement of Kamalanga is where it secured a 1.5 million tons of firm linkage under the SHAKTI scheme. With this, Kamalanga has achieved the full fuel security. While its PLF improved to 62%, EBITDA went up by 11% from a level of 295 crores to 328 crores. Importantly, the losses in Kamalanga were reduced by as much as 50% from 189 crores to 85 crores during the half year, and again as I mentioned in Warora, the interest cost has come down from 344 crores to 323 crores. Our international presence of PT GEMS that is in the coal mine, it has turned completely on the positive side compared to the last year and the sales have registered a 22% increase from 5.4 million tons last half year to 6.6 million tons this half year. The EBITDA has jumped by almost more than three times as against the EBITDA of 158 crores for the last half year, this year PT GEMS registered an EBITDA of 503 crores and the profit as against the last half year profit of 25 crores, the profit jumped by as much as almost like from 25 crores to 341 crores, almost about 12 times, and again here the interest cost has come down from 184 crores to 87 crores. With this, I would like to close my initial observations and I would like to open the platform for question and answers, please.

Moderator: Thank you. We will now begin the question and answer session. We have our first question from the line of Giriraj Daga from KM Visariya Family Trust. Please go ahead.

Giriraj Daga: First question is related to this Delhi Airport tariff, so I believe the court has given two months for the resolution of that, is there anything which you have heard or if you can update us about that, how is the situation?

Sidharath Kapur: From July, TDSAT which has now become the designated authority for appeals against AERA have been hearing the appeals for the 1st control period of Delhi, which was pending before the appellate authority earlier and the progress has been very, very good. There has been hearing practically every day five days a week and the hearings have just got concluded and we are hoping that the orders will be out say by latter part of December as far as the Control Period 1 is concerned and Control Period 2 orders, the appeals, broadly there are two or three things

which are exceptional in Control Period 2, which are not there in Control Period 1, but most of the items are quite common, so we are expecting a very quick resolution with the issues which are now pending in appellate, so that is the current status.

Giriraj Daga: Sir, just a follow up, Control Period 1, apart from the issue of higher ROE and the interest on the real estate deposits, we are discussing about the same issue?

Sidharath Kapur: These are couple of those issues, but there is a fairly long list of other issues also, so we were having, it is not just these two issues, of course these two are the major ones, but there are few other major ones and some minor ones also.

Giriraj Daga: My second question is related to our power plant of Rajahmundry and Chhattisgarh, like what is the status there now, like SDR period is over I believe?

Parag Parikh: As far as Chhattisgarh and Rajahmundry are concerned, this does gives us a standstill period of 18 months. As far as Rajahmundry is concerned, the 18-month period is over whilst as far as Chhattisgarh is concerned, it is not yet over, it gets over in the coming year in January.

Giriraj Daga: Sir, any update on the corporate guarantee we have given for Chhattisgarh?

Parag Parikh: There is no GMR Infra's corporate guarantee be given as far as Chhattisgarh is concerned.

Giriraj Daga: For Rajahmundry?

Parag Parikh: Having said that, obviously the intent is to find some sort of resolution for both Rajahmundry as well as on Chhattisgarh, so A, we are talking to lenders in terms of the way forward and resolution, B, like in any case of an SDR, normally the lenders also look at divesting their equity in favor of any new investors, so both these possibilities are being discussed with the lenders and certainly we are hoping that some sort of concrete solution is emerging over the next few months.

Giriraj Daga: Just to confirm, there is no corporate guarantee for Rajahmundry and Chhattisgarh, both?

Parag Parikh: For Chhattisgarh, there is no corporate guarantee, as far as Rajahmundry is concerned, there is a corporate guarantee. Having said that, as I mentioned the objective is clearly to find some sort of a resolution across both these assets.

Giriraj Daga: What is the amounts are, corporate guarantee?

Parag Parikh: If you look at as far as the asset is concerned in line with any SDR, part of the debt has been converted into equity as the lender sort of take over more than 51% equity into the asset. In Rajahmundry, there is about 55% of equity that is being owned by lenders, and therefore, the residual debt is close to about 2350 odd crores.

- Giriraj Daga:** I am asking about the corporate guarantee, Sir, at the GMR level to Rajahmundry, what is the amount, Sir?
- Madhu Terdal:** The current outstanding debt is 2350 crores and the corporate guarantee covers it, but I would like to hasten to add here that this is a force majeure case. The plant was set up under the gas policy of the Government of India to support the energy sector growth during the earlier years and at that point of time, the gas was almost about 78 MMSCD, it fell down to around eight or 16 MMSCD, so the Government as well as the bankers are completely seriously working to find a solution to this. With all the sense of responsibility, I can say that there is no risk of corporate guarantee as far as GMR Rajahmundry is concerned, so all the three parties involved, the lenders as well as the corporate and with the support of the Government, a serious solution is being found and we believe that a decent solution will be out before the end of this financial year.
- Moderator:** Thank you. The next question is from the line of Vipul Shah. Please go ahead.
- Vipul Shah:** I think your presentation was uploaded little late, so can you help me with what is the average tariff during the quarter for Delhi Airport and during this quarter?
- Sidharath Kapur:** There is no average tariff as such, there is a certain landing parking charges, there are housing charges, there are UDF which is charged, etc?
- Vipul Shah:** What I am trying to understand is what is the impact of this 89% drop tariff order in numbers?
- Sidharath Kapur:** We expect that our aeronautical revenues on an annualized basis should be about 800 to 900 crores a year on an equated basis assuming that because in the current year of course the change in aeronautical charges has happened somewhere in between, it has happened in July, so you may not see the full impact in this quarter, but the next quarter our aeronautical revenue should be of the order of about 200 to 225 crores, but as I was telling earlier that we expect a very quick resolution of the issues which are pending in TDSAT and that will help us to go back to the regulators based on the positive outcomes of TDSAT to have a resetting of the charges again.
- GRK Babu:** If you look at it Q1 and Q2, 750 crores is the fall in aero revenue compared to Q1 to Q2.
- Vipul Shah:** There is a fall of 750 crores, right?
- Sidharath Kapur:** That is correct.
- Vipul Shah:** Sir, my second question pertains to the notes on your account, I am referring to note number 4 where there is some arbitration on this cumulative convertible preference shares of GMR Airport Limited, so can you help me understand if that arbitration goes against us, what will be impact of our holding in GMR Airport?
- Sidharath Kapur:** That arbitration is currently on.

- Vipul Shah:** My question is hypothetical, suppose we lose that arbitration, so our holding in GMR Airport will be reduced by how much?
- Sidharath Kapur:** It is not a simple answer.
- Vipul Shah:** If you can explain me in some length, it will be really helpful, Sir?
- Sidharath Kapur:** It is complex for me also, it is not just complex for you. It has multiple outcomes even if we lose it even if we win it, and ultimately the impact is no cash impact, there can be some conversion to equity and that will of course finally depend upon the numbers which emerge with arbitration considered in terms of valuation.
- Vipul Shah:** Sir, lastly you have 46% revenue sharing in DIAL, so that is both for aero and non-aero or for non-aero, the percentage is different?
- Sidharath Kapur:** It is for all revenues, this percent is paid an entire revenue.
- Vipul Shah:** Entire revenues, suppose if you will develop a proposed mall with Bharti Realty, there are also whatever revenue generated from that, that also will be shared in the ratio of 46:54 right?
- Sidharath Kapur:** Yes, 46% on all the revenue, which is hits revenue line.
- GRK Babu:** It is not the Bharti mall revenue, but what is the revenue share which DIAL gets on that we have to get 46%.
- Vipul Shah:** All revenue which comes to DIAL will be shared in that ratio, right.
- Madhu Terdal:** That is correct. Straight one number of revenue it will consist of the developmental expenses, it will be consisting of rentals, so revenue will be little larger term, I think we have to understand the extent of that is not straight away where the one number comes it will not happen, I would like to caution you on that.
- Moderator:** Thank you. The next question is from the line of Mayank Goyal from B&K Securities. Please go ahead.
- Mayank Goyal:** Recently, we heard the news that the airport partners, Malaysian Airport Holdings had created a fund where they had deposited \$1.5 billion for capturing International Airport opportunities, but the contribution of GMR was not disclosed, so what is the contribution that GMR is expecting in that fund?
- Sidharath Kapur:** That was some wrong information in the press, we have not found any fund with the Malaysian Airport Company.

- Mayank Goyal:** Are you looking for international airport opportunities, and if yes, have you put bids in any of the international airport or are there any bids coming forward?
- Sidharath Kapur:** We are looking at international opportunities and we are actively looking at the Belgrade Airport which is currently underway in the bidding process and we expect that the bids are due in December, so that is the only one at this point of time which we are looking. Apart from that, of course you know that we have already got the award for Crete Airport, so that we are there internationally, we are there in Cebu, but future bidding opportunities at this point, currently this is the one which is active.
- Mayank Goyal:** Sir, the GMR has for the past three to four years been away from the highway project, it has not bid any new highway project, but given the recent thrust by the Government on the huge road development program, where do you see yourself, I mean whether you are going to bid for the road project as well in coming future?
- Mohanrao M:** To match with the asset-light and asset-light of the corporate, you might observe that from the presentation also, we got the large EPC contract from the Ministry of Railways, dedicated freight corridor, so this EPC contract, its size is 5000 crores, all we are focusing on this to complete this by 2019, so because looking at the bandwidth etc., now we are not focusing not other highway project, so main focus is on completing this 5000 crores dedicated freight corridor EPC project, for the time being.
- Moderator:** Thank you. The next question is from the line of Mohit Pandey from CitiGroup. Please go ahead.
- Mohit Pandey:** Sir, my first question is on the Goa Airport, at this stage of time what would be the construction timelines that you would be looking at here?
- Sidharath Kapur:** It will be about three to three-and-a-half years.
- Mohit Pandey:** Sir, secondly on divestments, could you please elaborate on the divestment plans for say the next 12 to 15 months, that would be very helpful?
- Madhu Terdal:** We have most of the easy routes have been completed, we have completed the disinvestment program, but the current ones are being actively looked at the remaining highway portfolio which the things are progressing very good. The next real developments will be happening from the land areas into the special economic zones which we are holding under the urban infra business. You may be aware that we are holding close to around 10,000 acres of land in Kakinada and also another 3300 acres of land in Krishnagiri. There have been very, very significant developments in this segment. As we have formally announced last time also, Hindustan Petroleum Corporation has been doing a serious due diligence in Kakinada. There is another global major refinery company is looking at establishing certain business on the Eastern segment of India. The captive port which has been awarded earlier to Kakinada SEZ Port Holdings, now it is in the process of being converted into a commercial port, which again is likely to increase the commercial value of that. Besides that a host of at least a dozen companies have entered into

MoUs with us ranging from 5 acres to 35 to 40 acres, so we are hopeful of achieving a significant divestment of this land process. Even in Krishnagiri, a substantial area almost about one-third of acres is being acquired by the Government of Tamil Nadu also, so whether this will happen immediately in the next quarter, the answer may be no, but we are hoping that commencing from the first quarter of the next year, we expect a series of cash flows during the next year, so we believe that this inflow will impact positively on our debt positions in the next year.

Moderator: Thank you. The next question is from the line of Hitesh Kumar from Aksa Capital. Please go ahead.

Hitesh Kumar: I just have two questions, one is with respect to the Kamalanga power plant, the 1.5 million ton of coal that we have secured under the SHAKTI scheme, is that sufficient for us to operate the plant at an optimal PLF and has the supplies already commenced from under this particular scheme. Second is with respect to the Chhattisgarh Power Plant, we just heard the Neyveli lignite management talk about doing due diligence on this plant and they are awaiting the PPA for the power plant, so if you can just share any recent developments with respect to the PPA that we are in talks with for this power plant?

Madhu Terdal: What is the second question is with respect to Chhattisgarh?

Hitesh Kumar: The Chhattisgarh power plant.

Ashis Basu: Kamalanga we had two linkages, you may be aware 500 megawatts which is the firm linkage, 550 which was tapering and which fell off consequent to mine allocation, it was extended through MoU but fell off last June. We have obtained through SHAKTI a linkage which will nearly take us there 550, 10% or 14% less of that 100%, but the plant is 35 km away from Talcher fields and with little gap through e-auction we can easily arrange, because we have been arranging much bigger quantities through e-auction till date. So far as Chhattisgarh is concerned, to keep the plant running and recover all our fixed costs, we won a bid issued by GUVNL for eight months where GUVNL will supply us the coal. We are working to get that PPA operationalized for the time being. I understand MSEDCL has also come out with a tender for 500 to 1000 megawatts for two months, so we would be looking at such opportunities. We are also interacting with parties for a longer term PPA with significant capacity at this point of time.

Hitesh Kumar: Has the supplies already commenced under the SHAKTI scheme, the coal supplies?

Ashis Basu: Not yet, I think LOI is to be issued and then it could be operationalized. I would think that from January we should be able to get the coal supplies.

Hitesh Kumar: What is the discount to the contracted PPAs tariff that we have agreed for this particular auction that we have won?

Ashis Basu: Three paisa per unit for coal supplied under this scheme.

- Hitesh Kumar:** I am sorry on the Chhattisgarh, what is the recent development with respect to the PPAs there?
- Ashis Basu:** As I was mentioning, we have won a bid with GUVNL at Rs. 2.80 or thereabouts tariff, so GUVNL will supply its own allocation of coal to the power plant.
- Hitesh Kumar:** How much of the capacity would that be taken by GUVNL?
- Ashis Basu:** This is currently 500 megawatts for eight months. Maharashtra has also come out with a tender for 500 to 1000 megawatts, we will look at participating in that also.
- Hitesh Kumar:** No visibility on the long term PPAs yet for this power plant?
- Ashis Basu:** We are discussing with captive consumer of significant quantity up to 1000 megawatts, but at the initial stages.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from KM Visariya Family Trust. Please go ahead.
- Giriraj Daga:** If you look at the aero revenue obviously, we have seen about closer to 75% kind of a fall, so when will that become effective from mid of the quarter like what date, this 89% cut?
- Sidharath Kapur:** July 7th.
- Giriraj Daga:** We will see the full impact coming in the third quarter of that.
- Sidharath Kapur:** Yes.
- Giriraj Daga:** Second is there any dividend income we have booked in GMR Airport Holding company because when I look at the three airports Cebu, Hyderabad, and Delhi still there is some 88 crore EBITDA at the total consol level?
- Sidharath Kapur:** There is dividend which are being declared both by DIAL as well as Hyderabad airport for the last financial year which has been paid off in the current Financial Year.
- Giriraj Daga:** That is included there. Any particular reason why the interest cost in Delhi has gone up like we are sitting on cash?
- Sidharath Kapur:** Interest cost has gone up by about 8 to 10 crores because of Ind-AS adjustment at DIAL.
- Giriraj Daga:** If you can also throw light on the expansion plan for Hyderabad and Delhi?
- Sidharath Kapur:** As far as Hyderabad and Delhi, we have planned expansion programs. In Hyderabad, the expansion cost is anywhere from 2000 to 2500 crores and in Delhi it should be about 8000 crores. At this stage, the work has not started. As far as Hyderabad is concerned, we are in the stage where we are awaiting the approval from the regulator for clearing the cost of expansion as well

as we have applied for approvals from the regulator on the cost for Delhi, but this CAPEX program in both the airports is expected to be spread over the next three to four years.

- Giriraj Daga:** What is the capacity increase at Hyderabad and Delhi, from where to where?
- Sidharath Kapur:** Hyderabad will be from 12 million to 20 and in Delhi it will be from 62 to 80.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Lucky Investment managers. Please go ahead.
- Sachin Kasera:** One, we did sell some stake in one of the Indonesian coal mines, what is the status on the monetary receipt of the same?
- Madhu Terdal:** The sale is complete, binding agreement has also been signed, it has been referred to Singapore exchange for its approval. We are expecting the approval should happen anytime in the next three to four weeks after which the proceeds are expected, which should be in the month of December?
- Sachin Kasera:** How much is that expected, Sir?
- Madhu Terdal:** About \$66 million.
- Sachin Kasera:** There is also some loan on that mine which will go away?
- Madhu Terdal:** It is another about \$40 million of loan also will be taken over.
- Sachin Kasera:** Any plans on monetizing GEMS, I believe you had indicated that we may look at that as an option also, any progress on that, Sir?
- Madhu Terdal:** I will not be able to comment on this at this point of time, but I can only say that all possible options are being explored especially because the operational parameters have improved very substantially. The profitability has improved very substantially and also the market has jumped up, the per ton recovery has improved, so I think what we are looking at the whole thing and we will find some kind of a solution in the next few days.
- Sachin Kasera:** My second question was on this Chhattisgarh Energy, there was some article in media today from Neyveli lignite saying that they are in talks with you to buy Chhattisgarh, is there any truth in that, Sir?
- Parag Parikh:** I think what I can only state at this juncture is as a part of this process lenders have mandated one of their investment bankers to run through to look at potential buyers and to that extent rather than speculating on specific players, what I can say that ongoing discussions are going on with few parties and given the fact that SDR process needs to be completed in that period, we are hopeful to come to some conclusion before the end of this financial year.

- Sachin Kasera:** This contract that we have got from Gujarat at Rs. 2.80, what are the economics of it, will we make any money at the net level or we only at the EBITDA level?
- Ashis Basu:** The idea here is while we wait for rates to improve long-term PPA, this will cover all our operating costs, overheads, and leave some small margin for our fixed cost.
- Sachin Kasera:** Will it also cover part of our interest cost or that would not be covered through this PPA?
- Madhu Terdal:** Interest cost of the working capital will be completely covered, beyond that some small margin would be there, it can therefore address to that extent interest costs.
- Sachin Kasera:** Sir, any plans in terms of making the Holdco company debt free going ahead because that is the stress is, because the Holdco company has a debt and it does not have any major cash flows even to service that?
- Madhu Terdal:** There is no plan, that is our target, so we have to achieve this and we are working on that as in the beginning I commented, we are taking some short-term, we are already replaced the short-term borrowings with the long-term borrowings to ease the liquidity pressure now as we have explained to you PTBSL share is completed for us at least 40 million debt will go away and another \$66 million cash inflow will happen plus we have articulated the disinvestment process ongoing on the SEZ plus the highway disinvestment program is also on, so lot of things you can see. We definitely intend bringing down the corporate debt very substantially in the coming few quarters.
- Sachin Kasera:** Sir, this highway monetization what is the update you have mentioned in this remark that you are looking at that, can you just update us what is the update there?
- Madhu Terdal:** At least two projects, I do not want to name them because still they are all under discussion stage, so two projects we are seriously in discussion with a potential serious buyer.
- Moderator:** Thank you. The next question is from the line of Charanjeet Singh from B&K Securities. Please go ahead.
- Charanjeet Singh:** The commercial property development part in Hyderabad, if you can just highlight like how the development we planned going forward because right now we have monetized only around 90 acres and there is a large portion which has been monetized, so how is the equation there?
- Sidharath Kapur:** We have done about 100 acres so far in Hyderabad and the Hyderabad market is showing signs of buoyancy at this point of time and the land at the airport is very clean from a title point of view and the facilities available, infrastructure available is much better than the land which is outside in the surroundings, so we have seen significant interest coming in as far as the land is concerned, we have enquiries of approximately 300 acres at this point of time. Our strategy is of course and it continues to be to monetize the land through leasing of land, but we are also looking at doing some self-development ourselves especially where there are some very critical

anchor tenants an example being Amazon for which we have built one of the largest fulfillment centers and given it to them on a very long-term lease, so the strategy would be to do bit of self-development to create excitement and interest in the infrastructure available at the airport and use that to attract other tenants to come in who may take land and develop it themselves, and whatever we do a self-development, the plan would be to say divest it after if the rental stabilizes either through a REIT or to some other investors and move the cycle into the next phase, so Hyderabad net-net I think we will see in the next couple of years fairly accelerated movement on the monetization.

Charanjeet Singh: Sir, Delhi International Airport while second phase we have done with Bharti Realty any further plans of which you can highlight in the commercial property development?

Sidharath Kapur: There are further plans, we have now done a complete master planning for real estate and here through there will be some self-development which we are looking at on a very small scale, which will be cycled out. We will do a construction, we may then exit it once the rental stabilizes, but primarily the monetization of the next phase is now will be over the next two to three years, will be towards office and maybe little bit of hospitality.

Charanjeet Singh: Sir, if you can help us also give your perspective on the hydro project pipeline, while we are investing right now in Bajoli Holi, what is your view on the other hydro projects which we have under our pipeline, so we plan to invest in them in the near future or how?

Ashis Basu: Bajoli Holi as you are already aware the other big projects which we have in Nepal is upper Karnali which is a 900 megawatts project. The good thing about it is that we have an MoU with Bangladesh for sale of 500 megawatts. The PPA is already under discussion. The idea is once the project becomes bankable and valuable, we will have the ability to monetize it. We will look at monetizing this opportunity once the project becomes valuable.

Charanjeet Singh: Sir, on this Delhi International Airport, what would be the timeline as the ruling has been reserved as of now, when we could see the outcome for the specific resolution which we have filed for?

Sidharath Kapur: You are talking about the tariff issue?

Charanjeet Singh: Yes.

Sidharath Kapur: As I mentioned in response to an earlier question, we expect the orders from TDSAT in the second half of December and of course based on those orders and to the extent they are positive, we will have to go back to the regulator AERA and ask for a recalculation and reset of the charges, which may take may be two to three months, but the timeline expected is not very long.

Charanjeet Singh: Sir, the last question from my side will be on the deleveraging part this again highlights I know you have talked about monetization of certain assets, but by the end of FY '19, how we see the debt overall at the corporate level going down for the company?

- Madhu Terdal:** I would request you to give us at least another one or two quarters, so that we can pinpoint and put a number because otherwise it will be little premature to say, lot of developments are happening, I am unable to put a number and say, yes, this is what will happen, but I can only tell you that during the next few quarters there will be a significant reduction should happen.
- Moderator:** Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** The first one is on Delhi Airport, just want to get a sense that from an operating expenditure perspective, the number this quarter was about 310 crores for the second quarter, is it expected that this run rate is going to continue, I feel so in the light of the full-year number last year being less than 1000 crores last year?
- GRK Babu:** The expenditure especially has gone up because of the Ind-AS adjustments and there is exchange difference about Rs. 70 crores, otherwise, we are maintaining the same level of expenditure as earlier.
- Sidharath Kapur:** Some expenses have increased because of operationalization of T2, but the biggest increase is mainly because of the exchange difference of about 70 crores and that is not a recurring item, it will depend on the movement.
- Aditya Mongia:** So 70 crores is something that you are saying is dependent on exchange, may not continue incrementally is what you are saying?
- Management:** Yes, because part of the, we have hedged our dollar borrowing, so the impact of that comes in the cost and the positive side of the hedge comes below the line.
- Aditya Mongia:** The second question was more on the power side, you had highlighted that for the Rajahmundry plant the 18 month period has elapsed now, I just want to get a sense from you, bad question, but what is the best case and the worst case scenario for that project from our perspective versus where things are today?
- Madhu Terdal:** Basically, as I explained to you we are seriously engaging with the lenders. The best-case scenario, we are working out couple of options including a deep restructuring. From all accounts, it is expected that the gas situation should improve in the next 24 months, so obviously the gas plants are going to provide a very attractive opportunity. As you know, very substantial renewable portfolio is being added to the country's capacity, so the gas-based plants are going to provide a real backbone to make this renewable platform successful, so definitely there is very good business case for the gas plants. Now, how this will take shape, I think within the next one quarter will decide, but I can only say that definitely the gas plants have got a very good future. It may take some time, but definitely they will have a very good future.
- Aditya Mongia:** Worst case scenario for this plant?

- Madhu Terdal:** The worst-case scenario well let us wait. As I told you, we are very optimistic and we are hoping perhaps even by the time we have our next quarter call, you can be sure that there will be some sort of a solution, so let us not talk about the worst case. I can say that it will be an optimum case, if not the best case, it will be an optimum case.
- Ashis Basu:** In fact if you see the National Energy Policy also they have mentioned about gas power projects and their role in integrating the renewable into the grid, so how to revive this gas-based power plants, is also something which is engaging the policymakers currently. Besides banks, we are also engaging with policymakers in this respect and there is a realization that this gas-based projects would be required to maintain balance the grid because it can ramp up or down at a rate to balance the grid which coal-based power cannot. Further, if you see in India nearly 79% of the generation is through coal, so coal non-availability as was seen recently or reduced availability has a huge impact on tariff. NTPC is buying gas at \$10 today to run its gas-based power plants to meet the demand supply, so gas-based plants have a future. Government actually has held meetings for revival of gas plants, have taken inputs, and it is a generic issue 11,000 megawatts have totally stranded, capital already invested, so we hope a resolution will come as our group CFO told in the coming quarter by way of a policy outcome.
- Aditya Mongia:** My last question is on the airport side that the holding company level, which is their regarding non-equity investments by certain sort of investors and that being converted into equity, if I were to be asking a similar question of the worst case and the best case over here, any input from your side will be useful. I understand that there are lots of ifs and buts over here, that is why I am asking the worst in this case?
- Sidharath Kapur:** As I also responded earlier, it is a complex matter and there can be multiple worst and best cases, and it becomes very difficult to give any forward-looking statement on this.
- Aditya Mongia:** Does it impact in any way our plans to expand into more and more airports from funding perspective?
- Sidharath Kapur:** No, it does not.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Lucky Investment Managers. Please go ahead.
- Sachin Kasera:** Sorry to again bring back the question by the previous participant on the ongoing matter with the investors in the Airport Holdco, if I believe last quarter you had mentioned that our case was something not exactly but something similar to the Tata-Tele case, which now seems to have got resolved, so post that do you think our case should also move little forward especially with RBI and we could hopefully see some resolution in the next one to two quarters?
- Sidharath Kapur:** Firstly, it is not similar absolutely to the Tata-Docomo case. Tata-Docomo case has been quite different, our case is quite different. In Tata-Docomo case there was purchase of equity straight away at less than fair value. In our case it is different and in our case the matter is pending before

the arbitration in Singapore and that process is on and there is also one reason being sub-judice, we do not want to really comment on it and look at different outcomes, but having said that there are significant differences in the cases and the outcome of the arbitration of course will decide the next course of action.

Sachin Kasera: From what I understand I think we are also trying to have a dialogue with RBI, so is there any progress on the dialogue, is that still continuing or there is no dialogue as of now ongoing with RBI and we are just waiting for the arbitration outcome?

Sidharath Kapur: Yes, there is no dialogue going on with RBI.

Sachin Kasera: As of now the stand is that we are waiting for the arbitration outcome and once that is done, the future course of action will be taken, is that the current status?

Sidharath Kapur: Yes.

Moderator: Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Madhu Terdal for closing comments.

Madhu Terdal: Ladies and Gentlemen, thank you very much for your active participation. As I told in the beginning, some amount of temporary deviation keep occurring in a very complex business-like infrastructure and GMR. We can continue to be quite proud that we have been doing much better than some of their peers and been taking the problem straight on and trying to find solutions. I can only say that it may take one quarter more or less, but definitely we are on the track and we are optimistic of finding solutions to all the problems that are being, so thank you very much once again.

Moderator: Thank you. On behalf of GMR Infrastructure Limited, we conclude this conference. Thank you for joining us and you may now disconnect your lines.

Note: Transcript has been edited to improve readability.