



“GMR Infrastructure Limited Q2FY22 Investor / Analyst Conference Call Transcript” Saturday, 13 November 2021

Moderator: Ladies and gentlemen, good day and welcome to GMR Infrastructure Limited Conference Call to discuss Q2 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: Good afternoon ladies and gentlemen. I welcome you all to the second quarter fiscal 22 earnings call. I hope everyone on the call and their families are safe. As you know, economic activity indicators had peaked in March 2021 but they took a hit during quarter 1 fiscal year 22 due to the second Covid wave. However, the second Covid wave has receded much faster than what was anticipated. Economic activities and businesses are now back as Covid daily cases are now significantly down below the 13,000-mark number against the second wave peak of almost 4 lakh cases a day. This augurs well for our businesses during the quarter.

Before briefing you about the business performance, I would like to highlight key focus areas which have kept us busy during the quarter 2 fiscal 22:

Firstly, on demerger:

We have received all approvals from the financial creditors and shareholders. Rest of the steps in the demerger process are procedural in nature. We expect the final order from NCLT soon,

most likely by the end of December 2021 and fixing a record date of GPUIL listing and subsequent listing on the stock exchanges by quarter 4 of fiscal year 22.

Secondly, we have made significant progress on our CAPEX programs. Delhi, Hyderabad, and Goa airports have achieved 50%, 67%, and 44% completion as of October 31st, 2021. In Goa, we are targeting to achieve a COD by mid-August of 2022.

Thirdly, we have executed industrial partnership agreement with Groupe ADP. This is a significant step into building the world's largest airport alliance to welcome passengers and leverage both the group's expertise to continuously improve operations.

Fourthly, on the liquidity raising and cost saving initiatives, we have completed the divestiture of Kakinada land parcel and the port. From this transaction, we received the first tranche of considerations which is about 1,700 crores out of a total 2,700 crores.

In order to cater to rising demand, we have resumed operations at terminal 2 in July 2021 and terminal 1 in October 2021 at Delhi airport. We had earlier closed these terminals to save costs amidst lower passenger footfalls due to the first and the second Covid waves. We also agreed to restructure the transaction with Bharti Realty for 5 million square feet, primarily dividing into 2 phases - phase 1A of 2.73 million square feet and phase 2 or 1B of 2.16 million square feet. These rentals for the Phase 1A is effective from September 1, 2021. Phase 1B is expected to be effective by fiscal year 23. We have received significant amounts from this transaction prior to September 30th. In order to improve the performance of the power business, we have entered into a PPA with Gujarat State Electricity Board for 150 megawatt in Warora. We have also pursued resolution of receivables at Warora and Kamalanga and received favorable order from APTEL with respect to the Bihar DISCOM.

Coming to the business fronts:

GMR's businesses have recovered significantly post second wave of Covid. I want to first talk about the airport business which contributes significant numbers to our revenue and EBITDA. As highlighted earlier, traffic has rebounded quickly post second Covid wave than initially anticipated and it is on a fast-paced recovery path. In Delhi airport, domestic and international daily average passengers have turned around and has reached 81% and 42% during the week ended November 7th.

In Hyderabad Airport, domestic and international daily average passenger has reached 73% and 50% during the week ended November 7th. Cargo business continues to be resilient and is now above 100% of pre-Covid level for both Delhi and Hyderabad airports. It is encouraging considering Government of India has imposed curbs on the capacity for airlines which were at about 50% in June 1st, later revised to 65% from July and 72.5% in August. Now, the government has lifted the capacity restrictions for all domestic flights and they can now operate up to 100% capacities.

International destinations and frequencies were also increased during the bubble arrangements and more destinations are expected to be added in the near term. Passenger confidence to travel is on the rise with decline in Covid cases, increased pace of vaccination and relaxation of the testing norms. Passenger profile mix is also shifting with increased passenger travel from Tier-2 and Tier-3 cities versus metros, friends and family or leisure travel versus corporate travel. Even corporate travel has also recovered to about 50 odd percent levels compared to pre-Covid and corporate travel is gaining momentum in the near term as executives have started to travel for meetings and conferences.

On the international side, there is more and more structural shift that is happening on the nonstop flights. We expect the traffic to gain further momentum with reducing trend in Covid cases, lifting of government restrictions on airline capacity and increased pace of vaccination. India's daily new Covid cases are now below 13,000 and vaccination pace has picked up where more than a billion doses have been given as on November 10, 2021. Metro cities which are core to our business have recorded over 95% vaccine coverage. More states in India have lifted travel restrictions with Covid cases receding and various states have also lifted RT-PCR testing requirements for fully vaccinated citizens. Globally too, weekly Covid cases have declined to 1.3 million as of November 8th versus peak of 5.7 million in April 2021 as vaccination drive is on a full swing which will further boost international traffic. Globally, about 7.3 billion vaccine doses have been administered so far. Significant part of the populations in various countries are inoculated with at least 1 dose - US is about 66%, UK about 74%, and 79% in Canada. Air bubble arrangements will continue for next few months aiding recovery of international traffic. Currently, air bubble arrangements are with 28 nations including US, UK, Canada, Germany, France, UAE, etc. International countries have also started to ease travel restrictions. For instance, US has lifted travel restrictions for fully vaccinated travelers. Far East countries, especially Singapore, Australia, and Thailand are now opening up for fully vaccinated passengers. UK is set to lift travel restrictions for passengers vaccinated with WHO listed vaccines. While Covishield vaccine is already approved by most countries, Covaxin has recently received WHO approval. UK including 96 countries will start accepting Covaxin. This will enable more Indians to travel outside India.

Fleet addition by major Indian airlines, takeover of Air India by TATA, entry of new airlines including restarting of Jet Airways will aid expansion of the operating capacity. Financially strong airlines will aid for further growth in the future. We anticipate domestic traffic to reach pre-Covid levels by end of this current fiscal year 22 and international by the end of fiscal year 23 in our Indian airports.

On the energy business, power demand and coal supply are improving as the lockdown is easing up. Kamalanga clocked the best operational performance in 1st half with a PLF of 82%. PLF improved to 90% in October and 96% in November as we speak. Warora's PLF of 51% in 1st half was impacted by lower supply of linkage coal from the mines, lower exchange rates, and delayed realization from DISCOMs. However, post 1st half, PLF has improved to 66% and 89% in October and November respectively due to better availability of coal. On Kamalanga, we also

received a favorable order from APTEL. As per the APTEL order passed on August 6th, all amounts due and payable to Kamalanga by Bihar DISCOM due to various Change-in-Law events shall be paid along with the carrying costs in accordance with law. Kamalanga is entitled to recover expenditure involved in 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 no Change-in-Law event had occurred. Bihar DISCOM has filed an appeal in the Supreme Court against the APTEL order and the appeal is currently pending in the Supreme Court. It is yet to be listed for admission.

PT GEMS is truly a gem in our portfolio today. Performance continues to be strong in this mining business despite volumes being impacted by unseasonal rains. EBITDA margins was up from USD 5 per ton year on year to USD 9 per ton in quarter 2 fiscal year 22 driven by a 42% Y-o-Y increase in realizations. GEMS has paid record dividend of USD 180 million in 1st half of calendar year 2021. Subsequently, it has also paid dividend of about 60 million during August of 2021. GMR, as you know has 30% stake in this mine company.

On the highway business, Hyderabad-Vijayawada expressway traffic increased by 27% year on year to about 10.4 million vehicles during quarter 2 fiscal 22 period. On quarter-on-quarter basis, traffic has increased by 24% in quarter 2 of this year. Toll at Ambala-Chandigarh expressway has been suspended since October 12, 2020, 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, the reimbursement of O&M cost, etc. Claim for the force majeure up to 31st March 2021 have been filed, and Ambala-Chandigarh has received part payment from NHAI. Balance claim amount is under verification and is expected to be received in due course.

On the status of arbitration award on Hyderabad-Vijayawada project, the sole arbitrator has reserved his findings on the quantification of claims under Change-in-Law and is expected to publish his report on the claim quantification by the end of this quarter.

On the dedicated freight corridor project, construction work has picked up pace. As you know, GMR along with its partner, SEW Infra, has been executing an EPC contract to construct a part of the eastern corridor. That is 181 km of Mughalsarai to New Karchhana in UP and 236 km of New Karchhana to New Bhaupur, again in UP. Around 76% of package 201 and around 89% of package 202 have been completed.

I would also like to briefly touch upon the best practices and recognitions received on the ESG front by GMR Group. On the airports front, Delhi airport has won prestigious awards of National Energy Data and Excellent Energy Efficient Unit at the 22nd National Award Ceremony for excellence in energy management organized by the Confederation of Indian Industry Green Business Center. Hyderabad airport successfully renewed The ACI airport health accreditation

program for the year 2021-22 and has also commissioned its second 5-megawatt solar power plant in July of 2021.

On energy business front, some of the safety performance highlights are Kamalanga plant's lost time injury frequency rate and the lost time injury severity rate of 0.00 continues in quarter 2. Same goes with Warora. Both plants expanded footsteps towards sustainable ash utilization by sending the byproduct to cement manufacturers and brick manufacturing through railway rakes. Ash utilization achieved in both plants is more than 100%. GEMS was also awarded as one of the best of the best top 50 companies in 2021 by Forbes Indonesia. President Director of the company received the top leader on CSR commitment in 2021.

The presentations with all these information and all financial and numbers are already available with you. If not, it can be downloaded from our investor relations section of our website. We are available to respond to your questions on this call and also offline post the call. I would like to now open the forum where my colleagues from the corporate finance and the businesses, the sector CFOs can answer your queries.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Apoorva Bahadur from Investec. Please go ahead.

Apoorva Bahadur: Congratulations on the demerger. Sir, now that we are so close to the event, can you please share what is the plan for splitting the corporate guarantee which we have given for Rajahmundry? How much between airport and non-airport businesses?

Saurabh Chawla: As you are aware, Rajahmundry restructuring happened a few years back, right? And the corporate guarantee is on GMR Infra for the non-sustainable portion of it. This guarantee will continue both on GMR Airports and also on GMR non-airports after the demerger. This shall continue.

Apoorva Bahadur: For the full amount on both?

Saurabh Chawla: Yes. Naturally, from a credit perspective, the first recovery goes to the entity which owns the business directly, but yes, as a credit enhancement, the GMR Airports' guarantee will continue.

Apoorva Bahadur: Secondly, on this FCCB which has not been converted yet, how should we look at the split of debt and then the obligation of conversion of shares between, again, both airport and the non-airport businesses? Basically, how much could be the potential valuation in the airport business because of FCCB in future?

Saurabh Chawla: A very simple math's in this. If you were to assume on a fully diluted basis, you can assume FCCB to be fully converted and the same proportion allocated to both the airport and the non-airport. As you are aware, this is a vertical demerger. So, there is no specific allocation. It is the

same proportion of shareholding that the FCCB holder will get on both the sides of the businesses if they have converted the whole instrument. That's how you should take it forward.

Apoorva Bahadur: Sir in case we continue with the debt servicing like we do and there is no conversion, the debt split would be because I believe most of the FCCB went towards non-airport debt.

Saurabh Chawla: Correct.

Apoorva Bahadur: So, for the debt split, how much would that be between airport and non-airport?

Suresh Bagrodia: Since a large part of that debt actually is going to go towards the power sector and other businesses, the airport sector would be very minimal. So, to the extent of 150 crores would come to the airport side these are like numbers that we have actually gone through in pro forma financials and the final numbers actually we will wait till the auditors approve of it. Most likely, around 150 and rest of it goes to the power sector.

Apoorva Bahadur: So, only 150 crores of debt but full dilution potential, okay. And sir, on this Bharti Realty deal, I understand that because of Covid, probably the timelines changed. I just wanted to know the security deposit which we have received for the overall first phase, that remains untouched despite the delay of 1 week part payment for that?

GRK Babu: As far as Bharti Realty is concerned, the first tranche of 4.89 million which we have contracted in February 2019, that has been negotiated. It is now made into two stages: 2.73 million now and 2.16 million in April 2023. So, 2.73 million only we have received the payment. If you are talking about the second tranche that is another 5 million square feet, now that is not there in the picture right now.

Apoorva Bahadur: So, the phase 2 of the deal initially is not there in the picture anymore?

GRK Babu: There is not much discussion on that, but the right which they are having after 5 years on completion of the first deal, that has not been renegotiated.

Saurabh Chawla: Just to clarify, the option for the phase 2 continues with Bharti. It's a total contract of 10 million. First 5 million has been divided into two sub-phases. The balance 5 million, that option continues with Bharti.

Apoorva Bahadur: The security deposit for the first phase was received in full?

GRK Babu: Yes, entire security deposit as well as the advanced development cost including the annual license fee for 1 year has been fully received.

Apoorva Bahadur: What impact does this have on our annual CPD rentals now? Because I believe we were accounting for this full payment.

- GRK Babu:** Yes, we have accounted the full payment, but annual fee anyhow we have not made any provision in the books because of the stay which we are enjoying from the Delhi High Court.
- Apoorva Bahadur:** Just one more question if I may. This is on the force majeure issue on revenue share with Airport Authority of India. Sir, I just wanted to check what is the total amount which is under dispute right now?
- GRK Babu:** There is no dispute as such. The amount which has not been paid till date is about Rs. 720 crores.
- Apoorva Bahadur:** Just 720 crores, sir.
- GRK Babu:** Around 720-730 crores, that is what we have not paid till today.
- Moderator:** The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.
- Mohit Kumar:** Congratulations to the team on getting almost all the major approvals and demerger. Sir, my first question is on the couple of monetization plan which we have been talking about in the recent past. First PT GEMS Infrastructure; is it something we are at works right now given that the price they have moved up which is one of the most profitable ventures right now? Secondly, on Krishnagiri SEZ. When you say a substantial amount of land is getting into where we are into some kind of negotiation, what is the kind of timeline we are looking at monetizing roughly half of our land parcel? Is there something we can expect by the end of FY22, all the land parcel that you have mentioned, the entire thing can we close by the end of FY22? Thirdly, on the Warora, when you say 150 megawatt you have tied up, is this a short term or long term?
- Saurabh Chawla:** I'll answer the PT GEMS question first. Yes, we are always open to any offers that we receive to monetize that asset. As you are aware, that asset is doing extremely well. There is interestingly coal shortage in Asia. So, we are open to any possible monetization of our share or actually the whole asset if our majority shareholders also agrees. It's not that we are fuss about holding that investment going forward, although from a yield perspective, it's an excellent asset to have on our books, but as a going concern whilst we wait for a potential buyer, we will be harvesting the cash flows more aggressively from this particular asset. As we speak right now, where the coal prices are, this particular operation is throwing a significant amount of cash and our agreement with our majority shareholder is to harvest maximum amount of cash. That asset itself is not levered too much. It's a very lightly levered asset and hence enough cash is available for monetization. Today, we have in our acquisition financing which is about \$205 million is pending for settlement - the acquisition financing for this particular 30% which if today's run rate were to be applied, then this asset will be without debt or our investment will be without debt in the medium term. So, it has turned out to be a jewel in the crown. Again, in infrastructure business, those who wait patiently get to reward and reap the awards in a period of time. As we speak forward, the strategy would be to harvest this asset because this asset will go into GPUIL which is the non-airport vertical. This should start giving about \$100-150 million cash flows to the non-airport side of the business for it to financially strengthen themselves and also to start to grow that business as we go forward. That's the broad strategy as far as PT GEMS is concerned.

Krishnagiri SEZ, we have about 1,900 odd acres of land left there. About 500 is currently contracted and about 200 out of that is being currently developed with a partner. So, we expect that during this current fiscal year, I think we should be able to monetize around 300 to 500. That's the range that I would be comfortable giving you as on date. The balance will be developed and we can look at a medium-term timeline that in the next two odd years, this whole 1,900 odd acres will be sold to third party industrial houses who want to set up their industries in that region. That's the plan.

The Warora PPA which we have with GUVNL currently is for 23 months. We had started in October. GUVNL of course have expressed intent to procure 3,000 megawatt on competitive basis and have circulated the draft bid documents. We intend to participate in that.

Mohit Kumar: Two bookkeeping questions. The Bharti Realty new deal, does it affect our accounting by anyways given that the timeline has changed? Secondly, what is this exceptional item of 211 crores in this quarter?

GRK Babu: As far as the Bharti deal is concerned, 2.63 million square feet income has been recognized and with regard to the 2.16 square feet land which we have considered in our balance sheet and P&L account on a straight-line basis earlier has been reversed. That is what the exceptional item which is coming below EBITDA of Rs. 325 crores.

Mohit Kumar: So, 325 crores is the exceptional item related to the reversal of Bharti Realty deal. Am I right?

GRK Babu: Yes, that is with regard to the 2.16 square feet.

Moderator: The next question is from the line of Anshuman from ICICI Securities. Please go ahead.

Anshuman: Sir, the first question is on clarification on the revenue share discontinuation which you had mentioned, 720 crores. Could you please explain for which period it is? Is it for FY21 and have we started the revenue share from Q2 onwards?

GRK Babu: No, this is pertaining to basically the last quarter of FY21 and two quarters of FY22.

Anshuman: By when do we expect to start the revenue share again?

GRK Babu: The revenue share now we are currently enjoying the stay given by the Delhi High Court and the Airport Authority of India has gone for appeal before the division bench which is yet to hear the case in detail. The case is posted to the end of this month. The second point is we are also agitating the case before the tribunal which is already hearing the case and they have already heard the case and they have posted the case to February 2022 for cross examination. So, as long as the stay is there, we continue to enjoy it, but we are expecting the final outcome of the tribunal only around 2022 June or July.

Anshuman: Sir, the second question is on the restructuring of the Bharti deal. I believe that the CAPEX which we were doing particularly in DIAL was being funded by the security deposit from the CPD and from the Bharti deal as well. Will this be in any case see some change or will this be hit in any case? Will this restructuring have any impact on the CAPEX going forward?

GRK Babu: No, I think that will not have an impact. We have considered about Rs. 1,400 crores as the deposits as part of our CAPEX program. We have currently received already Rs. 805 crores and expecting to receive the balance amount by, I think, April 2023. Since our expansion program is going up to September 2023, we do not find any difficulty.

Anshuman: Sir, the third question is on the industrial partnership with Groupe ADP. Could you just share some more details about what this partnership is about and how it will help the airports business?

Ashish Jain: The way it is structured is that ADP is a strategic partner and they have significant operations in Europe and other parts of the world. GMR has strength in India and Southeast Asia. So, we are looking to see how we can leverage the know-how of each other and work together in the partnership. We have agreed to work in various areas which includes on the operations side, includes airline marketing, includes the digital and the innovation side, sustainability side; so there are 6 to 7 areas that we have identified to work together on different projects so that we can benchmark, learn from each other, and progress. That's the basic construct of the industrial partnership.

Anshuman: Finally, just on the earn-outs which was declared earlier related to our partnership with the Groupe, the 1060 crores earn-outs. Could you help us understand where do we stand currently in relation to the matrix which were laid before us for these earn-outs? Also, for the 4,400 crores earn-outs related to increasing our stake to 59% in GMR Airports, where do we currently stand in that case?

Saurabh Chawla: The first earn-out will be tested actually at the end of this fiscal year. So, I think we should wait it out. I really can't speculate where our accounting EBITDA will reach, because as you can see, there are sometimes additions and sometimes subtractions. So, we will have to wait it out till March. From an operations perspective, we are on track, but from accounting standard and accounting treatment perspective, only time shall tell us. As far as the 4,500 crores EBITDA again that has to be tested after the completion of fiscal year 24, again, early stages in that process. We still have about three odd years to complete the achievement of earn-outs on that scale.

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

Abhiram Iyer: Apologies if these are multiple on similar lines, but just wanted to know on Bharti Realty; you mentioned that 805 crores is what you have received as deposits so far. How much of this is received in the September quarter post September 30th? You also mentioned that the annual fee

for the year has been received. Again, what was the quantum and was this received before September 30th or after September 30th?

GRK Babu: Bharti deal, we had earlier received Rs. 359 crores in March 2019 itself. In addition to that, we have now received Rs. 603 crores of RSD and annual fee pertaining to 2.73 million square feet, Rs. 203 crores for one year fully we have received; both items we have received.

Abhiram Iyer: I just wanted to know from an accounting perspective, sir, should this be treated as being received in Q2 or would we see a cash flow in Q3?

GRK Babu: In the cash flow, as far as, the RSD is not a P&L item; it is a balance sheet item. Of course, cash has been received and as far as ALF is concerned, 203 crores though we have received fully, we have accounted only for one month in the quarter 2 that is pertaining to September because this new agreement is valid from 1st September 2021.

Abhiram Iyer: The second question is, are all governmental and regulatory approvals achieved now? Basically, can we consider the deal to be ongoing and in full effect?

GRK Babu: Yes, we have received all approvals, DUAC approval which is very critical. Concept master plan approval has been completely received. We will be now submitting the detailed plans.

Abhiram Iyer: What could be the run rate of annual fee that you are expecting from post the phase 2 completion for FY23?

GRK Babu: You are talking about the Bharti annual fee?

Abhiram Iyer: In general, the entire CPD revenue annual fee.

GRK Babu: If it is for 4.9 million, the total annual fee will be 357 crores per annum.

Abhiram Iyer: And we are expecting once the phase 2 is completed in FY23, we will be at this run rate?

GRK Babu: Phase 2, it is mandatory that Bharti has to pick up by April 2023. That is the condition. So, they will start making the payment; maximum date of September 2023 onwards, they will make the full payment, again for phase 2.

Abhiram Iyer: Sorry, sir, maybe I am confusing a bit here. I am talking about phase 1A and phase 1B, basically the 2.16.

GRK Babu: Phase 1A we have received now. Phase 1B is also mandatorily they have to pay by September 2023. That's why, in the previous question when the people have asked whether your project cost whether you have any impact, this money mandatorily Bharti has to pay before September 2023. So, they will pay for phase 1B by September 2023.

- Abhiram Iyer:** Just one last question, sir. I believe once Other Revenue of funding that was sort of mentioned in the previous calls was asset leasing towards the CAPEX. Could you just give us a bit more color on the entity which is providing the financing and are there plans for the facility still going through?
- GRK Babu:** The facility is still going through. It is Pushpak Leasing Finance Limited. It was a consortium which had bid.
- Abhiram Iyer:** There are no implications with respect to SREI default on the financing facility, right? There are no issues with any drawdowns or issues with any cash flow coming from the facility because of that?
- GRK Babu:** SREI was only providing technical support. Pushpak has already taken over that responsibility and arranged the same.
- Moderator:** The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.
- Atul Tiwari:** Congratulations on getting all the approvals for the demerger. Just two questions. Now that let us say we are very close to seeing an increase in the number of international traveler's, can you give some idea about the relative profitability or the per passenger revenue between international passengers and domestic passengers historically, pre-pandemic? I mean, on a per passenger basis both on the aero side and the non-aero side, how much would be the revenue differential?
- Management:** It will be difficult to provide the data on the call, I think we can provide offline.
- Atul Tiwari:** Sir, my second question is on the conversion of the FCCB. We understand from your responses to some previous questions that there is an upper limit price above which GMR can force the conversion of the FCCB. And I think if I am not mistaken, the price is about Rs. 23 to Rs. 24, and obviously the stock is at Rs. (+40). What is holding us back from forcing the conversion of these FCCBs.
- Saurabh Chawla:** The relationship with KIA which is the FCCB holder, and we are in conversation with them. Whenever they are comfortable converting it, we will surely go ahead and convert it. We don't want to force something because that's not the way we are structured over here. In difficult times, they help us out, and in good times, we heed to their views also. Hopefully, in a short period of time, they can take a final call as to whether they want to hold it as a debt instrument or want to convert it into equity. From their perspective, honestly speaking, they would surely like to keep having mark-to-market profits and yet get some yield out of it. But we will have that conversation soon. After our demerger has been completed, we will have that conversation with them. But you are right that GMR can force that conversion, but that's not the way we are going to take it forward. We will have a conversation with them before a final decision is taken.
- Atul Tiwari:** Sir, my last question is, what is the holding company level debt as of now, the parent company debt?

- Saurabh Chawla:** Which parent company?
- Atul Tiwari:** GMR Infrastructure stand-alone.
- Amit Jain:** The stand-alone debt is close to about 1,500 crores at GMR Infra level.
- Moderator:** The next question is from the line of Apoorva Bahadur from Investec. Please go ahead.
- Apoorva Bahadur:** Sir, on this AAI revenue share part where you had highlighted that 720 crores is the number which we have not paid. I believe this is only for FY22 till date?
- GRK Babu:** What we said is the total amount not paid till September is about Rs. 720-730 crores from January 2021 onwards. Some portion relates to two quarters of the current year and last quarter of the previous year.
- Apoorva Bahadur:** Sir, in the Bharti Realty deal, now that the contours have changed, we were recognizing the full amount of lease rentals. Are we going to reverse anything? Do we have to reverse anything?
- GRK Babu:** We did reverse. We have shown the Rs. 325 crores as an exceptional item as reversal.
- Apoorva Bahadur:** That's the full amount?
- GRK Babu:** Yes, that is the full amount which is pertaining to the 2.16 million square feet which will come into force by only beyond March-April 2023. The entire amount pertaining to that has been reversed which is 325 crores.
- Apoorva Bahadur:** Sir, I can also see an exceptional income of 530 odd crores in your energy business. Can you highlight what was that pertaining to?
- Ashish Basu:** That basically is an accounting entry or adjustment. What happened was in the GMR Kamalanga Energy, there were investors, and it was under joint control. In September, we became 90% holder and Kamalanga is now consolidated. In that, this is the difference between net book value and fair valuation. Fair valuation of the asset being higher than net book value, the difference is taken in consolidation as an exceptional gain.
- Apoorva Bahadur:** Sir, how did we become 90% holder? Did we buy someone out?
- Ashish Basu:** Yes. The India infrastructure fund, we have got into an agreement to acquire their shares. In that process, we have by September acquired 3.79 out of their 10+ shares and GMR Energy now holds 90% of Kamalanga. This will go up to around 97.5% because of this agreement which we have.
- Apoorva Bahadur:** Sir, what is the consideration for this deal? How much are we paying?

- Ashish Basu:** This was disclosed in the last call as settlement with GIP. The amount I will get back to you.
- Apoorva Bahadur:** Sir, on this Gujarat PPA with Warora, I am sorry I missed the tariff for this thing. Please repeat.
- Ashish Basu:** What we are receiving at our busbar is 3.01 plus. We had a long-term transmission agreement where we were incurring 55 paise per unit. That also will be paid by Gujarat. So, effectively it's an increase in revenue plus reduction in cost. The net impact is Rs. 3.56.
- Apoorva Bahadur:** Sir, about the Gujarat PPA for 23 months which we have the short-term one. Are there any chances of increasing the tenure? Does Gujarat seem keen on this?
- Ashish Basu:** Not increasing tenure of this agreement, but Gujarat already - it's in the public domain - has come out with its intent to acquire 3,000 megawatt long-term and it has already circulated draft bid documents procurement for comments. We would be participating in that and expect hopefully to have a favorable outcome that our attempt would be so.
- Apoorva Bahadur:** Lastly, on this Bajoli Holi, we are seeing 98% to 99% completion for the past many months. When can we expect its full completion?
- Ashish Basu:** It would definitely be completed before end of December.
- Moderator:** The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.
- Mohit Kumar:** Three questions. What is the process timeline for demerger? Let us say you get the NCLT approval today, how many days will it take for the separate listing of both the companies?
- Saurabh Chawla:** If we were to get the approval today, then before December 31st we should have both the entities listed.
- Mohit Kumar:** Roughly around 45 days?
- Saurabh Chawla:** These are best estimates because you have government agencies that are involved in it where we don't have too much control on timeline, but I am giving you best estimates.
- Mohit Kumar:** Secondly, Delhi airport, how much of the land in terms of acres which is still available to be monetized versus Bharti Realty?
- GRK Babu:** Hospital District, we have released about 45 acres; then, about 23 acres was the IRDP project. The current Bharti deal, which is on square feet, the exact number is difficult for me to say. It could be around 50 acres. So, altogether, we have utilized about 130 to 140 acres. Still we have got about 80 to 90 acres of land.
- Mohit Kumar:** Lastly, on the status of financial closure of Goa. Has it happened and what is the total CAPEX?

- GRK Babu:** Financial closure of Goa was completed long back. It is Rs. 2,615 crores. That has been already closed.
- Mohit Kumar:** You need to file the petition for tariff, right? When this will happen for Goa?
- GRK Babu:** Tariff filing, we will be most probably likely to file by the end of this month.
- Moderator:** The next question is from the line of Abhimanyu Olla from GrowthX Capital. Please go ahead.
- Abhimanyu Olla:** My question was actually regarding this national monetisation plan. The government is planning to privatise about 25 airports, and there was another announcement recently that by the end of FY22, probably thirteen of them would get privatized. So, do you have any timeline on for which airports you might be bidding and has anything already taken place?
- Management:** No, it's early days right now in the process. The government has just appointed a consultant. Let us wait it out before the formal process begins. Right now, not even an RFP is out there. But yes, we will be surely looking at many of these airports, if not all, very carefully. It is our stated position that we would like to grow our portfolio within India unlike last time where we had bid for 6 airports; we did not win any. We will still seek other growth opportunities as and when the Government of India puts it out. Our intent is there. The process is in an early stage. I think this will be somewhere in February-March of this year when this whole process will start to take much more concrete shape.
- Abhimanyu Olla:** I had one more question. Regarding your Bhogapuram airport, could you give me expected tax which you could be serving if the construction has finally happened?
- GRK Babu:** Bhogapuram airport, the construction is yet to start. We are in the detailed designing work going on. That is expected to start with about 4 to 4.5 million passengers by the time it starts operations.
- Abhimanyu Olla:** Any timeline? How much time can that probably take?
- GRK Babu:** The land is yet to be handed over by the government. Otherwise, we are ready. Once they hand over the land, if the appointed date is now, within 3 years, the construction has to be completed. Even we expect by next March if the government is fully handing over the land, that means by 2025 the project will be on.
- Moderator:** As there are no further questions from the participants, I would now like to hand the conference over to Mr. Saurabh Chawla for closing comments.
- Saurabh Chawla:** Thank you everybody for joining on a Saturday evening. The team is of course available for any further questions you may have which is far more granular in nature. We will answer whatever is possible. You can contact the IR team Amit Jain and/or send him an email. Thank you so much. Have a wonderful evening.



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.