GMR Airports Infrastructure Limited

(formerly known as GMR Infrastructure Ltd)

Q4 FY2024 Investor / Analyst Conference Call Transcript

May 31, 2024

Moderator: Ladies and gentlemen, good day, and welcome to GMR Airports Infrastructure Limited's conference call to discuss Q4 FY 2024 results. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

We have with us today, Mr. Saurabh Chawla, Executive Director, Finance and Strategy.

Before we begin, I would like to state that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Also recording or transcribing of this call without prior permission of the management is strictly prohibited.

I now hand the conference over to Mr. Saurabh Chawla for the opening remarks. Thank you, and over to you, sir.

Saurabh Chawla: Good evening, everyone. I'm delighted to welcome our shareholders, analysts and other stakeholders to our Q4FY24 earnings call. Some of us are traveling, so you may have some hearing difficulty, but please let us know and we'll make all efforts to ensure that your questions are well answered, and you have clarity in whatever we are saying during this call.

About a month ago, I read an article in Forbes regarding the Indian tourist. Among other things, the one sentence that I still remember is, it takes two British tourists to spend as much as one Indian traveller. The same article also stated that 62 countries now permit Indian travellers to visit, without first obtaining a Visa - that's 10 more than 2016.

All the recent articles on travel and tourism are discussing the Indian traveller in depth. Industry forecasts are strong and sustainable. We are predicting or forecasting 11% to 12% CAGR in India's outbound travel for the next 10 years.

According to Skyscanner, 63% of Indians are planning to spend more on travel this year, the highest of any country. This just shows the potential opportunity available across travel value chain. CRISIL India's outlook reveals that by 2031, India is poised to be #3 economy and an upper middle income country, which has a very big positive implications on the domestic consumption including travel.

Industry players, including GMR are already executing plans and strategies to capitalize on this. Recently, IndiGo also placed an order for widebody aircrafts, which would help them improve direct connectivity within India and across the globe and also aid in making India an aviation hub.

Talking about international flights from the country, we are seeing local airlines increasing their market share. Data shows that for calendar year 2023, Indian carriers captured about 44% market share of international passengers versus 38% pre-pandemic. CRISIL projects this share to be around 50% by 2027-28. IndiGo has already revealed that going forward, it will look to add more international routes and destinations versus domestic routes.

As such, FY24 was just the beginning of the growth journey even for GMR Airports. Delhi Airport joined the global 100 million passenger capacity club as our Honourable Prime Minister Shri. Narendra Modi inaugurated the expanded integrated state-of-the-art Terminal 1 at Delhi Airport. Hyderabad Airport's expansion to 34 million passenger capacity is almost ready and Mopa, which is the new Goa Airport completed 15 months of operations. Mopa, Goa Airport is also enhancing its capacity to 7.7 million passengers which should be completed this year itself. Alongside, work is also progressing on developing a GAL platform to foray into airport adjacency businesses. Delhi Airport was ranked as the 10th busiest airport in calendar year 2023 by ACI and given our expanded capacity is already up and running, we should see it moving up the ranks.

Delhi Airport retained its top position in ASQ ranking for the sixth consecutive year as well as Hyderabad was top in the 15 million to 25 million passenger category. All GMR Airports are among the top 100 global airports as per Skytrax rankings, Delhi retaining the rank at 36, Hyderabad securing 61st and our newly operational Goa airport getting 92nd.

Skytrax awarded Delhi Airport as the best airport in India and South Asia Award for the sixth consecutive year, while Hyderabad Airport was adjudged the best airport staff in India and South Asia. There are many other accolades conferred upon our airport showcasing how we consistently maintain our standards as we keep growing. A big thank you to all stakeholders of GMR for these achievements.

On that note, let me delve deeper into our Q4 and FY24 performance. Momentum in total income continued with Q4 at INR25.7 billion, up 29% year-on-year, driven by the traffic and tariff growth, translating into EBITDA growth of 160% year-on-year to INR9.4 billion.

EBITDA margins for the quarter were at 48% in Q4FY24 versus 25% in the same quarter in the previous FY23. On the operational front, we continue to see growth in traffic, i.e. 11% year-on-year growth in Q4 reaching 31.4 million passengers. International passenger traffic share for the quarter was 25%.

Coming to airports, Q4FY24 passenger traffic at Delhi rose 8% Y-on-Y and 2% Q-on-Q to 19.2 million passengers. At Hyderabad, traffic was up 14% year-on-year, and 2% quarter-on-quarter to 6.5 million. Both these airports handled the highest number of quarterly passengers ever in Q4FY24.

Goa traffic rose 12% quarter-on-quarter to 1.3 million passengers. Goa airport handled 4.4 million passengers during fiscal year 2024.

We achieved a lot of milestones this quarter. Notable amongst these are:

The merger of GMR Airports with GMR Airports Infrastructure Limited, the List co. is progressing well. Joint motion application was heard by NCLT in May '24, and the order is reserved. We expect the merger to be completed during this Q1FY25.

On the regulatory front, we had a couple of developments. AERA, which is the Airport Economic Regulatory Association has allowed Delhi Airport to extend existing tariff for further 6 months or till determination of Control Period 4 tariff, whichever is earlier. DIAL is expected to submit the tariff proposal for the fourth quarter period i.e. for 1st April 24 to 31st March 2029 and I'm told that that has already been now submitted. The expected tariff revisions will help offset the increased depreciation and increased interest cost arising from the recent expansion.

For Delhi Airport, the Arbitral Tribunal passed an award excusing Delhi Airport from making payments for Monthly Annual Fee or MAF for the period from March 19, 2020 to February 28, 2022, on account of occurrence of force majeure that is the COVID-19 period. Delhi Airport was also granted an extension of the term of OMDA, that is the concession period for 1 year and 11 months. The award has been challenged by Airports Authority and Delhi Airport will appropriately defend the matter.

TDSAT which is the Telecom Dispute Settlement and Appellate Tribunal announced its order with respect to appeal filed by Hyderabad Airport where some issues were upheld while some were disallowed. You will find some additional details in our results presentation on those decisions.

On the financing front, GMR Airports Limited, or GAL, raised about INR22.5 billion in the form of senior unsecured bonds. With this round, all the debt of GAL has been refinanced. The gross debt at GAL was INR49.7 billion as of 31st March '24.

DIAL itself raised INR8 billion through 10-year bonds in March '24.

GHIAL or Hyderabad Airport raised about 5.4 billion by issuance of 10-year NCDs in March '24 and used the proceeds to refinance its existing debt

Moderator: Sorry to interrupt. The line for the Chairperson has been dropped. Please stay connected while we reconnect the line back. Ladies and gentlemen, thank you for holding the line. We have the line for Mr. Saurabh Chawla reconnected. Sir, please continue.

Saurabh Chawla: Going forward, the Bhogapuram airport also received INR3.95 billion from NIIF, the National Investment and Infrastructure Fund, in March of '24 in the form of Compulsory Convertible Debentures. It has committed a total of INR6.75 billion towards its investment.

Progress on foraying into airport adjacencies business continues. GAL has been awarded the carpark contract at Mopa Goa Airport after competitive bidding.

The company also entered into a share purchase agreement to acquire 8.4% of equity shares of Waisl Limited for a total consideration of INR566.6 million. Waisl operates as an exclusive partner for IT services at airports and this transaction strengthens the company's presence in all aspects of airport-related and airport adjacent businesses.

On the ESG front, our endeavour is to reduce the impact our operations have on the surrounding environment by implementing best practice environmental controls. Environmental Protection and Sustainable Development has always been our high priority. ASQ scores at both Delhi and Hyderabad Airport were maintained at 5.0 for FY24.

CSR spend for Q4 totalled about INR92 million while total beneficiaries of over 25,000 people. Delhi, Hyderabad and Goa airports achieved multiple goals and received awards recognitions for the same acknowledging the group's efforts on the ESG front.

The presentation with all financial numbers is already available with you. If not, you can download it from our IR section of our website. We are available to respond to your questions on this call and offline after the call.

Now I would like to open the forum for queries that may be addressed by my colleagues from the corporate and the business teams. Thank you so much.

Moderator: Our first question is from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar: My first question is on the thematic monetization of the real estate. Can you please elaborate on that? How do you think about this will happen in the medium term?

Saurabh Chawla: Well, in the medium term, we continue to first allow the previous bids that had happened a few years back and which were won by Bharti Real Estate in Delhi to play out. You cannot put so much of development in a small area, which does impact the capital values, it impacts the rental values of commercial real estate. So Bharti had won this bid and they are implementing the first phase of 5 million (sq. ft.) development in Delhi. And once they finish that, we have the option to opt for the next 5 million (sq. ft.) development also, which we will see as how it plays out before further monetizing real estate.

So the way we look at real estate is like a winery, right, okay? You have the resources, the wine is in the bottle, but you mature it to the right point, and then you sell that at price points which are attractive for us as a company and for our shareholders.

Hyderabad is a little different strategy. Hyderabad has almost 1,500 acres of land. Hence, it has enough monetizable real estate available. And we continue to work on a variety of asset classes in Hyderabad. We have industrials in the form of an SEZ, where the focus is more on the aero - the airline businesses. So you have the Safran as one of the anchor tenants having their industry over there. And similarly, in the commercial space, we have an office complex, which is fully leased out. We have hospitality there, and that is getting expanded. And very recently, we did a financial closure to build out a retail street mall over there.

So Hyderabad would be a little longer play than Delhi. Delhi is in the centre of Delhi now. So the monetization aspect will be a little quicker than what happens in Hyderabad. And last but not the least, Goa, we have already executed 2 bids for hotels at the Goa Airport and that is something which is just beginning, which will play out over the next 5 to 7 years as development picks up pace. It takes about 2.5 to 3 years to put an asset on the ground. So about 5 to 7 years is a good time period where we believe Aerocity like development around Goa Airport comes up in its full form. So that's the play out that we look at on the real estate. It is a very important pillar of our revenue stream. It helps the airports to delever itself quite aggressively, but it has to be nurtured before it is monetized. That would be my answer to your question.

Mohit Kumar: Understood, sir. My second question is how much of the capex has been capitalized in this fiscal? And how much is still to be left to capitalize? And if you can throw some light on the depreciation number post all the capitalization.

Saurabh Chawla: So I will ask G.R.K. Babu to answer this question. It has to be done on asset-by-asset basis. So maybe what was happening in Delhi and Hyderabad, G.R.K. Babu, please proceed.

G R K Babu: Yes, sir. I think as far as Delhi is concerned out of INR12,600 crores, we have almost completely capitalized to the extent of INR12,000 crores in March. Around INR500 crores - INR600 crores will be done in the first or second quarter of this financial year. As far as Hyderabad is concerned, out of INR6,700 crores, almost INR6,000 crores is capitalized. Only INR500 crores - INR600 crores is yet to be capitalized.

In case of Goa, it has already been done last year itself, there is nothing further, only an expansion which is happening about INR200 crores will be capitalized in the current financial year and the work is going on.

On a full year basis, the depreciation in case of Delhi will be more than around INR800 crores, Hyderabad will be almost INR600 crores.

Mohit Kumar: Understood, sir. My last question is, what are Delhi duty-fee services revenues and EBITDA in the entire fiscal?

G R K Babu: In this fiscal, Delhi duty-free has done a total turnover of about INR2,050 crores. It had an EBITDA of about almost 17%, about INR340 crores - INR350 crores of EBITDA was there.

Moderator: The next question is from the line of Prateek Kumar from Jefferies.

Prateek Kumar: Congrats for good results. My first question on the tariffs. The new tariffs you have submitted, as you mentioned, you're looking to submit application in first quarter '25. Firstly, when are you looking to get an update in terms of implementation of tariffs? Secondly, what is the expected volume growth you are like sort of pegging for DIAL airport like over the next 5 years and control period for the tariff?

G R K Babu: The tariff application we just filed it a day before and we expect the entire process will take about a minimum 6 months for the consultant to give the report to AERA. Thereafter they will come out with the consultation paper. So we expect only in the last quarter of this financial year, we'll be able to get the new tariffs. Most probably either February or March. That will be the timeline it will take.

Prateek Kumar: And what is the volume growth or passenger growth you're pegging at DIAL airport over the next 5 years?

G R K Babu: Sorry, your voice is cracking?

Prateek Kumar: What is the kind of passenger volume growth you are like sort of looking at DIAL airport for this tariff?

G R K Babu: This year, DIAL has closed with 73.7 million. So this current financial year, we are expecting it will be around 77.5 million. So by end of this current tariff period, we may touch about 95 million traffic.

Prateek Kumar: Okay. My second question is we had a stable depreciation interest or flattish like in 4Q versus 3Q, while we capitalized most of the capex on both Delhi and Hyderabad. Why that number was like also sort of flattish?

G R K Babu: Capitalization has already been done, at least till last quarter capitalization has been done mostly. We will be able to see the full year depreciation only in the current FY25.

Prateek Kumar: Okay. And there is an increase in debt in this quarter sequentially? So I guess it is related to the closure of like buyout of 11% stake at the Hyderabad Airport. Was the part of it attributable in Q3 also or some part of it has got attributed in Q4?

G R K Babu: No. In case of the DIAL, we have raised about INR800 crore, that is for the expansion purpose that was the last bigger raise. With that expansion, funding is completed. In case of Hyderabad, we have raised INR540 crores of the money as of 31st March and that was for repayment of the NCDs, the bond, which was fallen due on 4th of April and the entire INR540 crores has been used for repayment of the bond, which has fallen due at about US$73 million.

Prateek Kumar: So sequential increase of like 7%, 8%, and that is largely related debt increase at DIAL, you mean?

G R K Babu: Sorry, your question is not clear.

Amit Jain: Prateek, your understanding is right. The major increase in debt is mainly because of the Hyderabad stake that we have taken. That's the main reason for the increase in the debt.

G R K Babu: That is at GMR Airports level

Amit Jain: Right.

Prateek Kumar: And lastly, on Goa airport, earlier this quarter, there was a media report which said that Goa government has raised some concern around land lease near airport regarding the hotel plots which have been given out for 60 years. Any comment, I mean, while the concession is for 40 plus 20, but the hotels are given for 60-year sublease. Any comment that you can share here?

G R K Babu: No, there is not much concern because we have already given the concession and the construction is already going on. It is a 40-year concession, extendable 20 years if you get that structure.

Prateek Kumar: It's likewise for the hotels, which have been like sort of given out for lease 40 plus 20.

Moderator: The next question is from the line of Aditya Mongia from Kotak Securities.

Aditya Mongia: I just want to check if I'm audible to all.

G R K Babu: Yes. Clear.

Aditya Mongia: Congratulations on fairly decent results once again. The question that I had was more to start with on the debt of GAL at a stand-alone level, which has increased to INR49 billion by the end of the year. A) could you give us a sense of the average cost of debt post all the financing that has happened? and B) could you give us a sense of how this number is going to move up, down or flat over the next 3 to 4 years?

G R K Babu: The debt at GMR Airports Limited that is now standing at 31st March is about INR5,000 crores. It was increased by about INR1,300 crores during the current quarter was mainly for acquisition of the MAHB stake in Hyderabad Airport 11% stake, plus we have made an investment of nearly INR350 crores in the Vizag Airport i.e. the Bhogapuram airport. With that now the debt has been standing around INR5,000 crores in case of the GMR Airports Limited as on 31st March 2024.

The average debt cost will be around 13.5% to 14% is the interest cost on XIRR basis. Going forward, we have an ability to raise our further debt upto INR1,000 crores. That is what is provided in our documents for any acquisitions, which will be coming in our way, especially for airports or any other acquisition. So we have the ability to raise another INR1,000 crores under the existing documents.

Saurabh Chawla: Now Aditya, as of now, there is capacity on the balance sheet of GAL from the existing lenders to further raise debt should there be a need. As you are aware, there are multiple airports which are coming up in the near term, hopefully, when the new government comes into formation. For any equity investment that may be required in those airports, we have that capacity available.

The principle that we use is, if I can continuously raise capital, which can be then subsequently refinanced through equity and use that arbitrage to further enhance the shareholder value. So these are all very stable long-term debts that we have and will get refinanced either through further offerings that we will do at the asset level or may get refinanced from the GMR adjacencies businesses that have now started to flow into the holdco.

So the likes of some which we have highlighted in our presentation. So for example, the carpark or duty-free and other businesses that have now been entered into at the holdco level (GAL), they will be able to sustain those businesses and continuously reduce that cost of debt and reduce that debt as such. That's the broad strategy that we have as we go forward. There is no refinancing risk nor there is an equity offering at the holdco that is under plan. But yes, we will manage this portfolio as opportunities come by.

Aditya Mongia: So the real question was, and I think you kind of spelt it out, as you aggregate more and more capabilities, and the way the parking contract has happened, could you give us a sense of the kind of EBITDA that can be generated? And I'm just trying to get a sense whether that EBITDA can be meaningful as one sees through the requirement of both the increased costs and the principal repayments that will be required over INR5,000 crores and probably a growing number from here on?

Saurabh Chawla: Aditya, I don't want to go down the path of forecasting EBITDA for you. We don't do that as a matter of fact, I mean, even in an earlier question, there was that what is volume growth expected? In our presentation itself, we are talking about a volume growth of about 10% to 11% on a consolidated level. And hence, even in the adjacency businesses, if you look at the past financials that are there, and they're all in the public domain. I think you can very easily carve out what these adjacency businesses can create as an EBITDA.

I would leave it to you. Maybe offline, we can assist you. But we don't give forecasts or shadow forecast for this. But just to give you a sense, when we did the last debt raise at GAL level, the cost of debt had compressed down to about 13.25%. We expect that as we demonstrate cash flows coming into the holdco from these adjacent businesses, we should start tracking this cost of debt even further below because you have the cash flows to support it. So we are targeting that in the next financing. So whenever that happens, we are taking it down to below 13% to 12%. That's how we will continue to move forward, as these cash flows emerge, which gives full confidence to the debt holders that they are not dependent on any event for refinancing, but the cash flow itself of the entity are able to take care of the principal payments, not only interest, but the principal payments also of that debt.

That's how we are moving forward. We are at that cusp, I would say, because businesses have just started to emerge. You'll have to wait for another 12 to 24 months to see for yourself as to what kind of EBITDA margins these businesses generate at the holdco level.

Aditya Mongia: And it would just help maybe later on if you can because this is an imponderable that is also a value addition exercise the company can do, it is however difficult for us to kind of think through the kind of EBITDA that you could be making but still if you could share...

Saurabh Chawla: It's not difficult at all, Aditya. All the balance sheets of these entities are there on the ROC website, you can see what EBITDA margins are. Overall EBITDA margin, which is north of a 30%, right. So it's not imponderable. Yes, we can sit down and make it for you.

Aditya Mongia: So that's fine. We'll probably...

Saurabh Chawla: But I won't give guidance to it. You want the guidance. I'm not going to give a guidance to that. That's the only thing.

Aditya Mongia: Sure. The other question that I had was, obviously while it's a small thing, but a good thing to know, Goa actually earned about INR20 crores or so of CPD income this quarter, which means it kind of works out to become close to INR100 crores, if I annualize these numbers. This is a decent start at Goa. Are these numbers kind of sustainable at INR20 crores? And how much acres have you monetized for this thing? This is lease income that I'm talking about. And if you could give a sense whether there's any RSD, as a balance sheet impact also against this.

G R K Babu: You're right. In case of the Goa, INR20 crore income has been taken in the books, which is the upfront payment, which has been received for about 4.5 acres of land. Whether the same model will be continued in the future, we have not yet decided, but the current 4.5 acres of the land which were monetized for 2 hotels, nearly 50% of the amount has been received in advance, which is the upfront fee, which has been accounted as income.

Aditya Mongia: Understood. So this is not a lease income. This is a one-time income.

G R K Babu: In addition to what we have accounted for INR20 crore as income, i.e. upfront fee, we will also continue to get the lease rentals at almost about INR2 - INR2.5 crores every year, from 4.5 acres.

Aditya Mongia: Understood. The last question from my side, and I'll get back into the queue is that, if I see and the way I understand airports business, the key point imponderable is not the passenger count because you will be choke-blocked at some point of time. So the growth of passengers matters less, but how much you get in non-aero per pax is the most important variable.

In this context, Delhi and Hyderabad have seen the non-aero per pax go up by about 4% to 5%. And I understand that when you grow and you add passengers, it's difficult to grow your non-aero per pax because the quality of incoming passengers could be worse than your base business. But is there a case for this 4% to 5% number for Delhi and Hyderabad to become a higher CAGR over the next couple of years? And if so, how to think through the drivers of this thing? I understand I'm asking for the guidance again, but I think something where if you can add more colour, we can do better justice to GMR's business.

Saurabh Chawla: So Aditya, the answer to your question actually resides in our presentation itself. If you look at the real cream for this non-aero businesses comes from the international business as such. That's the key driver. And we are, our airports and actually the whole Indian aviation itself is gaining momentum with more and more international travel, which allows for greater spend at the airport as Indian airports, especially Delhi and Hyderabad become hubs, there is much more transfer traffic, there is more spend. The cannibalization that had happened on the Indian passenger demand to the Middle East that gets stopped and that gets spent at the Indian airports in Delhi Airport and Hyderabad Airport and of course, we have to come back.

So just to give you a sense, I mean, we are not talking about spends happening on a month to month, there are increases that we see. Now how sustainable they are, of course, that's a question mark. But we are seeing increasing spends at our airport by travellers and as international travel continues to gain far greater traction, these spends will only go up. Our presentation has that data point for you as you see our international traffic is growing at both Delhi and at Hyderabad.

Aditya Mongia: Got that. No more questions, just a clarification. 17% margins in duty-free, is this EBITDA margin before other income or after?

Saurabh Chawla: Your question was not very clear. Can you again repeat the question?

Aditya Mongia: Yes. So is the 17% EBITDA margin in Delhi duty-free business after accounting for other income or before other income. That's just a clarification. I thought I'd check with you.

G R K Babu: Delhi duty-free has got not much other income. It is basically its own income only. It is accounting for everything.

Moderator: The next question is from the line of Shivang Chauhan from Barclays.

Shivang Chauhan: Congratulations for a good set of numbers. I have just quick one on if you would be able to provide some capex estimates for this year for Delhi and Hyderabad Airport?

Management: G.R.K., you want to take that?

G R K Babu: As far as the capex, funding is already completed. Capex, that will be capitalized regarding the expansion in the current financial year in case of Delhi will be around INR600 crores, the balance capex. And in case of Hyderabad, it will be around INR350 crores - INR400 crores which will be capitalized, in the current FY25.

Shivang Chauhan: Got it. And I see that as Hyderabad Airport expansion is close to completion. Any timeline you could provide probably like first quarter, second quarter something like that?

G R K Babu: Your voice is not clear.

Moderator: Mr. Chauhan, your line was not audible. If you are using the speaker mode, may we request you to use your handset mode, please.

Shivang Chauhan: Yes. Just wanted to know the time line for Hyderabad expansion to be completed.

G R K Babu: Already both airports expansions have been completed. In case of the Delhi, all the assets have been put to use, Fourth Runway, Eastern Cross Taxiway, Apron, Terminal 3 expansion everything done. In case of Delhi Terminal 1 is also inaugurated by the Prime Minister. And we are just waiting for the final clearance from the security team. The entire BCAS has already come and inspected the Terminal 1, most probably by middle of June, it will be operational and with that everything will be operationalized. At Hyderabad both Eastern and Western bulbs have already been ready. Everything is completed, capitalization is also completed. Only in the front side, a little more work is going on. Otherwise, all are operational in case of Hyderabad.

Moderator: Our next question comes from the line of Dario Maglione from BNP Paribas Exane.

Dario Maglione: I have 4 questions, if possible. The first one is on Delhi Airport. Aeronautical revenue per passenger was flat year-on-year in FY24, what should we expect for FY25 and FY26 once the regulator sets the new tariff and why? That will be my first question. And if you want I can give you all the questions, otherwise, I can just tell you one by one.

G R K Babu: As far as Delhi is concerned for the current FY24-25, since we have filed the application and this will take about minimum 8 to 9 months' time, we expect the current existing tariff of base airport charge will continue. So your aeronautical revenue will be more or less the same with a slight increase with regards to the traffic.

But next financial year, we expect the entire tariff to be fully implemented since we have already filed an application, considering the entire capex of INR12,600 crores plus Supreme Court order of corporate tax, which has been allowed to us and also the favourable orders issued by the tribunal for CP2 and CP3. Everything has been included and application has been filed before the regulator. So we are expecting that next year onwards, the increased tariffs will come into effect. It will be very difficult to guess on what exact number will come into picture and we can have offline discussion.

Dario Maglione: Okay. And for Hyderabad Airport?

G R K Babu: Airport expansion has already been completed but its tariffs are valid up to March 2026. So when the new tariff for FY26- 27 onwards come, for that the application for the new tariffs will be filed maybe by mid FY25-26. So right now, for FY24-25 and FY25-26, the current tariffs will continue in case of Hyderabad airport, which are already having the sufficient increase of UDF i.e. almost INR800 for domestic and INR1,500 for international. The same will continue for FY24-25 and FY25-26.

Dario Maglione: Okay. And the other question is, just to understand, does the main assets that GMR owns Delhi Airport, Hyderabad and Goa accounted for around 80% of the group EBITDA in FY24. What accounts for the rest? And what's the outlook for those businesses?

G R K Babu: I'm sorry, your question is not clear to me.

Dario Maglione: So looking at the P&L of GMR Airports. Delhi, Hyderabad and Goa accounted for 80% of group EBITDA in the last fiscal year. What accounts for the rest 20% of group EBITDA? And what's the outlook for those businesses?

G R K Babu: Some of the revenues are basically with regards to the share of profits, which have come from the joint ventures. Of course, it is not part of EBITDA. GMR Airports Limited alone, is also an operating entity, which has got more than INR700 crores of the revenue with more than INR300 crores of EBITDA, which has also gone inside consolidated financials.

Dario Maglione: And what is the outlook for those businesses?

Saurabh Chawla: Let me put it this way, the outlook is quite positive and robust given the tailwinds that we have. All these businesses are pretty much linked to the traffic growth, the passenger growth. So the outlook is quite robust.

We don't give specific numbers on the growth aspect of it, but general guidance as to how the business is performing.

Dario Maglione: Okay. And if I may, the last question on capital allocation. When should expect GMR Airports to pay dividends to shareholders? Say, 5 years down the line, 10 years, 20 years, just to get a sense.

Saurabh Chawla: Well, let me put it this way. We are a growth company. We are in an emerging market, which is itself growing around 6% to 7% over the year on a real GDP growth basis, which is we're talking a nominal growth of 11% to 12%. In an economy like this, our model is such that we have to continuously expand the infrastructure to capture that growth, and that is also part of our concession agreements. Delhi has reached its almost peak level of expansion. We have completed the capacity expansion to about 100 million. We may have some expansion there may be a few years down the road to take it to about 120 million, 130 million, but not beyond that. But Hyderabad is still some way to go to full capacity of about 80 million to 90 million passengers. So we are in a continuous expansion mode. And in that mode for us to give a very specific guidance as to which year we should start giving dividend becomes very difficult. But yes, we are focused on it. We are focused on creating free cash at the group level in next 4 to 5 years.

At asset level, already Hyderabad is free cash positive. So it should start giving dividends to its shareholders, which is the Listco. Whether the Listco can further give that dividend out to the shareholders, I think that's a question that you and I are just currently discussing. We believe that once the new tariff order of Delhi comes out in its full form and all the disputes are fully settled, Delhi will also start generating significant amount of free cash. But whether the entity itself, the Listco itself will start giving dividend out or will we use the excess cash to further grow the airport platform in different geographies within India or abroad. I think that is something which we leave it for the Board of the Listco to decide on the capital allocation.

So currently, we are focused on generating free cash from the asset level, which should start flowing into the Listco level and then the Listco Board to decide what is the best use of that cash, whether it needs to further grow or whether paying out dividends is a far more valuable proposition to its shareholders.

Moderator: The next follow-up question is from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar: Yes, sir, only my clarification, sir. Now we have 2 TDSAT orders, right? For the Delhi one, where is it -- has it been challenged, if not challenged, have we included this favourable judgment in our petition with AERA?

G R K Babu: The appeal has been filed against the DIAL CP2, CP3 TDSAT order in the Supreme Court. It is being heard. And as far as the Hyderabad is concerned, no appeal has been filed until today by any of the stakeholders.

When it comes to the DIAL, when we have filed applications, since there is no stay or there is no embargo by the Supreme Court, we have included all the favourable orders passed by the TDSAT in our application for the tariff determination.

Mohit Kumar: Understood, sir. What happens to the Hyderabad? Will it be filed as a part of the new tariff order? Or you can ask for some interim rise in the tariff?

G R K Babu: Normally, the application has to be filed only once in 5 years. So any favourable orders will be included in the next control period, just like as in case of the Delhi, we have received a favourable order from Supreme Court in case of the corporate taxes. When we approached the regulator, he made it very clear, it will be included in the next control period. So we see the regulators are always saying that any favourable orders passed by any other authority, which have not been challenged will be included only in the next control period tariff determination.

Moderator: The next follow-up question is from the line of Aditya Mongia from Kotak Securities.

Aditya Mongia: A few more questions from my side. The first one being given the tariffs -- given the verdict of TDSAT in Hyderabad, is there a case to be made that you can better up on your Aero yields in Hyderabad on the current INR500 levels in the next control period? Or should one any which way assume a lower number the fact that you've already capitalized inside this control period?

G R K Babu: See, when the tariff determination was done for third control period, part of the capex of the Hyderabad Airport was already considered. And in the next control period, the balance part of the capex will be considered by the regulator, plus whatever the favourable order they have received from the TDSAT will also be included and then application will be filed. That will all happen from FY26-27 onwards. Whether the tariff will be more than the current tariffs will have to need to work out, but we can't comment right now.

Aditya Mongia: Understood. The second question that I had was on the company's assessment that from a 73 million number of Delhi, the next 5-year growth should be probably about 6%. Any reason why one should be taking through lower growth numbers versus what has been achieved in FY24? Is this just basically the fact that Noida is going to come in? Or are there other imponderables over here?

G R K Babu: No, the base has been very high -- 73.7 million to almost 79 million. The thing is now when we expect the traffic growth for tariff filing, we always consider the number of aircrafts available and also how the airlines are behaving. So this is the minimum expectations that may come. As far as Jewar is concerned, Jewar may not start operation during the current FY24-25, so that has not been considered at all.

Aditya Mongia: No, I was also talking about the 5-year control period whether you're talking 95 million from 73 million seem to be like a 6% growth. So maybe that's also conservative as you are suggesting and things can become better than that, I would assume.

Saurabh Chawla: Aditya, you have to look at what my capacity in 5 years' time is, right? We are talking a little longer term and the capacity right now, we're talking about 100 million, right? And it is only for that particular period that we are articulating.

So the traffic growth, you need to look at what we are giving as a guidance both from the domestic and international side, which is about 10% to 11% in composite form. That is the market traffic, not the regulated traffic as such. There are many strategies that play out in a regulatory tariff filing.

Aditya Mongia: I get that. Understood. The last question is more just to get a better sense of numbers for the fourth quarter. See, if I see the change in EBITDA, I think Delhi and Hyderabad Q-on-Q has not moved any meaningfully and there is some growth that is happening in Goa. But a large part of your Q-on-Q growth in EBITDA is happening from assets beyond the Delhi, Hyderabad and Goa. My sense is 2/3 of the growth is happening from there. Could you give us a sense whether it is GAL at play? Or could you give us some more colour as to what is driving the Q-on-Q EBITDA growth beyond the 3 assets?

G R K Babu: You are talking about the consolidated financials?

Aditya Mongia: That is true. So I think your consolidated financials suggests a growth of INR150 crores or thereabouts on a Q-on-Q basis on EBITDA. Of which about, let's say, INR30 - INR50 crores is actually be coming from Goa which we can understand. But Delhi and Hyderabad are not showing much of growth in EBITDA, so for the remaining INR100 crores, if you could give us a sense on the drivers and the sustainability of this thing.

G R K Babu: I think the other growth are coming from the duty-free as well as the GADL and some of the carpark businesses. Of course, we can share the details, I think subsequently. But it will be very difficult to provide the minute details now.

Amit Jain: Aditya, the numbers have already been shared in the presentation. If you look at the Delhi, Hyderabad and Goa financials in the annexures in detail, you'll get the perspective. Somewhere you will get the complete perspective. The Delhi EBITDA is more or less constant, slightly it's going down compensated by the high growth in Goa.

Aditya Mongia: Sir, I'll take it offline. It seems as if all 3 assets together accounting for a minority share of growth in EBITDA Q-on-Q as per my understanding. That's the question, but maybe I can take it later on with you guys.

Moderator: Ladies and gentlemen, I would now like to hand the floor over to the management for closing comments.

Saurabh Chawla: Yes. Thank you. Thank you, everybody, for joining this Q4 call. There have been a few questions that I think have the answers in the annexures to the presentation. So Amit and his team are available to highlight those particular pages on which those answers are there. So please get in touch with Amit and his team, and they will be able to help you to reconcile the numbers.

Thank you so much for your time, and I look forward to meeting with you very soon. Thank you so much.

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

Note: *Transcript has been edited to improve readability*