



GMR Airports Infrastructure Limited
(formerly known as GMR Infrastructure Ltd)

**Q2 FY2024 Investor / Analyst
Conference Call Transcript
October 31, 2023**

Moderator: Ladies and gentlemen, good day and welcome to GMR Airports Infrastructure Limited Conference Call to discuss Q2 FY2024 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 the conference over to Mr. Saurabh Chawla for his opening remarks. Thank you and over to you Sir!

Saurabh Chawla: Thank you and good evening, everyone. I am delighted to welcome our shareholders, analysts and other stakeholders to our Q2 FY2024 earnings call. With the festivities in the air, I convey my best wishes to everyone.

As we navigate through the challenging global landscape we are also yet to discover where our strength and resilience lies. India is showing strength even as in the economies around; the growth is witnessing a slowdown. IMF’s recent upgrade to India’s GDP forecasts, declining CPI, pause in rate hikes, strong IIP data and year-on-year growth in GST collections point to the strong momentum of the economy going forward and into a season which are the best quarters for consumption and travel.

With this macro picture in mind let me delve into our Q2 FY2024 performance.

Momentum in the total income continued with Q2 FY2024 at Rs.21.8 billion, which is up 25% year-on-year, driven by the traffic growth translating to EBITDA growth of 34% year-on-year to Rs. 8.5 billion. Margins remained healthy at 53% in Q2 FY2024 up from 49% in Q2 FY2023.

On the operational front we continue to see strong 25% year-on-year growth in our passenger traffic in second quarter reaching to about 26.5 million passengers with Delhi witnessing an 18% year-on-year growth and Hyderabad witnessing 24%. Both these airports handled the highest number of half yearly passengers ever. International passenger traffic share for the quarter was 23%. Cumulative traffic at Goa airport also crossed 2.5 million by the end of the quarter although the suspended Go First operations impacted Q2 FY2024.

With that I will now switch to the key highlights for the quarter.

Last week we announced that we had entered into a share purchase agreement with MAHB to acquire their 11% stake in Hyderabad airport for negotiated aggregate consideration of USD 100 million, thereby further strengthening our portfolio of high-quality assets. Post acquisition, GMR Airports Limited will own 74% stake up from the existing 63% in the Hyderabad airport.

The merger of GMR Airports Limited with GMR Airports Infrastructure Limited, which is the listco, is progressing as per plan. We received the no objection certificate from RBI and the stock exchanges during the quarter and the application has been filed within NCLT. As further progressive steps in the merger process, we recently inter-alia received the NCLT direction for convening a meeting of equity shareholders of GMR Infra Limited on December 2, 2023. We expect the merger to complete within the FY2024.

Delhi airport became the only Indian airport with four operational runways and elevated cross taxiway post the inauguration in July 2023. Goa airport is now fully operational after the start of international operations in July. EPC bids for Bhogapuram airport have been finalized. Bhumi Pujan the groundbreaking ceremony will be performed tomorrow that is November 1, 2023. Delhi and Hyderabad airport expansion works are progressing steadily towards completion, and they will be completed during the current fiscal year.

We operationalized duty free stores at Goa and are ready to cater to the anticipated increase in traffic in the upcoming festival and holiday season. At Goa we also operationalized the Greenfield cargo terminal with international operations commencing from September 2023.

We also continue to build on our ESG journey. We understand the impact of the airports can have on environment and the local communities around them. We strive to minimize this impact as much as possible.

Both our Delhi and Hyderabad airports are now ACI Level 4+ accredited airports which is the highest level. ASQ score at both the airports were maintained at 5 for the quarter. Delhi International Airport Limited completed assessment of climate action programme (CAP) 2.0 - climate change by CII, rolled out a green transportation programme for stakeholders and also commissioned Continuous Ambient Air Quality Monitoring Station at Delhi airport. Mopa (Goa) airport is committed to achieve carbon neutrality level 3+ accredited by ACI-ACA within five years from COD. During Q2 FY2024 our CSR spend was in excess of Rs.30 million with beneficiaries of over 20000 people.

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

Now I would like to open the forum for queries which will be addressed by my colleagues from both the corporate and business teams. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Parvez from Niveshaay Investment Advisory. Please go ahead.

Parvez: Hi, Sir. Congrats on a good set of numbers. For Delhi international airport we can see some good figures on duty free stores so what is the outlook for the H2, usually H2 is more stronger so can we see some good figures coming in there?

Rajesh Arora: Yes, you are right. So generally, the second half of the year where you have the tourist season plus the other seasonal traffic plus the festival. So, you generally tend to see better numbers in the second-half of the year.

Parvez: On this Delhi international airport, other operating revenue what do they consist of?

GRK Babu: Other income you are talking about it basically?

Parvez: Delhi airport so if you see H1 FY2024 figures in that you have shown other revenues of 103 Crores so if we can get a breakup of that figure?

GRK Babu: About Rs.16 Crores is interest on bank deposit and Rs.74 Crores is about dividend income. DIAL has received about 75 Crores as dividend income - basically from DDFS about 55 Crores that is a duty free - and DAPSL and Celibi, all together we have received about Rs.75 Crores dividend and other small, small income all put together was Rs.103 Crores is the income.

Parvez: What is the EBITDA outlook that we see for this year?

Saurabh Chawla: We do not give guidance on EBITDA or revenues. We basically generally give guidance as to what will be the growth in traffic that is what we do. We leave it to the analysts to assume the numbers and derive their own assumptions there.

Parvez: Just one last question if I can squeeze in. This yield per passenger on non-aeronautical revenue, any guidance on that?

Saurabh Chawla: No guidance on that but as we have always articulated, we see increasing trend of consumption at the airport and that is the secular trend that we have. We have experienced that in the past. There sometimes could be some blips because of mix of passenger change at various airports, but the general trend line is that the spend per passenger and yield per passenger is only going to go up.

Parvez: Thank you.

- Moderator:** Thank you. The next question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.
- Mohit Kumar:** Thank you for the opportunity. First question is what are steps left for the merger of the GMR Airports Limited with listed entity and one clarification, has the FCCB been issued, and the money raised from the group ADP or is it to post the merger?
- Saurabh Chawla:** So Mohit the FCCB was issued actually end of March itself. If you look at our balance sheet of March 2023 the FCCB was already subscribed by ADP, it got reflected in our accounts and our net debt subsequently came down. So that is already on the books, and it is part of our capital structure. With respect to the merger as I highlighted in my opening remarks we are expecting the shareholder approval to happen on December 2, 2023 or December 3, 2023 and post the shareholder approval then there is a second motion that has to be undertaken it is more of a court driven process and that will be undertaken so maybe in 30 to 60 days' time post the shareholder meeting approval this should all crystallize. We cannot predict exactly when the court will call for these or how their process runs, but these are expected timelines and that is why I had guided that the merger will get completed most likely in the FY2024 itself.
- Mohit Kumar:** Understood Sir. My second question is on the TDSAT order I think which we received quite a time back. What is the timeline for appealing against the order, any development which you think you can share with us?
- GRK Babu:** TDSAT as of today I think that no one has appealed, but we understand that somebody is filing an appeal, but as of today no appeal has been filed.
- Mohit Kumar:** My last question is so can you please help us with how much of the capex has been capitalized during the H1. It looks like your PPE has gone up by 5000 Crores compared to March 2023 and we can see the impact on the interest cost and the depreciation but however, I see that the full commissioning of the asset is still pending?
- GRK Babu:** I think that the capitalization in case of Delhi as of today is - about 6500 Crores has been capitalized, balance will get capitalized during current quarter and the next quarter and everything will be done by end of March 2024, same is the case of Hyderabad - more than 3800 Crores has been capitalized and balance will be capitalized in the third and fourth quarter, so both are expected to complete the entire expansion by January 2024.
- Mohit Kumar:** Sir my last question, you are looking to acquire the Malaysian Airport holding stake of 11% at USD 100 million how are you looking to fund this particular acquisition?
- Saurabh Chawla:** As you know that we have debt raising capacity as GAL and at this stage we will be raising medium term debt at GAL to fund for the acquisition of the Malaysian airport stake.
- Mohit Kumar:** Understood. Thank you and all the best Sir.

Moderator: Thank you. The next question is from the line of Shivang Chauhan from Barclays. Please go ahead.

Shivang Chauhan: I just want to know the capex numbers for Delhi and Hyderabad airports I think it was just covered and I missed it, and my second question would be on the other operating revenue, I think that also I missed it?

GRK Babu: The capitalization I have already explained about 6500 Crores we have done in DIAL till September and the balance capitalization is expected to be completed by January 2024. The total asset capitalization will be around 11500 Crores. In case of Hyderabad, we have already completed 3800 Crores because part by part we are capitalizing as and when the asset is put to use. We expect to capitalize full amount of 6800 Crores by January 2024 in case of Hyderabad.

Shivang Chauhan: This was clear and on the operating revenue break up could you give.

GRK Babu: The other operating revenue mainly includes CPD income which is coming from development.

Shivang Chauhan: That was 74 Crores, right?

GRK Babu: Yes.

Shivang Chauhan: Alright. Thank you so much.

Moderator: As there are no further questions. I now have the conference over to Mr. Saurabh Chawla for his closing comments.

Saurabh Chawla: Thank you. This was a very short call, which means that I think our disclosures are pretty good and transparent and our business model is now much better understood by the analysts. So, thank you everybody for this call and again my best wishes on this festive season. We are however available offline, should you have any further questions that may come to your mind, you can reach out to the IR team, and they will revert expeditiously. Thank you so much.

Moderator: Thank you, members of the management team. Ladies and gentlemen on behalf of GMR Airports Infrastructure Limited that concludes this conference call. We thank you for joining us. You may now disconnect your lines.

Note: Transcript has been edited to improve readability.