“GMR Infrastructure Limited Q4 FY16 Investor / Analyst Conference Call Transcript”

Wednesday, 01 June 2016

Moderator: Ladies and Gentlemen, Good Day and Welcome to the GMR Infrastructure Limited Q4 Y16 Earnings Conference Call. 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. Grandhi Kiran Kumar – Corporate Chairman and Mr. Madhu Terdal -- Group CFO and CFOs of GMR’s Business Verticals.

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 risk and uncertainties. Also, recording or transcribing of this call without prior permission of the management is strictly prohibited. I would now like to hand the conference over to Mr. Grandhi Kiran Kumar for the opening remarks. Thank you and over to you, sir.

Kiran K. Grandhi: Welcome to the Conference Call of Annual Results of GMR Infrastructure for the Financial Year 2016.

We have crossed one of the most difficult years with a very visible improvement in performance both operationally as well as financially. The year has also been fruitful in terms of partnering with world-class institutions. If you recollect, at the beginning of the year, we have strengthened the equity capital of GMR Infra by way of rights issue of Rs.1,402 crores. Later in the year in December ’15, Kuwait Investment Authority, a sovereign wealth fund has infused USD300 million in GMR Infra for long-term capital FCCB with 60-years maturity, further strengthening the balance sheet.

GMR has demonstrated its ability to attract a high quality strategic investor like Tenaga Nasional into the Energy portfolio at a time when energy sector has been going through a challenging phase. Group has been continuing its journey in asset-light, asset-right approach in the current fiscal. The Group has divested Hungund-Hospet Road Project which has reduced the debt of Rs.1,078 crores and created additional liquidity of Rs.85 crores. Divestment is being done in two tranches, of which first tranche of 15% has been completed. Further, the group has signed a share purchase agreement with India Infrastructure Fund to divest 26% equity stake in Ulundurpet Road Project.

The group has improved its performance on operational side also; Warora & Kamalanga plants operated at improved PLF, both plants have managed to turn around the corner in the current fiscal with resolution of regulatory bottlenecks. Transmission constraints and better tariff profiling aiding the better performance of the plants in terms of PLF and also financial performance. Both the units of 685 MW, each of Chhattisgarh power plant have been commissioned in the year. Rajahmundry gas-based plant has signed (SDR) Strategic Debt Restructuring agreement with the lenders in providing a strategic long-term solution for the plant affected by lower fuel supply. All the Airports continue to show robust traffic growth and financial performance.

I will take you through the Financial Highlights: Group has posted a consolidated cash profit of Rs.222 crores for the financial year ’16 against cash loss of Rs.(-1,119) crores for last year. This is after accounting for cash loss of Rs.472 crores in the recently commissioned Rajahmundry and Chhattisgarh power plants. Gross revenue for the year has increased by 20% from Rs.11,088 crores in financial year ’15 to Rs.13,358 crores in financial year ’16. The Energy revenue increased by 24% from Rs.4,454 crores to Rs.5,523 crores on account of higher revenues in EMCO and Kamalanga. Airport revenue increased by 20% from Rs.5,469 crores to Rs.6,556 crores on account of robust traffic growth and restoration of UDF in Hyderabad Airport. EBITDA for the year improved by 67% from Rs.2,555 crores to Rs.4,264 crores primarily on the account of significant jump in EBITDA of Energy sector. Energy sector EBITDA increased by more than 4x from Rs.222 crores in financial year ’15 to Rs.1,161 crores in financial year ’16. EBITDA in Airports sector increased by 40% from Rs.1,706 crores to Rs.2,387 crores. EBITDA in Highways sector increased by 25% from Rs.407 crores to Rs.510 crores.

Despite drawal of project loans at Chhattisgarh and Cebu Airport, net debt has been maintained at the same level of around Rs.40,000 crores and with the improvement of EBITDA levels, the ratio of net debt-to-EBITDA has improved from 15.5x in financial year’15 to Rs.9.4x in financial year ’16. The interest coverage has improved from 0.72x in financial year ’15 to 1.05x in financial year ‘16. Further, post SDR and (GREL) GMR Rajahmundry Energy Limited, the consolidated debt will reduce by Rs.3,600 crores. Investment of Rs.2,000 crores by Tenaga in GMR Energy will be used towards servicing our corporate debt which will also result in further reduction of debt and saving of interest of between Rs.200 to Rs.240 crores every year.

With this, I would like to hand over to my colleague, Mr. Amit Jain, who will be taking you through the detail sector wise performance.

Amit Jain: Thank you, Kiran sir. Good Day and Greeting Dear Investors and Analysts Friends. I will be happy to give you a brief update on various business verticals of GMR. To begin with Energy business: Our 600 MW Warora Power Project has seen a turnaround during the current fiscal with operational performance improving due to transmission bottleneck being resolved and also better tariff profiling with a full commencement of Tamil Nadu PPA which is about 150 MW in December 2015. The plant has turned cash positive for the first time with Rs.7 crores in FY'16 as against a cash loss of Rs.184 crores last year. Going forward, it is expected to improve even further with better operational efficiency and full year operation of Tamil Nadu PPA.

Some of the key highlights of Warora Power Project: It has achieved PLF of 76% in FY'16 as against 69% last year. Revenue also increased from Rs.1200 crores last year to Rs.1383 crores this year, an increase of 15%. EBITDA for the year has also increased by 62% from Rs.248 crores last year to Rs.401 crores this year.

Our second project is Kamalanga (1,050 MW). It has also shown positive traction in the current fiscal due to the resolution of regulatory bottlenecks in terms of tariff determination in all the three PPAs which we have with Odisha, Bihar and Haryana. The positive orders in terms of change in law and coal pass-through has resulted in better financials for the year and this project, similar to Warora, has shown cash profit of Rs.36 crores in FY'16 against a cash loss of Rs.(-532) crores last year FY'15. So both the projects which is Warora as well as Kamalanga has turned cash positive in FY'16. Some of the key highlights are Kamalanga has clocked PLF of 67% for the year against 53% last year & have achieved a turnover of Rs.1,961 crores in FY'16 against Rs.1,144 crores last year, an increase of 71%. EBITDA has also increased by 8x from Rs.75 crores in FY'15 to Rs.704 crores in FY'16.

Coming to our Mega Project which is Chhattisgarh 1370 MW: Both the units of 685 MW each have been commissioned; the first unit was commissioned in the month of November '15 and the second unit is commissioned in March '16. The plant has clocked PLF of 26% in FY'16.

Coming to our Gas-based project Rajahmundry: We have worked out a strategic long-term solution for a difficult gas project within the ambit of RBI Scheme by way of SDR. The SDR Scheme is adopted for Rajahmundry Project in the month of May 2016. Out of the total consolidated debt of Rs.3,780 crores, debt to the extent of Rs.1,414 crores is converted into equity and the consortium lenders have got 55% shareholding in the project.

Coming to our next vertical which is the Airport vertical: DIAL has handled a record passengers of 48.42 million in FY'16, a growth of 18%. Total cargo volume of 787,000 MT is handled in FY'16 -- highest ever by any Indian airport in any year. Non-Aero revenue also grew by a good 19% over last year led by growth in commercial non-Aero sales and land and space rentals. Revenue also increased by 16% from Rs.4,195 crores in FY'15 to Rs.4,862 crores in FY'16. Similarly, EBITDA for the year increased by 24% from Rs.1,399 crores to Rs.1,733 crores. Over and above that, EBITDA margin also showed a very good improvement of more than 500 basis points from 63% to 68% for Delhi Airport.

Coming to our another airport which is Hyderabad: It also shows the same traction what is shown by Delhi Airport. Traffic again grew by 19% in the year and has touched 12.5 million passenger in this FY'16. Revenue of Rs.615 crores for the year, an increase of 48% over last year and this increase of 48% is mainly on account of traffic growth plus UDF restoration w.e.f. November '15. Hyderabad Airport EBITDA has doubled from Rs.179 crores in FY'15 to Rs.365 crores in FY'16.

Touching upon our Male Airport, both the parties which is GMR and the Government of Maldives are currently in the process of finalizing the procedural timetable to schedule the final hearing with the tribunal to decide the quantum of damage and which is expected to be in the month of August this year. The management is confident to realize at least the carrying cost or the carrying amounts of the claim.

Coming to our third vertical which is the Urban Infrastructure: Our Kakinada SEZ of about 5,000 acres have been announced has operational SEZ w.e.f. 27th January '16 with the commencement of commercial operation of Pals Plush factory spread over approximately 1 lakh sq.ft. Pals Plush has already employed over 600 women and would employ additional 1200 over next one year. Along with Pals Plush, Tata BSF, Rural BPO has also commenced operations, they have already recruited first phase of about 38 people and the recruitment of next batch is underway.

With this, I end my Business Update and now hand over the conference to moderator to start Q&A.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: My question is on one of the balance sheet items; there is a preference share issued by subsidiary company of about Rs.9.8 billion. So, this is pending in which company and what is the terms of conversion ultimately – is it in the Airport holding or the Energy holding company?

Govindarajulu: This is a preference capital issued to the PE in Energy & Airport verticals.

Atul Tiwari: Now that 30% equity stake has been sold to Tenaga has it already been converted or will it be converted into the equity share soon or in case it cannot be, can it be swapped into the shares of the parent company, what are the terms like?

Govindarajulu: The discussions are going on with PE and our preference is to convert them in Energy only, in principle they have agreed.

Parag Parikh: As rightly pointed out by Mr. Govindarajulu, these CCPS will have to be converted and will be converted as far as the investment goes in the Energy vertical itself. Our discussions are undergoing with the private equity investors. They all have welcomed the fact that now we have a strategic investor coming in the form of Tenaga. As a part of our overall process of ensuring closure of the Tenaga investment, this will also be concluded.

Atul Tiwari: The second is what is the status of Delhi Airport tariff petition as of now and when do we expect some kind of final order?

Sidharath Kapur: The situation is that as the investors may be aware that there is a high court stay on the implementation of tariffs by the regulator. The issues are pending in the appellate and the appellate authority which has been constituted a little bit of time back, they are now actively engaged in determination and final resolution of these issues, hearings are being held very frequently, in fact, the regulator had gone to supreme court asking for a vacation of the stay of the high court order and the supreme court has dismissed this appeal by the regulator and in turn has advised the appellate authority that they should decide all the issues which are pending with them in the next three months. So we expect that in the next three months the appellate would be addressing all these issues and hopefully in the next 3-4-months we should have a resolution at the appellate authority of the issues pending in respect of DIAL.

Moderator: Thank you. The next question is from the line of Chetan Cholera from Pragya Equities. Please go ahead.

Chetan Cholera: What is the roadmap for the reducing debt, because whatever we earn in the year we are just paying interest, rest of the thing leave alone, so when the shareholders start earning?

Jitendra Jain : I am Jitendra Jain, CFO - Corporate Finance. GMR three years back has taken decision that the focus is going to be to deleverage the balance sheet, to strengthen the balance sheet and for consolidation. As of now, we will continue to focus on the deleverage of the balance sheet particularly on the corporate loan. In the last 12-24-mnoths lot of initiatives have been taken by divestment, by raising FCCB, recent deal of Tenaga. Going forward, we will continue to evaluate various options to reduce the corporate loan and we expect in next 12-18-months to come down to close to 50%. On the project side, the focus is now on the cheaper cost by reduction of interest rate. We believe that all these efforts will bring good results and you will see much better balance sheet and much better numbers in next 12-18-mnoths. We have already demonstrated our track record in the last 2-3-years in the most challenging times. So we will continue to make this effort and you will see better numbers going forward.

Chetan Cholera: Can you give some color on how you are going to reduce 50% debt?

Parag Parikh: Just to add into what Jitendra mentioned, as you are aware, we have announced our strategic investment of Tenaga and something that we had taken through with the analysts/investors last time also, this investment is in the tune of close to about Rs.2,000 crores. Now, this entire Rs.2,000 crores is largely going only into retirement of debt obligations at the corporate level. Roughly, given a range of our interest rate this will mean an annual saving almost to the tune of Rs.200-240 crores. So to that extent on one hand the interest is getting saved from a P&L perspective, as well as the corporate loans to that extent also will get reduced. So similar efforts have been done in the past, whether it was in the recent transaction prior to this of an FCCB and to that extent our focus is always to look at as an asset light strategy and at least ensure that the corporate loans are being brought down. As far as the debt to the assets are concerned, this debt is more in the nature of project finance at the SPV level itself. So the revenues, the cash flows of each SPV itself is able to service the project-related debt.

Kiran K Grandhi: Just to add to Parag, going forward the group's approach is to continue all the options. So in certain assets we are continuing to do divestment, such as highways, in some of the assets in Energy sector we will continue to look at divestments, that exercise we will continue. Second, parallely, we will also look at working on strategic investments in some of the assets in SEZ assets we have almost 13,000 acres of land is there, we are in the process of monetizing it, we are confident in the next 18-months we will get some cash flows in realizing this land monetization. A few other initiatives – we have large receivables with various regulatory agencies and government authorities, more specifically to Maldives Airport, we are confident that we will resolve this year and also recover money in that. So the divestment approach there is some fresh capital, you can look at the asset levels and the third is the receivables, litigation, recoverables. So, all the three areas we are focusing over and above the cost reduction that we are doing in terms of interest. The biggest portion we have in the interest is big outflow, there we are working with the banks to reduce interest rate in a systematic manner.

Moderator: Thank you. The next question is from the line of Abhishek Jain from Everett Consultants. Please go ahead.

Abhishek Jain: You have got such a big land bank in and around Delhi Airport. So how we are going to monetize that?

Kiran K Grandhi: In Delhi we have monetized the first phase of around 45-acres. We are now contemplating, we have already started the process to monetize another 23-25-acres, we are in the process of bidding and we have now 5-bidders have shown interest and we are in the process of monetizing that next parcel of land for a large retail mall and we are also seeing very robust growth, if you see in the hotels which are opened in the Delhi airport they are doing very well and they are doing at almost 75% load factor, they are doing very well and some of you would have experienced it. So there is a very strong vibrancy is being created there. So, we are choosing the time now, we are going in the next phase and we are very confident that we will be doing in a systematic manner on a yearly basis as and when the demand… we do not want to dispose it too early in the market, we want to do it basing on the market demand. As far as Hyderabad is concerned, we already have disposed, we have now leased almost like between 50-60 acres right now and we have also tied up with another large e-Commerce company, we have signed almost like 17-acres to Amazon. So it has taken 17-acres in Hyderabad Airport for a large fulfillment center and that is one of the big things which we have achieved recently. Going forward, we are in continuous process of monetizing land both at Hyderabad and in Delhi… I would say Indian airports, we are the only one to monetize such a large land parcels both at Delhi and Hyderabad. In Hyderabad we are in the process of signing another 33-acres with another one large pharma company for doing formulations basically for research and development.

Abhishek Jain: Actually the question is we are getting into lease kind of thing for land monetization. This thing brings in part money like every year rental kind of it. Why do we not dispose of certain portion of land and then redeem the debt?

Sidharth Kapur: Whenever we are disposing of land firstly, we cannot sell land. This is lease land, so ultimately it has to be given on license/sub-lease basis. Second issue is that this is all long-term leases, these are concurrent with our concession agreement and these are all long-term leases. So effectively for a person who is taking over this land it is almost akin to acquiring the land, though technically from a legal standpoint you cannot sell the land. Now, whenever we do it, we take deposits. These are refundable deposits at the end of the concession term and these are repayable after 50-years, effectively 50-years is left in Delhi and practically this is a quasi-equity for us. In the first phase of 45-acres we have raised almost if you take the deposits for infrastructure development also, add that into the security deposit, it was almost over Rs.2,000 crores which was raised as deposits, which was used for the first phase construction of the airport. Now, in the second phase of monetization, the deposits we will raise, but they maybe of a lesser quantum, because we may not have a large use for it for CAPEX purpose immediately. We can of course use it for other purposes like deleveraging or for expansion purposes related. But definitely there is cash which is also raised upfront as part of our monetization structure.

Moderator: Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah: Sir, in the Energy business, we see that the EBITDA sequentially if I were to compare vis-à-vis the December quarter, there has been a sharp reduction in the EBITDA from December to the March levels. Now, I understand that about 250 crores last quarter was due to arrears. But even if one adjusts Rs.250 crores from the Q3 EBITDA of Energy business still the EBITDA in Q4 has declined, whereas incrementally we have had certain positives like full supply commencing for EMCO and probably Kamalanga also doing better quarter-on-quarter. So can you help us understand what is happening here?

Parag Parikh: Firstly, when you look at the annual numbers, clearly the performance of 2016 across all the operating plants significantly has improved, almost from an EBITDA that you see of close to Rs.220 crores for last year has gone up to more than Rs.1,150 crores. Coming more specifically to the quarter, yes, there has been an aberration; aberration is primarily to do with the fact that we had this litigation arrears which were bunched up in Q3, the same needed to be recognized that is for all the previous arrears starting from the month of April. We in certain cases for example there are some plant maintenance shutdown, that had happened in the Q4, to that extent that you see that the EBITDAs are slightly lower. So, as a combination of both, you see the EBITDA of Q4 sequentially being less than Q3 plus of course Chhattisgarh as a plant, the first unit started almost in the end of the third quarter, so Chhattisgarh clearly in his initial stabilization phase does have a loss at EBITDA and those also get combined as far as the fourth quarter EBITDA that you see.

Ashish Shah: Also, on the impairment that we have taken this quarter of Rs.100 crores of goodwill for the Indonesian mine, so what is the future of this mine – would we end up taking impairment for the residual amount also, and if yes, what is this amount?

Parag Parikh: Ashish, these are more prudent accounting treatments. As you would appreciate mines go through a commodity cycle, prices have sort of gone up and at a cyclical down in the recent years. So, as a prudent accounting treatment, we have taken the impairment as far as the Indonesian mines are concerned. We do not greatly expect anything significantly to come as far as any incremental impairments are concerned on the PTBSL mine. This is more from a perspective that again in times to come we do expect slightly seeing the mines being given a push both as far as production is concerned, as far as also the commodity price cycle improvement is concerned. But, having said that this is more a one-time adjustments that are being done.

Ashish Shah: In the energy business again, there has been a net writeback of tax. So the current tax if I see there is a net writeback. So on which project has this been?

Govindarajulu: This is in GMR Energy, this is the deferred tax which you have recognized to the extent of liabilities available, this is only again a one-time expense, earlier, we have written off that is brought back into current year accounts, because we have corresponding liabilities which are recognized in the asset.

Ashish Shah: On the Hungund-Hospet project, by when the sale transaction be completed?

Mohanrao: There are some CPs in which we need to get the lender's approval. It should take another two to three months to complete.

Ashish Shah: What would be the amount of loss that we would have incurred on this project in FY'16… would go off the books? The debt we know which will go out of the books.

Mohanrao: The loss is already provided in the current year financial, it is around Rs.(-36) crores.

Moderator: Thank you. The next question is from the line of Nilesh Bhaiya from Yes Securities. Please go ahead.

Nilesh Bhaiya: Sir, in our Hyderabad Airport, how much UDF we have collected since November till March?

Sidharath Kapur: We have collected from the date the UDF started till March about Rs.160 crores and this is of course it is not reflecting what we will be collecting on a steady state because the UDF collection is low because there would have been tickets which have been issued before the start of the UDF in respect of travel after the date of the start of the UDF. So steady state is not reflected in this collection.

Nilesh Bhaiya: So how much we expect it on a steady state for full year?

Sidharath Kapur: In steady state, UDF is about Rs.40-45 crores a month.

Nilesh Bhaiya: By March end how much amount of FCCB we had realized out of the Rs.2,000-odd crores?

Govindarajulu: Entire amount is realized, already spent Rs.1,800 crores and there is repayment of the loans and interest obligations, Rs.200 crores we are retaining as cash balance.

Nilesh Bhaiya: In books of account, are we classifying this Rs.2,000-odd crores as debt or quasi-equity, where exactly…?

Govindarajulu: As of today it is debt only, but we are still discussing with the auditors under new accounting stats Ind AS in the current year whether we can recognize as an equity we are discussing with them.

Nilesh Bhaiya: In terms of our net debt reduction for next year, so Rs.3,700 crores will go out of Rajahmundry, Hospet will be Rs.1,100 crores and you told that Rs.2,000-odd crores will be through the sale of stake to Tenaga, so we are looking for Rs.7,000-odd crores of debt reduction on a consolidated basis. Is that calculation correct?

Govindarajulu: Only slight correction; Hungund-Hospet we have already removed the debt because it has become an associate company, we have already effected sale of 15% and the balance is also held for sale we have removed in the consolidation, other two aspects what you said is correct.

Sidharath Kapur: I think you can also add Axis Bank which will get cleared off after the arbitration.

Nilesh Bhaiya: So that is Rs.1,100-odd crores, right?

Sidharath Kapur: Yes.

Nilesh Bhaiya: Cebu Airport, this is an associate only or consolidation?

Govindarajulu: We do partial consolidation; 40% equity basis.

Nilesh Bhaiya: How much will be the debt on Cebu?

Govindarajulu: That is close to Rs.800 crores our portion.

Moderator: Thank you. The next question is from the line of Deepak Agarwal from Elara Capital. Please go ahead.

Deepak Agarwal: My first question is if I see on the gross block versus last year we were at about Rs.55,700 and this year we were mentioning gross block of 57,700, so it is just an addition of Rs.2,000 crores, but we have operationalized both Rajahmundry and Chhattisgarh which is far in excess in terms of CAPEX. So, can you help reconcile the difference?

Govindarajulu: This is the gross asset which includes the capital work-in progress also, that is why you are not seeing the major difference, it is only the capital expenditure incurred during current year which is added.

Deepak Agarwal: In the 'Presentation' it is clearly mentioning gross block and it is not CWIP?

Govindarajulu: Yes, you are correct, it is mentioned as gross block, it includes capital work-in progress.

Deepak Agarwal: So what is the gross fixed assets as on 31st March versus last year?

Govindarajulu: Tangible assets is Rs.37,000 crores as of 31st March versus Rs.23,000 crores last year.

Deepak Agarwal: My second question is there is an increase in the goodwill by about Rs.550 crores. So what exactly is this increase?

Govindarajulu: It is only exchange variation which has come on the mines acquisition, plus on stake buy from MAHB in DIAL.

Deepak Agarwal: How much is the current portion of debt sitting in the other current liabilities?

Govindarajulu: Approx. Rs.10,000 crores in current year.

Deepak Agarwal: You mentioned in earlier questions that Chhattisgarh we had an EBITDA loss, but we still operated at 26% PLF. So what is the mining cost that you are getting it in terms of rupees per ton landed at the plant?

Parag Parikh: At this juncture, as far as Chhattisgarh is concerned, it has just commenced operations for the first unit as late as November, for the one unit that was operating, if you see at this juncture, a lot of the sale was going through shorter-term and merchant tariff and in merchant and shorter-term trades, the tariffs have been low. From our perspective, the idea was to at least get both the units up and running and at least ensure that both projects get commissioned. With that even the second unit got commissioned in the month of March. So, when I refer to Chhattisgarh in terms of losses, the EBITDA losses were more from a perspective of initial start-stop process, the enhanced increase need of oil fuel to start off the project.

Deepak Agarwal: How much was the landed cost of coal in terms of rupees per unit or rupees per ton in terms of mining cost that you actually experienced in Q4, because this is the first quarter of operations of the coal mines as well?

Parag Parikh: So as far as the first mine is concerned, we started with our Talabira mine and on a landed basis approximately the cost per ton was coming in the range of about Rs.2200 per ton.

Deepak Agarwal: Despite the transportation cost, it is much lower in this?

Parag Parikh: That is correct, again as I said similarly even when we refer to the mine, this also just begun production and so it was in the initial stages of operationalizing of the mine itself.

Deepak Agarwal: How much likewise the fuel cost per unit in Q4 or for FY16 finally for EMCO and Kamalanga?

Parag Parikh: For Q4 the per unit cost for EMCO is closer towards Rs.2. As far as Kamalanga is concerned it is close to about Rs.1.60-1.65; on an annualized basis it will be similar.

Moderator: Thank you. The next question is from the line of Abhishek Jain from Everett Consultants. Please go ahead.

Abhishek Jain: Can you provide me the details of UDF collected in New Delhi Airport and Hyderabad Airport? Another thing is that on high UDF charges in the airport, is it under litigation or not?

Sidharath Kapur: I have not fully understood; Hyderabad I had mentioned earlier Rs.164 crores we have collected and steady state level would be about Rs.45 crores per month and Delhi we have collected about Rs.2,300 crores in the last financial year.

Kiran K Grandhi: To your second question, UDF charges are fixed by regulator, we do not decide. So whatever the regulator decides is the charge, whether it is high or low, I do not think it is right to give a judgment that it is high or low, it has been determined by the regulator. That is one thing I want to clarify. Second, whatever regulatory process or outcome, we will update you, at present there is no issues on regulatory side as far as Hyderabad is concerned. It is resolved, we are collecting, as far as Delhi is concerned, we have clarified, we have gone to the high court and we got a stay on the tariff to continue collecting because our grievances have not been addressed for the first period. So from a company point of view, the first five years grievance is not addressed, how can you collect the next fees. So, we have addressed to the high court and high court have said that you have to dispose of the grievances, until then collect it. So, this is what is happening. So as we said earlier, we are in the process and whenever the tribunal disposes of, we will be able to give you outcome, but we are confident that we will find a resolution.

Sidharath Kapur: Just to clarify, there is no question of refund, so even if let us say worst case tribunal decides against us, there is no question of refund or any liability on account of refund at DIAL level because whatever has been collected it cannot be refunded back to passengers, so it can only be adjusted in the next control period tariffs.

Kiran K Grandhi: We are confident that there will be a resolution which will be in the right spirit.

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

Atul Tiwari: Sir, now that we are getting coal from Talabira coal mine at about Rs.2200, I think that number was communicated sometimes ago in the call. So my question is on now how do you feel about the auctions which took place one year ago, because in one year we have seen domestic coal supplies improving very sharply and lot of plants located in Chhattisgarh are getting actually e-auction coal at Rs.1800-1900, so which is lower than Talabira’s coal probably and obviously we do understand that as per rules of the auction, there is an annual escalation built in the prices that you have quoted. So probably a few years down the line the prices of the coal will be higher than what they are today from Talabira while domestic coal prices from Coal India either e-auction probably will come down even from here given the improved availability. So do you think that the strategy of bidding aggressively and taking a mine has worked out or you are okay with the prices that you are getting from Talabira?

Parag Parikh: Atul, I think we need to understand actually where we were about a year back. As far as Chhatisgarh asset is concerned, the asset was almost ready to complete and since then as you are aware we have already commissioned both the units. Having said that, it was necessary that we also have a fuel security mechanism as far as the asset is concerned. If you look at our Talabira mine it is hardly with a reserve of close to about 10-12 million tons, that by no standard firstly suffices the overall requirement as far as both the units are concerned. The idea was to at least have a ready operational mine which we are able to utilize the over the next two to three years and at least have a small feeder supply as far as the mine is concerned and the plant can continue to run whilst in a longer-term possibly with we can also parallelly procure from Ganeshpur mines. So as I said, as far as the mines are concerned, this certainly gives us the fuel security mechanism and most importantly as I said this is only a smaller component of the overall needs of our coal requirement for both the units of Chhattisgarh are concerned and that is how we have seen it.

Moderator: Thank you. We take the last question from the line of Nilesh Bhaiya from Yes Securities. Please go ahead.

Nilesh Bhaiya Sir, just a clarification; in Hyderabad airport, it is on hybrid till now. So will we be compensated for past since FY'09?

Sidharath Kapur: That is right. We have filed for the tariffs for the second control period which is started from 1st of April 2016 and this has been filed also after taking into account the true-up for the past on the basis of hybrid. So there will be adjustment which will be added to the total eligibility of the total revenue for the next five years or the past period.

Nilesh Bhaiya Is it around Rs.1,000-odd crores around that?

Management: It will not be possible to quantify the amount because still it is pending in the regulator but it is very significant.

Nilesh Bhaiya Regarding the Hyderabad Airport, the passenger growth has been phenomenal in this airport. So do we see any need of CAPEX going forward in next two years?

Sidharath Kapur: There is yes, a plan for CAPEX, for which we have also filed with the regulator, it will added to the RAB, so any CAPEX which is done is added to the RAB and it leads to a pass-through into the tariff and we have a plan for CAPEX which is starting early next year which is leading to expansion because currently the airport capacity is about 12 and we are touching 12.5 and we would be needing expansion sometime early next year.

Kiran K. Grandhi: So basically at this moment we have given our plans to the government. Once we get approval, we will take the board approval. So we have not come to any conclusion of actual numbers, so we will be able to share with you in the future but there is an expansion will be there because we crossed 12 mn pax.

Sidharath Kapur: But it is very clear it is a pass-through into the RAB and it will get adjusted in an upward revision in the tariff.

Nilesh Bhaiya Just that it needs to be filed for this control period, so that will…?

Sidharath Kapur: Yes, we have done that already and we have anticipated some high level numbers and on that basis we have filed.

Moderator: Thank you. That was the last question from the participant. I would now like to hand over the floor to the management for their closing comments. Over to you, sir.

Amit Jain: I would like to thank all of you for joining in the conference call and having a very interactive session. Your participation is an encouragement to all of us here in GMR. We would like to reemphasize that GMR has entered a turnaround phase and we are committed to and we will continue to keep our performance in the coming quarters.

Before we take off for the call, I would like to acknowledge and thank the presence and contribution of all our CFOs and respective business heads. Our Group CFO and IR team will be happy to interact with you in future. Please feel free to contact us if you have any queries or you require any additional information. Thank you very much.

Moderator: Thank you. Ladies and Gentlemen, on behalf of GMR 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