



Unparalleled Expertise
in **Designing, Building &
Operating Airports**



**GMR
INFRASTRUCTURE
LIMITED**

26th ANNUAL REPORT 2021-22



Unparalleled Expertise
in **Designing, Building &
Operating Airports**

CAUTION REGARDING FORWARD - LOOKING STATEMENTS

This document contains statements about expected future events, financial and operating results of GMR Infrastructure Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer which is qualified in its entirety by the assumptions, and risk factors that are referred in the management discussion and analysis report, forming part of the Annual Report 2021-22.

The shareholders have approved the change of name of the Company from GMR Infrastructure Limited to 'GMR Airports Infrastructure Limited'. Company is awaiting confirmation from Regulatory Authority.



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GENERAL INFORMATION

BOARD OF DIRECTORS

G.M. Rao

Chairman

Grandhi Kiran Kumar

Managing Director & CEO

Srinivas Bommidala

Group Director

G.B.S. Raju

Group Director

B.V.N. Rao

Group Director

Madhva Terdal

Non-Executive Non-Independent Director

Subba Rao Amarthaluru

Independent Director

M. Ramachandran

Independent Director

S. R. Bansal

Independent Director

Emandi Sankara Rao

Independent Director

Suresh Narang

Independent Director

Bijal Tushar Ajinkya

Independent Director

COMPANY SECRETARY & COMPLIANCE OFFICER

T. Venkat Ramana

AUDIT COMMITTEE

Subba Rao Amarthaluru - Chairman

M. Ramachandran - Member

S. R. Bansal - Member

Emandi Sankara Rao - Member

STAKEHOLDERS' RELATIONSHIP COMMITTEE

B.V.N. Rao - Chairman

Subba Rao Amarthaluru - Member

S. R. Bansal - Member

NOMINATION AND REMUNERATION COMMITTEE

M. Ramachandran - Chairman

B.V.N. Rao - Member

Subba Rao Amarthaluru - Member

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Emandi Sankara Rao - Chairman

B.V.N. Rao - Member

S. R. Bansal - Member

RISK MANAGEMENT COMMITTEE

Grandhi Kiran Kumar - Chairman

B.V.N. Rao - Member

Emandi Sankara Rao - Member

Saurabh Chawla - Member

ENVIRONMENT SOCIAL & GOVERNANCE (ESG) COMMITTEE

Grandhi Kiran Kumar - Chairman

B.V.N. Rao - Member

Subba Rao Amarthaluru - Member

Emandi Sankara Rao - Member

STATUTORY AUDITORS

Walker Chandio & Co LLP, Chartered Accountants

BANKERS

ICICI Bank Limited

HSBC

Axis Bank Limited

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OUR VISION

GMR Group will be an institution in perpetuity that will build entrepreneurial organizations making a difference to society through creation of value.

VALUES & BELIEFS



**Mahatma
Gandhi**

Humility

We value intellectual modesty and dislike false pride and arrogance



**JRD
Tata**

Entrepreneurship

We seek opportunities – they are everywhere

**Tenzing &
Hillary**

Teamwork & Relationships

Going beyond the individual – encouraging boundary less behaviour



**Sardar
Vallabhbhai Patel**

Deliver the Promise

We value a deep sense of responsibility and self-discipline, to meet and surpass on commitments made



**Swami
Vivekananda**

Learning & Inner Excellence

We cherish the life long commitment to deepen our self awareness, explore, experiment and improve our potential



**Mother
Teresa**

Social Responsibility

Anticipating and meeting relevant and emerging needs of society



**Dr. APJ Abdul
Kalam**

Respect for Individual

We will treat others with dignity, sensitivity and honour



Our commitment to building an institution in perpetuity is grounded on the above values and beliefs.

CHAIRMAN'S MESSAGE



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Organizations today need to cultivate and demonstrate 'Innovation' else they are destined to fail. Let me assure you that your Company is striving for innovation in every sphere of business, and you will be able to feel that during visits to your Airports or Aerocities.

G M Rao
Chairman, GMR Group

Dear Fellow Stakeholder,

It gives me immense pleasure to welcome you all to the 26th Annual General Meeting of the Company.

One of the key milestones that your company has achieved this year is the demerger of the GIL and emergence of two separate listed entities - GIL (Airports) & GPUL (Energy, Transportation & Urban Infra Businesses) thereby offering investors separate platforms to participate in the growth story. With these recent developments I realise that we have come a long way from where we started a few decades ago, from a narrowly focused Infrastructure company to a well-diversified business today. As far as GIL is concerned, it now predominantly holds a controlling stake in India's largest Airports platform, thus making your company the only pure-play listed airports company in India. We are accordingly in the process of changing the name to GMR Airports Infrastructure Limited.

Looking at the current global scenario, there cannot be more apt a time to remind you that we are living in a VUCA (Volatile, Uncertain, Complex and Ambiguous) world characterised by technology disruptions. Emergence of new economic blocks with rebalancing of

geo-economics, evolution of social media, disruptions in the global supply chain etc. have all rendered greater complexity and brought unpredictability to an all-time high. In the emerging socio-economic environment, we will need altogether different skillsets, business models and operating models to successfully sail through. We need 'Innovation Leadership' at all spheres of life. Organisations today need to cultivate and demonstrate 'Innovation' else they are destined to fail. Let me assure you that your company is striving for innovation in every sphere of business, and you will be able to appreciate the same during your visits to your Airports and Aerocities.

The year FY22 was marked by the continuation of Covid waves around the globe and emergence of new geopolitical disturbances, resulting in challenges to global growth. The year started with a severe Covid wave striking our country which crippled normal economic activities and put extreme pressure on the health infrastructure. Unfortunately, there was significant loss of lives across the country and economy was thrown in a disarray temporarily.

I would also like to thank all our stakeholders who have supported us during these challenging times. In particular, given the gravity of the situation during the second Covid wave in India, I would sincerely like to thank all our employees, partners and stakeholders who helped us overcome the challenges during that difficult period. It is my belief that in overcoming these adversities, we have only emerged stronger and more resilient for an

increasingly uncertain future. The Government, learning from the experience of the Covid 1st wave, responded with calibrated lockdowns, ensuring that the overall economy does not get materially impacted, and along with fiscal and monetary stimulus, ensured the year ended with the economy growing at a decent pace.

Despite the Covid pandemic impact continuing, the aviation sector in India continues to do well and traffic at most of the airports has recovered with domestic traffic at near pre-pandemic levels and international traffic also growing steadily. With more first time travelers adding to India air travel list, people going for vacation more often and more countries opening up, your Airports have increased connections to benefit from the resurgent traffic.

High inflation due to adverse geopolitical situation has emerged as the latest challenge to the world economy and our businesses may also get impacted. Your company has worked hard to address the emerging challenges of high inflation and muted economic growth. As during the pandemic, your teams continue to focus on cash conservation and cost reduction through various interventions to control capital and operating expenditure, along with stakeholder management and constructive engagement with various Government agencies through industry bodies.

Further, with the major capex works at our airports progressing well - start of commercial operations at Goa and expansion at Hyderabad Airport is expected

to get completed within the current financial year and expansion at Delhi Airport is expected to be completed by next year. With this, substantial capacity enhancement would be completed, thereby creating a long-term platform for business growth in our portfolio and its benefits reflecting in your company's financials over the coming years.

Some of the other initiatives taken by your company to make its airports operations more resilient to global situations and to turn your company into a truly global airport platform includes:

- Executed Industrial Partnership Agreement with Groupe ADP to leverage on ADP's experience and expertise in areas of passenger experience, airport operations, innovation, sustainability, talent and capacity building.
- Continued on the high growth trajectory by winning the bid to develop and operate Kualanamu International Airport in Medan, Indonesia. With Indonesia being a high growth market and government looking at private capital for airport infrastructure growth, it is a focus territory for your Company to target airports and non-aero business opportunities.
- Received favorable judgement from Hon'ble Supreme Court for Nagpur airport to be brought back as a part of the portfolio of GMR Airports.
- Moving towards the completion of construction of the new greenfield airport at Goa, which is expected to further transform the options for airlines and passenger across India and the world.

- Progressing well on the construction of the new greenfield airport at Crete, which is located on the Mediterranean shore of Greece and is a popular tourist destination. The Crete Airport SPV is debt free, with the equity component fully funded. Further, the entire grant amount of 180 Mn Euros has also been received. In spite of Covid related challenges, the works of archeological survey has been completed and the construction activities are on full swing.
- Completed debt restructuring at Cebu Airport in May'21 with deferral of principal and interest payments, thus providing cash flow relief during the COVID-19 pandemic period. With this restructuring and improving passenger traffic, Cebu Airport is in better shape to regain its passenger traffic and its eminence as tourism gateway to Philippines.

In line with the group strategy to churn assets and redeploy capital in high growth opportunities, definitive agreements have been entered into by GMR Airports to divest its equity stake in the Cebu Airport. However GMR Airports would continue to operate the Airport as technical service provider under December 2026.

- Major success achieved in monetisation of airport real estate with DIAL reworking and concluding the office and retail transaction with Bharti Realty for a total area of 4.89 mn sqft under the backdrop of Covid. The transaction culmination resulted into an inflow of approx. INR 1,000 Cr in FY 2021-22.
- Hyderabad airport received the tariff order for 3rd Control

Period with Yield Per Pax of ~ INR 430. This provides certainty in terms of visibility of cash flows and takes away the risk of adhoc and inconsistent tariffs we have experienced in the past.

- Conceptualised and started implementation of GAL as a platform with airport concessions being the core and a range of adjacent businesses built around the same. This Master Concession (MC) business is an asset light approach with potential to generate significant cash flows for GAL in the future and also provide meaningful operating revenues that will help it raise lower cost debt for expansion. We are currently evaluating multiple opportunities in the cargo, duty free and services business across the geographies and believe that in the short to medium term we will have more adjacency businesses to add to our overall portfolio. The first duty free operations at Kannur airport is a step in that direction.
- Significant progress is made on achieving excellence on the ESG front. Recently, Delhi airport became the first airport to run entirely on renewable power including hydro and solar power. At Hyderabad airport, we commissioned a 5MW capacity solar plant in addition to the already existing capacity. Your flagship Delhi Airport is also setting new standards on the front of environment safety and sustainability. Delhi Airport has now become Asia Pacific's first Level 4+ (Transition) accredited airport announced by ACI Europe Annual Assembly & Congress, Hyderabad

Airport was awarded a Level 3+ neutrality status. Further, Delhi International Airport Limited received the Platinum Recognition in the Green Airports Recognition run by ACI Asia Pacific in over 25 million passenger category, while Hyderabad airport received Gold recognition in below 25 MPPA category.

While focusing on these initiatives, priority has also been to ensure financial stability of the Group.

MACRO ECONOMY

The year started on a low base with global economy marred by Covid-19 pandemic in the previous year. Intermittent Covid waves continued throughout the year but on the back of good vaccination coverage in many countries and lowering of intensity of COVID strain, the pandemic has been tackled effectively and is no more a key concern in most countries. The Government of India led by our Honourable Prime Minister Shri Narendra Modi has also made significant efforts to ensure vaccination for all. By early August 2022, more than 200 crore vaccine doses have been administered in one of the largest vaccination programs in the world.

The opening of most countries has led to strong recovery in global economy till Q3 2022. However, in Q4 2022, geo-political disturbances took center stage, leading to high oil prices, inflation and slowing growth. Overall, easing of Covid combined with various fiscal and monetary measures taken by governments throughout the world helped the global economy to recover by 6.1% in 2021. In India too, massive spending program

undertaken by government and RBI ensuring that interest rates were kept low, supported the economy. Hence, the Indian economy also recovered well with a growth of 8.7% in FY 2022. India is currently the world's sixth-largest economy by nominal GDP and the third-largest by purchasing power parity (PPP).

With easing of travel restrictions, revenge travel was witnessed throughout the world, thus helping Aviation sector to recover strongly during FY 2022. India also witnessed continued improvement in air traffic with domestic traffic recovering to pre-pandemic levels while international traffic recovering to 60% to 65% of pre-pandemic levels. With more countries progressively relaxing traffic restrictions, international traffic is expected to reach pre-pandemic levels while domestic traffic is expected to exceed pre-pandemic levels in the current year.

Even though the impact and relevance of COVID-19 pandemic may have subsided in our lives, however the pandemic has left its mark on how we conduct our business and lives in general. Though it brought about immense challenges, it also brought out the best in us including the changes that it has done for our betterment.

- Resilience of Economy - The resilience of Indian economy was tested by the impact of the pandemic. With Gol unlocking the Indian economy, it bounced back within 6 months. Despite the second wave and its harsh impact, Indian economy grew by 8.7% in FY'22. With further normalisation of economy and demand in sectors which were particularly affected by

Covid such as aviation, real estate, multiplexes coming back strongly, Indian economy is expected to log in a growth of 7.2% in FY 2023. The long-term growth prospects of the Indian economy remains positive.

- Large scale adoption of technology - Probably one of the biggest changes we've seen implemented across the country, perhaps even the world, is the move to remote working. The necessity of working from home, induced by Covid, has resulted in adoption of technologies such migration of workplaces to cloud based systems, use of advanced technologies in business decision making, increase in near-shoring/ insourcing practices, increased spending on data security, etc.
- Digital Transformation - COVID-19 pandemic pushed the fast forward button on digital access. The pandemic forced organisations to shift to Work-From-Home and many organisations have begun working on a hybrid basis. From internal communications, connecting to customers to managing supplies, organisations had to digitalise rapidly. This has led to Digital Transformation of businesses. Our Prime Minister, emphasising on inclusion of Technology, recently said, "Technology transforms People's lives. From mitigating poverty to simplifying processes, ending corruption to providing better services, Technology is omnipresent. It has become the single-most important instrument of human progress".

- **Start-up Ecosystem - India** has become the 3rd largest start-up ecosystem in the world after the US and China. We have produced more than 100 unicorn startups and many more are in line to join the league. India is reportedly creating three unicorns a month, which has been possible because we have a strong eco-system of young talented entrepreneurs supported by enabling regulatory environment and established corporates working on accelerating digitalisation in their business models.
- **Rise of E-commerce and Fintech - Post Covid**, consumer behavior has accelerated towards purchasing from online stores, and the overall business environment in India became more favourable for online sales, including the opportunity to conduct cross border business online. With the advent of digital wallets and Unified Payment Interface (UPI), there are myriad options for the consumer to pay resulting in online shopping experience becoming more convenient and rewarding. The large-scale digital growth India has experienced as a result of the India Stack, combined with the platform's designation as an open-access "public good," has incentivised local and international companies to retool their own approach to financial transactions. The ripples of the India Stack's success are spreading around the globe. Several customer-facing global companies are tapping the India Stack to enter the country's market, with a wide range of internet and mobile phone offerings now integrated into the India Stack

platforms. A global technology major has also written to the US Federal Reserve, advising it that the India payments model should be adopted for FedNow (the instant payments system in the US). Airports have been at the forefront in terms of adoption of technological initiatives. Some notable one include digital bag-tags, blockchain based baggage tracking, chatbots, virtual agents, humanoid robots, touchless passenger feedback, smart electricity meters, reverse vending machines, voice technology - live flight information using Alexa/ google, etc.

During the covid period, Government of India (GoI) together with RBI also took several fiscal and monetary interventions to cushion the negative impact of the pandemic. RBI reduced interest rates significantly and ensured liquidity in the market, thus reducing the cost of capital for Corporates and helping in raising additional capital. As part of fiscal interventions, Government has focused on Infrastructure Development as key for economic growth. The fiscal and other policy interventions in the Infrastructure sector as listed below are expected to have a long term impact in removing implementation bottleneck and give GATI to economic progress:

- **PM Gati Shakti - National Master Plan** aimed at synergising world class modern infrastructure and logistics, encompasses sixteen GoI ministries and focuses on seven infrastructure led growth engines: Roads, Railways, Airports, Ports, Mass Transport, Waterways, and

Logistics Infrastructure.

- » Multimodal connectivity between mass urban transport and railway stations
- » National Ropeways Development Plan as alternative to conventional roads
- » The Central Government's financial support for mass transit projects and AMRUT scheme
- » Capacity building for infrastructure Projects
- **Extending Emergency Credit Line Guarantee Scheme** with focus on hospitality and related enterprises.
- **Issuance of chip embedded e-Passports**
- **Ease of doing business of SEZs** - The Special Economic Zones Act will be replaced with a new legislation that will enable the states to become partners in 'Development of Enterprise and Service Hubs. Reforms in Customs Administration of SEZs will henceforth be fully IT driven and function on the Customs National Portal.
- **Sovereign Green Bonds - India** will issue sovereign green bonds for funding green infrastructure. The money will be used for public sector projects that will help reduce carbon intensity of the economy.
- **Net Zero Economy by 2070** - India has committed to a target of becoming a net-zero emission economy by 2070.
- **Sustainable aviation fuels** - Mission "Integrated Bio-refineries" under Mission Innovation was launched to