PPP in India - Best practices and lessons from GMR Airports

PUBLIC-PRIVATE PARTNERSHIP CONFERENCE
Agenda

- Introduction to GMR Group
- GMR Group Airport Sector: Case Study
- Our experience of PPP projects
“GMR Group will be an Institution in perpetuity that will build Entrepreneurial Organizations, making a difference to Society through creation of Value”
From being a regional player in the 90s, GMR has today emerged as India’s leading infrastructure company.

Creating Tomorrow, Today

GMR Group was established in June 1978

2011

Gaining momentum
4 Airports
6 Highways / 4 Projects
4 Power Plants / 12 Projects
4 Coal Blocks
2 Power Transmission Projects

2013

Large & diversified infrastructure player
4 Airports
9 Highways / 1 Project
3 SEZ
8 Power Plants / 8 Projects
4 Coal Blocks
2 Power Transmission Projects

GMR Infrastructure Ltd. listed at Bombay Stock Exchange & National Stock Exchange in 2006

1994

Entry into Infrastructure
200 MW IPP in Chennai
GMR has a strong and diverse portfolio of assets across different infrastructure sectors.

### Airports
- Among top 5 private airport developers globally
- Serves nearly 30% of India’s passenger & 29% of Cargo traffic
- 2 key airports in India at Delhi & Hyderabad
- First Indian developer with international airports
- Sabiha Gocken Airport, Istanbul & Male’ International Airport, Maldives

### Energy
- One of the 1st private companies in power generation in India
- 3 power plants & 15 projects under development
- Total power generation capacity of ~9000 MW
- One of the 1st Indian developers to venture into Solar power generation
- One of the World’s largest barge mounted power plant

### Highways & Urban Infrastructure
- One of the top 3 private Highways companies in India
- EPC business to support other sectors
- Over 1680 lane kms of highways assets
- Developing another 4 projects of over 2000 lane kms
- 4 SEZ projects spread over 15000 acres
- Integrated Aero-city development in 1750 acres of land

### Other businesses
- International presence - Coal mines in Indonesia, South Africa & gas based power generation in Singapore
- Delhi Daredevils franchisee in Indian Premier League Cricket
- Corporate Social Responsibility - GMR Varalakshmi Foundation
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• Introduction to GMR Group

• GMR Group Airport Sector – Case Study

• Our experience of PPP projects
GMR Group: Indira Gandhi & Rajiv Gandhi
A Case Study

GMR Airports

- Delhi International Airport
- Hyderabad International Airport
- Sabiha Gokcen Airport, Istanbul
- Male’ International Airport, Maldives

- **World’s 5th largest private** airport company
  - Invested USD 4.2 Bn in 3 operating airports at Delhi, Hyderabad and Istanbul
  - Proposed investment of over USD 500 Mn in Maldives

- Handles over **48 million passenger** and over **700,000 MT of Air Cargo**

- Airport **capacity of 100 million** passengers

- Handles nearly **30% of India’s passenger and 29% of Cargo** traffic

- Hyderabad Airport ranked No. 1 consistently for last 2 years in terms of customer service quality by ACI in its category.
Delhi International Airport (DEL)
“A global marvel”

Key features

- Concession Period : 30+30 yrs
- Only airport in India with 3 runways
- India’s longest Runway : 4,430 mtrs
- High speed rail link to City Center
- Car park for 4,300 cars
- Terminal 3 – International Scale
  - 168 check-in counters
  - 92 walkalators, 31 escalators
  - 30 security channels
  - 78 Aero bridges
  - 12 baggage reclaim belts
- Handled 20.6 mn Domestic and 9.3 mn International passengers in FY’11
- 5100 acres of land
- 250 Acres of Property Development
- ‘Gold’ rating from LEED

The T3 terminal with an area spanning 502,000 sq mt. was built in a record time of 37 months

Rated World’s “4th Best Airport” & “Most Improved Airport for Airport Service Quality (ASQ)” in the 15 to 25 Mn. category
Hyderabad International Airport (HYD)
“First Greenfield PPP Airport of India”

- Concession Period: 30+30 yrs
- Land: 5495 Acres
- India’s 2nd longest runway - 4260 m
- 42 Aircraft parking stands
- 146 check-in counters and 46 immigration counters
- ‘Silver’ rating from LEED
- New growth driver – Aero related SEZ
- Handled 5.8 mn Domestic and 1.9 mn International passengers in FY’11
Sabiha Gökçen International Airport (SAW)
Istanbul, Turkey

“Sabiha Gökçen was declared winner in the its category for highest traffic growth for last two years”

“Received Best Airport Marketing Award in European region”

- First overseas project for GMR Group and any Indian airport developer
- Takeover in May’08 for a concession period of 20 years
- Total capital expenditure (phase 1) est. at Euro 451 Mn.
- Expansion from 5 Mn. passenger capacity to 25 Mn.
- Up-gradation of infrastructure to enhance Pax comfort & services
- New terminal inaugurated on 31st Oct. 2009
- Aprons 45 + 11 (Cargo) parking capacity.
Male’ International Airport (MLE)
Maldives

- Won the bid in June 2010
- Concession period of 25 + 10 years
- COD (New Terminal) : July 2014
- Total capital expenditure est. at USD 373 Mn.
- Expansion from 2.6 Mn. passenger capacity to 5.2 Mn.
- Up-gradation of infrastructure to enhance pax comfort and services
A Journey – GMR Airports

- India’s first Greenfield airport commissioned
- HYD ranked 1st for service quality globally in 5-15mn category
- DEL awarded most improved airport in the world for service quality
- One of the biggest terminals in the world; T3 at DEL is commissioned in record time
- GMR becomes first Indian company with an airport outside India
- 20 mn terminal commissioned in record time of 18 months @ SAW
- SAW one of the fastest growing airports in the world
- Successful bid and take over of Male’ airport by GMR
GMR has pioneered multiple facets of airport development – with many firsts

A: Aerotropolis Development

B: Commercial Development

C: Hub Development

D: Customer Service
GMR has pioneered the concept of Aerotropolis in India

Aerotropolis schematic

- New planned airport to sustain air traffic growth
- Well planned infrastructure to de-bottleneck old CBD and create new CBD

Integrated development to create a new ‘global city’

Concept designed by Prof. John Kasarda
And is developing an Aerotropolis at our airports
GMR has pioneered multiple facets of airport development – with many firsts

A. Aerotropolis Development
B. Commercial Development
C. Hub Development
D. Customer Service
Besides successful operations, we have taken up participation in multiple commercial streams ...

<table>
<thead>
<tr>
<th>Service</th>
<th>Delhi</th>
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<th>Istanbul</th>
<th>Male'</th>
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</table>

GMR is one of the few select airport developers with such broad and deep commercial expertise and experience

* Under implementation
... to bring a turn-around in commercial performance, while maintaining best-in-class service quality

**Delhi Airport – comparable to global benchmark**

- Commercial revenue increase in 4 years: **6X**
- Best airport globally in its category rated by ACI: **4th**
- ~150,000 sq.m. of commercial space
- ~600,000 MT of Cargo handled

**Hyderabad Airport – many first of its kind concepts in India**

- Cargo traffic growth in 3 years: **50%**
- Airport globally in its category rated by ACI: **#1**
- ~30,000 sq.m. of commercial space
- ~80,000 MT of Cargo handled

**Istanbul Airport – comparable to similar European airports**

- Commercial revenue increase in 2 years: **3X**
- ~40,000 sq.m. of commercial space
- ~20,000 MT of Cargo handled

**Male’ Airport – plans for major overhaul**

- Plans to more than double the retail space to ~15,000 sq.m.
- Introducing many unique concepts
- ~50,000 MT of Cargo handled

GMR manages nearly 2.5 million sq.ft. of Commercial Area across 4 airports
GMR has pioneered multiple facets of airport development – with many firsts

A. Aerotropolis Development

B. Commercial Development

C. Hub Development

D. Customer Service
GMR is creating a hub at DIAL and has led regional traffic development at its airports.

**DEL, Delhi**
- Anchor airline partnership
- Developing a hub product
- Connectivity initiatives

**HYD, Hyderabad**
- Develop regional routes
- Airline incentives
- Support infrastructure

**SAW, Istanbul**
- Airline incentive program
- Tourism development agenda
- Route development

**India’s Hub**

**Regional Hub**

**The fastest growing airport**
This has been a result of our pro-active and partnership mindset

**Route Development Analysis**
- We undertake a detailed and scientific approach to analyze the traffic development potential
- This involves analyzing the existing and potential growth traffic along different domestic and international routes

**Dedicated Airline Marketing Team**
- GMR has a strong and experienced Airline Marketing Team which works exclusively with the government and airlines on traffic and route development
- The continuous focus and dialogue with Airlines ensures a win-win partnership

**Partnership Approach**
- GMR works closely with The Civil Aviation Authority, Government & Airlines to gain alignment regarding traffic development
- This ensures a holistic and efficient approach towards adding new routes and enhancing traffic at our airports
GMR has pioneered multiple facets of airport development – with many firsts

A. Aerotropolis Development
B. Commercial Development
C. Hub Development
D. Customer Service
Managing service levels in a high growth scenario needs a focused team and culture

High traffic growth comes with its challenges

- Queues
- Delays
- Baggage handling

Needs focused intervention

- Dedicated team to monitor Service Quality
- Training on Service Orientation
- Operational SOPs to maintain service levels
- Service Quality as part of airport culture
- Stakeholder Alignment
GMR has emerged as a global leader in Airport Service Quality

**HYD, Hyderabad**

<table>
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<tr>
<th>Year</th>
<th>1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
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**DEL, Delhi**

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<thead>
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<th>Year</th>
<th>1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
<th>Global ASQ Ranking</th>
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<tr>
<td>2010</td>
<td>4.70</td>
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</table>

1st in 5-15mn pax category globally
4th in 25-40mn pax category globally
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• Introduction to GMR Group

• GMR Group Airport Sector Case Study

• Our experience of PPP projects
Across its airport assets, GMR Group has witnessed different private participation models

- **GMR Airports**
  - **Delhi International Airport**
    - Joint Shareholding with Govt. Agency
    - Brownfield expansion and modernization
    - BOT concession for 30+30 years
  - **Hyderabad International Airport**
    - Joint Shareholding with Govt. Agency
    - Greenfield development
    - BOT concession for 30+30 years
  - **Sabiha Gokcen Airport, Istanbul**
    - Complete Privatization of Landside
    - Brownfield development
    - BOT Concession 20 years (only for Terminal)
  - **Male’ International Airport Maldives**
    - Complete privatization
    - Brownfield development
    - BOT concession for 25 + 10 years

In all these projects, Government has decided to keep the Air Navigation & ATC, airport security as well as immigration out of private developer’s scope.
As a result of such a diverse portfolio, our experience and challenges have been unique at each airport.

**Bidding**
- Different style and motive of bidding
- Government has a key role during development
- High level of flexibility and innovation in Male’ and limited in DIAL
- Fast-track of agreement required
- Debt and other innovative project funding methods

**Development**
- Greenfield development at GHIAL
- Revenue share at DIAL
- Open auction at ISG
- Complex financial bid at Male’

**Construction**
- Robust and detailed planning required
- Local & on-ground understanding
- Contracting strategy & construction methodology are key for project cost & time
- Coordination with govt. agencies for clearances

**Commissioning**
- Airlines shifting
- Testing & trials of equipment & facilities
- Readiness of stakeholders like concessionaires
- Coordination with govt. agencies – Security, ATC etc.

**Operations**
- Turn-around at DEL
- Service quality delivery at HYD
- Attracting traffic in a competitive situation – SAW
- Streamline operations to meet global practices and standards – MLE
- Connectivity to airport
Agenda

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• Our experience of PPP projects
  – Successful PPP project: Delhi airport
Lifeline of Delhi International Airport Project

AAI approves modernization proposal June 2003

Issue of RFP April 2005

Baseline

Court Case on the Bid Decision Feb 2006

Takeover of Operations May 2006

Award of Operations Jan 2006

Supreme Court Clearance Sep 2006

Foundation stone & Financial closure for T3 Feb 2007

AIAI approves modernization proposal June 2003

Start of New Dom. Terminal Ops April 2009

Delhi Overtakes Mumbai as the busiest airport in India FY 2011

Upgrade of Intl. Terminal Complete Jun 2008

Terminal 3 Commissioning July 2010

3rd Runway Ops begin Nov 2008

Intl. Terminal renovation – causing passenger inconvenience 2008

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Project development at Delhi International Airport: Innovative financing to meet high service quality requirements

2 key agreements signed with government which increased our commitments

Operations, Maintenance & Development Agreement (OMDA) with AAI, State Support Agreement (SSA) with GoI

- 30 years concession; + 30 year option
- Retention of all 2400 staff for 3 years
- Mandatory capital expenditure program by Mar ‘10
- Capacity of 46Mn pax & 1.5Mn MT cargo by 2025
- Specified processing time – check-in, baggage,..
- Hybrid till – 30% non-aero revenue to subsidize aero
- **Right of First Refusal** for second airport in NCR
- Encumbrance free land for development

High service quality meant higher project cost, which DIAL financed through innovation – sources such as ECBs, refundable deposits, land lease deposits,.. were unprecedented.

<table>
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<th>Financing Mechanism</th>
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<td><strong>+ Project Cost</strong></td>
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<tr>
<td>- Funding Means</td>
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<tr>
<td>Equity/internal accruals</td>
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<tr>
<td>Property development deposits (Refundable)</td>
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<td>Rupee term Loan</td>
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<tr>
<td>ECB</td>
</tr>
<tr>
<td><strong>Gap</strong></td>
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<tr>
<td>- Airport Development Fee</td>
</tr>
</tbody>
</table>
Project Commissioning at Delhi International Airport: Phased delivery to meet expectations, demand & commitments

New Runway operations – November 2008
• Capable of handling A 380 handling - Eased congestion and capacity

T1 D commissioned in April 2009
• De-congestion of domestic traffic and increase in ASQ rating

Commencement of commercial operations from T3 - July 2010
• Delivery as per the schedule without obstructing regular operations of the airport

• Key success factors in commissioning
  – Stakeholder management
  – Best in class service providers
  – Training of entire airport community
  – Coordinated efforts for identification of the gaps & Risk mitigation

<table>
<thead>
<tr>
<th>Airport</th>
<th>Capacity, mppa</th>
<th>Floor sqm</th>
<th>Const. months</th>
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<tbody>
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<td>28</td>
<td>353,000</td>
<td>72</td>
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<tr>
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<td>Bangkok</td>
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<td>Kuala Lumpur</td>
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<tr>
<td>Beijing</td>
<td>43</td>
<td>900,000</td>
<td>52</td>
</tr>
<tr>
<td>Delhi T3</td>
<td>34</td>
<td>502,000</td>
<td>37</td>
</tr>
</tbody>
</table>

Source: Jacobs Benchmarking study, 2009

Shifting of airport operations to T3 in phases planned to support connectivity initiatives – Alternate road to T3 (Northern Access road), Airport Metro, slip roads etc
Long term master planning: Taking a flexible and modular approach – Current phase

- Twin Taxiways
- Runway, 11/29
- Cross Taxiways
- Runway, 10/28
- Runway, 09/27
- T1
- T2
- T3
Long term master planning:
Taking a flexible and modular approach – Saturation phase

Runway, 1
Runway, 2
Runway, 3
Runway, 4
T3
T4
T5
CBD
Thank you

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