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GMR - India presents a new breed of infra operator

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Indian infrastructure operator GMR Group last year set up GMR International - and announced its arrival on the international scene by winning a €1.93 billion concession to expand and operate Istanbul's second airport, and with the eye-catching purchase of 50 per cent of global power major Intergen for just short of US$1 billion.

In India, the company is in the airports, power and roads sectors - but how far do its ambitions range in the rest of the world? Following last week's case study of the Intergen acquisition, *IJ* reporter **Tom Bowker** spoke with **Ranjit Murugason**, chief executive of GMR International, to find out what else the group might have in mind.

Airports - the track record

"Our core strategy," says Murugason, "is based around the development and operation of infrastructure; and we feel that the skill set required to do that in the airport sector is very much in the group."

Murugason is keen on talking about the airports team his company has assembled. "I would say that the GMR airports team is a mixture of airport talent from all over the world. [It includes] the best talent from Changi, Malaysia, Frankfurt, Belgium, BAA, Australia and of course India - so our team is a very experienced team of airport practitioners."

This variety of experience leads to another important point: "We don't have a legacy idea at any of our airports," says Murugason - meaning the Changi way isn't pre-eminent, nor the Frankfurt way, nor the Delhi way. The team combines its 'learnings' from various different airport projects.

GMR itself has two Indian airports behind it - which mean it handles one third of all the country's air traffic. It took on the Delhi International Airport redevelopment project, building its third terminal at what Murugason calls a "record pace".

The terminal will have the capacity to handle 34 million passengers per annum (MPPA) and will be built in 37 months - compared with 60 months for the 25 MPPA Heathrow T5, and even the 36 months it took China to build the third terminal in Beijing, with a capacity of 25 MPPA.

In Hyderabad, it won India's second ever greenfield airport concession - building a 12 MPPA facility in 30 months from financial close.

Murugason's proudest achievement, it seems, is the financial close achieved last year on the 20-year BOT brownfield concession at Istanbul's Sabiha Gokcen airport.

It was "the most extraordinary financing in the airport sector in the world last year," says Murugason, "in the middle of a global financial crisis and a constitutional crisis in Turkey where the governing AKP party was on the verge of being banned."

GMR led a consortium with local construction partner Limak, and Malaysian Airports Holdings Berhad. GMR and Limak were jointly to undertake the construction element of the project - a new terminal, to open by May 2010.

"We had already signed a 20-year concession with the government," explains Murugason, "had already begun construction with no financing, and were facing the prospect of no government in Turkey.

"Despite that we managed to convince ABN Amro and [local lender] Yapi Kredit to lend us €336m to build a new terminal whilst operating Sabiha Gokcen, and to build it without an EPC contractor, but rather to be built with GMR and its local partner as a joint project company."

There is a 13.5-year tenor on the loan - the longest in the history of Turkish infrastructure, says Murugason, with the first drawdown coming after 5 years, the longest moratorium on a drawdown in Turkish infrastructure history.

Airports - looking forward

So - what's next for what Murugason describes as "the first of a new breed of airport operator"?

The airports sector is not lacking in opportunities at the moment - the likely asking price of Gatwick is dropping like a stone as bidders drop out, and this year will also see the tender of new airports like Lisbon's new international facility. BAA will be expected to put Stansted on the auction block this year, too.

However, Murugason is reticent about the prospect of much new activity for the company this year.

"At the moment we're very focused on delivering the new terminal in Istanbul, so that's our biggest focus for this year; at the same time the group is at a very critical stage in the development of terminal 3 in Delhi; and we're coming to the end of our first year of operation in Hyderabad.

"All together we are currently operating around 35 MPPA between the three airports. At the end of the programmes we're undertaking, we'll be operating 180 MPPA."

Having said that, Murugason goes on to add: "We are very motivated to be involved in any airport project of size where there's a development and operation opportunity."

Lisbon might be more up GMR's street than Stansted. The current track record has a thread of large development opportunity running through it - at least a new terminal, and in the case of Hyderabad a whole greenfield airport.

Beyond airports

GMR also has a wealth of experience in the highways sector in India, which one might expect it to bring to bear in other markets around the world. But Murugason pours some cold water on that idea.

"At the moment GMR International is more focused on the development of power plants and airports. Through our ownership of Intergen we are co-controlling 12 power plants on four continents in five countries; and through Sabina Gokcen we are present in Turkey through a pretty substantial project.

"Roads offer us less operational capability. We're not a contractor. Roads are more interesting for contractors and financial players. We own six road projects in India which are all operational, and they provide us an income stream through toll and annuity agreements, and they've been tremendous urban infrastructure experiences for us; but if you go on the international platform, they become more exciting for balance sheet players rather than for operators.

Further afield

GMR International's headquarters are in London, but the group is currently in the process of setting up a presence in Singapore to head up its efforts in south east Asia.

That, though, will focus more on the power side than on transport infrastructure: "Airport assets in south east Asia are government-controlled," says Murugason. "In those countries, government has tended to be happy to fund aviation assets more than we see in India or in Europe. You cannot see the government of Singapore privatising Changi, for instance. It's too strategic."

Power assets, however, will be on the new office's agenda. Intergen has assets in the Philippines - its only non-OECD assets - but, while GMR said in last week's interview that it wasn't looking to broaden Intergen's geographic reach, GMR itself could make moves in the power sector outside of the Intergen umbrella.

Indeed, the company is currently recruiting for a head of its non-Indian power assets.

With the Sabiha Gokcen project has also come a GMR office in Turkey - and the Murugason says he is interested in making moves in the power sector in the same country.