**We are an airport company,not a real estate company | The Indian Express**

We are an airport company,not a real estate company Summary. In this Walk the Talk on NDTV 24x7 with The Indian Express Editor-in-Chief Shekhar Gupta,GM Rao,chairman,GMR Group,speaks about running Delhis international terminal and explains why it is not the most expensive airport in the world. Related. In this Walk the Talk on NDTV 24×7 with The Indian Express Editor-in-Chief Shekhar Gupta,GM Rao,chairman,GMR Group,speaks about running Delhis international terminal and explains why it is not the most expensive airport in the world. I am at Delhis Indira Gandhi International Airports international terminal. It is a wonderful terminal and my guest today is the man who built itGM Rao,chairman of the company that is one of Indias biggest infrastructural builders. Depending on how you look at the picture,you should either be a deeply satisfied man making a lot of money or a deeply distressed businessman regretting his decision to have done it and whos running a very expensive airportsome people call it the most expensive airport. So where is the truth? I am very satisfied with the wonderful airport we have built. It has brought pride to India. After two years now,we made good operational stabilisations. We have stabilised every thingbaggage handling and terminal operations. All the three runways are operating now. Recently,NCAER has done a study of the economic impact of Delhi airport on Delhi and also on the nation. Delhi airport contributed 0.45 per cent to the national GDP. Its contribution to Delhis GSDP was 13.3 per cent. So this has made a contribution to Delhi? Its also providing almost 16 lakh jobs. That is one of the good things. The credit for it goes to the GMR team. The other side is what happened in the last two years. As far as operational efficiency is concerned,as a frequent user,I would say there is no doubt about it. This is a very hi-tech airport. We used the latest technology here but what happened in the last two years is that we lost almost Rs 1,600 crore because the framing of the regulatory structureitself took three years. We are the first customers of the AERA (Airports Economic Regulatory Authority) and they have to make regulations,policies…this is a very complex project,they have to take consent of the stake holders. The whole thing has taken another two years. The control period for tariff is five years. Because of the three-year delay,the tariff increases. A 45 per cent tariff increase upsets a lot of people. Thats why I am saying instead of five years,if it is two years,it will increase. So you have collected in two years,what should have been collected in five. The regulator knew that we are the first customers,the stakeholders are new. These things happen. You said it is a costly airport. It is not a costly airport when compared to others in the world. Also,if you go for the next control period,it will come down,it wont increase. After another two years,another control period of five years will come,it will come down. The same tariff wont be there. What are the challenges you face economically? The profits that were anticipated havent quite come. There is a slowdown in the economy. There is also a slowdown in traffic but what else has happened? Even though we have a financial problem,we are not compromising with service. We have never compromised. The best part of the last two years was that we got 30 awards. Today,we are the second best airport in the world. Thirty-two countries came here to see how we built the airport. This is very good for the country. It is becoming a brand for the country. It is a good thing to have on your companys CV because you are getting airport contracts. I think it has brought pride to the country. You are building one in Istanbul,one in Male? Yes,we are building one in Istanbul,one in Male. In all humility,I can say we are the only company that can design,built,operate and maintain in the airport sector in the world. You are bidding for the new Bombay airport as well? Whenever the tender opens,we are ready to bid for it. You have expressed your interest in that? But it hasnt come to that stage right now. But you look forward to building it,if you can? Yes. The second criticism against you is,are you an airport company or are you a real estate company? We are an airport company. We are not a real estate company. Because at the time of bidding the 5,000 acres,we allowed 5 per cent to go for commercial use(approx 235 acres). We didnt have expertise in real estate. With one-fifth of the land that was for commercial use,which is 45 acres,we went for global bidding. We are building 32 hotels. The latest to lead that criticism is CAGthat you have got this land,you can develop this land,prices of land,the value of land,the property is going up. You have a lot of hidden benefit from this. The figure comes in many lakhs of croresRs 1,60,000 crore something? I havent seen the CAG report. I have seen this in media reports. There is this criticism and I want to explain this. On 45 acres,on each acre we are getting Rs 1.58 crore,which is residential land. Every year,5.8 per cent increase is there. For one acre,we are coming at Rs 683 crore. Over 60 years? Yes,60 years. I cannot develop the whole 235 acres. We have developed only 45 acres. If you take the same example,suppose last year,I gave Rs 700 crore to the airport authority,this year I am giving Rs 1,200 crore. Out of every years 5.8 per cent increase,it comes to Rs 4 lakh crore for the airport authority. For example,if a government officer gives one lakh per month rent to any industrialist and if you increase the same by 5.8 per cent,then in the next 60 years,the accumulated (sum) will come to Rs 62 crore. So what matters is the net present value. The net present value,if calculated,comes to Rs 4,000 crore. It is only the 60 years that they have taken the calculation. But the question in my mind also is,is this an undue benefit,is this something you picked up later or was this clearly stated in bid papers and documents? I want to tell you that before bidding,after bidding and during construction,there has been no change in the OMDA agreement. Please explain OMDA,because many people dont know what it is. Operational Maintenance Development Agreement. So everybody knew what land is available and what purpose it can be put to? Yes,there is no single change. You say this with a hand on your heart? Yes. One of the bidders went to the High Court and the Supreme Court and challenged the process. The SC upheld this. So there is no change of land dues given to you after this? There is no additional land allocated to you after this? No,this is all part of the bidding. There has been no single change in the OMDA agreement. Before bidding,after bidding and even nowthere has been no single change in that (the agreement). You are making a very clear statement because tomorrow somebody might challenge it. You can deal with the challenge? Yes,I am saying this. There is no deviation in that. Nobody can deny your achievement of building this on time,despite so many difficulties. The only questions that come up nowone is about the airport development charges,people find it steep; second is the idea that it is actually a real estate project wrapped inside an airport; third,issues like connectivity. From large parts of Delhi,there is a flyover problem and from the rest of Delhi,there is a metro problem,the metro has shut down. I want to tell you that whatever land was given,6,000 hotel rooms are coming up. The valuation has come because of the metro. We have given Rs 450 crore for the metro station. Your company has given? Yes,our company has given it to DMRC. Everybody knows that it is a part of the bidding. That is why I have put 46 per cent at the top revenue share. If the land is not there,it will not go to 46 per cent. You take Bombay. In Bombay,we got very little land,below 36 per cent. The land is more here so we went to 46 per cent. Two airports,same passengers,same traffic,same revenue but it went to below 36 per cent. I am giving this 5,000-acre land,you can develop five per cent for commercial,you quote a top revenue share. To me,it does not matter how much land is given as long as the same thing was on offer to every bidder. The same thing is offered to every bidder. Its been challenged in the Supreme Court,and the SC has upheld it. No rules have been changed after the bidding? No rules have been changed. Not even a single rule. We went to the highest governance. If the governance is not good,I couldnt have built this airport. Its not easy,it took 37 months and its a world-class airport and the operation has also stabilised. We used to have the worst airports in the world. People used to park their aircraft in Jaipur because there was no parking place. This airport was 106th in the world then. Now it is the second best. We are trying. All our stake holders,including immigration,customs everybody is putting in their efforts. Everybody is highly motivated to make it the No. 1 airport. So what worries you most of all these days? Is it your airport projects,highway projects or your power projects? Power projects have fuel problems. I think the airport has stabilised now. Power is the main concern now because resources for gas and coal are the main challenges. For coal resources,we acquired some of the coalmines in Indonesia. But still,gas is the main concern. I think one of your plants is ready with no gas. We are asking to import LNG and whatever gas is available. Fortunately,the team is taking proactive steps. They had a long discussion with the airport association. Theyve held four to five meetings. I am very optimistic about it. The government will definitely give a solution for this. Do you also have some sleepless nights over your Kingfisher dues? No,I dont have sleepless nights,but it is a concern. How much money do they owe you? I think for both the airports,it amounts to Rs 80-85 lakh. Both means Hyderabad and Delhi? Yes. Are you surprised by the collapse of that airline? It used to be a fine airline. It still is when you fly but are you surprised by its financial collapse? No,not surprised by the financial collapse because at the right time,you have to take the right decision. There should be no delay when the decision has to be taken. I think in this case,there was a delay. And what could that decision be? I dont want to comment on it because he (Vijay Mallya) is a good businessman. But that is not his core business. One has to understand what ones core competence is. I dont want to comment. I recently read Great Choice,a book by Jim Collins. In it,he mentions two Southwest airlines that have been making money since the last 40 years. In spite of the global loss that was taking place,they were making money. I think it is because of the management. In any company,its the management leadership that makes a difference. So whats your advice for Vijay Mallya? I dont have any advice for him. He is a very good,shrewd businessman. Let me put it differently. You think that airline can be resurrected? That company can be saved? Yes. Many airlines are making moneyAir Asia,Indigo,easyJet. Its all about leadership and management. You keep on talking about humility. Have you taken a leaf out of Dhirubhai Ambanis book,who would exercise a lot of power behind the scenes but on the surface,he would say,Ill salaam anybody? Dhirubhai is my guru. I learnt a lot of things from him. I think for any value,humility is the foundation. If humility is not there,youll develop a sort of complacency. Once you develop complacency,you become arrogant. Thats why in our organisation,we celebrate values. Humility,lack of arrogance,learning from failure. All this could be a sermon to Vijay Mallya. I think he needs to identify his core competence and focus on that. He is a good businessman. He developed his business from zero and made it a very big liquor company. There is one area in which you compete with himcricket. How is he as a competitor? Airports belong to the city,this airport belongs to Delhi. We want to connect people through sports and that is the reason we did Delhi Daredevils and the team is doing well. There is a reason. The same is for business. We see anything as business. If tomorrow you get a good price for Delhi Daredevils,will you sell it? Maybe. How emotional are you about business? Are you willing to sell a business if it gets good value? As I had mentioned earlier,I had started 28 industries before the economic reforms. And you shut all of them down,including the one making ear buds? Yes,we shut everything. We have never been emotionally attached to any business. I have an attachment to banks and sugar factories and I disinvested both. My foremost interest is my institution and Ill sell anything to maintain my liquidity. I dont have any attachment to any assets. This is a very simple principle that we follow. Ill go back to my idea that a lot of it is a sermon to Vijay Mallya,including this dont be emotionally attached. This is a lesson to entrepreneurship and if I may add one more learning from you,always have a thick skin. You must have a thick skin and a poised attitude. This is the world,this is my environment. I have to do business. I cannot live in complaints. I have to do business. I am not one to complain. My attitude is different. Well,I think you can also afford to have it because the users of your airport are not complaining. We are very happy. This is a wonderful addition to Delhi and I think whatever other issues come up,you will need to answer them as they come up in the course of time. Good luck to you. I feel proud that God has given me this opportunity to (build) this national asset. I am only its trustee and this asset has brought pride to India. We have shown to the world that yes,Indians can also build and operate. It has given a brand to India. Not only to India but Istanbul,Male and maybe many more. Maybe even to Bombay.