

INDEPENDENT AUDITOR'S REPORT

To the Members of GMR Infrastructure Limited

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of GMR Infrastructure Limited ('the Company'), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Basis for Qualified Opinion

- As detailed in Note 13(6) to the accompanying standalone financial statements for the year ended March 31, 2016, the Company through its subsidiary, GMR Infrastructure (Mauritius) Limited ('GIML') has investments of ₹ 396.81 Crore (USD 5.94 Crore) (including equity share capital of ₹ 154.24 Crore (USD 2.31 Crore) and subordinate loans and interest accrued thereon of ₹ 242.57 Crore (USD 3.63 Crore) towards 77% equity shareholding in GMR Male International Airport Private Limited ('GMIAL'). Further GIML, has placed fixed deposits of ₹ 864.90 Crore (USD 12.95 Crore) with lenders towards loan taken by GMIAL and the Company has given a corporate guarantee of ₹ 2,620.72 Crore (USD 39.25 Crore) to the lenders in connection with the borrowings made by GMIAL. The Concession Agreement entered into between GMIAL, Maldives Airport Company Limited ('MACL') and Ministry of Finance and Treasury ('MoFT'), Republic of Maldives for the Rehabilitation, Expansion, Modernization, Operation and Maintenance of Male International Airport ('MIA') for a period of 25 years was declared void ab initio by MACL and MoFT and MACL has taken possession of MIA with effect from December 8, 2012. GMIAL has initiated the arbitration process to seek remedies under the said agreement and on June 18, 2014, the tribunal delivered its award declaring that the Concession Agreement was not void ab initio and was valid and binding on the parties. However, the quantum of the damages is yet to be decided and accordingly, pending final outcome of the arbitration, such investments have been carried at cost in the standalone financial statements as at March 31, 2016, as the management is of the view that GMIAL will be able to recover at least the carrying value of the assets of ₹ 1,594.68 Crore (USD 23.88 Crore) including claim recoverable of ₹ 1,273.14 Crore (USD 19.07 Crore) as at March 31, 2016.

Further, GMIAL had executed work construction contracts with GADL International Limited ('GADLIL'), a subsidiary of the Company and other service providers for Rehabilitation, Expansion, and Modernization of MIA. Pursuant to the aforesaid takeover of the airport by MACL, GMIAL has terminated the contracts with GADLIL and these service providers and have received claims from GADLIL and other service providers towards termination payments. However, no such claims relating to the termination of contracts have been recognized in the standalone financial statements of GMIAL as at March 31, 2016. The takeover of MIA by MACL, initiation of arbitration proceedings and its consequential impact on the operations indicate the existence of a

material uncertainty that may cast a significant doubt about the going concern of GMIAL and GADLIL.

Having regard to the uncertainty in view of the dispute and the final outcome of the matter, we are unable to comment on its impact on the carrying value of the investments pertaining to the aforesaid entities and any other consequential impact that may arise in this regard on the accompanying standalone financial statements for the year ended March 31, 2016. In respect of the above matter, our audit report for the year ended March 31, 2015 was similarly qualified.

2. As detailed in Note 13[12(b)] to the accompanying standalone financial statements for the year ended March 31, 2016, the Company along with its subsidiary has made investments of ₹ 735.80 Crore in GMR Kishangarh Udaipur Ahmedabad Expressways Limited ('GKUAEL'), a subsidiary of the Company (including loans of ₹ 35.80 Crore and investments in equity shares and preference shares of ₹ 700.00 Crore), which is primarily utilized by GKUAEL towards payment of capital advance of ₹ 590.00 Crore to its EPC contractor and ₹ 137.47 Crore towards indirect expenditure attributable to the project and borrowing costs ('project expenses'). GKUAEL has also given a bank guarantee of ₹ 269.36 Crore to National Highways Authority of India ('NHAI'). GKUAEL issued a notice of intention to terminate the Concession Agreement and a notice of dispute to NHAI invoking arbitration provisions of the Concession Agreement during the earlier years. Both the parties have appointed their arbitrators and the arbitration process is pending commencement. Pursuant to the notice of dispute, GKUAEL terminated the EPC contract on May 15, 2015 and has received claims towards such termination. However, no such claims have been recognized in the standalone financial statements of GKUAEL as at March 31, 2016.

Based on its internal assessment, the management of the Company made a provision for diminution in the value of investments amounting to ₹ 137.47 Crore and advances amounting to ₹ 5.70 Crore (including ₹ 12.18 Crore during the year ended March 31, 2016). However, the notice of dispute and initiation of arbitration proceedings indicate the existence of a material uncertainty that may cast a significant doubt about the going concern of the GKUAEL. Having regard to this uncertainty, we are unable to comment on the final outcome of the matter and its consequential impact on the carrying value of the Company's investments in GKUAEL in the accompanying standalone financial statements of the Company for the year ended March 31, 2016. In respect of the above matter, our audit report for the year ended March 31, 2015 was similarly qualified.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effect of the matters described in sub-paragraph 1 and 2 in the Basis for Qualified Opinion paragraph, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true

and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, its loss and its cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to the following matters in the notes to the accompanying standalone financial statements for the year ended March 31, 2016:

- a. Note 13(7) regarding investments of ₹ 394.17 Crore (including investments in equity / preference shares of ₹ 244.70 Crore made by the Company and its subsidiaries and loans and interest accrued thereon of ₹ 149.47 Crore) as at March 31, 2016 in GMR Ambala Chandigarh Expressways Private Limited ('GACEPL'), a subsidiary of the Company. Though GACEPL has been incurring losses since the commencement of commercial operations and the matter is currently under arbitration, based on management's internal assessment and legal opinion obtained by the management of GACEPL, such investments have been carried at cost. Accordingly, no provision for diminution in the value of investments has been made in the accompanying standalone financial statements for the year ended March 31, 2016.
- b. Note 13(8) regarding (i) cessation of operations and the losses, including cash losses incurred by GMR Energy Limited ('GEL') and GMR Vemagiri Power Generation Limited ('GVPG'), subsidiaries of the Company and the consequent erosion of net worth resulting from the unavailability of adequate supply of natural gas and (ii) rescheduling of the commercial operation date and the repayment of certain project loans by another subsidiary of the Company, GMR Rajahmundry Energy Limited ('GREL'), pending linkage of natural gas supply. Continued uncertainty exists as to the availability of adequate supply of natural gas which is necessary to conduct operations at varying levels of capacity in the future and the appropriateness of the going concern assumption is dependent on the ability of the aforesaid entities to establish consistent profitable operations as well as raising adequate finance to meet short term and long term obligations. The accompanying standalone financial statements of the Company for the year ended March 31, 2016 do not include any adjustments that might result from the outcome of this significant uncertainty.
- c. Note 13(9) regarding uncertainties in tying up power supplies, achieving profitability in operations, mega power status, refinancing of existing loans at lower rates of interest, other key assumptions made in the valuation assessment of the investments in GMR Chhattisgarh Energy Limited ('GCHEPL'), a subsidiary of the Company. The carrying value of the investments in GCHEPL is critically dependent upon the achievement of the key assumptions as discussed in the aforesaid note. In the opinion of the management of the Company, no further provision for diminution in the value of investments (including loans) is considered necessary at this stage in the accompanying standalone financial statements for the year ended March 31, 2016 for the reasons explained in the said note.

- d. Note 13[12(a)] regarding investments of ₹ 680.10 Crore (including investments in equity / preference shares of ₹ 302.03 Crore made by the Company and its subsidiary and loans of ₹ 378.07 Crore) as at March 31, 2016 in GMR Hyderabad Vijayawada Expressways Private Limited ('GHVEPL'), a subsidiary of the Company. GHVEPL has been incurring losses since the commencement of commercial operations and the Company has made a provision of ₹ 269.08 Crore (including ₹ 137.67 Crore during the year ended March 31, 2016) for the diminution in the value of the investments as at March 31, 2016. Based on a valuation assessment, a legal opinion and for reasons explained in the said note, management of the Company believes that no further provision for diminution in the value of investments is considered necessary in the accompanying standalone financial statements for the year ended March 31, 2016.
- e. Note 13[14(a)] and 13[14(b)] regarding the uncertainties pertaining to coal prices and other key assumptions made by the management in the valuation assessment of its investments in entities which are engaged in the operation and development of coal mines. In the opinion of the management of the Company, no further provision for diminution in the value of investments (including loans) is considered necessary at this stage in the accompanying standalone financial statements for the year ended March 31, 2016 for the reasons explained in the said notes.

Our opinion is not qualified in respect of these aforesaid matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ('the Order') issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The balance sheet, the statement of profit and loss, and the cash flow statement dealt with by this Report are in agreement with the books of account;
 - (d) Except for the matters described in the Basis for Qualified Opinion paragraph, in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

- (e) The matters described in the Basis for Qualified Opinion paragraph, Emphasis of Matter paragraph and Qualified Opinion paragraph of 'Annexure II' to this report in our opinion, may have an adverse effect on the functioning of the Company;
- (f) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of section 164 (2) of the Act;
- (g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
- (h) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report dated May 30, 2016 in "Annexure II" to this report;
- (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements - Refer Notes 13(6),13(7), 13[12](a), 13[12](b), 13(13), 13(15), 13(21) and 34 to the standalone financial statements;
 - ii. Except for the possible effect of the matters described in sub-paragraphs 1 and 2 in the Basis for Qualified Opinion paragraph, the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sunil Bhumralkar
Partner
Membership number: 035141

Place: Bengaluru
Date: May 30, 2016

Annexure I referred to in clause 1 of paragraph on the report on other legal and regulatory requirements of our report of even date

Re: GMR Infrastructure Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management of the Company, the title deeds of immovable properties included in fixed assets are held in the name of the Company.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.
- (iii) According to the information and explanations given by the management of the Company, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given by the management of the Company, there are no loans, guarantees, and securities granted in respect of which provisions of sections 185 and 186 of the Act are applicable and hence not commented upon. In our opinion and according to the information and explanations given to us, provisions of section 186 of the Companies Act 2013 in respect of investments made has been complied with by the company.
- (v) The Company has not accepted any deposits from the public.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Act, related to the construction activities and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues as applicable to the Company, have generally been regularly deposited with the appropriate authorities.

- (b) According to the information and explanations given by the management of the Company, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax and cess on account of any dispute, are as follows:

(₹ in Crore)

Name of the statute	Nature of dues	Amount (₹ in Crore)	Period for which amounts relates to	Forum where dispute is pending
Finance Act, 1994	Service tax	41.42	October 2007 to March 2014	Commissioner of Service Tax, Bangalore
Central Excise Act, 1944	Central excise duty (including penal charges and excluding interest)	1.03	March 2011 to December 2012	Office of the Commissioner of Customs, Central Excise and Service Tax, Hyderabad-III Commissionerate
Income Tax Act, 1961	Income Taxes*	86.19	FY 2006-07 to 2012-13	Commissioner of Income Tax (Appeals)

*Net of ₹ 68.36 Crore paid by the Company.

- (viii) In our opinion and according to the information and explanations given to us by the management of the Company, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or dues to debenture holders. The Company did not have any outstanding loans or borrowing to government during the year.
- (ix) In our opinion and according to the information and explanations given to us by the management of the Company, the Company has utilized the monies raised by way of initial public offer / further public offer in the nature of rights issue of equity shares and debt instruments in the nature of foreign currency convertible bonds (FCCBs) and term loans for the purposes for which they were raised.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given to us by the management of the Company, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given to us by the management of the Company, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

- (xii) In our opinion, the Company is not a nidhi Company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act, where applicable, and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given by the management of the Company and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares during the year under review. According to the information and explanations given to us by the management of the Company, the Company has complied with the provisions of section 42 of the Act in respect of the private placement of FCCBs issued during the year and that the amount raised, has been used for the purposes for which the funds were raised.
- (xv) According to the information and explanations given by the management of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.
- (xvi) According to the information and explanations given to us and based on a legal opinion obtained by the management of the Company, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S. R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sunil Bhumralkar
Partner
Membership number: 035141

Place: Bengaluru
Date: May 30, 2016

Annexure II to the Independent Auditor's Report of even date on the standalone financial statements of GMR Infrastructure Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

To the Members of GMR Infrastructure Limited

We have audited the internal financial controls over financial reporting of GMR Infrastructure Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

An audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the internal financial controls over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the standalone financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Company's internal control over financial reporting as at March 31, 2016:

- (a) The Company's internal financial control with regard to assessment of carrying value of investments in certain subsidiaries as more fully explained in note 13(6) and 13[12(b)] to the standalone financial statements were not operating effectively and could potentially result in the Company not providing for adjustments, that may be required to be made to the carrying value of such investments.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is reasonable possibility that a material misstatement of the Company's annual or interim standalone financial statements will not be prevented or detected on a timely basis.

In our opinion, the Company has, in all material respects, maintained adequate internal financial controls over financial reporting as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India, and except for the possible effect of the material weakness described above on the achievement of the objectives of the control criteria, the Company's internal financial controls over financial reporting were operating effectively as at March 31, 2016.

Explanatory paragraph

We have also audited, in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act, the standalone financial statements of the Company, which comprise the Balance sheet as at March 31, 2016, and the related Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other

explanatory information. The material weakness referred to in the Qualified opinion paragraph above, was considered in determining the nature, timing and extent of audit tests applied in our audit of the March 31, 2016 standalone financial statements of the Company and this report affect our report dated May 30, 2016, which expressed a qualified opinion on those standalone financial statements.

For S. R. BATLIBOI & ASSOCIATES LLP
ICAI firm registration number: 101049W/E300004
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership number: 035141

Place: Bengaluru
Date: May 30, 2016