

Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Members of GMR Infrastructure Limited

Report on the Consolidated Ind AS financial Statements

We have audited the accompanying consolidated Ind AS financial statements of GMR Infrastructure Limited (hereinafter referred to as 'the Holding Company' or 'GIL'), its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), its associates and joint ventures comprising of the consolidated Balance Sheet as at March 31, 2017, the consolidated Statement of Profit and Loss (including the statement of other comprehensive income), the consolidated Statement of Cash Flow, the consolidated Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated Ind AS financial statements').

Management's Responsibility for the Consolidated Ind AS financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 ('the Act') that give a true and fair view of the consolidated Ind AS financial position, consolidated Ind AS financial performance (including other comprehensive income), consolidated statement of cash flows and consolidated statement of changes in equity of the Group including its associates and joint ventures in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standard) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and of its associates and joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and of its associates and joint ventures and for preventing and detecting frauds and other irregularities; the 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 controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the 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 consolidated Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated Ind AS 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 the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on separate financial statements and on the other separate financial information of the subsidiaries, associates and joint ventures, the consolidated Ind AS 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 consolidated state of affairs of the Group, its associates and joint ventures as at March 31, 2017, its consolidated loss including other comprehensive income and their consolidated statement of cash flows and consolidated statement of changes in equity for the year ended on that date.

Emphasis of Matters

We draw attention to the following matters in the notes to the accompanying consolidated Ind AS financial statements for the year ended March 31, 2017:

1. Note 48(iii) which indicates that the entire matter relating to claims / counter claims arising out of the Power Purchase Agreement ('PPA') and Land Lease Agreement, between GMR Power Corporation Limited ('GPCL') and Tamil Nadu Generation and Distribution Corporation Limited ('TAGENDCO'), is sub-judice before the Hon'ble Supreme Court of India and has not attained finality. Pending the resolution of matter, no adjustments have been made in the accompanying consolidated Ind AS financial statements for the year ended March

31, 2017. Considering that substantial amount, though under protest, has been received, GPCL, based on an expert opinion, offered the aforesaid claims received upto March 31, 2014 as income in its income tax returns and has claimed the deduction under Section 80IA of the Income Tax Act, 1961.

2. Note 47 (i) regarding losses being incurred by GMR Ambala Chandigarh Expressways Private Limited ('GACEPL') since the commencement of its commercial operations and ongoing arbitration regarding compensation for losses arising as a result of diversion of partial traffic on parallel roads. Based on management's internal assessment and a legal opinion obtained by the management of GACEPL, the management is of the view that the carrying value of the net assets (after providing for losses till date) in GACEPL as at March 31, 2017 is appropriate.
3. Note 48(ii) regarding (i) reduction of operations and the losses, including cash losses incurred by GMR Energy Limited ('GEL') and GMR Vemagiri Power Generation Limited ('GVPG'), a subsidiary of GEL and the consequent erosion of net worth of these entities 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 GMR Rajahmundry Energy Limited ('GREL') and the consequent implementation of the Strategic Debt Restructuring Scheme to convert part of the debt outstanding into equity and to undertake flexible structuring of balance debt for improving viability and revival of the project 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 of these entities 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. In the opinion of the management, the carrying value of the investments in the aforesaid entities as at March 31, 2017 is appropriate for the reasons explained in the said note.
4. Note 48(v) regarding the uncertainty as regards the further construction of the 300 MW hydro based power plant on Alaknanda River, Uttarakhand being developed by GMR Badrinath Hydro Power Generation Private Limited ('GBHPL'), a subsidiary of GEL. The Hon'ble Supreme Court of India, while hearing a civil appeal in the matters of a hydro power company, directed vide its order dated May 7, 2014 that no further construction work shall be undertaken by any of the 24 projects until further orders. The management is confident of obtaining the requisite clearances and based on a business plan and valuation assessment is of the view that the carrying value of the investments in GBHPL as at March 31, 2017 is appropriate.
5. Note 48(iv) regarding uncertainties in tying up power and fuel supply agreements, achieving profitability in operations, achievement of final mega power status, fuel linkage tie ups, refinancing of existing loans at lower rates of interest and other key assumptions made in the valuation assessment of the investments in GMR Chhattisgarh Energy Limited ('GCEL'). The carrying value of the investments in GCEL is critically dependent upon the achievement of the key assumptions as discussed in the aforesaid note. In the opinion of the management, no further provision for diminution in the value of investments is considered necessary in the accompanying consolidated Ind AS financial statements for the year ended March 31, 2017 for the reasons explained in the said note.
6. Note 46(iv) regarding the recovery / adjustment of costs incurred towards residential quarters for Central Industrial Security Force ('CISF') deployed at the Rajiv Gandhi International Airport, Hyderabad, operated by GMR Hyderabad International Airport Limited ('GHIAL'), a subsidiary of the Company and other costs which continue to be adjusted against PSF (SC) fund pending the final decision from the Hon'ble High Court at Hyderabad for the State of Telangana and State of Andhra Pradesh and consequential instructions from the Ministry of Civil Aviation.
7. Note 45(i) regarding recovery of transmission charges from Maharashtra State Electricity Distribution Company Limited ('MSEDCL') by GMR Warora Energy Limited ('GWEL'). Based on the order from the Appellate Tribunal for Electricity ('APTEL') ('the Order') dated May 8, 2015, GWEL has raised invoices towards reimbursement of transmission charges from the initial date of scheduling the power which has been appealed by MSEDCL before the Hon'ble Supreme Court of India. Pursuant to the favourable Order from APTEL and legal opinion stating that GWEL has a good tenable case GWEL has accounted for the reimbursement of transmission charges of ₹ 222.76 crore till March 31, 2017.
8. Note 48(i) regarding the achievement of certain 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, no provision for diminution in the value of investments is considered necessary at this stage in the accompanying consolidated Ind AS financial statements for the year ended March 31, 2017 for the reasons explained in the said note.
9. Notes 46(xii) regarding the call option exercised by the Company to acquire Class A Compulsorily Convertible Preference Shares ("CCPS A"), issued by GMR Airports Limited ('GAL') to the Private Equity Investors ('the Investors'), subject to obtaining the requisite regulatory approvals. However, the Investors have initiated arbitration proceedings against GAL and the Company, seeking conversion of CCPS A. In view of ongoing arbitration and considering the uncertainty regarding the conversion / settlement of CCPS A, no adjustments have been made for the call option exercised by the Company to purchase CCPS A and that Class B Compulsorily Convertible Preference Shares ("CCPS B") issued to the Company continue to be carried at cost of ₹ Nil.

10. Note 47(ii) regarding losses being incurred by GMR Hyderabad Vijayawada Expressways Private Limited ('GHVEPL') since the commencement of its commercial operations. As detailed in the aforesaid note, the management believes that these losses are on account of certain events constituting a Change in Law as per the Concession Agreement with National Highways Authority of India ('NHAI') and accordingly, GHVEPL is entitled to a claim for losses and hence, has initiated arbitration to recover the losses. For the reasons explained in the aforementioned note the management believes that the carrying value of the net assets (after providing for losses till date) in GHVEPL as at March 31, 2017 is appropriate.

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

Report on Other Legal and Regulatory Requirements

1. As required by section 143(3) of the Act, based on our audit and on the consideration of reports of other auditors on separate financial statements and on the other separate financial information of the subsidiaries, associates and joint ventures, as noted in the 'other matter' paragraph, we report, to the extent applicable, that:
 - (a) We /the other auditors whose reports we have relied upon 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 of the aforesaid consolidated Ind AS financial statements;
 - (b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
 - (c) The consolidated Balance Sheet, the consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the consolidated Statement of Cash Flow and consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;
 - (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with the Companies (Indian Accounting Standard) Rules, 2015, as amended;
 - (e) The matters described in sub-paragraphs 2 to 10 in the Emphasis of Matters in our opinion, may have an adverse effect on the functioning of the Group and its associates and joint ventures;
 - (f) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2017 taken on record by the Board of Directors of the Holding Company and

the reports of the other statutory auditors who are appointed as per Section 139 of the Act, of its subsidiaries, associates and joint ventures incorporated in India, none of the directors of the companies incorporated in India is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

- (g) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Holding Company and its subsidiaries, associates and joint ventures incorporated in India, refer to our separate report dated June 01, 2017 in "Annexure 1" to this report;
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other separate financial information of the subsidiaries, associates and joint ventures, as noted in the 'Other Matter' paragraph:
 - i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated Ind AS financial position of the Group, its associates and joint ventures - Refer note 9(a)(7), 9(b)(8), 42(c), 45(i), 45(iv), 45(v), 46(i), 46(ii), 46(iv), 46(v), 46(ix), 46(x), 46(xii), 47 (i), 47(ii), 48(iii), 48(iv), 48(v), 48(viii) and 49(ii) to the consolidated Ind AS financial statements;
 - ii. The Group, its associates and joint ventures does not have any material foreseeable losses on long-term contracts including derivative contracts.
 - iii. There have been no delays in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiaries, joint ventures and associates incorporated in India.
 - iv. The Holding Company and its subsidiaries, associates and joint ventures incorporated in India, have provided requisite disclosures in Note 16 to these consolidated Ind AS financial statements as to the holding of Specified Bank Notes (SBNs) on November 8, 2016 and December 30, 2016 as well as dealings in SBNs during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on management representation and as reported by the other auditors who audited the financial statements / financial information of certain entities of the group and its associates and joint ventures , except for (a) the segregation between SBNs and other denominations in the books of the Holding Company and certain other entities and upon which we/

other auditors are unable to comment on in the absence of necessary details (b) non-permitted collections of ₹ 1.18 crore in certain entities, as reported by the other auditors who audited the financial statements / financial information of the Group, its associates and joint ventures, as more fully described in Note 16 to these consolidated Ind AS financial statements, we report that the amounts disclosed in the said note is in accordance with the books of account maintained by the the Group, its associates and joint ventures and as produced to us/ other auditors for verification.

Other Matters

1. The financial statements and other financial information of 2 subsidiaries, with total assets of ₹ 15,360.88 crore as at March 31, 2017, total revenue (including other income) of ₹ 7,139.28 crore and net cash inflow amounting to ₹ 417.01 crore for the year then ended (before adjustments on consolidation) have been audited by us jointly with other auditors.
2. We did not audit the financial statements and other financial information, in respect of 117 subsidiaries (including 2 subsidiaries consolidated for the year ended December 31, 2016, 19 subsidiaries consolidated for the period ended November 04, 2016, 1 subsidiary consolidated for the period ended May 12, 2016, 2 subsidiaries consolidated for the period ended September 30, 2016 and 1 subsidiary consolidated for the period ended February 28, 2017), whose Ind AS financial statements include total assets of ₹ 33,600.52 crore as at March 31, 2017 and total revenues (including other income) of ₹ 4,557.62 crore and net cash inflow of ₹ 24.81 crore for the year ended on that date (before adjustments on consolidation). These financial statements and other financial information have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. The consolidated Ind AS financial statements also include the Group's share of net loss of ₹ 360.53 crore for the year ended March 31, 2017 in respect of 35 joint ventures and 2 associates (including 19 joint ventures consolidated for the year ended December 31, 2016, including 19 joint venture consolidated from November 04, 2016, 1 associate consolidated from May 12, 2016 and 1 associate

consolidated from February 28, 2017), whose financial statements, other financial information have been audited by other auditors and whose reports have been furnished to us by the management. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, associates and joint ventures, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, associates and joint ventures, is based solely on the reports of such other auditors.

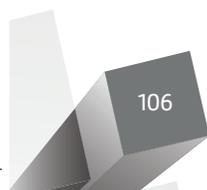
3. The accompanying consolidated Ind AS financial statements also include the Group's share of net profit of ₹ 3.20 crore for the year ended March 31, 2017 in respect of 8 joint ventures and 3 associates, whose financial statements, other financial information have not been audited and whose unaudited financial statements, other unaudited financial information have been furnished to us by the management. Our opinion, in so far as it relates amounts and disclosures included in respect of these subsidiaries, associates and joint ventures, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries, associates and joint ventures, is based solely on such unaudited financial statement and other unaudited financial information. In our opinion and according to the information and explanations given to us by the management, these financial statements and other financial information are not material to the Group.

Our opinion on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements above, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the management.

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

per Sandeep Karnani
Partner
Membership number: 061207

Place: New Delhi
Date: June 01, 2017



ANNEXURE I TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED IND AS 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')

In conjunction with our audit of the consolidated Ind AS financial statements of GMR Infrastructure Limited as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of GMR Infrastructure Limited (hereinafter referred to as the 'Holding Company' or 'GIL'), its subsidiaries, joint ventures and associates, which are companies incorporated in India, as of that date (together referred to as the 'Covered entities' in this report).

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Covered entities are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Covered entities considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the 'Guidance Note') 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 respective 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 ('the Act').

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 and the Standards on Auditing, specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. 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.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system 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 judgement, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system 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 Ind AS 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 Ind AS 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 Ind AS 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.

Opinion

In our opinion, the Covered entities, which are companies incorporated in India, have, maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Covered entities considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Holding Company, insofar as it relates to these 82 subsidiaries, 2 associates and 23 joint ventures, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiaries, associates and joint ventures incorporated in India.

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

per Sandeep Karnani
Partner
Membership number: 061207

Place: New Delhi
Date: June 01, 2017

