

INDEPENDENT AUDITOR'S REPORT

To the Members of GMR Infrastructure Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of GMR Infrastructure Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind AS 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 Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS 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 Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS 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 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 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 Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone Ind AS financial statements.

Basis for qualified opinion

- a) As detailed in note 5(4), GMR Generation Assets Limited ('GGAL') along with its subsidiaries/ joint ventures and associates have been incurring losses for reasons as more fully discussed in the aforesaid note. Based on the valuation assessment carried out by an independent expert during the year ended March 31, 2018, the Company has not accounted for a further diminution in the value of the Company's investment in GGAL as at March 31, 2018 of ₹ 2,830 crore in the accompanying standalone Ind AS financial statements. In our opinion, the aforesaid accounting treatment is not in accordance with the relevant accounting standards. Had the management accounted for the aforesaid diminution, the loss after tax for the year ended March 31, 2018 in the accompanying standalone Ind AS financial statements would have been higher by ₹ 2,830 crore with a consequent impact on the reserves of the Company as at March 31, 2018.
- b) As detailed in note 5(7), GMR Energy Limited ('GEL'), GMR Vemagiri Power Generation Limited ('GVPGL') and GMR Rajahmundry Energy Limited ('GREL'), joint ventures of the Company have ceased operations and have been incurring losses with a consequent erosion of net worth resulting from the unavailability of adequate supply of natural gas. Further, GREL have rescheduled the repayment of project loans with 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 in these entities 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 and accordingly we are unable to comment on the carrying value of the Company's investment (including advances) in these entities as at March 31, 2018 in the accompanying standalone Ind AS financial statements.

Qualified opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in point (a) and the possible effect of the matter described in point (b) in the Basis for Qualified Opinion paragraph above, the aforesaid standalone 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 state of affairs of the Company as at March 31, 2018, of its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matter

We draw attention to the following matters in the notes to the accompanying standalone Ind AS financial statements for the year ended March 31, 2018:

- a) Notes 5(6) and 5(9)(a) with regard to the ongoing arbitration for compensation of losses being incurred since the commencement of commercial operations by GMR Ambala Chandigarh Expressways Private Limited ('GACEPL') and GMR Hyderabad Vijayawada Expressways Private Limited ('GHVEPL'), subsidiaries of the Company, for reasons as detailed in the aforesaid notes. Pending outcome of the aforesaid arbitrations, based on management's internal assessment and an external legal opinion obtained by the management of GACEPL and GHVEPL, the management of the Group is of the view that the carrying value of the investments (including loans and advances and other receivables) in GACEPL and GHVEPL as at March 31, 2018 is appropriate in the accompanying standalone Ind AS financial statements. Further, the auditors of these subsidiaries have included an emphasis of matter in their respective audit reports issued for the year ended March 31, 2018 with regard to the aforesaid matters.
- b) Note 5(12) with regard to the ongoing arbitration and the uncertainty regarding the conversion/settlement of Class A Compulsorily Convertible Preference Shares issued by GMR Airports Limited ('GAL') to the Private Equity Investors ('the Investors') ('CCPS A'). The Company had exercised the call option to acquire CCPS A, subject to obtaining the requisite regulatory approvals which was disputed by the Investors and they initiated arbitration proceedings against GAL and the Company seeking conversion of CCPS A. In view of ongoing arbitration as regards the aforesaid uncertainty, no adjustments have been made for the call option exercised by the Company to purchase CCPS A and for reasons as explained in the aforesaid note, the Class B Compulsorily Convertible Preference Shares ('CCPS B') issued to the Company continue to be carried at cost of ₹ Nil in the accompanying standalone Ind AS financial statements.

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 I a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143(3) of the Act, we report that:

- (a) We have sought and, except for the matters described in the Basis for Qualified Opinion paragraph, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) Except for the effect of the matter described in point (a) and the possible effect of the matter described in point (b) in the Basis for Qualified Opinion paragraph above, in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive income, Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
- (d) Except for the effect of the matter described in point (a) and the possible effect of the matter described in point (b) in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) The matter 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) We draw attention to Note 46 to the standalone Ind AS financial statements regarding one of the directors of the Company as at March 31, 2018, Mr Srinivasan Sandilya, reported as disqualified from being appointed as a director in terms of section 164(2) of the Act pursuant to his inclusion in the list of Disqualified Directors published by Ministry of Corporate Affairs in September 2017. The defaulting company has filed an application with the Registrar of Companies under Condonation of Delay Scheme, 2018. Based on the written representations received from other directors of the Company as on March 31, 2018, and taken on record by the Board of Directors, other Directors of the Company are not disqualified as on March 31, 2018, 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 with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report dated May 30, 2018 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 Ind AS financial statements - Refer Note 36 to the standalone Ind AS financial statements;
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
 - 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
ICAI Firm Registration Number: 101049W/E300004
Chartered Accountants

per Sandeep Karnani
Partner
Membership number: 061207

Place: New Delhi
Date: May 30, 2018

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 property, plant and equipment;
- (b) All property, plant and equipment have not been physically verified by the management of the Company 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 to us by the management of the Company, the title deeds of immovable properties included in property, plant and equipment 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 to us 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 to us 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 by the management of the Company, the 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 within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (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 employees' state insurance, income-tax, sales-tax, service-tax, duty of customs, duty of excise, value added tax, goods and service tax, cess and other material statutory dues as applicable to the Company, have generally been regularly deposited with the appropriate authorities though there have been slight delays in remittance of provident fund in few cases.
- (b) According to the information and explanations given to us by the management of the Company, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of customs, duty of excise, value added tax, goods and service tax, cess and other material statutory dues as applicable to the Company, 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, goods and service tax and cess on account of any dispute, are as follows:

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	41.53	October 2007 to March 2014	Commissioner of Service Tax, Bangalore
Finance Act, 1994	Service tax	0.80	FY 2012-13 to 2014-15	Joint Commissioner of Central 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
Odisha Value Added Tax Act, 2004	Value Added Tax	2.40	November 2012 to March 2015	Additional Commissioner of Sales Tax, Bhubaneswar
Income Tax Act, 1961	Income Taxes*	148.79	FY 2007-08 to 2012-13	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Taxes*	66.41	FY 2013-14 to 2014-15	Commissioner of Income Tax (Appeals)

*Net of ₹ 29.12 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 government or dues to debenture holders as at March 31, 2018.

- (ix) According to the information and explanations given to us by the management of the Company, the Company has not raised any money by way of initial public offer / further public offer / debt instruments except term loans during the year. 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 term loans during the year 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 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 to us 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 standalone Ind AS financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, hence not commented upon.
- (xv) According to the information and explanations given to us 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
 ICAI Firm Registration Number: 101049W/E300004
 Chartered Accountants

per Sandeep Karnani
 Partner
 Membership number: 061207

Place: New Delhi
 Date: May 30, 2018

Annexure II to the Independent auditor's report of even date on the Standalone 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')

We have audited the internal financial controls over financial reporting of GMR Infrastructure Limited ('the Company') as of March 31, 2018 in conjunction with our audit of the standalone Ind AS 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 (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 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 with reference to these standalone Ind AS financial statements based on our audit. We conducted our audit in accordance with 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 and, 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 with reference to these standalone Ind AS financial statements 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 with reference to these standalone Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone Ind AS financial statements, 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 standalone Ind AS 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

Company's internal financial controls over financial reporting with reference to these standalone Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Standalone Ind AS Financial Statements

A company's internal financial control over financial reporting with reference to these standalone Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the standalone Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these standalone Ind AS financial statements 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 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 Ind AS financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Standalone Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these standalone Ind AS financial statements, 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 with reference to these standalone Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these standalone Ind AS financial statements 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 financial control over financial reporting with reference to these standalone Ind AS financial statements as at March 31, 2018:

- (a) The Company's internal financial control with regard to assessment of carrying value of investments in certain subsidiaries/ joint ventures as more fully explained in notes 5(4) and 5(7) to the standalone Ind AS 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 a reasonable possibility that a material misstatement of the company's annual or interim 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 with reference to these standalone Ind AS financial statements as of March 31, 2018, 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 issued by the ICAI, and except for the possible effects 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 with reference to these standalone Ind AS financial statements were operating effectively as of March 31, 2018.

Explanatory Paragraph

We also have audited, in accordance with the Standards on Auditing issued by the ICAI, as specified under Section 143(10) of the Act, the standalone

Ind AS financial statements of the Company, which comprise the Balance Sheet as at March 31, 2018, and the related Statement of Profit and Loss, Statement of changes in equity 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, 2018 standalone Ind AS financial statements of the Company and this report affects our report dated May 30, 2018, which expressed a qualified opinion on those standalone Ind AS financial statements.

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: May 30, 2018