

Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Members of GMR Infrastructure Limited

Report on the Audit of the consolidated Ind AS financial statements

Qualified Opinion

We have audited the accompanying consolidated Ind AS financial statements of GMR Infrastructure Limited (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") its associates, joint ventures and jointly controlled operations comprising of the consolidated Balance sheet as at March 31 2019, the consolidated Statement of Profit and Loss, including the consolidated statement of other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

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 financial information of the subsidiaries, associates, joint ventures and jointly controlled operations, except for, the effects of the matters in paragraph 1 and 3 described in the 'Basis for Qualified Opinion' section of our report and possible effects of the matters in paragraph 2 and 4 described in the 'Basis for Qualified Opinion' section of our report, the aforesaid consolidated Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("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, joint ventures and jointly controlled operations as at March 31, 2019, their consolidated loss including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for Qualified Opinion

- As detailed in note 8B(m)(ii) and 8B(m)(v) to the accompanying consolidated Ind AS financial statements for the year ended March 31, 2019, GMR Chhattisgarh Energy Limited ('GCEL') and certain other entities have been incurring losses for reasons as more fully discussed in the aforesaid notes. Based on the valuation assessment carried out by an independent expert during the year ended March 31, 2018, there existed a further diminution in the value of ₹ 2,250.00 crore for the Group's investment in GCEL and certain other entities which was not accounted by the management during the year ended March 31, 2018 and has been charged in the statement of profit and loss in the current year. In our opinion, the aforesaid accounting treatment is not in accordance with the relevant accounting standards. Had the management provided for the aforesaid diminution in the previous year, the loss after tax and minority interest for the year ended March 31, 2019, would have been lower by ₹ 2,250.00 crore and the loss after tax and minority interest for the year ended March 31, 2018, would have been higher by ₹ 2,250.00 crore with no consequential impact on the consolidated reserves as at March 31, 2019.
- As detailed in note 8B(m)(iv) to the accompanying consolidated Ind AS financial statements for the year ended March 31, 2019, GMR Energy Limited ('GEL'), GMR Vemagiri Power Generation Limited ('GVPGL') and GMR Rajahmundry Energy Limited ('GREL') have ceased operations and have been incurring significant losses with a consequential erosion of net worth resulting from the unavailability of adequate supply of natural gas. Further, GREL has rescheduled the repayment of project loans due to implementation of the Strategic Debt Restructuring Scheme to convert part of the debt outstanding into equity and has signed a Resolution Plan with the lenders to restructure its debt obligations during the year. Continued uncertainty exists as to the availability of adequate supply of natural gas which is necessary to conduct operations by GEL, GVPGL and GREL in the future. The carrying value of the investments / obligations in GEL, GVPGL and GREL is significantly dependent on the achievement of key assumptions around availability of natural gas, future tariff and the outcome of the sale of the Barge mounted power plant. Accordingly, we are unable to comment on the carrying value of the Group's assets (including advances)/ obligations in these entities as at March 31, 2019.
- As detailed in note 45(xii) to the accompanying consolidated Ind AS financial statements for the year ended March 31, 2019, the Group has acquired the Class A Compulsory Convertible Preference Shares ('CCPS') of GMR Airport Limited ('GAL'), a subsidiary of the Group for an additional consideration of ₹ 3,560.00 crore from Private Equity Investors as per the settlement agreement entered during the year ended March 31, 2019. The said CCPS were converted into equity shares of an equivalent amount as per the investor agreements. The aforesaid additional settlement consideration of ₹ 3,560.00 crore paid to Private Equity Investors has been considered as recoverable and recognised as other financial assets based on proposed sale of such equity shares to the proposed investors as detailed in note 45(xvii) to the accompanying consolidated Ind AS financial statements. The transaction towards sale of such equity shares is subject to regulatory, other approvals and lenders consent and such approvals are pending as at March 31, 2019. In our opinion, the aforesaid accounting treatment is not in accordance with the relevant accounting standards. Had the management not accounted for the aforesaid proposed sale transaction other equity would have been lower by ₹ 3,560.00 crore and other financial assets would have been lower by ₹ 3,560.00 crore with a consequential impact on segment assets of Airport sector as at March 31, 2019.
- As detailed in note 36(a) to the accompanying consolidated Ind AS financial statements for the year ended March 31, 2019, the tax authorities of Maldives have disputed certain transactions not considered by GMR Male International Airport Private Limited ('GMIAL'), a subsidiary of the Company, in the computation of business profit taxes and withholding tax and have issued notice of tax assessments together with the applicable fines and penalties. In the

absence of comprehensive analysis on the above tax exposures, we are unable to determine whether any adjustments to provision for tax with consequential impact on reserves and surplus may be necessary to the accompanying consolidated Ind AS financial statements for the year ended March 31, 2019.

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the consolidated Ind AS financial statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated Ind AS financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated Ind AS financial statements.

Emphasis of Matter

5. We draw attention to the following matters in the notes to the accompanying consolidated Ind AS financial statements for the year ended March 31, 2019:
 - a) Note 46(i) and 46(ii) with regard to the ongoing arbitration for compensation of losses being incurred by GMR Ambala Chandigarh Expressways Private Limited ('GACEPL') and GMR Hyderabad Vijayawada Expressways Private Limited ('GHVEPL'), subsidiaries of the Company since the commencement of commercial operations. Pending outcome of the arbitration proceedings and finalisation of the proposed resolution plan with the lenders by GHVEPL and 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 carriage-ways of ₹ 2,444.34 crore as at March 31, 2019 in GACEPL and GHVEPL is appropriate.
 - b) Note 45(iv) regarding the recovery / adjustment of costs incurred towards residential quarters for Central Industrial Security Force ('CISF') by GMR Hyderabad International Airport Limited ('GHIAL') and certain other costs as detailed in the aforesaid note, incurred out of the Passenger Service Fee (Security Component) ['PSF SC'] by GHIAL and Delhi International Airport Limited ('DIAL') pending the final decision from the Hon'ble High Court of respective jurisdictions and consequential instructions from the Ministry of Civil Aviation.
 - c) Note 8B(m)(vi) regarding the cessation of construction of the 300 MW hydro based power plant on Alaknanda river, Uttarakhand which was being constructed by GMR Badrinath Hydro Power Generation Private Limited ('GBHPL'), a joint venture of the Group. The Hon'ble Supreme Court of India ('the Supreme Court'), while hearing a civil appeal in the matters of another hydro power

company, directed that no further construction work shall be undertaken until further orders. Based on a business plan and valuation assessment by an external expert during the year ended March 31, 2019 the management of the Group is of the view that that the carrying value of the investments in GBHPL as at March 31, 2019 is appropriate.

- d) Note 8B(m)(vii), 8B(m)(viii), 8B(l)(i), and 47(i) in connection with certain claims, receivables and counter claims from customers of GMR Warora Energy Limited ('GWEL') and GMR Kamalanga Energy Limited ('GKEL'), joint ventures of the Group, and GMR Power Corporation Limited ('GPCL'), a subsidiary pending settlement / realisation. Based on its internal assessment, legal expert advice and certain interim favourable regulatory orders no adjustments have been made in the carrying value of claims, receivables and provisions for counter claim to the accompanying consolidated Ind AS financial statements for the year ended March 31, 2019.
- e) Note 8B(m)(v) as regards the process of 'change of control' of GMR Chhattisgarh Energy Limited ('GCEL'), an associate of the Company initiated by Consortium of lenders' of GCEL, who are also the majority shareholders. The Company has accounted for investments in GCEL at fair value and is of the view that no consequential liability would arise pertaining to (a) settlement of dues to the EPC contractor (b) exposure relating to deposits and guarantees given by the Company along with its subsidiaries and (c) surrender of coal mines and transmission lines for reasons as detailed in the aforesaid note.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the 'Basis for Qualified Opinion', we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated Ind AS financial statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them in their audit reports furnished to us by the management, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
Assessment of going concern basis - (as described in note 1.1 of the consolidated Ind AS financial statements)	
<p>As at March 31, 2019, the Group has incurred losses with a consequent erosion of its networth, lower credit rating for some of its borrowings and has net current liabilities of Rs. 3,615.21 crore.</p> <p>As disclosed in the assessment of liquidity risk in note 52 to the consolidated Ind AS financial statements, the Group has financial liabilities of Rs. 11,761.28 crore to be settled within one year from March 31, 2019.</p> <p>The Group has prepared cash flow forecast for next twelve months which involves judgement and estimation around sources of funds to meet the financial obligations and cash flow requirements over the next twelve months.</p> <p>Considering the above, we have identified the assessment of going concern assumption as a key audit matter considering that the Group has a net current liabilities.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We have obtained an understanding of the process of management assessment of going concern and also assessed the same. We read the management assessment in Note 1.1 which states: <ul style="list-style-type: none"> Management is taking various initiatives including monetisation of assets, sale of stake in certain assets, raising finances from financial institutions and strategic investors, refinancing of existing debt and other strategic initiatives for reduction of debt. Pursuant to such initiatives the Group had successfully divested its stake in certain assets in the highway sector, airport sector and energy sector in last few years. Further, as detailed in note 45(xvii), the management has signed a binding term sheet with certain investors to divest equity stake in GMR Airport Limited (GAL) on a fully diluted basis for a consideration of Rs 8,000 crore. The divestment is subject to obtaining requisite approvals as stated in the aforesaid note and once successfully completed will enable the Group to meet their financial obligations and cash flow requirements. We have obtained the future cash flows of the Group, which are largely based on the expected proceeds upon the successful closure of divestment of equity stake in GAL for which a binding term sheet has already been signed. We have considered the same for our assessment of the Group's capability to meet its financial obligation falling due within next twelve months. We have reviewed the binding term sheet to divest the stake in GAL as detailed in note 45(xvii) to the financial statement to meet the cash flow requirement of the Group. We have assessed the disclosures made by the Group in relation to this matter.
Impairment testing carried out for carrying value of investments in joint venture and associates, investment property under construction and carriage-ways grouped under other intangible assets of the group (as described in note 38 of the consolidated Ind AS financial statements other than those referred in basis of qualified opinion paragraph)	
<p>The Group has total investment in joint venture and associates amounting to ₹ 7,659.94 crore, investment property under construction amounting to ₹ 3,139.79 crore and carriage-ways grouped under other intangible assets amounting to ₹ 2,447.33 crore.</p> <p>The determination of recoverable amounts of the carrying value of investments in joint venture and associates, investment property under construction and carriage-ways grouped under other intangible assets of the group relies on management's estimates of future cash flows and their judgment with respect to conclusion of tariff rates, operational performance of the plants and coal mines, life extension plans, availability and market prices of gas, coal and other fuels, restructuring of loans etc in case of investments in entities in the energy business, estimation of passenger and vehicle traffic and rates and favourable outcomes of litigations etc. in the airport and expressway business. Significant judgements are required to determine the key assumptions used in the discounted cash flow models. Due to the uncertainty of forecasting and discounting future cash flows, being inherently subjective, the level of management's judgement involved and the significance of the carrying value of investments in joint venture and associates, investment property under construction and carriage-ways grouped under other intangible assets of the group as at March 31, 2019, we have considered this as a key audit matter.</p>	<p>Our audit procedures to assess the impairment included the following:</p> <ul style="list-style-type: none"> We have carried out assessment of forecasts of future cash flows prepared by the management, evaluating the assumptions and comparing the estimates to externally available industry, economic and financial data; We have evaluated the Group's valuation methodology in determining the impact of impairment testing. In making this assessment, we also assessed the professional competence, objectivity and capabilities of the valuation specialist engaged by the management; We also assessed the key assumptions adopted in the cash flow forecasts with the support of our in-house valuation experts and performed sensitivity analysis on aforesaid key assumptions; We have carried out discussions with management on the performance of the these assets as compared to previous year in order to evaluate whether the inputs and assumptions used in the cash flow forecasts were suitable. Evaluating the legal opinion obtained by management with regards to litigations going on in these projects. We tested the arithmetical accuracy of the models. We have reviewed the related disclosures in the consolidated Ind AS financial statements as required by the relevant accounting standards.

Key audit matters	How our audit addressed the key audit matter
Utilisation of Minimum Alternate Tax ('MAT') Credit (as described in note 37 of the consolidated Ind AS financial statements)	
<p>The Group has accumulated MAT credit entitlement of ₹ 514.37 crore as at March 31, 2019, accounted primarily in GHIAL ₹ 405.41 crore and GIL ₹ 97.23 crore. GHIAL is under tax holiday period upto financial year 2021-22 and the utilization of MAT credit depends on the ability of the respective entities to earn adequate profits.</p> <p>In order to assess the utilization of MAT credit, the respective entities has prepared revenue and profit projections which involves judgements and estimations. The projections are based on management's input of key variables and market conditions including the tariff as per the consultation paper issued by AERA for the second control period in case of GHIAL. The forecasted profit has been determined using estimations of projected income and expenses of the respective businesses.</p> <p>We have identified this as a key audit matter, due to the judgement and estimation involved in the preparation of the forecasted profits for the utilization of MAT credit.</p>	<p>In respect of the key audit matter reported to us by the joint auditors of GHIAL, we have performed inquiry of the audit procedure performed by them to address the key audit matter. We have also performed our audit procedures in regard to GIL and also, as reported to us by the subsidiary joint auditors, the following procedure have been performed by them:</p> <ul style="list-style-type: none"> • assessed the eligibility of MAT credit recognized and the judgements applied to determine the forecasted taxable income to support the recognition of MAT credit entitlement; • tested the inputs and assumptions used in the preparation of forecasted taxable income against historical levels of taxable profits. • performed sensitivity analysis of the assumptions and judgements made by the management in those forecasts; • We have assessed the related disclosures in note 37 to the consolidated Ind AS financial statements.
Valuation of Derivative Financial Instruments in relation to DIAL/GHIAL (as described in note 38(a)(ii) of the consolidated Ind AS financial statements)	
<p>The Group has purchased derivative financial instruments, to hedge its foreign currency risks relating to the long-term debt in DIAL/GHIAL issued in foreign currency.</p> <p>Management has designated these derivative financial instruments and the aforesaid debt at initial recognition as cash flow hedge relationship as per Ind AS 109.</p> <p>The valuation of hedging instrument is complex, and necessitates a sophisticated system to record and track each contract and calculate the related valuations at each financial reporting date. Since valuation of hedging instruments and consideration of hedge effectiveness involves both 'significant assumptions and judgements' and involvement of management's expert, and therefore, is subject to an inherent risk of error.</p> <p>We have identified valuation of hedging instruments as a key audit matter in view of the significant judgements, estimates and complexity involved.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • In respect of the key audit matter reported to us by the joint auditors of DIAL and GHIAL, we have performed inquiry of the audit procedure performed by them to address the key audit matter. As reported to us by the subsidiary joint auditors, the following procedure have been performed by them: • assessed the design, implementation and operating effectiveness of management's key internal controls over derivative financial instruments and the related hedge accounting; • assessed the documentation for the designated hedge instrument which defines the nature of hedge relationship; • considered the consistent application of the accounting policies and assessing the hedge accounting methodologies applied and comparing these to the requirements of the relevant accounting standards; • assessed the reasonability of the inputs and assumptions used, while valuing the hedging instruments; • involved a specialist in testing the fair values of derivative financial instruments and compared the results to management's results; • assessed the related disclosures in note 38(a)(ii) and note 51 to the consolidated Ind AS financial statements.
Valuation and disclosure of accrual estimates for legal claims, litigation matters and Contingencies (as described in note 41 of the consolidated Ind AS financial statements)	
<p>The Group has ongoing litigations with various authorities and third parties which could have a significant impact on the consolidated Ind AS financial statements, if the potential exposures were to materialise. The amounts involved are significant, and the application of accounting standards to determine the amount, if any, to be provided as a liability or disclosed as a contingent liability, is inherently subjective. Claims against the Group are disclosed in the consolidated Ind AS financial statements by the Group.</p> <p>We have identified the valuation and disclosure for litigations matters and contingencies as a key audit matter, because the outcome of such legal claims and litigation is uncertain and the position taken by management involves significant judgment and estimation to determine the likelihood and/or timing of cash outflows and the interpretation of preliminary and pending court rulings.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We have obtained an understanding of management's process and evaluated design, implementation and operating effectiveness of management's key internal controls over assessment of legal claims, litigations and various other contingencies and completeness of disclosures; • We have obtained and read the summary of litigation matters provided by management, tested the supporting documentation on sample basis and held discussions with the management of the Group; • For claims/matters/disputes settled during the year if any, we have read the related orders/directions issued by the courts/ settlement agreements in order to verify whether the settlements were appropriately accounted for/disclosed;

Key audit matters	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> involved direct and indirect tax specialist to assess relevant historical and recent judgements passed by the appropriate authorities in order to assess the basis used for the accounting treatment and resulting disclosures for entities audited by us; We have evaluated the legal opinion obtained by management; We have assessed the financial statements of the components with regards to the disclosures pertaining to the various legal claims, litigation matters and contingencies; We have assessed the related disclosures in note 41 to the consolidated Ind AS financial statements as required by the relevant accounting standards.
<p>Non consideration of certain incomes/ credits for calculation of Monthly Annual Fees(MAF) / Concession Fee(CF) payable to Airport Authority of India(AAI) / Ministry of Civil Aviation(MoCA) (as described in note 45(xi) of the consolidated Ind AS financial statements)</p>	
<p>As per the Operations, Management and Development Agreement/ Concession Agreement entered with AAI and MoCA, DIAL and GHIAL are required to pay certain percentage of the revenue as MAF/CF.</p> <p>Per the management; certain incomes / credits primarily arising on adoption of Ind AS were not in contemplation of parties when the concession agreements were executed, and they do not represent receipts from business operations or from any external sources, and therefore these incomes / credits should not form part of Revenue for the purpose of calculation of MAF/CF payable to AAI/MoCA.</p> <p>Therefore, the Group, based on legal opinion, has provided MAF/CF to AAI/ MoCA based on Revenue as per Ind AS Financial Statements after adjusting such incomes/credits.</p> <p>The non-consideration of these incomes/credits for calculation of MAF/ CF payable to AAI/MoCA has been considered as a key audit matter by the auditors of respective subsidiaries, because of its significance to the financial statements and it involves significant management judgements.</p>	<p>In respect of the key audit matter reported to us by the joint auditors of DIAL and GHIAL, we have performed inquiry of the audit procedure performed by them to address the key audit matter. As reported to us by the subsidiaries joint auditors, the following procedure have been performed by them :</p> <ul style="list-style-type: none"> assessed the design, implementation and operating effectiveness of management's key internal controls over MAF/CF payable and related accounting; evaluated the legal opinion obtained by management; verified the exclusions made by DIAL/GHIAL on the basis of legal opinion; verified representations made by the DIAL and GHIAL to AAI/MoCA containing these exclusions; We have reviewed the related disclosures in note 45(xi) to the consolidated Ind AS financial statements with respect to these significant judgements for calculating MAF/CF.
<p>Revenue recognition and measurement of upfront losses on Long-term construction contracts (as described in note 38(iv) of the consolidated Ind AS financial statements)</p>	
<p>For the year ended March 31, 2019, the Holding Company recognized revenue from Engineering, procurement and construction (EPC) contracts of ₹ 763.04 crore and has made provisions for upfront losses amounting to ₹ 148.06 crore as at March 31, 2019.</p> <p>Revenue from these contracts is recognized over a period of time in accordance with the requirements of Ind AS 115, Revenue from Contracts with Customers. Due to the nature of the contracts, revenue recognition involves usage of percentage of completion method which is determined based on proportion of contract costs incurred to date compared to estimated total contract costs, which involves significant judgments, identification of contractual obligations and the Holding Company's rights to receive payments for performance completed till date, changes in scope and consequential revised contract price and recognition of the liability for loss making contracts/onerous obligations.</p> <p>Accuracy of revenues, onerous obligations and profits/losses may deviate significantly on account of change in judgements and estimates. For this reason, we identified revenue recognition and provision for upfront losses from EPC contracts as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We evaluated the Holding Company's accounting policies pertaining to revenue recognition and assessed compliance with the policies in terms of Ind AS 115- Revenue from Contracts with Customers. We identified and tested controls related to revenue recognition and our audit procedure focused on determination of progress of completion, recording of costs incurred and estimation of costs to complete the remaining contract obligations through inspection of evidence of performance of these controls. The measurement of revenue recognition requires management's estimates in respect of revenue, budgeted costs as well as the percentage of completion for construction works. In our testing of the revenue recognition and provision for upfront losses for the reporting period, we selected EPC contracts on a sample basis and; Discussed with management and the respective project teams about the progress of the projects; Reviewed the management's evaluation process to recognize revenue over a period of time, the status of completion for projects and total cost estimates.

Key audit matters	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> • assessed management's estimates of the impact to revenue and budgeted costs arising from scope changes made to the original contracts, claims, disputes and liquidation damages with reference to supporting documents including variation orders and correspondence between the Holding Company and the customers; • tested on a sample basis the actual costs incurred on construction works during the reporting period; • recalculated the revised percentage of completion based on the latest budgeted final costs and the total actual costs incurred; • recalculated the revenue recognised based on the revised percentage of completion; • We have assessed the related disclosures in the consolidated Ind AS financial statements as required by the relevant accounting standards.
Revenue from Airport Charges (as described in note 45(i), 45(ii), 45(iv) and 45(v) of the consolidated Ind AS financial statements)	
<p>The Aeronautical revenue of DIAL and GHIAL is regulated by Airport Economic Regulatory Authority ("AERA").</p> <p>AERA passed Aeronautical tariff orders in respect of respective control period for these entities. As more fully explained in note 45(ii) and 45(v), the Group had filed an appeal, challenging various aspects of the aforesaid order for determination of its tariff which is pending with various judicial forums.</p> <p>We have identified this as a key audit matter as tariff determination is a matter of litigation involving complex judgements and the regulatory considerations relating to the disallowances made by AERA which may impact the profitability and cash flows of the Group thereby having a consequential impact on the projected revenues and other items in the financial statements.</p>	<p>In respect of the key audit matter reported to us by the joint auditors of DIAL and GHIAL, we have performed inquiry of the audit procedure performed by them to address the key audit matter. As reported to us by the subsidiaries joint auditors, the following procedure have been performed by them :</p> <ul style="list-style-type: none"> • read and assessed the Group's revenue recognition accounting policies and its compliance with the tariff order and the policies in terms of Ind AS 115; • read the revenue process and tested the internal controls over the liquidity assessment, and preparation of the cash flow forecast based on reasonable and supportable assumptions and inputs to the model used to estimate the future cash flows based on tariff considered as per the Consultation paper issued by AERA for the second control period and other relevant regulatory correspondences; • tested the inputs and assumptions used in the cash flow forecast against historical performance, economic and industry indicators, publicly available information and GHIAL's and DIAL's strategic plans; • We assessed the disclosures in note 45(i), 45(ii), 45(iv) and 45(v) to the financial statements relating to the tariff order.

Information Other than the Financial Statements and Auditor's Report thereon

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated Ind AS financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated Ind AS financial statements, our responsibility is to read the other information identified above when it becomes available to us and, in doing so, consider whether such other information is materially inconsistent with the consolidated Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management for the consolidated Ind AS financial statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including its associates, joint ventures and jointly controlled operations in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and of its associates, joint ventures and jointly controlled operations 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, joint ventures and jointly controlled operations 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 consolidated 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.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group and of its associates, joint ventures and jointly controlled operations are responsible for assessing the ability of the Group and of its associates, joint ventures and jointly controlled operations to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group and of its associates, joint ventures and jointly controlled operations are also responsible for overseeing the financial reporting process of the Group and of its associates, joint ventures and jointly controlled operations.

Auditor's Responsibilities for the Audit of the consolidated Ind AS financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also

responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associates, joint ventures and jointly controlled operations to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associates, joint ventures and jointly controlled operations to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associates, joint ventures and jointly controlled operations of which we are the independent auditors, to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated Ind AS financial statements of which we are the independent auditors. For the other entities included in the consolidated Ind AS financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance,

we determine those matters that were of most significance in the audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

- a) The financial statements and other financial information of 2 subsidiaries, with total assets of Rs. 17,144.92 crore and total revenue (including other income) of Rs. 5,362.70 crore and net cash outflows of Rs 339.23 crore (before adjustments for consolidation) for the year ended March 31, 2019 have been audited by us jointly with other auditors.
- b) We did not audit the financial statements and other financial information, in respect of 85 subsidiaries (including 12 subsidiary consolidated for the year ended December 31, 2018, with a quarter lag and 4 subsidiaries consolidated for the period April 1, 2018 to August 31, 2018), and 1 jointly controlled operation consolidated for the year ended December 31, 2018, with a quarter lag, whose Ind AS financial statements include total assets of Rs 34,997.99 crore as at March 31, 2019, and total revenues of Rs 4,534.50 crore and net cash outflows of Rs 367.92 crore (before adjustments for consolidation) for the year ended on that date. These Ind AS financial statement 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 total profit of ₹ 132.66 crore for the year ended March 31, 2019, as considered in the consolidated Ind AS financial statements, in respect of 54 joint ventures / associates (including 26 joint ventures / associates consolidated for the year ended December 31, 2018, and 4 joint ventures consolidated for the period September 01, 2018 to December 31, 2018 with a quarter lag), 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 Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, joint ventures, jointly controlled operations and associates, 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, joint ventures, jointly controlled operations and associates, is based solely on the report(s) of such other auditors.

Certain of these subsidiaries/associates/ joint ventures and jointly controlled operations are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in

their respective countries. The Group's management has converted the financial statements of such subsidiaries/associates/ joint ventures and jointly controlled operations located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. These conversion adjustments have been made by the Group's management and have been subject to audit as per the accounting principles generally accepted in India. Our opinion in so far as it relates to the balances and affairs of such subsidiaries/associates/ joint ventures and jointly controlled operations located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Group and audited by the respective auditors.

- (c) The accompanying consolidated Ind AS financial statements include unaudited financial statements and other unaudited financial information in respect of 5 subsidiary (including 2 subsidiary consolidated for the year ended December 31, 2018, with a quarter lag), whose financial statements and other financial information reflect total assets of ₹ 404.45 crore as at March 31, 2019, and total revenues (including other income) of ₹ 13.88 crore and net cash outflows of ₹ 0.02 crore (before adjustments for consolidation) for the year ended on that date. These unaudited financial statements and other unaudited financial information have been furnished to us by the management. The consolidated Ind AS financial statements also include the Group's share of total profit of ₹ 0.54 crore for the year ended March 31, 2019 (before adjustments for consolidation), as considered in the consolidated Ind AS financial statements, in respect of 4 joint ventures / associates (including 1 joint venture consolidated for the year ended December 31, 2018, with a quarter lag), 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, joint ventures and jointly controlled operations and associates, 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, joint ventures and jointly controlled operations and associates, 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 above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, 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.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, associates, joint ventures

and jointly controlled operations, as noted in the 'other matter' paragraph we report, to the extent applicable, that:

- (a) Except for the matters described in the Basis for Qualified Opinion paragraph, we/the other auditors whose report 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 purposes of our audit of the aforesaid consolidated Ind AS financial statements;
- (b) Except for the effects of the matters described in the Basis for Qualified Opinion paragraph, 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 by the Company so far as it appears from our examination of those books and 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 Cash Flow Statement and consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;
- (d) Except for the effects of the matters described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) The matters described in the Basis for Qualified Opinion and Emphasis of Matter paragraphs above, and Qualified Opinion paragraph of "Annexure I" to this report, in our opinion, may have an adverse effect on the functioning of the Group and its associates, joint ventures and jointly controlled operations;
- (f) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2019 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies, associate companies, joint ventures and jointly controlled operations, none of the directors of the Group's companies, its associates and joint ventures/jointly controlled operations incorporated in India is disqualified as on March 31, 2019 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 and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding

Company and its subsidiaries, associates and joint ventures and jointly controlled operations incorporated in India, refer to our separate Report in "Annexure I" to this report;

- (i) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiaries, associates and joint ventures and jointly controlled operations incorporated in India, the managerial remuneration for the year ended March 31, 2019 has been paid / provided by the Holding Company, its subsidiaries, associates, joint ventures and jointly controlled operations incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (j) 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, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, associates, joint ventures and jointly controlled operations, as noted in the 'Other matter' paragraph.
 - i. The consolidated Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group, its associates, joint ventures and jointly controlled operations in its consolidated Ind AS financial statements - Refer Note 8A,8B,41,44,45,46,47 and 48 to the consolidated Ind AS financial statements;
 - ii. The Group, its associates, joint ventures and jointly controlled operations 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 during the year ended March 31, 2019;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiaries, associates, joint ventures and jointly controlled operations incorporated in India during the year ended March 31, 2019.

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 29, 2019

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, 2019, 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 (together referred to as the 'Covered entities' in this report), which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Covered entities, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal financial control over financial reporting criteria established by the Holding 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 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 Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements 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 with reference to these consolidated Ind AS financial statements 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 over financial reporting with reference to these consolidated 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 consolidated 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 consolidated 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 qualified audit opinion on the Holding Company's internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated IND AS Financial Statements

A company's internal financial control over financial reporting with reference to these consolidated Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of these consolidated 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 consolidated 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 these consolidated 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 these consolidated Ind AS financial statements.

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

Because of the inherent limitations of internal financial controls over financial reporting with reference to these consolidated 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 consolidated Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these consolidated 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 the report issued by other auditors on internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements in

case of its subsidiary companies, its associate companies and joint ventures, which are companies incorporated in India, the following material weakness has been identified in the operating effectiveness of the Holding Company's internal financial control over financial reporting with reference to these consolidated Ind AS financial statements as at March 31, 2019.

The Holding Company's internal financial control with regard to assessment of carrying value of investments in certain associates and joint ventures as more fully explained in note 8B(m)(iv) to these consolidated Ind AS financial statements were not operating effectively and could potentially result in the Group 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 Holding Company's annual consolidated Ind AS financial statements will not be prevented or detected on a timely basis.

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 internal financial controls over financial reporting of the subsidiaries, associates and joint ventures, the Covered entities has, in all material respects, maintained adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements as at March 31, 2019, based on the internal control over financial reporting criteria established by the Holding 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 Covered entities internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements were operating effectively as at March 31, 2019.

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 with reference to these consolidated Ind AS financial statements, insofar as it relates to these 72 subsidiaries, 4 associates and 18 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 and in so far as it relates to 2 subsidiaries, jointly audited by us with other auditors, which are companies incorporated in India, is based on the reports of the joint auditors.

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 consolidated Ind AS financial statements of the Holding Company, which comprise the Consolidated Balance Sheet as at March 31, 2019, and the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive income, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity 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, 2019 Consolidated Ind AS financial statements of the Company and this report affect our report dated May 29, 2019, which expressed a qualified opinion on those Consolidated 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 29, 2019