

## INDEPENDENT AUDITOR'S REPORT

To the Members of GMR Infrastructure Limited

### Report on the Audit of the Standalone Financial Statements

#### Qualified Opinion

1. We have audited the accompanying standalone financial statements of GMR Infrastructure Limited ('the Company'), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, except for the effects/possible effects of the matters described in the Basis for Qualified Opinion section of our report, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs of the Company as at March 31, 2020, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

#### Basis for Qualified Opinion

3. As stated in Note 5(4) to the accompanying standalone financial statements, the Company has invested in GMR Generation Assets Limited ("GGAL") and GMR Energy Projects Mauritius Limited ("GEPML"), subsidiaries of the Company, which have further invested in step down subsidiaries and joint ventures. Further, the Company together with GGAL and GEPML has investments in GMR Energy Limited ("GEL"), a joint venture of the company, amounting to ₹ 1,897.63 crores and has outstanding loan amounting to ₹ 212.66 crore recoverable from GEL as at March 31, 2020. GEL has further invested in GMR Vemagiri Power Generation Limited ('GVPGL') and GMR (Badrinath) Hydro Power Generation Private Limited ('GBHPL'), both subsidiaries of GEL and in GMR Kamalanga Energy Limited ('GKEL'), joint venture of GEL and GGAL has further invested in GMR Rajahmundry Energy Limited ('GREL'), an associate company of GGAL. The aforementioned investments are carried at their respective fair value in the standalone financial statements as per Ind AS 109 - 'Financial Instruments'.

As mentioned in note 5(8), GVPGL and GREL have ceased operations due to continued unavailability of adequate supply of natural gas and other factors mentioned in the said note and have been incurring significant losses, including cash losses with consequential erosion of their respective net worth. Further, GREL has entered into a resolution plan with its lenders to restructure its debt obligations during the year ended March 31, 2019. The Company has given certain corporate guarantees for the loans including Cumulative Redeemable Preference Shares ('CRPS') outstanding in GREL amounting to ₹ 2,068.50 crores.

The carrying value of the investment of the Company in GEL, to the

extent of amount invested in GVPGL, and the Company's obligations towards the corporate guarantees given for GREL are significantly dependent on the achievement of key assumptions considered in the valuation performed by the external expert particularly with respect to availability of natural gas, future tariff of power generated and realization of claims for losses incurred in earlier periods from the customer as detailed in the aforementioned note. The Company has provided for its investment in full in GREL and the management is confident that no further obligation would arise for the guarantees provided to the lenders against the servicing of sustainable and unsustainable debts.

As mentioned in note 5(7), the proposed sale of equity stake by management of GEL in GKEL during the year ended March 31, 2020 has been put on hold by the buyer subsequent to the year end. The management continues to account the investment in GKEL based on the valuation performed by an external expert using the discounted future cash flows method which is significantly dependent on the achievement of certain assumptions considered in aforementioned valuation including the uncertainty and the final outcome of the litigations as regards claims against GKEL.

Further, as mentioned in note 5(9), GBHPL has stopped the construction of the 300 MW hydro based power plant on Alakananda river, Uttarakhand, since May 07, 2014 on directions of Hon'ble Supreme Court of India ('the Supreme Court'). The carrying value of the investments in GBHPL is significantly dependent upon obtaining requisite approvals from Supreme court, environmental clearances, availability of funding support and achievements of the key assumptions made in the valuation assessment done by an external expert.

Accordingly, owing to the aforementioned uncertainties, we are unable to comment upon adjustments, if any, that may be required to the carrying value of the non-current investment, and any further provisions, if any, required to be made for the said obligations, and the consequential impact on the accompanying Statement.

The opinion expressed by the predecessor auditor in their auditor's report dated May 29, 2019 for the year ended March 31, 2019, was also qualified with respect to the matters pertaining to GVPGL and GREL.

4. We conducted our audit in accordance with the Standards on Auditing 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 Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the 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 opinion.

**Key Audit Matters**

5. Key audit matters are those matters that, in our professional judgment were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
6. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>1. Assessment of going concern basis - (refer note 2.1 to the accompanying standalone financial statements)</b></p>	
<p>The Company has incurred loss before tax amounting to ₹ 1,454.14 crores for the year ended March 31, 2020 and its current liabilities exceeds its current assets by ₹ 2,000.80 crores as at March 31, 2020 with a consequent lower credit rating of some of its borrowings. Further, as disclosed in note 37(c), the Company has financial liabilities of ₹ 4,642.24 crores to be settled within one year from March 31, 2020.</p> <p>While the above factors indicated a need to assess the Company's ability to continue as a going concern, as mentioned in aforesaid note, the Company has taken into consideration the following mitigating factors in its assessment for going concern basis of accounting.</p> <ul style="list-style-type: none"> <li>• Stake sales in certain subsidiaries in the airport sector to the extent of 49% to Aeroport De Paris S.A (ADP). The first tranche of ₹ 5,248.00 crore for 24.99% shares of GMR Airports Limited (GAL) (primarily through buyout of GMR Infra Services Limited (GISL) via primary infusion of equity) had been completed on February 24, 2020. The amount of ₹ 4,565.00 crores towards second and final tranche payment from ADP has been received subsequent to year end (also refer note 44 to the accompanying standalone financial statements).</li> <li>• Sale of certain power entities including GMR Chattisgarh Energy Limited ('GCEL') and reducing debt obligations of the Company.</li> <li>• Additional funds raised at lower rates in airport entities.</li> </ul> <p>Management has prepared future cash flow forecasts taking into cognizance the above developments and performed sensitivity analysis of the key assumptions used therein to assess whether the Company would be able to operate as a going concern for a period of at least 12 months from the date of financial statements, and concluded that the going concern basis of accounting used for preparation of the accompanying financial statements is appropriate with no material uncertainty.</p> <p>We have considered the assessment of management's evaluation of going concern basis of accounting as a key audit matter due to the pervasive impact thereof on the standalone financial statements and the significant judgements and assumptions that are inherently subjective and dependent on future events, involved in preparation of cash flow projections and determination of the overall conclusion by the management.</p>	<p>Our audit procedures included but were not limited to, the following in relation to assessment of appropriateness of going concern basis of accounting:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the management's process for identifying all the events or conditions that could impact the Company's ability to continue as a going concern and the process followed to assess the mitigating factors for such events or conditions. Also, obtained an understanding around the methodology adopted and the associated controls implemented by the Company to assess their future business performance to prepare a robust cash flow forecast;</li> <li>• Reconciled the cash flow forecast to the future business plans of the Company as approved by the Board of Directors. These forecasts are largely based on the expected proceeds upon the successful closure of divestment of equity stake in GAL, for which the first and the second tranches were received during the year and subsequent to the year respectively. We have traced the receipts of the second tranche to the bank statements and considered the same for our assessment of the Company's capability to meet its financial obligation falling due within next twelve months;</li> <li>• In order to corroborate management's future business plans and to identify potential contradictory information, we read the minutes of the Board of Directors and discussed the same with the management;</li> <li>• Tested the appropriateness of key assumptions used by the management, including the impact of COVID-19 pandemic on such assumption, that had most material impact in preparation of the cash flow forecast such as expected realization from proceeds on account of divestment of stake in certain entities, realization from various claims in investee entities and evaluation of the expected outflow on account of debt repayments;</li> <li>• Performed independent sensitivity analysis to test the impact of variation on the cash flows due to change in key assumptions.</li> <li>• Assessed the appropriateness and adequacy of the disclosures made in the standalone financial statements in respect of going concern.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p><b>2. Revenue recognition and measurement of upfront losses on Long-term construction contracts</b> (refer note 2.2. for the accounting policy and note 35 for disclosures of the accompanying standalone financial statements)</p> <p>For the year ended March 31, 2020, the Company has recognized revenue from Engineering, procurement and construction (EPC) contracts of ₹ 803.46 crores and has accumulated provisions for upfront losses amounting to ₹ 57.96 crores as at March 31, 2020.</p> <p>The Company's revenue primarily arises from construction contracts, which is recognised over a period of time in accordance with the requirements of Ind AS 115, Revenue from Contract with Customers, as further explained in note 2.2 to the accompanying standalone financial statements, and which, by its nature, is complex given the significant judgements involved in the assessment of current and future contractual performance obligations.</p> <p>The Company recognises revenue and margins based on the stage of completion which is determined on the basis of the proportion of value of goods or services transferred as at the Balance Sheet date, relative to the value of goods or services promised under the contract.</p> <p>The recognition of contract revenue, contract costs and the resultant profit/loss therefore rely on the estimates in relation to forecast contract revenue and the total cost. These contract estimates are reviewed by the management on a periodic basis. In doing so, the management is required to exercise judgement in its assessment of the valuation of contract variations and claims and liquidated damages as well as the completeness and accuracy of forecast costs to complete and the ability to deliver contracts within contractually determined timelines. The final contract values can potentially be impacted on account of various factors and are expected to result in varied outcomes. Changes in these judgements, and the related estimates as contracts progress can result in material adjustments to revenue and margins/ onerous obligations.</p> <p>Owing to these factors, we have determined revenue recognition and provision for upfront losses from EPC contracts as a key audit matter for the current year audit.</p>	<p>Our audit procedures for recognition of contract revenue, margin and contract costs, and related receivables and liabilities included, but were not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the appropriateness of the Company's accounting policy for revenue recognition from construction contracts in accordance with Ind AS 115, 'Revenue from Contracts with Customers;</li> <li>• Assessed the design and implementation of key controls, over the recognition of contract revenue and margins, and tested the operating effectiveness of these controls;</li> <li>• For a sample of contracts, we have tested the appropriateness of amount recognized as revenue by evaluating key management judgements inherent in the determining forecasted contract revenue and costs to complete that drive the accounting under the percentage of completion method by performing following procedures: <ul style="list-style-type: none"> <li>- reviewed the contract terms and conditions;</li> <li>- evaluated the identification of performance obligation of the contract;</li> <li>- evaluated the appropriateness of management's assessment that performance obligation was satisfied over time and consequent recognition of revenue using percentage of completion method;</li> <li>- obtained an understanding of the assumptions applied in determining the forecasted revenue and cost to complete;</li> <li>- 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 Company and the customers; and</li> </ul> </li> <li>• Assessed the appropriateness and adequacy of disclosures made by the management with respect to revenue recognised during the year in accordance with applicable accounting standards.</li> </ul>
<p><b>3. Fair value measurement of investments in subsidiaries, associates and joint ventures</b> (refer note 2.2 for the accounting policy and note 5 for disclosures of the accompanying standalone financial statements)</p> <p>The Company has determined the fair value of its investments in unquoted equity and preference shares of its subsidiaries, joint ventures and associates as at the year end. Determining the fair value of such unquoted investments requires use of valuation techniques which has been performed by independent valuation experts, applying applicable valuation methodologies. The Company has total investment of ₹ 19,660.56 crore as at March 31, 2020 which constitutes 80.97% of total assets of the Company.</p>	<p>Our audit procedures to assess the reasonableness of fair valuation of investments included the following:</p> <ul style="list-style-type: none"> <li>• Obtained a detailed understanding of the management's process and controls for determining the fair valuation of unquoted equity and preference instruments;</li> <li>• Evaluated the design and tested the operating effectiveness of key controls implemented for fair valuation of the investments;</li> <li>• Obtained the valuation reports of the management's valuation expert and assessed the expert's professional competence, objectivity and capabilities in performing the valuation of the investments;</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p>The determination of recoverable amounts of the Company’s investments in subsidiaries, associates and joint ventures is dependent on management’s estimates of future cash flows and their judgment with respect to final determination 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 and estimation of passenger and vehicle traffic and rates and favourable outcomes of litigations etc. in the airport and expressway business. Fair value of investment in SEZ sector, as disclosed in note 5 and note 37, is determined based on available data for similar immovable property/investment or observable market prices less incremental cost for disposing off the immovable properties/investments.</p> <p>As described in note 44, in the current year ended March 31, 2020, the Company has entered into stake sale in certain subsidiaries in airport sector to the extent of 49% to Aeroports De Paris S.A (ADP). The first tranche of ₹ 5,248.00 crore for 24.99% shares of GMR Airports Limited (GAL) (primarily through buyout of GMR Infra Services Limited (GISL) via primary infusion of equity) had been completed on February 24, 2020. The amount of ₹ 4,565.00 crores towards second and final tranche of payment from ADP has been received subsequent to year end. The management has presented the assets covered under the second tranche of this transaction as “Assets held for sale” as per Ind AS 105, Non-current assets held for sale and discontinued operations.</p> <p>Owing to the uncertainty of forecasting and discounting future cash flows, being inherently subjective, the level of management’s judgement involved in determining the underlying assumptions used in the valuation models and the significance of the Company’s investments as at March 31, 2020 including the stake sale transaction entered into during the year, we have considered this as a key audit matter.</p> <p>In addition to the above, considering the following matters to be fundamental to the understanding of the financial statements, we draw attention to:</p> <p>a. Note 47 of the accompanying financial statements which describes the uncertainties due to the outbreak of Covid-19 pandemic and management’s evaluation of the impact on the investments carried at fair value in the standalone financial statements of the Company as at the balance sheet date.</p> <p>b. Note 5(4), 5(5) and 5(6) in relation to the investment made by the Company in GEL amounting to ₹ 1,897.63 crore as at March 31, 2020. The recoverability of such investment is further dependent upon various claims, counter claims and other receivables from customers of GMR Warora Energy Limited (‘GWEL’), a subsidiary of GEL which is pending settlement / realization as on March 31, 2020, and certain other key assumptions considered in the valuation performed by an external expert, including capacity utilization of plant in future years and renewal of Power Purchase Agreement with one its customers which has expired in June 2020.</p> <p>The above claims also include recovery of transmission charges from Maharashtra State Electricity Distribution Company Limited (‘MSEDCL’) by GWEL, based on the order from the Appellate Tribunal for Electricity (‘APTEL’) (‘the Order’) dated May 8, 2015 as described in aforesaid note.</p>	<ul style="list-style-type: none"> <li>• Assessed the appropriateness of the valuation methodology used for the fair valuation computation;</li> <li>• Carried out an assessment of forecasts of future cash flows prepared by the management across various sectors and business of the investee companies which involved, evaluating the key assumptions including the discount rate and comparing the estimates to externally available industry, economic and financial data and assessed the impact of COVID-19 outbreak on these assumptions with the support of our auditor’s expert and assessed the appropriateness of the aforesaid key assumptions;</li> <li>• Engaged in discussions with the management on the performance of the Company’s investments as compared to previous year in order to evaluate whether the inputs and assumptions used in the cash flow forecasts were suitable;</li> <li>• Discussed the significant ongoing litigations in the investee companies which had a material impact to ascertain the appropriateness of the outcome considered in the respective valuation models</li> <li>• Understood the events subsequent to the balance sheet date in regard to the stake sale of the Company in GAL and evaluated management’s assessment of whether such events are adjusting or non-adjusting events in accordance with Ind AS 10 to ascertain the impact on the carrying value of the investments as at balance sheet date;</li> <li>• Tested the arithmetical accuracy of the computations done in accordance with the valuation models;</li> <li>• Ensured the appropriateness and adequacy of the related disclosures in the standalone Ind AS financial statements in accordance with the accounting standards.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p>The management of the Company, based on its internal assessment, legal opinion, certain interim favourable regulatory orders and valuations, is of the view that the carrying value of the aforesaid investment of the Company in GEL, taking into account the matters described above in relation to the investments made by GEL in its aforementioned subsidiaries, is appropriate and accordingly, no adjustments to the aforesaid balance have been made in the accompanying standalone financial statements for the year ended March 31, 2020.</p> <p>c. Note 44 of the accompanying standalone financial statements with respect to the decline in fair value of Company's investment in equity shares of GAL subsequent to the year end. The said event has been considered as a non-adjusting event in accordance with the principles of Ind AS 10 'Events after the Reporting Period' and accordingly Company's investments in equity Shares of GAL classified as held for sale and as Investments in equity shares are being carried at the fair values determined based on conditions that existed as at March 31, 2020.</p>	

#### Information other than the Financial Statements and Auditor's Report thereon

7. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management

Discussion and Analysis, Report on Corporate Governance, Directors' Report etc., but does not include the standalone financial statements and our auditor's report thereon. These reports are expected to be made available to us after the date of this auditor's report.

Our opinion on the standalone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

When we read these reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

8. The accompanying standalone financial statements have been approved by the Company's Board of Directors. The Company's Board

of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. 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 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, management is responsible for assessing the Company's ability 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 Company or to cease operations, or has no realistic alternative but to do so.

10. Those Board of Directors is also responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

11. Our objectives are to obtain reasonable assurance about whether the 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 Standards on Auditing 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 financial statements.
12. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the 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 Company has adequate internal financial controls with reference to financial statements 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 Company's ability 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 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 Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
13. We communicate with those charged with governance 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.
  14. 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.
  15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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**

16. The standalone financial statements of the Company for the year ended March 31, 2019 were audited by the predecessor auditor, S. R. Batliboi & Associates LLP, who have expressed a qualified opinion on those standalone financial statements vide their audit report dated May 29, 2019.

**Report on Other Legal and Regulatory Requirements**

17. As required by section 197(16) of the Act, based on our audit, we report that the Company has paid remuneration to its directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act.
18. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
19. Further to our comments in Annexure I, as required by section 143(3) of the Act, based on our audit, we report, to the extent applicable, that:
  - a) we have sought and except for the matters described in the Basis for Qualified Opinion section, obtained all the information

and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the accompanying standalone financial statements;

- b) except for the effects/possible effects of the matters described in the Basis for Qualified Opinion section, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c) the standalone financial statements dealt with by this report are in agreement with the books of account;
- d) except for the effects/possible effects of the matters described in the Basis for Qualified Opinion section, in our opinion, the aforesaid standalone financial statements comply with Ind AS specified under section 133 of the Act;
- e) the matters described in emphasis of matters reported in S. No. 3(a), 3(b) and 3(c) of the Key audit matters section in paragraph 6 above and paragraph 3 of the Basis for Qualified Opinion section, in our opinion, may have an adverse effect on the functioning of the Company;
- f) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 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 section;
- h) we have also audited the internal financial controls with reference to financial statements of the Company as on March 31, 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated July 30, 2020 as per Annexure II expressed modified opinion; and
- 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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
  - i. except for the effects/possible effects of the matters described in paragraph 3 of the Basis for Qualified Opinion section, the standalone financial statements disclose the impact of pending litigations on the standalone financial position of the Company as at March 31, 2020, as detailed in note 36 to the standalone financial statements;
  - ii. except for the effects/possible effects of the matters described in the Basis for Qualified Opinion section, the Company, as detailed in note 35 to the standalone

financial statements, has made provision as at March 31, 2020, as required under the applicable law or Ind AS, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

- iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2020; and
- iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from November 8, 2016 to December 30, 2016, which are not relevant to these standalone financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiook & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

**Neeraj Sharma**  
Partner  
Membership No.: 502103  
UDIN: 20502103AAAABI6979

Place: New Delhi  
Date: 30 July 2020

**Annexure I to the Independent Auditor's Report of even date to the members of GMR Infrastructure Limited, on the financial statements for the year ended March 31, 2020.**

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

- (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 during the year, however, there is a regular program of verification once in three year, 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) The title deeds of all the immovable properties (which are included under the head 'Property, plant and equipment') are held in the name of the Company.
- (ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies between physical inventory and book records were noticed on physical verification.
- (iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the
- (b) The dues outstanding in respect of income-tax, sales-tax, service-tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

**Statement of Disputed Dues**

Name of Statute	Nature of Dues	Amount (₹ in Crore)	Amount paid under Protest (₹ in Crore)	Period to which the amount relates	Forum where dispute is Pending
Finance Act, 1994	Service Tax	36.73	-	October 2007 to June 2013	CESTAT, Bengaluru
Finance Act, 1994	Service Tax	9.00	-	July 2013 to March 2014	Commissioner of Service Tax, Bengaluru
Tamil Nadu Value Added Tax Act, 2006	Value Added Tax	0.67	-	April 2018 to March 2018	Assistant Commissioner (Circle), Poonmallee - Chennai, Tamil Nadu
Telangana Value Added Tax Act, 2005	Value Added Tax	0.17	-	April 2013 to March 2014	Deputy Commissioner, Saroornagar -Hyderabad, Telangana
Income Tax Act, 1961	Income Taxes	209.20	-	A.Y. 2008-09 to 2015-16	Income Tax Appellate Tribunal, Bengaluru
Income Tax Act, 1961	Income Taxes	10.04	-	A.Y 2017-18	Commissioner of Income tax (A), Bengaluru

Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.

- (iv) In our opinion, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of loans, investments, guarantees and security.
- (v) In our opinion, 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 sub-section (1) of Section 148 of the Act in respect of Company's products/services and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) (a) The Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess, goods and services tax and other material statutory dues, as applicable, to the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.

- (viii) As at March 31, 2020, the Company has delayed in repayment of dues to debenture-holders which has been made good subsequent to the year end, as listed below;

Particulars	Amount over-due as at March 31, 2020 (₹ in crores)	Period of delay (days)	Remarks
Debentures	53.47	6	The Company in reference with COVID-19 - Regulatory Package notified by RBI submitted an application for moratorium on March 27, 2020 of dues. In absence of any further communication from the debenture holder on the matter, the dues were made good on June 23, 2020.

The Company has no defaults in repayment of loans or borrowings to any financial institution or a bank and any dues payable to debenture holders as at balance sheet date, though during the year, there were certain delays noted in the case of Yes Bank Limited, Life insurance corporation of India and certain debenture holders amounting to ₹ 176.39 crore, ₹ 121.43 crore and ₹ 169.82 crore respectively, ranging from 4 to 26 days which were paid within the same month in which they were due. All of these were made good by the Company before March 31, 2020. The Company does not have any loans or borrowings payable to government.

- (ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). The term loans obtained during the year have not been utilised by the Company.
- (x) No fraud by the Company or on the company by its officers or employees has been noticed or reported during the period covered by our audit.
- (xi) Managerial remuneration has been paid and / provided by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable Ind AS.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.
- (xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.
- (xvi) The company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

**For Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

**Neeraj Sharma**

Partner

Membership No.: 502103

UDIN:20502103AAAABI6979

Place: New Delhi

Date: July 30, 2020

**Annexure II : Independent Auditor's Report on the internal financial controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')**

1. In conjunction with our audit of the standalone financial statements of GMR Infrastructure Limited ('the Company') as at and for the year ended March 31, 2020, we have audited the internal financial controls with reference to financial statements of the Company as at that date.

**Responsibilities of Management and Those Charged with Governance for Internal Financial Controls**

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements 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 (the '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 the Company's 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 Act.

**Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements**

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') 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 with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, 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 financial statements, whether due to fraud or error.
5. 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 with reference to financial statements.

**Meaning of Internal Financial Controls with Reference to Financial Statements**

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include 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 financial statements.

**Inherent Limitations of Internal Financial Controls with Reference to Financial Statements**

7. Because of the inherent limitations of internal financial controls with reference to 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 with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to 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**

8. According to the information and explanations given to us and based on our audit, the following material weaknesses has been identified in the operating effectiveness of the Company's internal financial controls with reference to financial statements as at March 31, 2020:

The Company's internal control system towards estimating the fair value of its investment in certain subsidiaries, associates and joint ventures as more fully explained in note 5(4) to the standalone financial statements were not operating effectively due to uncertainties in the judgments and assumptions made by the Company in such estimations, which could result in the Company not providing for adjustment, if any that may be required to the carrying values of investments and further provisions, if any, required to be made for the obligations on behalf of those entities, and its consequential impact on the accompanying financial statements.

9. A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial controls with reference to financial statements, 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.
10. In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements as at March 31, 2020, based on the internal financial controls with reference to financial statements 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 effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company's internal financial controls with reference to financial statements were operating effectively as at March 31, 2020.

11. We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company as at and for the year ended March 31, 2020, and the material weaknesses have affected our opinion on the standalone financial statements of the Company and we have issued a Qualified opinion on the standalone financial statements.

**For Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

**Neeraj Sharma**

Partner

Membership No.: 502103

UDIN: 20502103AAAABI6979

Place: New Delhi

Date: July 30, 2020