

# Walker Chandiook & Co LLP

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## Independent Auditor's Review Report on Standalone Unaudited Quarterly Financial Results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended)

### To the Board of Directors of GMR Infrastructure Limited

1. We have reviewed the accompanying statement of standalone unaudited financial results ('the Statement') of GMR Infrastructure Limited ('the Company') for the quarter ended 30 June 2020, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), including relevant circulars issued by the SEBI from time to time.
2. The Statement, which is the responsibility of the Company's Management and approved by the Company's Board of Directors, has been prepared in accordance with the accounting principles laid down in Indian Accounting Standard 34, Interim Financial Reporting ('Ind AS 34'), prescribed under Section 133 of the Companies Act, 2013 ('the Act'), and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing specified under section 143(10) of the Act, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. As stated in note 4(a) to the accompanying Statement, 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 has outstanding loan amounting to Rs. 185.56 crore recoverable from GGAL as at 30 June 2020. Also, the Company together with GGAL and GEPML has investments in GMR Energy Limited ('GEL'), a Joint venture of the Company, amounting to Rs. 1,847.31 crore and has outstanding loan amounting to Rs. 212.66 crore recoverable from GEL as at 30 June 2020. GEL has further invested in GMR Vemagiri Power Generation Limited ('GVPGL') and GMR (Badrinath) Hydro Power Generation Private Limited



Chartered Accountants

Offices in Bengaluru, Chandigarh, Chennai, Gurugram, Hyderabad, Kochi, Kolkata, Mumbai, New Delhi, Noida and Pune

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('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 Statement as per Ind AS 109 – 'Financial Instruments'.

As mentioned in note 4(e), 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 31 March 2019. The Company has given certain corporate guarantees for the loans including Cumulative Redeemable Preference Shares ('CRPS') outstanding in GREL amounting to Rs. 2,061.90 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 4(d), during the previous year ended 31 March 2020, the management had entered into a binding sale agreement for sale of its equity stake in GKEL at lower than the carrying value of its investment and subsequent to the quarter ended 30 June 2020, the binding agreement has been terminated. 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 such as settlement of disputes with customers and timely realization of receivables, expansion and optimal utilization of existing capacity, rescheduling/refinancing of existing loans at lower rates amongst other key assumptions and the uncertainty and the final outcome of the litigations with the capital creditors as regards claims against GKEL.

Further, as mentioned in note 4(f), GBHPL has stopped the construction of the 300 MW hydro based power plant on Alaknanda river, Uttarakhand, since 07 May 2014 on directions of Hon'ble Supreme Court of India ('the Supreme Court'). The carrying value of the investments in GBHPL is significantly dependent on 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 aforesaid loans and investments, and further provisions, if any, required to be made for the said obligations, and the consequential impact on the accompanying Statement.

The opinion expressed by us on the standalone financial statements for the year ended 31 March 2020 vide our report 30 July 2020 was also qualified in respect of above matters and the conclusion expressed by the predecessor auditor in their review report dated 14 August 2019 for the quarter ended 30 June 2019 was also qualified with respect to the matters pertaining to GVPGL and GREL.



5. Based on our review conducted as above except for the possible effects of the matters described in previous sections, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the accounting principles laid down in Ind AS 34, prescribed under Section 133 of the Act, and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), including the manner in which it is to be disclosed, or that it contains any material misstatement.
6. In addition to the matters described in paragraph 4 above, we draw attention to note 4(b) and 4(c) to the accompanying Statement, in relation to the investment made by the Company in GEL amounting to Rs. 1,847.31 crore as at 30 June 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 are pending settlement / realization as on 30 June 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 of its customers which has expired in June 2020 .

The above claims also include recovery of transmission charges from Maharashtra State Electricity Distribution Company Limited ('MSEDCL') by GWEL, based on the Order of the Appellate Tribunal for Electricity ('APTEL') ('the Order') dated 8 May 2015 as described in aforesaid note.

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 Statement for the quarter ended 30 June 2020. Our conclusion is not modified in respect of this matter.

7. We draw attention to note 9 to the accompanying Statement, 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 results of the Company as at 30 June 2020. Our conclusion is not modified in respect of this matter.



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8. The review of standalone unaudited quarterly financial results for the quarter ended 30 June 2019, included in the Statement was carried out and reported by S.R. Batliboi & Associates LLP who have expressed modified conclusion vide their review report dated 14 August 2019, whose review report has been furnished to us and which has been relied upon by us for the purpose of our review of the Statement. Our conclusion is not modified in respect of this matter.

**For Walker Chandiook & Co LLP**

Chartered Accountants

Firm Registration No: 001076N/N500013

*Neeraj*

**Neeraj Sharma**

Partner

Membership No. 502103

UDIN: 20502103AAAABS1357



**Place:** New Delhi

**Date:** 27 August 2020

<b>GMR Infrastructure Limited</b>					
<b>Corporate Identity Number (CIN): L45203MH1996PLC281138</b>					
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Email: <a href="mailto:gil.cec@gmrgroup.in">gil.cec@gmrgroup.in</a> Website: <a href="http://www.gmrgroup.in">www.gmrgroup.in</a>					
<b>Statement of unaudited standalone financial results for quarter ended June 30, 2020</b>					
<b>(Rs. in crore)</b>					
S.No.	Particulars	Quarter ended			Year ended
		June 30, 2020	March 31, 2020	June 30, 2019	March 31, 2020
		Unaudited	Unaudited (refer note 10)	Unaudited	Audited
<b>1</b>	<b>Revenue</b>				
	(a) Revenue from operations				
	i) Sales/income from operations	213.67	246.42	236.90	803.46
	ii) Other operating income (refer note 8)	84.92	106.71	75.44	351.64
	(b) Other income	0.89	3.48	2.83	7.90
	<b>Total Revenue</b>	<b>299.48</b>	<b>356.61</b>	<b>315.17</b>	<b>1,163.00</b>
<b>2</b>	<b>Expenses</b>				
	(a) Cost of materials consumed	122.76	95.75	118.59	360.39
	(b) Subcontracting expenses	43.05	45.17	62.11	176.03
	(c) Employee benefit expenses	7.13	10.04	11.01	40.71
	(d) Finance costs	275.63	105.47	223.60	892.93
	(e) Depreciation and amortisation expenses	5.48	5.62	6.00	23.52
	(f) Other expenses	15.93	55.51	23.47	133.09
	<b>Total expenses</b>	<b>469.98</b>	<b>317.56</b>	<b>444.78</b>	<b>1,626.67</b>
<b>3</b>	<b>(Loss)/ Profit before exceptional items and tax</b>	<b>(170.50)</b>	<b>39.05</b>	<b>(129.61)</b>	<b>(463.67)</b>
<b>4</b>	<b>Exceptional items</b>				
	Provision for impairment in carrying value of investments, loans/advances carried at amortised cost (refer note 7)	(66.86)	(821.52)	(89.13)	(990.47)
<b>5</b>	<b>Loss before tax (3 ± 4)</b>	<b>(237.36)</b>	<b>(782.47)</b>	<b>(218.74)</b>	<b>(1,454.14)</b>
<b>6</b>	<b>Tax (credit)/ expense</b>	<b>(1.91)</b>	<b>34.91</b>	<b>(3.69)</b>	<b>24.98</b>
<b>7</b>	<b>Loss for the period/ year (5 ± 6)</b>	<b>(235.45)</b>	<b>(817.38)</b>	<b>(215.05)</b>	<b>(1,479.12)</b>
<b>8</b>	<b>Other comprehensive income (net of tax)</b>				
	(A) (i) Items that will not be reclassified to profit or loss				
	-Re-measurement gains on defined benefit plans	1.12	0.04	-	0.04
	-Net (loss)/ gain on fair valuation through other comprehensive income (FVTOCI) of equity securities	(2,005.47)	2,401.83	(162.99)	1,996.21
	<b>Total other comprehensive income for the period/year</b>	<b>(2,004.35)</b>	<b>2,401.88</b>	<b>(162.99)</b>	<b>1,996.25</b>
<b>9</b>	<b>Total comprehensive income for the period/year (Comprising Profit/(Loss) and Other comprehensive income (net of tax) for the period/year) (7 ± 8)</b>	<b>(2,239.80)</b>	<b>1,584.50</b>	<b>(378.04)</b>	<b>517.13</b>
<b>10</b>	<b>Paid-up equity share capital (Face value - Re. 1 per share)</b>	<b>603.59</b>	<b>603.59</b>	<b>603.59</b>	<b>603.59</b>
<b>11</b>	<b>Other equity</b>				<b>11,464.15</b>
<b>12</b>	<b>Earnings per share (EPS) (of Re. 1 each) (not annualised)</b>				
	(a) Basic and Diluted EPS before exceptional items	(0.28)	0.01	(0.21)	(0.81)
	(b) Basic and Diluted EPS after exceptional items	(0.39)	(1.35)	(0.36)	(2.45)



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## GMR Infrastructure Limited

### Notes to the unaudited standalone financial results for the quarter ended June 30, 2020

1. Investors can view the unaudited standalone financial results of GMR Infrastructure Limited (“the Company” or “GIL”) on the Company’s website [www.gmrgroup.in](http://www.gmrgroup.in) or on the websites of BSE ([www.bseindia.com](http://www.bseindia.com)) or NSE ([www.nse-india.com](http://www.nse-india.com)). The Company carries on its business through various subsidiaries, joint ventures and associates (hereinafter referred to as ‘the Group’), being special purpose vehicles exclusively formed to build and operate various infrastructure projects.
2. The Company carries on its business in two business verticals viz., Engineering, Procurement and Construction (‘EPC’) and Others.

The segment reporting of the Company has been prepared in accordance with Ind AS 108 ‘Operating Segments’ prescribed under section 133 of the Companies Act, 2013, read with relevant rules thereunder. The Company has presented the operating segments information on the basis of its consolidated Ind AS financial results.

3. The management of the Company along with other shareholders of the Company and GMR Airports Limited (GAL), a subsidiary Company (together referred as “GMR Group”) had signed a share subscription and share purchase agreement with Aeroport DE Paris S.A. (ADP) for stake sale in the GAL on February 20, 2020. Pursuant to consummation of the same, ADP would hold 49% stake (directly & indirectly) in the GAL for an equity consideration of Rs 10,780.00 crore, valuing GAL at the Base post money valuation of Rs. 22,000.00 crore. The equity consideration comprises of:
  - Rs. 9,780.00 crore towards secondary sale of shares by GMR Group; and
  - Rs. 1,000.00 crore equity infusion in GAL

In addition, ADP had also pegged Earn-outs upto Rs. 4,475.00 crore linked to achievement of certain agreed operating performance metrics as well as on receipt of certain regulatory clarifications. The successful consummation of earnouts, could increase, GAL’s valuation on post money basis to Rs. 26,475.00 crore and the Group stake in GAL to ~59%. The Group will retain management control over the Airports Business with ADP having customary rights and board representation at Company and its key subsidiaries.

The first tranche of Rs 5,248.00 crore for 24.99% shares of GAL (primarily through buyout of GMR Infra Services Limited (GISL) via primary infusion of equity) had been completed on February 24, 2020. The second & final tranche of Rs. 5,532.00 crore (including primary of Rs. 1,000.00 crore in GAL) was subject to regulatory approvals, consents and other approvals.

Since March 31, 2020, the outbreak of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Despite unprecedented adverse conditions, on July 7, 2020 the Group has successfully completed the transaction with ADP with slight modifications. As per the revised Share Purchase Agreement (“Revised SPA”), the second tranche of the investment for 24.01% of GAL has been structured in two parts:

- A firm amount, immediately paid at Second closing, for a total of Rs. 4,565.00 crore, including Rs. 1,000.00 crore equity infusion in GAL.
- Earn-outs amounting to Rs 1,060.00 crore, subject to the achievement of certain performance related targets by GAL upto the financial year ended March 31, 2024.



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**Notes to the unaudited standalone financial results for the quarter ended June 30, 2020**

Accordingly, ADP has increased earn-outs for Group which are now pegged at up to Rs. 5,535.00 crore compared to the earlier Rs. 4,475.00 crore. These additional Earn-outs of Rs. 1,060.00 crore are linked to the achievement of certain agreed EBITDA metrics/ levels.

Considering the conditions precedent pertaining to the Revised SPA were either met prior to June 30, 2020 or were of a nature which were either procedural or within the control of Group, together with the fact that the entire commercial construct with respect to the Second Closing, including the extent of deferred payment and the earn-out principle was agreed between the Parties prior to June 30, 2020.

The Company has accordingly accounted for the second and final tranche in these financial results. Pursuant to the Revised SPA, the Second Closing was concluded on July 7, 2020 and the entire amount of Rs. 4,565.00 crore towards second and final tranche payment from ADP has been received. This money will primarily be used in servicing the debt which will help deleverage both the Group and GAL further, and result in improved cash flows and profitability.

4. (a) The Company has invested in GMR Generation Assets Limited ("GGAL") which has further invested in step down subsidiaries and joint ventures. Further, the Company has outstanding loan amounting to Rs. 185.56 crore recoverable from GGAL as at June 30, 2020. Also, the Company together with GGAL and GMR Energy Projects Mauritius Limited has investments in GMR Energy Limited ("GEL") amounting Rs. 1,847.31 crores and has outstanding loan amounting to Rs. 212.66 crore in GEL as at June 30, 2020. GEL and GGAL have certain underlying subsidiaries/ associates/ joint ventures which are engaged in energy sector including mining operations. GEL, GGAL and some of the underlying subsidiaries/ associates/ joint ventures as further detailed in note 4(b), 4(c), 4(d), 4(e) and 4(f) below have been incurring losses resulting in substantial erosion in their net worth. Based on its internal assessment with regard to future operations and valuation assessment by an external expert during the year ended March 31, 2020, the management of the Company has fair valued its investments and for reasons as detailed in 4(b), 4(c), 4(d), 4(e) and 4(f) below, the management is of the view that the fair values of the Company's investments in GGAL and GEL are appropriate.

(b) GMR Warora Energy Limited ("GWEL"), a subsidiary of GEL, is engaged in the business of generation and sale of electrical energy from its coal based power plant of 600 MW situated at Warora. GWEL, has accumulated losses of Rs. 610.29 crore as at June 30, 2020 which has resulted in substantial erosion of GWEL's net worth. GWEL had claimed compensation for coal cost pass through and various "change in law" events from its customers under the Power Purchase Agreements ("PPA") and have filed petitions with the regulatory authorities for settlement of such claims in favour of GWEL. GWEL has trade receivables, other receivables and unbilled revenue (including claims) of Rs. 535.87 crore which are substantially pending receipt. Based on certain favorable interim regulatory orders, the management is confident of realization of the outstanding receivables.

Further, GWEL received notices from one of its customer disputing payment of capacity charges of Rs. 132.01 crore for the period March 23, 2020 to June 30, 2020 as the customer had not availed power during the said period sighting force majeure on account of COVID 19 pandemic. GWEL responded and clarified that the said situation is not covered under force majeure clause in view of the clarification by the Ministry of Power stating that Discoms will have to comply with the obligation to pay fixed capacity charges as per PPA. The customer is of the view that the aforesaid clarification by the Ministry of Power cannot override the terms of the PPA and continue to dispute the payment thereof. Accordingly, subsequent to the quarter ended June 30, 2020, GWEL filed petition with Central Electricity Regulatory Commission ("CERC") for settlement of the dispute. The management based on its internal assessment and petition filed with CERC, is of the view that the aforesaid capacity charges are fully recoverable. Further, in view of the ongoing COVID-19 pandemic and expiry of the PPA with one of the customer availing 200 MW of power June 2020 and a consequent cancellation of the fuel supply agreement, there could be impact on the future business operations, financial position and future cash flows of GWEL.



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**Notes to the unaudited standalone financial results for the quarter ended June 30, 2020**

Though the net worth of GWEL is substantially eroded, GWEL has made pretax profits during the quarter ended June 30, 2020, the management of GWEL expects that the plant will generate sufficient profits in the future years and will be able to recover the receivables and based on business plans and valuation assessment by an external expert during the year ended March 31, 2020, the management of the GEL is of the view that the carrying value of the net assets in GWEL by GEL as at June 30, 2020 is appropriate.

(c) GWEL entered into a PPA with Maharashtra State Electricity Distribution Company Limited ('MSEDCL') on March 17, 2010 for sale of power for an aggregate contracted capacity of 200 MW, wherein power was required to be scheduled from power plant's bus bar. MSEDCL disputed place of evacuation of power with Maharashtra Electricity Regulatory Commission ('MERC'), wherein MERC has directed GWEL to construct separate lines for evacuation of power through State Transmission Utility ('STU') though GWEL was connected to Central Transmission Utility ('CTU'). Aggrieved by the MERC Order, GWEL preferred an appeal with APTEL. APTEL vide its interim Order dated February 11, 2014 directed GWEL to start scheduling the power from GWEL's bus bar and bear transmission charges of inter-state transmission system towards supply of power. GWEL in terms of the interim order scheduled the power from its bus bar from March 17, 2014 and paid inter-state transmission charges. APTEL vide its final Order dated May 8, 2015 upheld GWEL's contention of scheduling the power from bus bar and directed MSEDCL to reimburse the inter-state transmission charges hitherto borne by GWEL as per its interim order. Accordingly, GWEL has raised claim of Rs. 733.59 crore towards reimbursement of transmission charges from March 17, 2014 till June 30, 2020. MSEDCL preferred an appeal with Hon'ble Supreme Court of India and also applied for stay proceedings for the above order of APTEL, which was rejected by the Hon'ble Supreme Court of India.

In view of the favorable Order from APTEL, rejection of stay petition of MSEDCL by the Hon'ble Supreme Court of India, receipt of substantial amount towards reimbursement of transmission charges and also considering the legal opinion received from legal counsel that GWEL has tenable case with respect to the appeal filed by MSEDCL against the said Order which is pending before Hon'ble Supreme Court of India, GWEL has recognized the reimbursement of transmission charges of Rs. 563.87 crore relating to the period from March 17, 2014 to June 30, 2020 (including Rs. 28.10 crore for the quarter ended June 30, 2020) in the financial statements of the GWEL.

(d) GMR Kamalanga Energy Limited ('GKEL'), a joint venture of GEL is engaged in development and operation of 3\*350 MW under Phase I and 1\*350 MW under Phase II, coal based power project in Kamalanga village, Orissa and has commenced commercial operation of Phase I of the project. GKEL has accumulated losses of Rs. 1,844.42 crores as at June 30, 2020, which has resulted in substantial erosion of GKEL's net worth due to operational difficulties faced during the early stage of its operations. Further, GKEL has trade receivables, other receivables and unbilled revenue (including claims) of Rs. 1,665.19 crore as at June 30, 2020, for coal cost pass through and various "change in law" events from its customers under the PPAs and has filed petitions with the regulatory authorities for settlement of such claims in favour of GKEL. The payment from the customers against the claims is substantially pending receipt. Based on certain favorable interim regulatory orders with regard to its petition for 'Tariff Determination' and 'Tariff Revision' with its customers, the management is confident of a favorable outcome towards the outstanding receivables of GKEL.

GKEL in view of the Supreme Court Order in Energy Watchdog vs CERC and others and CERC order in its own case for Haryana Discoms had sought legal opinion from the legal counsel on certainty of the claims with Bihar Discoms. Considering opinion received from legal counsels that GKEL has good tenable case with virtual certainty with respect to coal cost pass through and favourable Order from APTEL dated December 21, 2018 and CERC judgment in GKEL's own case for Haryana Discoms where the computation methodology of coal cost pass through was decided, the management was virtually certain on receipt of the GKEL's claim of revenue on coal cost pass through and was of the opinion that no contingency was involved in this regard. GKEL has now received a favorable order on September 16, 2019 whereby the CERC has allowed the coal cost pass through



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**Notes to the unaudited standalone financial results for the quarter ended June 30, 2020**

to be charged to the Bihar Discom, based on a certain methodology. However, GKEL has filed a review petition with Hon'ble Appellate Tribunal for Electricity dated 14 November 2019 against this methodology on the grounds that the methodology stated in this order, even though favorable, is contradictory to the methodology stated in the earlier order of CERC in GKEL's case with Haryana Discom. Accordingly, GKEL has continued to recognize the income on Coal Cost Pass Through claims of Rs. 3.09 crores for the quarter ended June 30, 2020.

In the current quarter ended June 30, 2020, GKEL has accounted for late payment surcharge ('LPS') on billed invoices to Haryana Discoms amounting to Rs. 27.41 crore as per Order 135 of 2018 passed by APTEL dated December 20, 2019.

Further as per the PPA with GRIDCO, GKEL shall raise a combined invoice for capacity charge and energy charge. GKEL had raised invoices and claimed capacity charges based on availability declared to State Load Dispatch Center (SLDC) on the basis of Tariff Orders issued by CERC for FY 2009-14 and FY 2014-19 respectively. However, GRIDCO disputed the declared availability, calculated the capacity charges and paid partial amount, against which the GKEL has objected as to the method of calculation and filed a petition before CERC in case no 115IMP/2019 on account non receipt of capacity charges along with late payment surcharge. CERC has passed an Order on February 4, 2020 and directed GRIDCO to pay the outstanding amount along with late payment surcharge as per CERC Tariff Regulation 2014. Further, CERC has directed SLDC to revise the availability for the said period as available by the Company. Accordingly, the Company has raised invoice to GRIDCO on LPS and recognised Rs. 3.63 crore during quarter ended June 30, 2020.

GKEL has accounted for transportation cost of fly ash as change in law event as the same was agreed in principle by CERC vide Order 131/MP/2016 dated 21 February 2018 and recognized revenue amounting to Rs. 6.94 crores for Haryana, Bihar and GRIDCO PPAs for the quarter ended June 30, 2020 post complying with the conditions mandated in this regard. GKEL has filed petition with CERC for determination of compensation of transportation charges of fly ash as per Order 131/MP/2016 and is awaiting final order.

Further, there is uncertainty regarding the final outcome of litigations as regards claims against GKEL. Further, during the year, GKEL has won the bid for supply of balance 150 MW to Haryana Discoms. GKEL has signed fuel supply agreement with Coal India Limited for supply of coal from its Mahanadi Coal Field Mines for 0.36 crore ton which is within a distance of 15 KM from the plant site. In addition to above, GKEL has won the bid (Shakti-III) for supply of 0.04 crore ton of coal for balance 150 MW. In view of these matters, business plans (including expansion and optimal utilization of existing capacity, rescheduling/ refinancing of existing loans at lower rates), valuation assessment by an external expert during the year ended March 31, 2020, the management is of the view that the carrying value of the investments in GKEL held by GEL as at June 30, 2020 is appropriate.

Further, during the year ended March 31, 2020, as part of the strategic initiatives being undertaken by the management to ensure liquidity and timely payment of its obligations, the management of the Company, entered into share purchase agreement with JSW Energy Limited for sale of its equity stake in GKEL. However, subsequent to the quarter, the said transaction has been called off due to uncertainties on account of COVID – 19 pandemic.

- (e) In view of lower supplies / availability of natural gas to the power generating companies in India, GMR Rajahmundry Energy Limited ('GREL'), an associate of GMR Generation Assets Limited ('GGAL'), subsidiary of the Company, GMR Vemagiri Power Generation Limited ('GVPGL'), a subsidiary of GEL and GEL are facing shortage of natural gas supply and delays in securing gas linkages. As a result, GEL has not generated and sold electrical energy since April 2013. GREL and GVPGL emerged as successful bidders in the auction process organised by the Ministry of Power and operated on an intermittent basis from August 2015 and October 2015 respectively till September 2016 by using Re-gasified Liquefied Natural Gas ('RLNG') as



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**Notes to the unaudited standalone financial results for the quarter ended June 30, 2020**

natural gas. These entities have ceased operations and have been incurring losses including cash losses on account of the aforesaid shortage of natural gas supply.

- (i) GREL had not commenced commercial operations pending linkages of natural gas supply from the Ministry of Petroleum and Natural Gas till the period ended September 30, 2015. As a result, the consortium of lenders of GREL decided to implement Strategic Debt Restructuring Scheme ("SDR Scheme"). Pursuant to the scheme, borrowings aggregating to Rs. 1,308.57 crore and interest accrued thereon amounting to Rs. 105.42 crore was converted into equity shares of GREL for 55% stake in equity share capital of GREL and the Company and GGAL have given a guarantee of Rs 2,571.71 crore to the lenders against the remaining debt. Under the SDR Scheme, the bankers had to find new promoters for GREL within the period as prescribed under the scheme, which expired during the year ended March 31, 2018. Consequent to the SDR and the conversion of loans into equity share capital by the consortium of lenders, GREL ceased to be a subsidiary of the Company and has been considered as associate as per the requirements of Ind AS -28.

During the year ended March 31, 2019, considering that GREL continued to incur losses in absence of commercial operations, the consortium of lenders has decided to implement a revised resolution plan which has been approved by all the lenders and accordingly the lenders have restructured the debt. The Company along with its subsidiaries has provided guarantees to the lenders against the servicing of sustainable debts having principal amounting to Rs. 1,121.31 crore and all interests there on, including any other obligation arising out of it and discharge of the put option in regard to Cumulative Redeemable Preference Shares ("CRPS") (unsustainable debt) amounting to Rs. 940.59 crore, if any exercised by the CRPS lenders, as per the terms of the revised resolution plan.

- (ii) During the year ended March 31, 2018, pursuant to the appeal filed by Andhra Pradesh Discoms ("APDISCOMs"), the Hon'ble Supreme Court held that RLNG is not natural gas and accordingly GVPGL cannot be entitled for capacity charges based on availability declaration for generation of power on the basis of RLNG. GVPGL had also filed petition claiming losses of Rs. 447.00 crore pertaining to capacity charges pertaining to period 2006 to 2008 before Andhra Pradesh Electricity Regulatory Commission ("APEREC"). Over the years, the case was heard for deciding the jurisdiction to adjudicate the proceedings. During the year ended March 31, 2019, the Hon'ble High Court of Andhra Pradesh passed its Judgment and held that the Central Electricity Regulatory Commission ("CERC") has the jurisdiction to adjudicate the present dispute. The Supreme Court vide its order dated February 4, 2020 dismissed the aforesaid petition of the DISCOMs and held that CERC will have jurisdiction to adjudicate the disputes in the present case and directed CERC to dispose off the petition filed before it within six months.

Additionally, during the year ended March 31, 2020, in case of GVPGL's litigation with APDISCOMs, wherein APDISCOMS refused to accept declaration of capacity availability on the basis of deep water gas citing that natural gas for the purpose of PPA does not include Deep Water Gas and consequent refusal to schedule power from GVGPL and pay applicable tariff including capacity charges, CERC has passed order dated January 28, 2020, declaring that natural gas for the purpose of PPA includes Deep Water Gas. Accordingly, GVGPL is entitled to claim capacity charges from APDISCOMs from October 2016 based on availability declaration for generation of power on the basis of deep water gas, along with late payment surcharge.

GVGPL has calculated a claim amount of Rs. 741.31 crores for the period from October 2016 till February 2020, out of which the Company has claimed by submitting invoices to APDISCOMs of Rs. 363.42 crores for the period from October 2016 to January 2018 and is in the process of submitting invoices for the remaining periods as at June 30, 2020. GVPGL has not received any of the aforesaid claims and is confident of recovery of such claims in the future based on CERC order.



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**Notes to the unaudited standalone financial results for the quarter ended June 30, 2020**

- (iii) During the year ended March 31, 2020, GEL entered into a Sale and Purchase Agreement with a prospective buyer for a consideration of USD 1.55 crore for sale of the Barge Mounted Power Plant ("Barge Plant") on as is where is basis, out of which USD 0.30 crore has been received till March 31, 2020. The transaction was expected to be completed by May 31, 2020. However, the dismantling work is on hold due to COVID-19. However, the management is confident of completing the transfer of Barge by December 31, 2020. Since the estimate of realizable value amounting Rs. 112.02 crore done by the management as at June 30, 2020 is consistent with the consideration for the Barge Plant as per the agreement, no further impairment charge is required.
- (iv) Further, the management of the Company is evaluating various approaches / alternatives to deal with the situation and is confident that Government of India ("GoI") would take further necessary steps / initiatives in this regard to improve the situation regarding availability of natural gas from alternate sources in the foreseeable future. The management of the Company carried out a valuation assessment of GREL and GVPGL during the year ended March 31, 2020 which includes certain assumptions relating to availability and pricing of domestic and imported gas, future tariff, tying up of PPA, realization of claims for losses incurred in earlier periods and current period from the customer and other operating parameters, which it believes reasonably reflect the future expectations from these projects. The business plan of GREL considered for valuation assessment has been approved by the consortium of lenders at the time of execution of the resolution plan. The management of the Company will monitor these aspects closely and take actions as are considered appropriate and is confident that these gas based entities will be able to generate sufficient profits in future years and meet their financial obligations as they arise and GEL will be able to dispose off the Barge Power Plant as per the aforementioned Sale and Purchase agreement. Based on the aforementioned reasons, claims for capacity charges and business plans, the management is of the view that the carrying value of the investment in GVPGL by GEL as at June 30, 2020 is appropriate. 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.
- (f) GMR Badrinath Hydro Power Generation Private Limited ("GBHPL") a subsidiary of GEL, is in the process of setting up 300 MW hydro based power plant in Alaknanda River, Chamoli District of Uttarakhand. The Hon'ble Supreme Court of India (the Court), while hearing a civil appeal in the matters of Alaknanda Hydro Power Company Limited, directed vide its order dated May 7, 2014 that no further construction work shall be undertaken by the 24 projects coming up on the Alaknanda and Bhagirathi basins until further orders. Further, during the year ended March 31, 2016, Ministry of Environment Forest and Climate Change ("MoEF") has represented to the Supreme Court of India that of the six hydro projects in Uttarakhand, two projects including GBHPL requires certain design modifications as per the policy stipulations. During the year ended March 31, 2018, the validity of Environmental Clearance ("EC") granted to GBHPL by the MoEF ceased to exist. Pursuant to an application made by GBHPL, the MoEF vide its letter dated April 17, 2018, proposed to extend the EC granted to GBHPL for a period of 3 years, subject to the final outcome of the matter pending before the Court. Based on its internal assessment and a legal opinion, the management of GBHPL is confident of obtaining the requisite clearances and based on business plan and a valuation assessment carried out by an external expert during the year ended March 31, 2020, the management of the Company is of the view that the carrying value of the investments in GBHPL by GEL as at June 30, 2020 is appropriate.
5. The Company through its subsidiary GMR Coal Resources Pte. Limited ("GCRPL") has investments of Rs. 3,835.45 crore in PTGEMS, a joint venture as at June 30, 2020. PTGEMS along with its subsidiaries is engaged in the business of coal mining and trading activities. The cost of investments is significantly higher than the book value of assets of PTGEMS and includes certain future benefits including Coal Supply Agreement ("CSA") of GCRPL with PTGEMS whereby the Company along with its subsidiaries is entitled to offtake stated quantity of coal as per the terms of the CSA at an agreed discount other than profit from mining operations. Though the shares of PTGEMS are listed on the overseas exchanges, the management is of the view that the quoted prices are not reflective of the underlying value of the mines as in the past few years the shares have been very thinly traded. Based on profitable mining operations, ramp up of production volumes and other assumptions around off take at a discounted price and trading thereof considered in valuation assessment carried out by an external



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## GMR Infrastructure Limited

### Notes to the unaudited standalone financial results for the quarter ended June 30, 2020

expert during the year ended March 31, 2020, the management believes that the carrying value of aforesaid investments in PTGEMS as at June 30, 2020 is appropriate.

6. GMR Generation Assets Limited ('GGAL' or 'the Transferee Company'), a subsidiary of the company had applied for confirmation / approval of scheme of merger / amalgamation and capital reduction ('the Scheme') with its wholly owned subsidiaries GMR Genco Assets Limited, GMR Kakinada Energy Private Limited and GMR Coastal Energy Private Limited and partly owned subsidiaries SJK Powergen Limited and GMR Power Corporation Limited (collectively referred to as the "Transferor Companies"). The appointed date of merger / amalgamation is March 31, 2019. The scheme was filed with the Hon'ble Regional Director, Mumbai (RD). Necessary approvals from shareholders and creditors (vide NOCs) were obtained and submitted with the office of RD. The RD filed its report dated February 20, 2020 with National Company Law Tribunal, Special Bench, Mumbai ('NCLT') and NCLT passed the order approving the scheme on March 13, 2020. Pursuant to the Scheme, financial statements of GGAL have been prepared on merged basis with effect from March 31, 2019 in accordance with the accounting treatment prescribed in the Scheme. Further, as per the Scheme, GGAL's issued, subscribed and paid-up equity share capital has been reduced from Rs. 6,323.25 crore (comprising of 6,323,250,226 equity shares of Rs. 10 each) to Rs. 723.25 crore (comprising of 723,250,226 equity shares of Rs. 10 each) by way of cancelling and extinguishing 5,600,000,000 fully paid up equity shares of Rs. 10 each. The shareholders whose share capital has been reduced have been paid a total sum of Rs. 60 crores in the proportion of their shareholding in the GGAL as the consideration.
7. During the quarter ended June 30, 2020, the Company has accounted for provision for diminution in value of investments at amortised cost, loans/advances amounting to Rs. 66.86 crore (March 31, 2020 Rs. 821.52 crore) given to group companies, which has been disclosed as an exceptional item in the standalone financial results.
8. Other operating income includes interest income, dividend income, income from management and other services and profit on sale of current investments considering that the Company undertakes investment activities.
9. With the recent and rapid development of the COVID - 19 outbreaks, many countries have implemented travel restrictions. The company has majority of its investments in the Airport sector, Energy Sector, Highway sectors and Urban Infra sector and with respect to COVID - 19 impact on the business of these entities, management believes while the COVID - 19 may impact the businesses in the short term, it does not anticipate medium to long term risk to the business prospects. Considering the business plans of the investee companies the management does not foresee any material impact on the fair value at which the aforementioned investments are carried. Accordingly, no adjustments to the carrying value of these investments are considered necessary. Further, the management has made detailed assessment of its liquidity position for the next one year and of the recoverability and carrying values of its assets as at the balance sheet date and has concluded that there are no material adjustments required in the financial results. The impact of the COVID - 19 pandemic might be different from that estimated as at the date of approval of these financial results and the Company will closely monitor any material changes to the future economic conditions.
10. The figures of the quarter ended March 31, 2020 are the balancing figure between the audited figures for the full financial year for the year ended March 31, 2020 and the published unaudited year to date figures for the nine months ended December 31, 2019.
11. The unaudited standalone financial results of the Company for the quarter ended June 30, 2020 have been reviewed by the Audit Committee in their meeting on August 26, 2020 and approved by the Board of Directors in their meeting on August 27, 2020.



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**GMR Infrastructure Limited**

**Notes to the unaudited standalone financial results for the quarter ended June 30, 2020**

12. Previous quarter / period / year figures have been regrouped/ reclassified, wherever necessary to conform to current period's classification.

New Delhi  
August 27, 2020

For GMR Infrastructure Limited



Grandhi Kiran Kumar  
Managing Director & CEO



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