

Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Members of GMR Infrastructure Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of GMR Infrastructure Limited (hereinafter referred to as 'the Holding Company' or 'GIL'), its subsidiaries, jointly controlled entities and associates (collectively hereinafter referred to as 'the Group') comprising of the consolidated Balance Sheet as at March 31, 2016, the consolidated Statement of Profit and Loss, the consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ('the Act') that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act; for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for Qualified Opinion

- As detailed in Note 42(ii)(b) to the accompanying consolidated financial statements for the year ended March 31, 2016, GMR Rajahmundry Energy Limited ('GREL'), a subsidiary of the Company has capitalised ₹ 1,238.20 crore during the period July 2012 to June 2015 towards indirect expenditure and borrowing costs (net of income earned during aforementioned period) incurred on a plant under construction where active construction work was put on hold during the said period pending securing supply of requisite natural gas and has approached the Ministry of Corporate Affairs ('MCA') seeking clarification on the applicability of the General Circular 35/2014 dated August 27, 2014 issued by MCA. However, in our opinion, the aforesaid capitalisation of such expenses is not in accordance with the relevant Accounting Standards. Further, on account of the aforesaid capitalisation, the depreciation expenses for the year ended March 31, 2016 are higher by ₹ 29.90 crore. Had the aforesaid expenditure not been capitalized and depreciation not been charged, loss after tax and minority interest of the Group for the year ended March 31, 2016 and cumulatively upto March 31, 2016 would have been higher by ₹ 103.38 crore and ₹ 1,163.00 crore respectively. In respect of the above matter, our audit report for the year ended March 31, 2015 was similarly qualified.
- As detailed in Note 42(viii)(b) to the accompanying consolidated financial statements for the year ended March 31, 2016, GMR Chhattisgarh Energy Limited ('GCHEPL'), a subsidiary of the Company has not capitalised Unit 1 of its power plant from the date of declaration of commercial operations on June 1, 2015 and also one of its mines which was ready for its intended use from August 1, 2015 and continued the capitalisation of the indirect expenditure and borrowing costs incurred subsequent to the said dates amounting to ₹ 43.36 crore and ₹ 219.01 crore respectively. The Group has also not charged depreciation of ₹ 106.72 crore in the accompanying financial statements with regard to Unit 1 of its power plant. However, in our opinion, the aforesaid accounting treatment is not in accordance with

the relevant Accounting Standards. Had the aforesaid expenditure not been capitalized and had the depreciation expenses been recognized, loss after tax and minority interest of the Group for the year ended March 31, 2016 and cumulatively upto March 31, 2016 would have been higher by ₹ 369.09 crore. Also refer paragraph 7 in the Emphasis of Matter paragraph in respect of this matter.

- As detailed in Note 41(iii) to the accompanying consolidated financial statements for the year ended March 31, 2016, GMR Kishangarh Udaipur Ahmedabad Expressways Limited ('GKUAEL'), a subsidiary of the Company issued a notice of intention to terminate the Concession Agreement with National Highways Authority of India ('NHAI') and issued a notice of dispute to NHAI invoking arbitration provisions of the Concession Agreement during the earlier years. Both the parties have appointed their arbitrators and the arbitration process is pending commencement. GKUAEL incurred and capitalised indirect expenditure and borrowing costs of ₹ 137.47 crore till March 31, 2016 and has given capital advances of ₹ 590.00 crore to its EPC Contractor. The Group also provided a bank guarantee of ₹ 269.36 crore to NHAI. Pursuant to the notice of dispute, GKUAEL terminated the EPC contract on May 15, 2015 and received claims towards such termination. However, no such claims from the EPC contractor have been recognised in the accompanying consolidated financial statements as at March 31, 2016. GKUAEL has also transferred the aforesaid project costs of ₹ 137.47 crore to claims recoverable and has made a provision of ₹ 137.47 crore cumulatively upto March 31, 2016 (including ₹ 6.48 crore for the year ended March 31, 2016) towards such claims recoverable.

The notice of dispute and initiation of arbitration proceedings, indicate the existence of a material uncertainty that may cast a significant doubt about the going concern of GKUAEL and its impact on the net assets / performance guarantee provided by the Group. Having regard to the uncertainty in view of the dispute, we are unable to comment on the final outcome of the matter and its consequential impact on the consolidated financial statements for the year ended March 31, 2016. In respect of the above matter, our audit report for the year ended March 31, 2015 was similarly qualified.

- As detailed in Note 30(d) and 43(i) to the accompanying consolidated financial statements for the year ended March 31, 2016, the Concession Agreement entered into between GMR Male International Airport Private Limited ('GMIAL'), a subsidiary of the Company, Maldives Airport Company Limited ('MACL') and Ministry of Finance and Treasury ('MoFT'), Republic of Maldives for the Rehabilitation, Expansion, Modernization, Operation and Maintenance of Male International Airport ('MIA') for a period of 25 years was declared void ab initio by MACL and MoFT and MACL has taken possession of MIA with effect from December 8, 2012. GMIAL has initiated the arbitration process to seek remedies under the said agreement and on June 18, 2014, the tribunal delivered its award declaring that the Concession Agreement was not void ab initio and was valid and binding on the

parties. However, the quantum of the damages is yet to be decided and accordingly, pending final outcome of the arbitration, GMIAL continues to recognise the assets at their carrying values of ₹ 1,594.68 crore (USD 23.88 crore) as at March 31, 2016 including the claim recoverable of ₹ 1,273.14 crore (USD 19.08 crore) as the management is of the view that GMIAL will be able to recover at least the carrying value of the assets.

Further, GMIAL had executed work construction contracts with GADL International Limited ('GADLIL'), a subsidiary of the Company and other service providers for Rehabilitation, Expansion and Modernization of MIA. Pursuant to the aforesaid takeover of the airport by MACL, GMIAL has terminated the contracts with GADLIL and these service providers and have received claims from GADLIL and other service providers towards termination payments. However, no such claims relating to the termination of contracts have been recognised in the accompanying consolidated financial statements for the year ended March 31, 2016.

The takeover of MIA by MACL, initiation of arbitration proceedings and its consequential impact on the operations indicate the existence of a material uncertainty that may cast a significant doubt about the going concern of GMIAL and GADLIL. However, the financial statements of GMIAL and GADLIL as at and for the year ended March 31, 2016 continue to be prepared and consolidated on a going concern basis.

Having regard to the uncertainty in view of the dispute and the final outcome of the matter, we are unable to comment on its impact on the carrying value of the assets in GMIAL and GADLIL and any other consequential impact that may arise in this regard on the consolidated financial statements for the year ended March 31, 2016. In respect of the above matter, our audit report for the year ended March 31, 2015 was similarly qualified.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effect of the matters described in sub-paragraphs 1 and 2 and the possible effect of the matters described in sub-paragraphs 3 and 4 in the Basis for Qualified Opinion paragraph, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2016, its consolidated loss and its consolidated cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to the following matters in the notes to the accompanying consolidated financial statements for the year ended March 31, 2016:

- Note 42(vi) which indicates that the entire matter relating to claims / counter claims arising out of the Power Purchase Agreement ('PPA') and Land Lease Agreement, filed by GMR Power Corporation Limited ('GPCL'), a subsidiary of the Company and Tamil Nadu Generation and

Distribution Corporation Limited ('TAGENDCO'), is sub-judice before the Hon'ble Supreme Court of India and has not attained finality. However, pending the resolution of matter, no adjustments have been made in the accompanying consolidated financial statements for the year ended March 31, 2016. Considering that substantial amount, though under protest, has been received, GPCL, based on an expert opinion, offered the amount of claims received upto March 31, 2014 as income in its income tax returns and has claimed the deduction under Section 80IA of the Income Tax Act, 1961.

2. Note 41(i) regarding the carrying value of net assets of ₹ 184.62 crore (after providing for losses till date of ₹ 209.55 crore) as regards investments in GMR Ambala Chandigarh Expressways Private Limited ('GACEPL'), a subsidiary of the Company. Though GACEPL has been incurring losses since the commencement of commercial operations and the matter is currently under arbitration, based on management's internal assessment and legal opinion obtained by the management of GACEPL, the management of the Group is of the view that the carrying value of the net assets (after providing for losses till date) of GACEPL as at March 31, 2016 is appropriate.
3. Note 42(ii)(a) regarding (i) cessation of operations and the losses, including cash losses incurred by GMR Energy Limited ('GEL') and GMR Vemagiri Power Generation Limited ('GVPGL'), subsidiaries of the Company, and the consequent erosion of net worth resulting from the unavailability of adequate supply of natural gas; and (ii) rescheduling of the commercial operation date and the repayment of certain project loans by another subsidiary of the Company, GMR Rajahmundry Energy Limited ('GREL'), pending linkage of natural gas supply. Continued uncertainty exists as to the availability of adequate supply of natural gas which is necessary to conduct operations at varying levels of capacity in the future and the appropriateness of the going concern assumption is dependent on the ability of the aforesaid entities to establish consistent profitable operations as well as raising adequate finance to meet their short term and long term obligations. The accompanying consolidated financial statements for the year ended March 31, 2016 do not include any adjustments that might result from the outcome of this significant uncertainty.
4. Note 42(vii) regarding the expiry of PPA with TAGENDCO and cessation of operations due to non-renewal of PPA. Based on the future business plans and valuation assessment, the management of the Group is of the view that the going concern assumption and carrying value of the net assets in GPCL is appropriate and does not require any adjustment that might result due to this uncertainty.
5. Note 41(ii) regarding the claims filed by GMR Hyderabad Vijayawada Expressways Private Limited ('GHVEPL'), a subsidiary of the Company. GHVEPL has been incurring losses since the commencement of commercial operations. Based on a valuation assessment, a legal opinion and for reasons explained in the aforesaid note, the management of GHVEPL is of the view that the carrying value of the net assets (after providing for losses till date) of ₹ 360.53 crore in GHVEPL as at March 31, 2016 is appropriate.
6. Note 42(xi) regarding 300 MW hydro based power plant on Alaknanda river, Uttarakhand being constructed by GMR Badrinath Hydro Power Generation Private Limited ('GBHPL'), a subsidiary of the Company. The Hon'ble Supreme Court of India ('the Supreme Court'), while hearing a civil appeal in the matters of a hydro power company, directed vide its order dated May 7, 2014 that no further construction work shall be undertaken by any of the 24 projects until further orders. The management of the Group is confident of obtaining the requisite clearances and based on a business plan and valuation assessment is of the view that the carrying value of the net assets of ₹ 258.62 crore of GBHPL as at March 31, 2016 is appropriate.
7. Note 42(viii)(a) regarding uncertainties in tying up power supplies, achieving profitability in operations, mega power status, refinancing of existing loans at lower rates of interest and other key assumptions made in the valuation assessment of GACEPL. The carrying amount of the net assets is critically dependent upon the achievement of the key assumptions as discussed in the aforesaid note. In the opinion of the management of the Group, no adjustments are considered necessary at this stage in the accompanying consolidated financial statements for the year ended March 31, 2016 for the reasons explained in the said note.
8. Note 40 (iv) regarding costs related to residential quarters for Central Industrial Security Force ('CISF') deployed at the Rajiv Gandhi International Airport, Hyderabad, operated by GMR Hyderabad International Airport Limited ('GHIAL'), a subsidiary of the Company and other costs which continue to be adjusted against PSF (SC) fund pending the final decision from the Hon'ble High Court at Hyderabad for the State of Telangana and State of Andhra Pradesh and consequential instructions from the Ministry of Civil Aviation.
9. Notes 42(i)(a) and 42(i)(b) regarding the uncertainties pertaining to coal prices and the other key assumptions made by the management in the valuation assessment of entities which are engaged in the operation and development of coal mines. In the opinion of the management of the Group, no further adjustments are considered necessary at this stage in the accompanying consolidated financial statements for the year ended March 31, 2016 for the reasons explained in the said notes.
10. Note 37(iv) regarding recovery of transmission charges from Maharashtra State Electricity Distribution Company Limited ('MSEDCL'). GMR Warora Energy Limited ('GWEL') (formerly known as 'EMCO Energy Limited'), a subsidiary of the Company, pursuant to Appellate Tribunal for Electricity ('APTEL') Order ('the Order') dated May 8, 2015, has raised invoices towards reimbursement of transmission charges from the initial date of scheduling the power. Pursuant to the Order and legal opinion stating that GWEL has a good tenable case with respect to the appeal filed by MSEDCL against the

said Order before the Hon'ble Supreme Court of India, GWEL has accounted for the reimbursement of transmission charges of ₹ 79.04 crore for the period from April 1, 2015 to March 31, 2016 as reduction from transmission expenses and ₹ 51.42 crore as an 'exceptional item' as the said recovery pertains to the period prior to April 1, 2015.

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

Report on Other Legal and Regulatory Requirements

1. As required by section 143(3) of the Act, we report, to the extent applicable, that:

- (a) We /the other auditors whose reports we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;
- (b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
- (c) The consolidated Balance Sheet, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
- (d) Except for the effect of the matters described in sub-paragraphs 1 and 2 and the possible effect of the matters described in sub-paragraphs 3 and 4 in the Basis for Qualified Opinion paragraph, in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) The matters described in the Basis for Qualified Opinion paragraph, the matters in sub-paragraphs 2 to 10 in the Emphasis of Matter paragraph and Qualified Opinion paragraph of 'Annexure I' in our opinion, may have an adverse effect on the functioning of the Group;
- (f) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2016 taken on record by the Board of Directors of the Holding Company and the reports of the other statutory auditors who are appointed as per Section 139 of the Act, of its subsidiaries, jointly controlled entities and associates incorporated in India, none of the directors of the companies incorporated in India is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

(g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the 'Basis for Qualified Opinion' paragraph above.

(h) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Holding Company and its subsidiaries, jointly controlled entities and associates incorporated in India, refer to our separate report dated May 30, 2016 in "Annexure 1" to this report;

(i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group - Refer note 30(d), 33, 36, 40(i), 40(ii), 40(iv), 40(v), 41(i), 41(ii), 41(iii), 42(vi), 42(xi) and 42(xii) to the consolidated financial statements;
- ii. Except for the possible effect of the matters described in sub-paragraphs 3 and 4 in the Basis for Qualified Opinion paragraph, the Group did not have any material foreseeable losses on long-term contracts including derivative contracts.
- iii. There have been no delays in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiaries, jointly controlled entities and associates incorporated in India.

Other Matters

1. The financial statements and other financial information of 2 subsidiaries, with total assets of ₹ 13,903.04 crore as at March 31, 2016, total revenue (including other income) of ₹ 5,050.89 crore, total loss of ₹ 162.06 crore and net cash inflow amounting to ₹ 281.20 crore for the year then ended have been audited by us jointly with other auditors.
2. We did not audit the financial statements and other financial information of (i) 107 subsidiaries with total assets of ₹ 42,306.98 crore as at March 31, 2016, total revenue (including other income) of ₹ 5,565.15 crore, total loss of ₹ 1,826.13 crore and net cash outflow amounting to ₹ 311.37 crore for the year then ended; and (ii) 22 jointly controlled entities (including 16 jointly controlled entities consolidated for the period January 01, 2015 to December 31, 2015) with the Group's share of total assets of ₹ 4,822.25 crore as at March 31, 2016, total revenue (including other income) of ₹ 823.93 crore, total profit of ₹ 24.48 crore and net cash inflow amounting to ₹ 22.00 crore for the year then ended. These financial statements and other financial information of these subsidiaries and jointly controlled entities have been audited by other auditors, whose reports have been furnished to

us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, jointly controlled entities and associates, and our report in terms of sub-section (3) of Section 143 of the Act, to the extent applicable, is based solely on the reports of such other auditors.

3. We did not audit the financial statements and other financial information of (i) 4 subsidiaries (including 1 subsidiary consolidated for the period January 1, 2015 to December 31, 2015) with total assets of ₹ 1.84 crore as at March 31, 2016, total revenue (including other income) of ₹ 0.58 crore, total profit of ₹ 0.40 crore and net cash inflow amounting to ₹ 0.93 crore for the year then ended; (ii) 2 jointly controlled entities with the Group's share of total assets of ₹ 0.55 crore as at March 31, 2016, total revenue (including other income) of ₹ 0.41 crore, total loss of ₹ 0.04 crore and net cash outflow amounting to ₹ 0.95 crore for the year then ended; and 3 associates with Group's share of total loss of ₹ 5.52 crore for year then ended. These financial statements and other financial information for these subsidiaries, jointly controlled entities and associates are unaudited and have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these

subsidiaries, jointly controlled entities and associates and our report in terms of sub-section (3) of Section 143 of the Act, to the extent applicable, is based solely on such unaudited financial statements and other financial information as certified by the management. In our opinion and according to the information and explanations given to us by the management, these financial statements and other financial information are not material to the Group.

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

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

per Sunil Bhumralkar
Partner
Membership number: 035141

Place: Bengaluru
Date: May 30, 2016

ANNEXURE I TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF GMR INFRASTRUCTURE LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

To the Members of GMR Infrastructure Limited

In conjunction with our audit of the consolidated financial statements of GMR Infrastructure Limited as of and for the year ended March 31, 2016, we have audited the internal financial controls over financial reporting of GMR Infrastructure Limited (hereinafter referred to as the 'Holding Company' or 'GIL'), its subsidiaries, jointly controlled entities and associates, which are companies incorporated in India, as of that date (together referred to as the 'Covered entities' in this report). Refer Annexure II for the list of Covered entities

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Covered entities are responsible for establishing and maintaining internal financial controls based on the internal financial control over financial reporting criteria established by the Covered entities considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ('the Act').

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of 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 Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Opinion

According to the information and explanations given to us and based on the report issued by other auditors on internal financial controls over financial reporting in case of Covered entities, the following material weaknesses have been identified as at March 31, 2016:

- a) The Company's internal financial control with regard to the compliance with the applicable accounting standards with regard to capitalization of indirect expenditure and borrowing costs as fully explained in notes 42(ii)(b) and 42(viii)(b) to the consolidated financial statements were not operating effectively and has resulted in the Company not providing for adjustments, that are required, to the consolidated financial statements.
- b) The Company's internal financial control with regard to the assessment of carrying value of net assets of certain subsidiaries as fully explained in notes 30(d), 43(i) and 41(iii) to the consolidated financial statements were not operating effectively and could potentially result in the Company not providing for adjustments that may be required to the carrying value of such net assets.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the holding company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

In our opinion, the Covered entities, in all material respects, maintained adequate internal financial controls over financial reporting as at March 31, 2016, based on the internal control over financial reporting criteria established by the Covered entities considering the essential components of internal control stated in the Guidance Note, and except for the effect of the material weakness described in paragraph (a) and the possible effect of the material weakness described in paragraph (b) above on the achievement of the objectives of the control criteria, the Covered entities' internal financial controls over financial reporting were operating effectively as at March 31, 2016.

Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so

far as it relates to the Covered entities as listed in Annexure II is based on the corresponding reports of the auditors of such companies.

We also have audited, in accordance with the Standards on Auditing issued by the ICAI, as specified under section 143(10) of the Act, the consolidated financial statements of the Holding Company, which comprise the Consolidated Balance Sheet as at March 31, 2016, the Consolidated Statement of Profit and Loss, Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information, and our report dated May 30, 2016 expressed a qualified opinion thereon on the consolidated financial statements.

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

per Sunil Bhumralkar
Partner
Membership number: 035141

Place: Bengaluru
Date: May 30, 2016

ANNEXURE II

Sl. No.	Name of the entity	Nature of relationship
1	GMR Infrastructure Limited	Holding Company
2	GMR Energy Limited	Subsidiary
3	GMR Power Corporation Limited	Subsidiary
4	GMR Vemagiri Power Generation Limited	Subsidiary
5	GMR (Badrinath) Hydro Power Generation Private Limited	Subsidiary
6	GMR Mining & Energy Private Limited	Subsidiary
7	GMR Kamalanga Energy Limited	Subsidiary
8	GMR Energy Trading Limited	Subsidiary
9	GMR Consulting Services Private Limited	Subsidiary
10	GMR Coastal Energy Private Limited	Subsidiary
11	GMR Bajoli Holi Hydropower Private Limited	Subsidiary
12	GMR Londa Hydropower Private Limited	Subsidiary
13	GMR Kakinada Energy Private Limited	Subsidiary
14	GMR Chhattisgarh Energy Limited	Subsidiary
15	GMR Rajahmundry Energy Limited	Subsidiary
16	SJK Powergen Limited	Subsidiary
17	GMR Warora Energy Limited	Subsidiary
18	GMR Maharashtra Energy Limited	Subsidiary
19	GMR Bundelkhand Energy Private Limited	Subsidiary
20	GMR Rajam Solar Power Private Limited	Subsidiary
21	GMR Hosur Energy Limited	Subsidiary
22	GMR Gujarat Solar Power Private Limited	Subsidiary
23	GMR Indo-Nepal Energy Links Limited	Subsidiary
24	GMR Indo-Nepal Power Corridors Limited	Subsidiary
25	GMR Renewable Energy Limited	Subsidiary
26	Aravali Transmission Service Company Limited	Subsidiary
27	Maru Transmission Service Company Limited	Subsidiary
28	GMR Power Infra Limited	Subsidiary
29	GMR Highways Limited	Subsidiary
30	GMR Tambaram Tindivanam Expressways Limited	Subsidiary
31	GMR Tuni Anakapalli Expressways Limited	Subsidiary
32	GMR Ambala Chandigarh Expressways Private Limited	Subsidiary
33	GMR Pochanpalli Expressways Limited	Subsidiary
34	GMR Hyderabad Vijayawada Expressways Private Limited	Subsidiary
35	GMR Chennai Outer Ring Road Private Limited	Subsidiary
36	Raxa Security Services Limited	Subsidiary
37	GMR Kishangarh Udaipur Ahmedabad Expressways Limited	Subsidiary
38	GMR Highways Projects Private Limited	Subsidiary
39	GMR Hyderabad International Airport Limited	Subsidiary
40	Gateways for India Airports Private Limited	Subsidiary
41	Hyderabad Menzies Air Cargo Private Limited	Subsidiary
42	Hyderabad Airport Security Services Limited	Subsidiary
43	GMR Hyderabad Airport Resource Management Limited	Subsidiary
44	GMR Hyderabad Aerotropolis Limited	Subsidiary
45	GMR Hyderabad Aviation SEZ Limited	Subsidiary
46	GMR Hyderabad Multiproduct SEZ Limited	Subsidiary
47	GMR Aerospace Engineering Limited	Subsidiary
48	GMR Aero Technic Limited	Subsidiary
49	Hyderabad Duty Free Retail Limited	Subsidiary
50	GMR Airport Developers Limited	Subsidiary
51	GMR Airport Handling Services Company Limited	Subsidiary
52	GMR Hotels and Resorts Limited	Subsidiary
53	GMR Hyderabad Airport Power Distribution Limited	Subsidiary
54	Delhi International Airport Private Limited	Subsidiary
55	Delhi Aerotropolis Private Limited	Subsidiary
56	Delhi Duty Free Services Private Limited	Subsidiary
57	Delhi Airport Parking Services Private Limited	Subsidiary
58	GMR Airports Limited	Subsidiary

Sl. No.	Name of the entity	Nature of relationship
59	GMR Aviation Private Limited	Subsidiary
60	GMR Krishnagiri SEZ Limited	Subsidiary
61	Advika Properties Private Limited	Subsidiary
62	Aklima Properties Private Limited	Subsidiary
63	Amartya Properties Private Limited	Subsidiary
64	Baruni Properties Private Limited	Subsidiary
65	Bougainvillea Properties Private Limited	Subsidiary
66	Camelia Properties Private Limited	Subsidiary
67	Deepesh Properties Private Limited	Subsidiary
68	Eila Properties Private Limited	Subsidiary
69	Gerbera Properties Private Limited	Subsidiary
70	Lakshmi Priya Properties Private Limited	Subsidiary
71	Honeysuckle Properties Private Limited	Subsidiary
72	Idika Properties Private Limited	Subsidiary
73	Krishnapriya Properties Private Limited	Subsidiary
74	Larkspur Properties Private Limited	Subsidiary
75	Nadira Properties Private Limited	Subsidiary
76	Padmapriya Properties Private Limited	Subsidiary
77	Prakalpa Properties Private Limited	Subsidiary
78	Purnachandra Properties Private Limited	Subsidiary
79	Shreyadita Properties Private Limited	Subsidiary
80	Pranesh Properties Private Limited	Subsidiary
81	Sreepa Properties Private Limited	Subsidiary
82	Radhapriya Properties Private Limited	Subsidiary
83	Asteria Real Estates Private Limited	Subsidiary
84	GMR Hosur Industrial City Private Limited	Subsidiary
85	Namitha Real Estates Private Limited	Subsidiary
86	Honey Flower Estates Private Limited	Subsidiary
87	GMR Hosur EMC Private Limited	Subsidiary
88	GMR SEZ and Port Holdings Private Limited	Subsidiary
89	East Godavari Power Distribution Company Private Limited	Subsidiary
90	Suzone Properties Private Limited	Subsidiary
91	GMR Utilities Private Limited	Subsidiary
92	Lilliam Properties Private Limited	Subsidiary
93	GMR Corporate Affairs Private Limited	Subsidiary
94	Dhruvi Securities Private Limited	Subsidiary
95	Kakinada SEZ Private Limited	Subsidiary
96	GMR Business Process and Services Private Limited	Subsidiary
97	Asia Pacific Flight Training Academy Limited	Jointly controlled entity
98	Laqshya Hyderabad Airport Media Private Limited	Jointly controlled entity
99	Delhi Aviation Services Private Limited	Jointly controlled entity
100	Travel Food Services (Delhi Terminal 3) Private Limited	Jointly controlled entity
101	Delhi Aviation Fuel Facility Private Limited	Jointly controlled entity
102	Celebi Delhi Cargo Terminal Management India Private Limited	Jointly controlled entity
103	Wipro Airport IT Services Limited	Jointly controlled entity
104	TIM Delhi Airport Advertising Private Limited	Jointly controlled entity
105	GMR OSE Hungund Hospet Highways Private Limited	Associate