Management Discussion & Analysis

Forward-looking Statements

This document contains certain forward-looking statements based on the currently held beliefs and assumptions of the management of GMR Infrastructure Limited, which are expressed in good faith, and in its opinion and judgment, are fairly reasonable. For this purpose, forward-looking statements mean statements, remarks or forecasts that address activities, events, conditions or developments that the Company expects or anticipates which may occur in the future. Because of the inherent risks and uncertainties in the social and economic scenarios the actual events, results or performances can differ materially and substantially from those indicated by these statements. GMR Infrastructure Limited disclaims any obligation to update these forward-looking statements to reflect future events or developments.

Infrastructure Growth

Financial Year (FY) 2016-17 has been very encouraging for the infrastructure sector especially at the domestic front. Several initiatives that the government rolled out – UDAN (airports), UDAY (power), etc. could have a lasting impact on the overall long term health of the sector.

Indian economy was the highest growing major economy with a growth rate of 7.1% in FY17 as against 7.6% in FY16. Over the year, the inflation figures had been in the comfortable range of the RBI and this led RBI to reduce Repo rate by 50 basis points to 6.00% and SLR by 125 basis points to 20.00% to give impetus to the economy (Source: RBI). The country received FDI to the tune of USD-60 bn, up from USD-57 bn a year ago, and our foreign exchange reserves were at the highest ever level of about 370 billion USD. Further, to strengthen the banking system, the Government has budgeted ₹ 10,000 Crore for recapitalization of the public sector banks and various initiatives were taken by RBI to strengthen the banking system and improve credit off take. The implementation of the Insolvency and Bankruptcy Code is expected to address major concerns of global investors and lenders and help in a time bound resolution of corporate stress.

The infrastructure sector continued to be the focus area of the current government with various initiatives and measures having been taken. The total allocation in the Budget for the infrastructure sector as a whole is ₹ 3,96,135 Crore. Planned expenditure for Railways is ₹ 1,31,000 Crore up from ₹ 1,21,000 Crore in the previous budget. Outlay for road sector is ₹ 64,900 Crore against ₹ 58,000 Crore in the previous year. For transportation sector as a whole, including rail, roads, shipping, ₹ 2,41,387 Crore have been budgeted. As for the Airports sector, good growth was recorded in passenger and cargo traffic which is a big positive for the sector. In the Energy sector, thermal power plants have faced challenges with average PLF around 65% due to lower demand and higher capacity. On the other hand, the capacity addition in renewables has been unprecedented. The solar tariff went below ₹ 2.50/unit whereas wind tariff also went to all time low of ₹ 3.46/unit. Govt. is targeting 100 GW solar capacity by 2022 from the current capacity of 12 GW. In wind, the target is 60 GW by 2022 from the current capacity of 32 GW. Government of India's (GoI's) plan to provide universal access to energy by 2019 and the gradual traction in UDAY scheme for the turnaround of DISCOMs should be positive for the energy sector.

While the domestic economy did see some short term impact of demonetization, the global environment was a little more volatile due to events like in European Union and USA. Given the momentum that was generated due to increased domestic economic activity related to infrastructure, especially in Roads, Railways, etc., the global factors had very limited impact on overall progress.

We are positive about the outlook for the FY 2017-18 on the basis of uptick in pent up consumer demand post demonetization, healthy monsoon projections, implementation of GST and increased public expenditure. Further, continued benign interest rate environment and continued efforts to make banking sector stronger should help the economy grow at a faster rate in FY18. For the infrastructure sector, the increase in Government's planned expenditure and the initiatives, as mentioned previously, should be able to instill confidence of the private sector and revive the investment cycle.

While we continue to remain upbeat on momentum generated by domestic economy, we do recognize there could be some risks from global factors due to geo-political issues in various parts of the world, rising trend on protectionism, reduction in liquidity due to action of key central banks, etc., that may only intermittently slow down the global pace of growth.

Our focus continues to be on contribution to Nation building through creation of quality assets, while we continue to be focused on our stated strategy of Asset Light - Asset Right (ALAR) that we adopted some time ago. We have continued our focus on debt reduction and have again taken some bold steps this year to divest / restructure our assets in order to reduce the leverage on our balance sheets. Given the progress made this year, our debt has gone down significantly. Going forward, we will continue with our above stated principle, sweat existing operating assets and strategically look for business opportunities which are in sync with this strategy.

Airport Sector Outlook and Future Plan

Airport Sector

Indian aviation sector has witnessed remarkable growth in the last decade and it is expected to be the fastest growing aviation market in the world for the next twenty years. Indian airport system is poised to handle 336 million domestic and 85 million international passengers by 2020 making India the third largest aviation market. The aviation sector recorded an impressive growth in passenger and cargo traffic in 2016-17, and we expect the upward trajectory to continue to be buoyed by the strong macroeconomic environment.

We expect the growth in domestic traffic to be led by the Low Cost Carriers. The growth in traffic will continue to be aided by the prices of crude oil which is expected to hover around the USD 50/barrel price. In addition, the Civil Aviation Policy has introduced the 0/20 rule and the Civil Aviation Ministry has flagged off the UDAN scheme aimed at boosting regional air connectivity. Further, international flying rights and existing bilaterals are undergoing an overhaul, which should provide a boost to overseas traffic. We also expect steady growth on the freight front on account of spurt of growth in e-commerce and the boost to manufacturing and exports provided by the 'Make in India' initiative.

Economic Regulation & Airport Tariffs

On the economic regulation front, the Ministry of Civil Aviation and Airport Economic Regulatory Authority of India (AERA) has decided to adopt the hybrid till methodology for all airports. While the hybrid till comes as a great relief for existing airports, the government is actively working towards adopting pre-determined tariffs for future airport development projects, which should provide greater certainty with regards to the return potential of an airport. AERA has also decided to adopt normative benchmarks for capital expenditure that will be permitted at an airport. While it will help keep tariffs down, it is expected to adversely impact the level of service that airports offer to passengers.

Tariff at Delhi Airport: Delhi International Airport Limited (DIAL) had filed appeals with AERA Appellate Tribunal (AERAAT) challenging some of the principles adopted by AERA while determining tariff during the first regulatory cycle. Despite the appeals having been filed in 2012, AERAAT had not decided on the appeals and in the meantime AERA had issued the tariff order for the second control period. DIAL had filed an appeal with the Delhi High Court and it had stayed the implementation of second control period tariff order of AERA and allowed DIAL to continue with the first control period tariff until its appeal is disposed of by AERAAT. In the meantime, Air India had filed an SLP in the Supreme Court challenging the continuation of the first control period tariff. Recently, AERAAT was merged with Telecom Disputes Settlement and Appellate Tribunal (TDSAT) as per Govt. directives.

On July 3, 2017, the Hon'ble Supreme Court has vacated the order passed by the Delhi High Court and has directed implementation of the second tariff order dated December 8, 2015. The Hon'ble Supreme Court has also directed the Appellate Tribunal to make an endeavor to decide the tariff appeals filed by the Company expeditiously preferably within two months from the date of the order of the Hon'ble Supreme Court. DIAL has pursued with TDSAT for an early hearing and TDSAT has agreed for daily hearing of the matter. DIAL would engage constructively with the regulator to endeavour a balanced implementation and will work expeditiously with the Tribunal to reach a fair and positive outcome.

Tariff at Hyderabad Airport: Post the order of Hyderabad High Court in 2015, User Development Fee (UDF) was restored at Hyderabad Airport. The tariff revision for Hyderabad airport for the control period 2016-20 is due. AERA is expected to come out with the consultation paper in the second half of 2017 with the new tariff likely to be implemented by end 2017/early 2018 as per the hybrid till policy.

Tariff at Cebu Airport, Philippines: The concession structure at Cebu provides for a fixed pre-determined tariff at the time of bidding.

Tariff at Mopa Airport, Goa: The new airport is likely to be commissioned by 2020. GMR will be submitting its tariff determination application to AERA in early 2020.

Growth Outlook – New Opportunities

GMR Group ("the Group") has won right to develop the greenfield airport at Mopa, Goa through a competitive bid process in August 2016. In addition, GMR Airports Limited, subsidiary of the Company, along with local partner GEK TERNA, has been selected as Preferred Bidder to develop the new greenfield airport at Kastelli, Crete.

Airport business, going forward, can be a significant growth engine for the Group. In line with our growth strategy, the Group is actively pursuing suitable airport opportunities in India as well as globally. Domestically, the Group is exploring upcoming opportunities for the development of Nagpur Airport and O&M opportunity of Jaipur and Ahmedabad Airports. On the global front, it has pre-qualified for development and operation of Nikola Tesla airport in Belgrade, Serbia, Norman Manley airport in Jamaica. Apart from the aforementioned opportunities, the Group is selectively exploring new opportunities in South East Asia, Middle East and Eastern Europe.

Indira Gandhi International Airport (IGI) – Delhi Airport operated by DIAL

Focus Areas for FY 2017-18

The overall traffic growth in FY 17-18 would be led by higher rate of growth in domestic segment for Passenger, Cargo and Air Traffic Movements (ATMs). DIAL also expects an uptick in international traffic which had shown muted growth over the past couple of years.

DIAL moved from the "25-40 million" passengers (pax) category to the "40 million +" pax category in 2016. This puts us in direct competition with the largest and best airports globally. Maintaining and improving the Service quality standards will be a key goal for DIAL.

DIAL has been working with all stakeholders, specifically airlines to establish IGI as an international hub airport for passengers and cargo. In line with this goal, the airline marketing team will continue to work with international carriers to boost long haul flights as well as dedicated freighters coming into Delhi.

Rajiv Gandhi International Airport (RGIA) – Hyderabad Airport operated by GHIAL

Focus Areas for FY 2017-18

During FY 2016-17, GHIAL has witnessed significant traffic growth as it continues to serve as the gateway to the twin states of Telangana and Andhra Pradesh. In the coming year, we expect GHIAL to continue witnessing a steady traffic growth on the domestic front with all major Indian carriers having started operations to Hyderabad.

In line with the traffic growth, GHIAL will work towards expanding the terminal capacity and adopting the new technology solutions to meet future traffic demands and further improve the operational efficiency. In this regard, GHIAL has already completed the outline of its development plan and is likely to get AERA's nod before end of 2017 on the extent of capital expenditure that GHIAL will be incurring.

GHIAL has consistently figured in the top 3 airports for Service Quality in the 5-15 million passenger category and will continue to put sustained efforts towards maintaining and enhancing its level of Service Quality and Customer Delight.

GMR Megawide Cebu Airport Corporation (GMCAC)

As per the concession agreement, GMCAC needs to commission the newly constructed Terminal 2 by June 2018. The project work is presently underway and the company expects to achieve the timeline despite the delay in handover of land by grantors.

Till the new terminal is commissioned, GMCAC's primary focus has been to revamp the existing terminal and boost capacity through minor capital expenses and operational improvements viz., centralizing security, adoption of Common Use Self Service (CUSS) machines for quicker check-in, replacing the old check in system with a state-of-the-art system from Aeronautical Radio, Incorporated (ARINC), etc. In addition, we are continuously working with international carriers to boost tourist traffic at Cebu. In this regard, GMCAC is working with local tourism authorities and travel agents to boost tourist growth from China, Australia and Japan. As a result of its efforts, Cebu has been witnessing international traffic growth in the excess of 15%. We hope to witness the same trend in Cebu through 2017-18.

Energy Sector Outlook and Future Plan

Indian Economy - Power Sector Scenario

The Indian economy in FY 2016-17 has emerged as one of the largest economies with a promising economic outlook. The industrial growth picture as per the Index of Industrial Production (IIP) suggests that industrial production had gained once again in FY 2016-17. The overall growth during FY 2017 has been 4.8%, mainly with positive contribution of Electricity (5.9%), Coal (3.2%), Refinery (4.9%) and Steel (10.7%), while natural gas, fertilizers, crude oil and cement accounted for moderation in growth. The improved performance in electricity is due to high growth in thermal generation; in coal mining due to higher production by Coal India Limited (CIL). The electricity generation by power utilities has increased by 4.7% in FY 2016-17 to 1,159.83 billion units (BU) from 1,107.82 BU in FY 2015-16.

As on March 31, 2017, total installed capacity in India stands at 327 GW. Conventional energy (from thermal) sources accounted for 218 GW or 66.7% of the total capacity while renewable energy sources accounted for 57 GW and the rest comprises capacity from nuclear and hydro (>25 MW) based power plants. The new capacity addition during the year moderated to 14,209.8 MW in FY 2016-17 compared to 23,976.6 MW added during FY 2015-16. Most of the capacity addition has taken place in the renewable energy with solar leading the pack.

Though the green shoots are visible in the economy but there are still some concerns for the power sector:

1. Commissioned but stranded power capacity stands at more than 33 GW (due to lack of fuel) which will result in non-performing assets with investments of over ₹ 100,000 Crore;

2. The Financial Restructuring of the State Distribution Companies under UDAY has been initiated with conversion of ~61% of total debt (of ₹ 3.8 Lakh Crore attributable to 27 States & Union Territories) transferred to state governments and /or refinanced in the form of state government guaranteed bonds. Success of UDAY and benefits of such reduction of debt is intertwined with various performance improvement targets set – however such improvements may take some more time to fructify.

The Government, at the highest levels, has been considering various measures for addressing these issues - such as introduction of new long term linkage auction scheme named SHAKTI. The detailed framework for SHAKTI is yet to be announced, however these steps will provide much needed fuel security to ~10 GW of coal based plants having Power Purchase Agreements (PPAs) but no fuel linkage.

The Country also witnessed a great emphasis on renewable energy by the Government, to accelerate the development of renewable capacity, especially solar capacity. Generation from renewable sources increased by a huge 24.45% to 81.8 BU in FY 2016-17 compared to 65.7 BU in FY 2015-16. Further, Installed capacity from renewable energy sources increased by 47% to 57 GW in FY 2016-17 from 39 GW in FY 2015-16 – it is noteworthy that out of the capacity addition of 18 GW in renewable in FY 2016-17, bulk of it was added by private sector.

As on March 31, 2017, India has installed 12.2 GW of utility scale solar PV capacity. The Government of India sanctioned development of 40 GW of solar park infrastructure by the year 2020 with a financial support of ₹ 81 billion (US $ 1.2 billion). Solar projects with a total capacity of 9 GW have already been allocated in 8 solar parks.

This year, the Group has successfully partnered with Malaysia's largest utility player, Tenaga Nasional Berhad (TNB) whereby TNB, through its Associate, has invested $ 300 mn (₹ 2,000 Crore) in GMR Energy Limited (GEL) to take up a 30% equity stake in select portfolio of GEL assets on fully diluted basis thus implying an equity value of USD 1 bn for GEL. TNB has presence across all parts of value chain of power generation, transmission and distribution.

As part of our ALAR strategy, we believe O&M of power plants is an area that could have good potential and hence propose to partner with TNB Remaco, (Malaysia's premier specialist in power plant repair and maintenance with a proven track record of over 30 years, the repair and maintenance arm of TNB to provide O&M services in India also.

Transportation and Urban Infrastructure Sector Outlook and Future Plan

Transportation

Highways

Government has plans to award Highway projects of more than 50,000 km in the next two years. Most of these projects are expected to be awarded in Hybrid Annuity Model (HAM) and Engineering, Procurement and Construction (EPC) modes. Govt. is also planning to bid out around 75 operational projects under "Toll Operate Transfer" (TOT) model to generate funds for its aggressive road construction programmes. Based on our strategy of ALAR, we will look for the right projects across HAM, TOT and EPC modes of bidding.

Highways implemented Interoperable Electronic Toll Collection system (ETC- Fast tag lane) in our Ambala Chandigarh and Hyderabad Vijayawada highway projects which will reduce the waiting time of the vehicles at toll plaza and also reduce consumption of fuel.

Railways

Your Company has entered Railways business in FY14 by winning 2 Rail Vikas Nigam Limited (RVNL) projects. We made a big leap into Railway projects in FY15 when we were awarded 2 packages on the eastern Dedicated

Freight Corridor (DFCC) in the State of Uttar Pradesh worth ₹ 5,080 Crore. Government has announced 4 new Dedicated Freight Corridors during the current budget and has budgeted expenditure of ₹ 131,000 Crore mostly for capacity creation. Your Company will pursue those opportunities which are viable and add value to shareholders.

Apart from freight corridors, we are also pursuing railway station development projects.

Urban Infrastructure

The year has been challenging for the manufacturing and private investments. However, with the general economic conditions improving and campaigns like 'Make in India' and 'Invest India' gaining momentum, it is expected to provide much required impetus on manufacturing in the country.

In Kakinada Special Economic Zone (SEZ) /Special Investment Region (SIR), we started the on-ground development and developed shovel-ready land parcels for industries to set up their operations.

Notable achievements in Kakinada SEZ / SIR during the FY under review were signing of the MOU between the Government of Andhra Pradesh and GAIL/ HPCL for setting up a petrochemical complex with a proposed investment of ₹ 40,000 Crore within the said SEZ/SIR. MOUs have also been signed with Deepak Nitrate, DCM Shriram, IIFT among others. Kamineni Group is setting up their manufacturing facilities and have paid advance lease premium. We are also in the process of developing Port for the SEZ.

In Krishnagiri SIR, we stepped up our marketing efforts in reaching out to various leading companies across the geographies to set up their manufacturing facilities in Krishnagiri SIR in line with GoI's thrust on boosting manufacturing ecosystem in the country.

We are now taking up development of phase 1A of the project spread over 275 acres. Notwithstanding political volatility in the state, necessary applications to Statutory Authorities were made and we are continuing our efforts to obtain clearances.

In FY18, we will continue our efforts to create a right ecosystem for world's leading companies to establish their facilities in Kakinada SEZ and Krishnagiri SIR and contribute to socio-economic development of the respective regions.

Environmental Protection and Sustainability

As the Company operates in an increasingly resource-constrained world, being environmentally conscious and efficient are key to our operations. The Company has a Corporate Environment, Health, Safety and Quality (EHSQ) Policy to articulate, guide, and adopt an integrated approach towards implementing EHSQ objectives and the Company remains committed towards the said policy. These established systems certified by reputed certifying agencies have helped to monitor and manage our operations systematically, safely and in environmental friendly manner. The Company continues to abide by regulations concerning the environment by allocating substantial investments and resources on a continuous basis to adopt and implement pollution control measures. Our continuous endeavor to go beyond compliance and conserve natural resources helps to march towards attaining excellence in environmental management and efficient and sustainable operations as well. The details of EHS initiatives are provided in the Business Responsibility Report forming part of Annual Report.

Discussion and Analysis of Financial Condition and Operational Performance

Your Company has successfully adopted Indian Accounting Standards (Ind AS) for the first time during the financial year 2016-17 and the financial statements for all the group companies, including subsidiaries, joint ventures and associates were prepared under Ind AS. Consequently, the consolidated financial results for the year ended March 31, 2016 were also restated in accordance with Ind AS.

Consolidation principles under Ind AS are different from the earlier IGAAP, especially with respect to assessment of control of the subsidiaries and consolidation of joint ventures. Ind AS goes by substance and any entity which is under joint control of two or more shareholders is treated as jointly controlled entity and accounted as a joint venture ("JV"), irrespective of the shareholding pattern. Consequently, many of our subsidiaries have been assessed as jointly controlled entities on account of participative rights held by other partners / investors. Further, under Ind AS, JVs are accounted under equity method as against the proportionate line by line consolidation under previous IGAAP. Accordingly, only the net profit / (loss) of the JVs and associates are reported as a single line item in the statement of profit and loss.

The GAAP differences on account of differential treatment of Subsidiaries and JVs have significant impact on the financial results, which need to be taken into account while analyzing the results by stakeholders. Note no. 56 of the consolidated financial statements present reconciliation of the net profit / (loss) of the previous year ended March 31, 2016 reported as per the previous GAAP (IGAAP) and restated Ind AS financials. Further, the presentation of Statement of Profit and Loss as per Schedule III of the Companies Act, 2013 requires separation of continuing and discontinued operations and this also significantly impacted the presentation of results.

During the year, the Group was successful in getting a new investor Tenaga Nasional Berhad ("Tenaga") in the energy sector. Under Ind AS principles and on account of certain rights given to them, major energy sector entities including GEL, GMR Vemagiri Power Generation Limited (VPGL) and GMR Warora Energy Limited (GWEL) were assessed as jointly controlled entities and were consolidated only for part of the FY 2016-17. Further, consequent to implementation of Strategic Debt Restructuring (SDR) and conversion of part borrowings into equity, GMR Rajahmundry Energy Limited (GREL) and GMR Chhattisgarh Energy Limited (GCHEL) were also not consolidated.

The consolidated financial position as at March 31, 2017 and performance of the Company and its subsidiaries, joint ventures and associates during the FY ended on that date are discussed hereunder:

1. ASSETS- NON CURRENT ASSETS

1.1. Property Plant and Equipment (PPE)

PPE has decreased from ₹ 27,055.48 Crore as at March 31, 2016 to ₹ 10,139.61 Crore as at March 31, 2017 primarily on account of deconsolidation of GEL and its subsidiaries and GCHEL.

1.2. Capital work-in-progress

Capital work-in-progress has decreased from ₹ 1,493.93 Crore as at March 31, 2016 to ₹ 239.20 Crore as at March 31, 2017 primarily on account of deconsolidation of GEL and its subsidiaries and GCHEL during 2016-17.

1.3. Investment Property

Investment property has increased from ₹ 2,259.66 Crore as at March 31, 2016 to ₹ 2,520.68 Crore as at March 31, 2017 primarily on account of additional capital expenditure incurred during the year by Kakinada SEZ Limited (KSEZ) and GMR Krishnagiri SEZ Limited (GKSEZ).

1.4. Goodwill

Goodwill on consolidation has decreased from ₹ 1,178.19 Crore as at March 31, 2016 to ₹ 747.42 Crore as at March 31, 2017 primarily on account of deconsolidation of GEL and its subsidiaries and reclassification of PT Dwikarya Sejati Utma (PTDSU) under Assets held for sale during 2016-17.

1.5. Other intangible assets

Other intangible assets has decreased from ₹ 4,020.07 Crore as at March 31, 2016 to ₹ 2,670.95 Crore as at March 31, 2017 primarily on account of deconsolidation of the GEL subsidiaries GVPGL and GMR Gujarat Solar Power Limited (GGSPPL) and impairment of assets in GMR Hyderabad Vijayawada Expressways Private Limited (GHVEPL) during 2016-17.

1.6. Intangible assets under development

Intangible assets under development has decreased from ₹ 660.80 Crore as at March 31, 2016 to ₹ Nil as at March 31, 2017. This is mainly due to considering PTDSU as asset held for sale as at March 31, 2017 consequent to the Group signing MOU for sale of its entire stake in PTDSU and also due to deconsolidation of the power segment subsidiary GMR Bajoli Holi Hydropower Private Limited (GBHHPL) during 2016-17.

1.7. Financial assets – Investments

Investments has increased from ₹ 4,763.35 Crore as at March 31, 2016 to ₹ 9,448.29 Crore as at March 31, 2017 primarily due to equity accounting of group investments in GEL and its subsidiaries and GCHEL in March 2017.

1.8. Other financial assets

Other financial assets has decreased from ₹ 2,666.92 Crore as at March 31, 2016 to ₹ 1,818.93 Crore as at March 31, 2017. This is mainly on account of deconsolidation of GEL and its subsidiaries and reduction of restricted deposits in GMR Infrastructure (Cyprus) Limited (GICL) due to recovery of fixed deposits from Eurobank Cyprus.

1.9. Other non-current assets

Other non-current assets has decreased from ₹ 1,353.28 Crore as at March 31, 2016 to ₹ 303.25 Crore as at March 31, 2017 primarily on account of reduction of capital/mobilization advances in GMR Malé International Airport Private Limited (GMIAL), GMR Kishangarh Udaipur Ahmedabad Expressways Limited (GKUAEL) and GBHHPL during 2016-17.

2. ASSETS – CURRENT ASSETS

2.1. Inventories

Inventories has decreased from ₹ 224.37 Crore as at March 31, 2016 to ₹ 129.16 Crore as at March 31, 2017 primarily on account of deconsolidation of GEL subsidiaries and GCHEL during 2016-17.

2.2. Financial assets – Investments

Investments has increased from ₹ 1,781.82 Crore as at March 31, 2016 to ₹ 2,973.94 Crore as at March 31, 2017 primarily on account of increase in mutual fund investments by DIAL in the normal course of business.

2.3. Financials assets – Trade receivables

Trade receivables has increased from ₹ 1,530.60 Crore as at March 31, 2016 to ₹ 1,736.74 Crore as at March 31, 2017. This is primarily on account of increase in Trade receivables in DIAL, GMR Energy Trading Limited (GETL) and GMR Infrastructure (Singapore) Pte Limited (GISPL) in the normal course of business, offset by decrease in trade receivables in GEL and its subsidiaries due to deconsolidation during 2016-17.

2.4. Financial assets – Cash and cash equivalents

Cash and cash equivalents has increased from ₹ 1,192.62 Crore as at March 31, 2016 to ₹ 1,458.76 Crore as at March 31, 2017. This is mainly due to increase in bank deposits in DIAL and GMR Hyderabad International Airport Limited (GHIAL) on account of higher revenue from improved performance, offset by reduction in GEL subsidiaries due to deconsolidation.

2.5. Financial assets – Bank balances other than cash and cash equivalents

Bank balances other than cash and cash equivalents has decreased from ₹ 1,351.64 Crore as at March 31, 2016 to ₹ 312.32 Crore as at March 31, 2017 primarily on account of reduction in margin money deposits of subsidiaries (GIML) in the regular course of business.

2.6. Other financial assets

Other financial assets has increased from ₹ 581.37 Crore as at March 31, 2016 to ₹ 613.94 Crore as at March 31, 2017. This is mainly on account of increase in non-trade receivables in GKUAEL, increase in receivables against Service Concession Agreement in GMR Chennai Outer Ring Road Private Limited (GCORRPL) and increase in unbilled revenue and interest accrued on long term investments in subsidiaries in the normal course of business.

2.7. Other current assets

Other current assets has decreased from ₹ 511.26 Crore as at March 31, 2016 to ₹ 237.63 Crore as at March 31, 2017. This is primarily due to reduction in development fund receivable in DIAL and reduction in advance recoverable, prepaid expenses & deposits with statutory authorities in subsidiaries in the normal course of business.

2.8. Assets classified as held for disposal

Assets classified as held for disposal has decreased from ₹ 5,519.77 Crore as at March 31, 2016 to ₹ 851.09 Crore as at March 31, 2017. GREL, Maru Transmission Service Company Limited (MTSCL) and Aravali Transmission Service Company Limited (ATSCL) were accounted as assets held for sale during 2015-16 consequent to initiation of the process for SDR (GREL) and entering into agreements for divestment (MTSCL & ATSCL) and the said processes were completed in 2016-17.

3. EQUITY

Equity share capital remains the same at ₹ 603.59 Crores. Other equity has increased from ₹ 4,387.26 Crore as at March 31, 2016 to ₹ 5,043.90 Crore as at March 31, 2017 on account of deconsolidation of energy entities, compensated by current year loss of ₹ 574.59 Crore. Non-controlling interests has also increased from ₹ 1,259.48 Crore as at March 31, 2016 to ₹ 1,713.55 Crore as at March 31, 2017 on account of reversal of losses pertaining to deconsolidated energy entities and share of current year profit.

4. NON-CURRENT LIABILITIES

4.1. Borrowings

Non-current borrowings has reduced from ₹ 32,653.94 Crore as at March 31, 2016 to ₹ 18,959.72 Crore as at March 31, 2017. This is primarily due to deconsolidation of GEL and its subsidiaries and GCHEL.

4.2. Deferred tax liabilities (net)

Deferred tax liabilities has increased from ₹ 33.81 Crore as at March 31, 2016 to ₹ 413.81 Crore as at March 31, 2017. This increase is mainly due to creation of deferred tax liability in DIAL and GHIAL on account of reduction in unabsorbed depreciation and carry-forward losses under Income Tax Act during 2016-17.

5. CURRENT LIABILITIES

5.1. Borrowings

Borrowings has reduced from ₹ 1,584.58 Crore as at March 31, 2016 to ₹ 723.82 Crore as at March 31, 2017 mainly on account of deconsolidation of GEL and its subsidiaries.

5.2. Trade Payables

Trade payables has increased from ₹ 1,274.29 Crore as at March 31, 2016 to ₹ 1,443.76 Crore as at March 31, 2017 which is mainly in GETL, GIL EPC business due to enhanced progress of its projects, deferment of revenue share in GHVEPL, offset by decrease of trade payables in GEL and GWEL due to deconsolidation.

5.3. Other financial liabilities

Other financial liabilities has reduced from ₹ 7,168.67 Crore as at March 31, 2016 to ₹ 3,484.48 Crore as at March 31, 2017. The reduction is mainly on account of reduction in current maturities of long term borrowings pertaining to GCHEL and GEL and its subsidiaries, which were deconsolidated during the year 2016-17.

5.4. Liabilities for current tax (net)

Liabilities for current tax (net) has increased from ₹ 42.97 Crore as at March 31, 2016 to ₹ 98.70 Crore as at March 31, 2017 mainly due to DIAL and GHIAL and also in the annuity companies of highways segment.

5.5. Liabilities directly associated with the assets classified as held for disposal

This has reduced from ₹ 5,522.56 Crore as at March 31, 2016 to ₹ 608.61 Crore as at March 31, 2017. This is the liability component of the companies namely, GREL, MTSCL and ATSCL which were classified under asset held for disposal during 2015-16 and the transactions were completed during 2016-17.

Overview of our results of operations

The following table sets forth information with respect to our revenues, expenditure and profits (loss) on a consolidated basis:

₹ in crore

Particulars	For the year ended	
	March 31, 2017	March 31, 2016
Continuing operations		
Income		
Sales / income from operations	9,768.63	8,260.96
Other income	465.44	416.54
Total Income *	**10,234.07**	**8,677.50**
Expenses		
Revenue share paid / payable to concessionaire grantors	2,762.93	2,412.29
Operating and other administrative expenditure	3,785.73	3,090.98
Depreciation and amortization expenses	1,059.92	1,196.66
Finance costs	2,128.52	2,196.49
Total expenses **	**9,737.10**	**8,896.42**

Profit / (loss) before share of (profit) / loss of associate and joint ventures, exceptional items and tax from continuing operations	**496.97**	**(218.92)**
Share of (loss) / profit of associates and joint ventures (net)	(68.40)	16.17
Profit / (loss) before exceptional items and tax from continuing operations	**428.57**	**(202.75)**
Exceptional items - (loss) / gains (net)	(385.70)	(64.15)
Profit / (loss) before tax from continuing operations	**42.87**	**(266.90)**
Tax expenditure	737.03	181.51
(Loss) / profit after tax from continuing operations	(694.16)	(448.41)
EBITDA from continuing Operations (sales/income from operations – Revenue share – Operating and other admin exp)	3,219.47	2,757.69
Discontinued operations		
Profit / (loss) from discontinued operations before tax expenses	**336.55**	**(2,293.95)**
Tax expenditure	6.69	6.92
Profit / (loss) after tax from discontinued operations	**329.86**	**(2,300.87)**
Total (Loss) / profit after tax for the year	**(364.30)**	**(2,749.28)**
Other comprehensive income for the year, net of tax	22.25	32.71
Total comprehensive income for the year, net of tax	(342.05)	(2,716.57)

*excluding turnover of discontinued operations of ₹ 1,397.79 Crore (March 31, 2016 : ₹ 2,556.44 Crore)

**excluding expenes of discontinued operations of ₹ 3,265.11 Crore (March 31, 2016 : ₹ 4,662.62 Crore)

Sales/Operating Income

The segment wise break-up of the Sales/Operating Income are as follows:

Particulars	For the year ended			
	March 31, 2017		March 31, 2016	
	Amount (₹ in Crore)	% of Total Income	Amount (₹ in Crore)	% of Total Income
Revenue from Operations:				
Airports segment	7,080.54	72.48%	6,099.14	73.83%
Power segment	1,485.89	15.21%	1,092.85	13.23%
Road segment	408.49	4.18%	432.03	5.23%
EPC segment	380.86	3.90%	174.69	2.11%
Others segment	412.86	4.23%	462.25	5.60%
Total Revenue from operations	**9,768.63**	**100.00%**	**8,260.96**	**100.00%**

The total sales/operating income has increased by ₹ 1,507.67 Crore representing a growth of about 15%.

There is a healthy distribution of business over various sectors. Post SDR and Tenaga investment, many of the energy entities were assessed as joint ventures and accordingly revenue from the major energy entities like GWEL, GKEL, etc., are not including above. The detailed analysis on the sectoral revenues is as follows:

Operating income from airport segment

Income from our airport segment consists of income from aeronautical sources (principally consisting of landing and parking, passenger service fees and UDF), non-aeronautical sources (consisting principally of income from rentals, trade concessionaires and ground handling) cargo operations and rentals received in connection with commercial development on land that is part of our airport projects.

Operating income from airport segment increased by 16% from ₹ 6,099.14 Crore in fiscal 2016 to ₹ 7,080.54 Crore in fiscal 2017 primarily driven by increase in traffic in all the three operating airports - DIAL and GHIAL.

Operating income from power segment

Income from our power segment mainly consists of energy and coal trading income from GETL, GCRPL and GISPL. Other major operating energy entities, including major entities like GWEL, GKEL and GGSPPL are assessed as Joint ventures and accounted based on equity accounting.

Operating income from road segment

Income from our road operations is derived from annuity payments received from NHAI for our annuity projects and toll charges collected from road users of the toll road projects.

The operating income from road segment has marginally decreased by 5.45% to ₹ 408.49 Crore for fiscal 2017 from ₹ 432.03 Crore for fiscal 2016 primarily on account of adoption of Ind AS whereby construction revenues are adjusted against assets resulting in lower revenues and suspension of toll collection for 23 days post demonetization.

Operating income from EPC sector

Income from our EPC division is derived from the execution of engineering, procurement and construction works in connection with power, road, railways and other projects under implementation.

During the current year, the EPC sector has contributed ₹ 380.86 Crore to the operating income as against ₹ 174.69 Crore in the previous year. Increase is mainly on account of revenues from ongoing DFCC project.

Operating income from Other Sectors

Income from other sector includes management services income, investment income and operating income of our aviation and hotel businesses. During the current year, the other sector has contributed ₹ 412.85 Crore to the Operating Income as against ₹ 462.25 Crore in the previous year.

Expenditure

Revenue share paid/payable to concessionaire grantors

The revenue share paid/payable to various concessionaires has increased from ₹ 2,412.29 Crore in fiscal 2016 to ₹ 2,762.93 Crore in fiscal 2017 primarily on account of increase in operating income at DIAL and GHIAL.

Cost of material consumed

The increase in cost of material consumed is mainly on account of higher material consumption at DFCC project.

Purchase of Traded goods

Increase in trading activity of energy and coal has resulted in higher purchase of traded goods in the current year as compared to previous year.

Employee benefits expenses

The increase in employee benefit costs is mainly on account of annual salary increments.

Other expenses

Other expenses include:

- Consumption of fuel and lubricants, water, salaries and wages of operational employees, technical consultancy fee, cost of variation works, insurance for plant and machinery, airport operator fee, cargo handling charges, lease rentals and repairs and maintenance to plant and machinery, office rental, travel, insurance, electricity, legal and other professional charges, contributions to provident fund, provision for advances, claims and debts, losses on sale of fixed assets and investments, travelling and conveyance, communication, loss on foreign exchange and other miscellaneous expenses.

There is a marginal increase in other expenses.

Exceptional items

In fiscal 2017, an impairment loss of ₹ 385.70 Crore was booked against impairment of assets in GHVEPL.

In fiscal 2016, we had a loss of ₹ 64.15 Crore, comprising impairment of assets in GMR Genco Assets Limited (formerly GMR Hosur Energy Limited (GGAEL)], GMR Londa Hydropower Private Limited (GLHPPL), GMR Kakinada Energy Private Limited (GKEPL) and GMR Coastal Energy Private Limited (GCEPL).

Tax expenses

Tax expenses, comprising of current tax and deferred tax expense, has increased from ₹ 181.51 Crore in fiscal 2016 to ₹ 737.03 Crore in fiscal 2017. Increase in current tax is primarily on account of increase in profits of DIAL and GHIAL. Increase in deferred tax expense is mainly due to reduction in carried forward losses and unabsorbed depreciation in DIAL and GHIAL.

Corporate Social Responsibility

GMR Varalakshmi Foundation (GMRVF) is the corporate social responsibility arm of the GMR Group. The Group has been undertaking CSR activities on a significant scale since 1991. GMRVF supports the companies under the Group in implementing their CSR mandates. GMRVF's purpose is to work in the fields of Education, Health and Empowerment such that its activities directly benefit the communities in the immediate neighbourhood of the Group's projects. Currently, GMRVF is working with selected communities in 28 locations in India. The locations are spread across different states namely Andhra Pradesh, Arunachal Pradesh, Chhattisgarh, Delhi, Himachal Pradesh, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Goa, Odisha, Punjab, Tamil Nadu, Telangana, Uttar Pradesh and Uttarakhand. The detailed information on CSR activities of the Group is provided in Business Responsibility Report forming part of Annual Report.

Awards and Recognitions in the year 2016-17:

As recognition for its corporate social responsibility initiatives, Group received the following awards during the reporting year:

- EPC World Media Award for Outstanding Contribution to CSR 2016
- Golden Peacock Award for Corporate Social Responsibility 2016
- Golden Globe Tigers Award for Excellence and Leadership in CSR 2017

Risk Concerns and Threats

Identification, assessment, profiling, treatment and monitoring the risks

The Company has well-defined processes for risk identification, assessment, profiling, treatment and monitoring and review actions thereof. The Enterprise Risk Management (ERM) process has been rolled out with development of risk registers for Sectors and Key Business Units. These risks have been arrived at through aggregation and consolidation of the risks of their respective business units and functions.

The next stage of ERM deployment is in progress through setting up of Sector teams, conducting training programs for Senior Management and all Managers keeping in mind the philosophy of "Every Manager a Risk Manager", utilising support of outsourced partners on need basis.

The ERM Framework deployment across the Group is independently assessed by internal audit team i.e. Management Assurance Group (MAG). Their inputs and recommendations serve as opportunities for improvements and also help create better alignment and learning across the Group.

Linkages: Strong linkage with Corporate Strategy enables sharper focus on key strategic risks. Detailed risk analysis is carried out during the formulation of the Company's Strategic Plan and Annual Operating Plan. List of top risks are revised as a part of the Strategic plan exercise. ERM team also shares the results of its exercise with the MAG to enable it to draw plans for risk-based audit.

Business Resilience: For organization to quickly adapt to disruptions while maintaining continuous business operations and safeguarding people, assets and overall brand equity, we have detailed Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP) in place for key assets. The plans identify potential vulnerabilities and put in place appropriate processes and risk treatment plans to respond and minimize impact of disruptive events.

Reporting: The ERM Team regularly presents the risk assessment and minimization procedures adopted to assess the reliability of the risk management structure and efficiency of the process to the Management and the Audit Committee of the Board.

Based on the above process, the management has taken cognizance of risks in the recent times and for which appropriate plans and actions are being taken are as follows:

1. **Macroeconomic Risk factors:** The Indian economy is reviving, helped by positive policy actions and lower global oil prices. Macroeconomic factors in India have a significant impact on the operating performance of the Group. Revenue from our airport projects, merchant sale of electricity and our toll road projects are exposed to the changes in the economic environment and market demand. The diversified nature of our portfolio across different sub-sectors within the Infrastructure Sector and our revised strategies would help in mitigating some of these risks.

2. **Regulatory Risk:** Being in the Infrastructure Sector, we are extensively exposed to regulatory risks.

    - The Company's Airports business is exposed to regulatory changes that can affect its revenue model. Tariff regulations by AERA can impact Company's existing airports.
    - Merger of AERA Appellate Tribunal with TDSAT poses risk of delay in resolution/ setback in resolution of tariff-related appeals filed by the Company.
    - Similarly, with changes and modifications in regulations related to tariffs and environmental protection, the Company's energy production business may be impacted.
    - Regulatory changes that affect toll-roads can have direct impact on revenue from operating road assets.
    - Abrupt monetary regulations like demonetization of currency notes can impact the Company's ongoing projects for considerable duration and resulting in delay in completion.

    The Group proactively tracks developments in the regulatory environment and proactively engages with all stakeholders. We participate in sector-specific industry associations and chambers of commerce to work for resolution of issues that may impact our businesses.

    Business teams are focused on identifying, monitoring and updating the management on regulatory developments and their impact.

    Where required, the Company uses litigation as an appropriate measure to protect its interests in regulatory issues.

3. **Project development, acquisition and management:** In an ever-changing world, quality of portfolio, profitability and liquidity continue to be the critical differentiators. In such an environment, proactive adaptability still holds the key to sustained financial performance. Based on the portfolio exercise being carried out every year at the Group level and the prevailing external environment, management has taken a conscious decision to follow an "Asset Light and Asset Right" model whereby we would be looking at divesting options for some of our non performing projects/assets as well as those projects that have created good value for themselves while simultaneously being selective in new bids and acquisition. The focus is, as always, on consolidation of our existing portfolio, sweating of assets and completion of the existing projects within time, cost and quality parameters. The Group has also initiated the outsourcing of some of its non-core activities in Finance, HR, IT and Internal Audit function so as to gain more management bandwidth, improve productivity and efficiency in the Group's operations.

4. **Ability to finance projects at competitive rates:** Infrastructure projects are typically capital-intensive and require high levels of finance in a mix of debt and equity. We are continuously exploring innovative means to finance/refinance our projects with the aim to reduce the overall interest cost. For example, we are exploring and implementing the options of refinancing through bond issue, takeout finance, ECB loans (where we have a natural hedge to reduce the forex exposure) etc., wherever possible at competitive rates.

5. **Credit Risk:** Our exposure to merchant sale of electricity to private sector customers and weak financial health of airlines in the airports sector might expose us to credit risk of default in payments. We have developed models to check and regularly monitor the credit-worthiness of our customers. Also, all our receivables are being closely monitored and reviewed frequently by the top management.

6. **Interest Rate Risk:** Any increase in interest rate may adversely affect our profitability. We are continuously exploring and implementing innovative means of financing/refinancing our existing loan with the aim of reducing our interest costs. Also, with the divestments of some of our assets, we also aim to reduce our debt exposure and thereby the interest cost.

7. **Foreign Currency Exchange Rate Risk:** We are exposed to the vagaries of exchange rate risk, as we have some expenditure in foreign currencies for procurement of project equipment, but a majority of revenues are in Indian Rupee (though Airports and other international assets earn some foreign currency). We have in place a mechanism of having regular review of our foreign exchange exposures including the sensitivity of our financials to the movements in exchange rate. However, we hedge our exposures and keep rolling them as a part of a robust foreign exchange risk management policy which is reviewed regularly.

8. **Cyber Security Risk:** The Group has so far protected itself well from malicious hacking of its internet-based business operations. However, with hacking becoming increasingly sophisticated, the Group's businesses in airport sector remain vulnerable to hacking. It has become a top priority for the Company to enhance the safety and security of its IT-based operations, for which it plans to deploy best-in-class resources.

9. **Technology Risk:** In the rapidly evolving technology across all industries, businesses that had operated successfully over the years and even decades are now faced with the reality of either overhauling

their technology, or become obsolete.

- While coal-based, gas-based and hydro-power still provide the bulk of generated power in the country, solar energy is fast gaining acceptance as the preferred mode of power generation. The Company has energy assets that are impacted in the immediate term by the boom in solar-panel based power generation though these assets would prove to be competitive in long run.

10. **Terrorism Risk:** Risk from terrorism has become more pronounced over the past few years. It is seen that despite all security measures, frequent terror attacks still take place in cities and locations that are regarded as high in safety and security setup. Public areas like airports and rail/road assets are vulnerable to terror attacks. The Group has assets in airport and road sectors and railway projects that are inherently exposed to terrorism. The group identifies the assets such as airports and highways that are sensitive to terror risks and therefore covered the same under terrorism insurance cover for suitable limits.

11. **Competition risk:** With several infrastructure players in the country diversifying into multiple businesses, competition in key sectors of transportation and retail has increased. In addition, smaller players have made foray into industries that were considered the turf of the large business houses. The Group is also affected by the increasing competition in nearly every business stream it is involved in, thus exposing itself to thinner margins.

    - The proposed development of new airports in the national capital region like those in Jewar (UP) and Bhiwadi (Rajasthan) may impact the business of Delhi airport in the long term.

    In the Infrastructure area, competition is more likely to impact at the initial stage itself. The Group has continued to focus on building competitive advantage in our core business areas to ensure that we are competitively well-positioned in our businesses.

    We also have mechanism in place to ensure that we understand our competitive position while making bid-related decisions, and ensure that the criteria for financial returns remain the key consideration in any bidding activity.

12. **Litigation risk:** With changes in business environment, land-reform policies, taxation policies and axing of appellate tribunals, the Company faces severe risks of unresolved disputes or annulment of appeals.

    - The Company has appeals and dispute resolutions pending in tribunals and courts related to tariff, toll, environment protection, labour regulations, etc. that were expected to be resolved favorably. However, with new government initiatives of merging tribunals and dispute resolution bodies, the Company faces risk of annulment of/ or significant delay in resolution of several of cases.

    The Group has a strong in-house legal team and is proactive in ensuring that we take most suitable legal advice from leading law practitioners, as may be required. Where appropriate, and in the context of commercial disputes with private parties, the Company also considers and explores out of court settlements under advice.

13. **Geopolitical risk:** Over the last three years, geopolitical landscape has considerably changed. While the country has witnessed improvement in the geopolitical landscape in the east, countries in the north and west have taken significant steps in altering the geopolitics for India, thus increasing the risks that may impact the Group's businesses, particularly in the airport sector. Rise in protectionism in Western nations and recent developments like One Belt One Road (OBOR) and its implications could have long term consequences for industrial development in India, thus affecting some of the Group's businesses. The Group relies on the government's proactive role in protecting the interests of Indian industries arising out of changing geopolitical landscape.

14. **Socio-economic risks:** Despite efforts from the government, businesses and organizations, socio-economic conditions of a large section of the civil society have not improved over the past years. Several factors like widening inequality gap, dislocation of vulnerable sections of the society, loss of livelihood disruption and an increase in fear of social and communal disharmony have aggravated the risk of disruption to businesses. The Group's businesses in transportation sector stand exposed to risks from changing socio-economic landscape in the country. To mitigate risks to our businesses arising from socio-economic issues, the Group takes proactive steps in engaging with affected people as well as customers.

Internal control systems and their adequacy

The Company's internal financial control framework, established in accordance with the COSO framework, is commensurate with the size and operations of the business and is in line with requirements of the Act. The effectiveness of the internal controls is continuously monitored by the Management Assurance Group (MAG). MAG's main objective is to provide to the Audit Committee, an independent, objective and reasonable assurance of the Company's risk management, control and governance processes. MAG continuously assesses opportunities for improvement in all business processes, systems and controls and provides recommendations which add value to the Company. It also follows up on the implementation of corrective actions and improvements after the review by the Audit Committee and Senior Management.

The Company's internal financial controls framework is based on the 'three lines of defense model'. The Company has laid down policies and standard operating procedures to guide the operations of the business. These controls and processes have been embedded and integrated with SAP (or other ERP systems, as the case may be) and/or other allied IT applications which have been implemented across all Group companies.

Respective Business/Company CEOs are responsible to ensure compliance with the policies and procedures laid down by the management. Robust and continuous internal monitoring mechanisms ensure timely identification of risks and issues.

MAG is responsible for undertaking internal audits across the group and they are assisted by outsourced audit firms. The internal audit scope covers inter alia, all businesses and corporate functions, as per the annual plan reviewed and approved by the Audit Committee at the beginning of every year.

The Management and MAG undertake rigorous testing of the control environment of the Company and this provides reasonable assurance with regard to recording and providing reliable financial information, monitoring of operations, protecting assets from unauthorized use or loss and compliances with statutes.

Every quarter, the Audit Committee of the Board is presented with key control issues and actions taken on the issues highlighted in previous report(s).

Developments in Human Resources and Organization Development at GMR Group

The FY 2016-17 has been remarkable from the perspective of people processes across the Group. There were several initiatives taken to restart, revive, recover; taking on new things like the formation of Group Corporate Services Integration Council, establishment of HR Strategic Advisory Council, initiation of several HR audits and preparing for transition towards Digital HR and Facility Management Services (FMS) on the cloud. A Group-wide Talent Review process was taken up to create a robust succession plan and strong leadership pipeline for impending business expansion.

This was also an important year from the perspective of culture enhancement. GMR Values & Beliefs were reviewed after 15 years and the Value icons were made more contemporary. Inner Excellence was brought in, to ensure the mental and spiritual wellbeing of the employees in an increasingly stressful world. Employee Engagement Survey 'Pulse' was resumed to hear the voice of fellow colleagues and make GMR a more vibrant place to work in.

Some of the initiatives taken up at the Group are detailed below:

- **Annual Staffing Plan**

  A process introduced in FY17 to estimate the optimum level of human capital requirement, both in terms of capacity and capability to accomplish organizational objectives, the process has inbuilt checks and balance.

  Implemented comprehensive **Annual Staffing Plan** (ASP) in FY17 by optimizing the required human capital for the year with savings in cost.

- **GROW Portal**

  An Internal Job Posting portal, which provides equal opportunity to all eligible employees in GMR Group to apply for job vacancies and move into variety of challenging roles if they successfully clear the interview process. Internal job posting process enhances employee retention, engagement levels and reduces settlement time as compared to externally recruited candidates.

  GROW

  Gain Rewarding Opportunities for Work

  The % of Internal job posting increased to 16% in FY17 from 11% in FY16 indicating more number of employees have received opportunities to grow by taking up enhanced roles as well as moving into other roles enriching the knowledge base.

- **AARAMBH**

  An initiative taken in FY17 to induct Management Trainees and Chartered Accountants from well-known institutes in India for creating a sustainable pipeline of future leaders across GMR Business sectors.

  aarambh...

  A batch of 30 Management Trainees from reputed B-Schools and 8 Chartered Accountants inducted under this initiative in FY17 who are being placed in various GMR Businesses i.e., Airports, Energy, Transport & Urban Infrastructure and Corporate Functions.

- **Talent Review**

  Group Talent Review is a process to identify talented employees who have been performing well in present and past roles and assess their developmental needs for grooming and enabling them to take up enhanced roles with higher responsibilities, thus creating a sustained pipeline of future leaders. This process also helps to identify potential successors to key leaders for ensuring business sustainability.

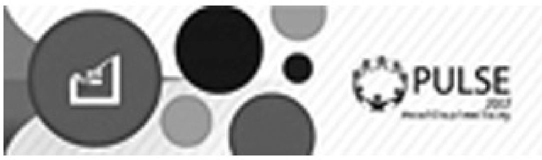
  TalentReview

- **ANUSHiSTA Values 2.0**

  A Version 2 of GMR Values & Beliefs was released incorporating one new value 'Inner Excellence' during FY17.

- **PULSE**

  'PULSE' is an initiative to assess the employees' engagement levels and ethical culture through an IT enabled online survey. The result of survey is analyzed from numerous perspectives to develop deeper insights around employee engagement and take required actions in time bound manner.



  The Employee Engagement score moved upto 4.12 in 2016 as compared to 4.05 in 2012. 8000+ comments were analyzed and a cross functional team including Corporate HR, Business HR Team and employee volunteers charted out the action plans to sustain the strengths and improve upon areas with low scores.

- **Goal Setting & Performance Management Process (Mid-Year and Annual Appraisal)**

  In order to achieve organizational objectives (Group Objectives >> Sector Objectives >> Business Objectives >> Function >> Employee), each employee sets individual goals which are Specific, Measurable, Attainable, Relevant and with Timelines ensuring alignment with respective business priorities in a specific year, which are reviewed by respective managers and registered on online IT Portal "Digital HR". Half yearly and annual appraisal process are carried out to confirm the performance of all employees.

  In FY17, the Goal Setting and Performance Management process witnessed tremendous improvement and employee participation in terms of % and timeliness.

- **DISHA**

  A process transformation & improvement initiative aimed to deliver improved transaction turn-around time, vendor & employee satisfaction, reduction in process wastes, better workplace and enhanced employee engagement in the areas of Procure to Pay, facilities management and employee life cycle from Hire to Retire.

- **Business Excellence & GBEM**

  Business Excellence Framework provides a holistic way of conducting business, in the interest of organization's sustenance, which is concerned with stakeholders – Customers, Shareholders, Govt. Institutions, Employees, Suppliers, Community, aiming to yield 'Robust & Sustained' business results by continually assessing, improving and deploying organizational processes following GBEM (GMR Business Excellence Model, which is based on Malcolm Baldrige National Quality Award (MBNQA), one of the most prestigious Organization Performance Assessment framework in US and adopted worldwide by 9000+ organizations).

  During FY17, all Group Corporate Functions underwent Dipstick BE Assessment by External Assessors identifying opportunities to strengthen the process and enhance deployment.

- **Job Evaluation (New Grades & Bands)**

  A systematic process for ranking jobs logically and fairly to determine the relative worth of job in the organization.

  NEW GRADES

  After conducting extensive search and evaluation, GMR Group finalized Hay Group as a partner for implementation of Job Evaluation project, delivering well defined clearly articulated job descriptions of all roles across organization, re-grading & role centric job titles, with reducing 4 job levels and enhancing greater organizational agility. The Hay Group methodology of Job evaluation is followed by 12000+

organizations in 90+ countries worldwide. Revised grades rolled out across the Group in Phase I in FY17, covering nearly 4000 employees with key focus on change management under this initiative, also related HR policies have been revised with no adverse salary impact to employees.

- **Digital HR - NAVYATA**

  A transformation project initiated in FY17 to digitize people processes spanning across employee life cycle from Hire-to-Retire, providing seamless and secured 24X7 access to Digital HR through multiple modes to all employees whether in or outside of offices, with state-of-the-art features and enhanced user friendliness with inbuilt performance dashboard and insightful analytics for effective and timely decision making.

@Navyata
Digital HR

- **Digital FMS**

  An FMS Transformation initiative wherein 18 processes are under digitalization across Group, accessible from desktop-laptop-tablets-mobiles over app, with rich look & feel, providing updates on email & SMS and is hosted on cloud.

MyFMS
we are listening...

Implementation of Digital FMS initiated with 8 processes was rolled out across GMR Group in FY17, while work is in progress to complete balance 10 processes.

- **HR Strategic Advisory Council (HR SAC)**

  An advisory council comprising eminent external HR experts and Group HR leaders was formed in FY17 to take up various people related agenda points, debate, discuss and adopt Best & Next HR practices and recommend improvement strategies and directions.

- **GCS Integration Council**

  As the businesses of the Group are growing across industry lines and geographies, there is a need for a federal structure that provides increasing independence to various businesses, while also ensuring alignment to the following:

  o Living GMR Vision statement

  o Practicing GMR Values & Beliefs

  o Delivering through the GMR Business Excellence Model (GBEM)

  GCS Integration Council is a platform created in FY17 with an aim to provide a federal oversight leveraging collective strengths of various Group Corporate Services (GCS) functions and to:

  o Create a platform for inter-functional effectiveness

  o Identify and implement cross-functional business process transformation projects, running across all GMR Businesses.

GCS Integration Council