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

Economic activity across the world has been growing at a sustained pace. The global economy grew at 3.8% in 2017 compared with 3.1% in 2016 and is likely to grow at even higher pace at 3.9% (IMF). Domestically, the Indian economy posted strong recovery from the impact of demonetization and grew from 5.5% in 1st Quarter (Q1) Financial Year (FY) 2018 to 7.7% in 4th Quarter (Q4) FY 2018. For the entire fiscal year 2017-18 (FY 2018), the growth was at 6.7% which was less than 7.1% growth registered in the previous financial year. However, over the four quarters, the recovery continued to show momentum which suggests continued positive trend going ahead. The inflation figures were range bound during the period corresponding to FY 2018 and within the comfort zone of the Reserve Bank of India (RBI). Consequently, RBI reduced the repo rate once from 6.25% to 6.00% in 2nd Quarter (Q2) FY 2018 and kept it at that level during the remainder of the FY 2018. However, in the wake of increasing oil prices and consequent risks to inflation, RBI increased the repo rate to 6.25% from 6.00% in its June 2018 meeting. Overall, the macro picture of the economy was largely positive for the FY 2018.

On the policy front, several key initiatives were implemented by the government to boost the economy. Implementation of the Goods and Services Tax (GST) was one of the most prominent reforms which came into implementation in July 2017. Though it faced initial rolling out issues, we believe it will provide a major boost to economic activity in the long run. By the end of the year, though, administrative issues were largely resolved, the transition should get progressively smoother.

In order to provide necessary liquidity in the banking sector for investments, the government announced ₹ 2.1 Lakh Crore recapitalization plan for public sector banks. These steps and others taken by the Government and RBI demonstrate the commitment of the Government to improve the investment climate and overhaul the economy structurally for the sustainable higher growth trajectory in coming years.

Foreign Direct Investment (FDI) in the country was at USD-62 bn during the year, up from USD-60 bn in the previous year. Further, India jumped 30 spots on World Bank's Ease of Doing Business rankings to 100th position which acknowledges improving perception about doing business in India and efforts put in by the government. Apart from several initiatives being taken by the government, Insolvency and Bankruptcy Code (IBC) roll out is another major milestone. It is a bold policy measure and is expected to address major concerns of global investors and lenders in the long term and help in resolution of corporate debt stress in a time bound manner.

Coming to developments specific to the Infrastructure sector, the Government has continued its focus on the infrastructure creation in the country by budgetary allocation and various policy measures. The total allocation in the budget for the sector was at ₹ 4.94 Lakh Crore as against ₹ 3.96 Lakh Crore in FY 2017. Rate of highway construction was highest in FY 2018 at 9,829 km. In the railways, track renewal was done for 4,405 km length. Around 4,000 km long railway tracks were electrified. In the power sector, the Nation achieved another milestone by completing electrification of all the villages in the country. The next target in this mission is to connect another 30 million households which the government is trying to electrify by March 2019 under the SAUBHAGYA scheme. As for the Aviation sector, domestic traffic rose by 18% Year on Year (Y-o-Y) making India the fastest growing aviation market in the world. The UDAN scheme launched in June 2016 was able to connect 25 new airports and airstrips to the existing airports network in the country.

Looking ahead for FY 2019, we remain optimistic about the growth in the Indian economy and the infrastructure sector. The economy is expected to do better than the previous year driven mainly by the acceleration in the investment and construction activity and continued domestic consumption. In the coming year (FY 2019), while RBI and IMF project the economy to grow by 7.4%, World Bank expects it to grow by 7.3%, indicating a better year ahead. For the infrastructure sector, Government estimates investments in excess of ₹ 50 Lakh Crore in the coming years. For FY 2019, the budgetary allocation for the sector has been increased to ₹ 5.97 Lakh Crore. NABH (Nextgen Airports for Bharat) Nirman Initiative of the government plans to increase the airport capacity by more than five times that can handle a billion trips. Third round of UDAN scheme is to be launched this year. In the railways, the capex envisaged is ₹ 1.5 Lakh Crore, mostly for capacity creation by way of electrification, gauge conversion and laying new tracks. Railways are also planning to spend ₹ 5,000 Crore for modernizing 68 major stations in FY 2019. Target for the highways construction has been stretched further and set at 16,420 km. In the power sector, government is continuously looking at ways to improve the health of discoms (UDAY), help power producers through schemes such as SHAKTI and at the same time, meet the target for universal electrification by the end of FY 2019.

While the economy is expected to do better in the coming year, of late, various challenges have emerged which are posing serious concerns for the growth momentum. Oil prices have moved up by more than 70% from the year's low which poses strain on fiscal deficit and thereby constraints government investment in the infrastructure sector. Depreciating Indian National Rupee (INR) and rising interest rates in India and abroad is likely to make cost of borrowings expensive. Global trade and capital flows face the risk of slowing down amidst protectionism policies being implemented by US and other countries in retaliation.

At GMR, we continue to strive to the cause of Nation building through creation of quality assets. Over the past few years, we have consolidated our position, focused on addressing corporate debt and stressed assets, while building a platform for growth for the future. We continue to focus and work closely with lenders on the few distressed assets in our portfolio and we are hopeful of resolving the pending issues at the earliest in line with new RBI guidelines for the same.

In view of the airports infrastructure landscape and growing passenger traffic in the country, our focus will be on strengthening the Airports platform to drive growth for the Group going forward. We strongly believe we have created a strong platform to scale up our activities in this segment and become a leading player both at Regional and International level.

On the other hand, we will continue to consolidate the Energy and Highways business with focus on unlocking value by recovering long pending receivables and pursuing claims with the appropriate agencies. In partnership with Tenaga, our strategic partner, we are in the process of identifying new areas of growth for the Energy Business.

Initiatives such as 'Make in India', proactive favorable policy interventions and improving rank of the country in ease of doing business should be able to attract various global companies to set up base in India which is a positive development for monetization of our SIRs.

In order to improve the value to the stakeholders and strengthen the balance sheet through deleveraging, various efforts are in pipeline related to monetization / divestment of assets and reducing debt and the overall cost of borrowing.

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 (International Air Transport Association (IATA)). The aviation sector recorded an impressive growth in passenger and cargo traffic in 2017-18, and we expect the upward trajectory to continue, buoyed by the favorable macroeconomic factors. Proactive policy measures from the Government such as NABH Nirman whereby Government plans to expand airport capacity to more than five times to handle a billion trips a year, should provide further impetus for the sector.

We expect the growth in domestic traffic would continue to be led by the Low Cost Carriers. UDAN scheme should boost air traffic in the country by expanding regional air connectivity. Further, international flying rights and existing bilaterals are undergoing an overhaul, which should provide a boost to overseas traffic. We seek to increase passenger traffic at the airports by, among other things, attracting new airline customers to use the airports and encouraging existing airline customers to increase the number of routes and flights servicing the airports.

We plan to gradually increase the passenger capacity in phases based on traffic demand. The expansion plans are underway for our Delhi International Airport as well as Hyderabad International Airport.

There is tremendous potential for the real estate available as part of the concessions for our airports. We intend to strategically realise value in our real estate asset portfolio by diversifying the monetisation models as well as the end use formats for development of these strategically located assets to capture demand for a wider range of developments. We intend to use a combination of lease and self-development models targeting developers and end-use customers respectively.

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 cash flows and the expected returns from 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**:* The Hon'ble Supreme Court of India, on SLP filed by Air India, vide its judgment dated July 03, 2017, has vacated the order of Hon'ble High Court of Delhi and directed Telecom Disputes Settlement and Appellate Tribunal (TDSAT) to dispose of the appeals of DIAL no. 10/2012 for first control period in the next two months.

Accordingly, DIAL implemented the Tariff order No. 40/2015-16 dated December 08, 2015 with immediate effect i.e. from July 07, 2017 as per directions of Directorate General of Civil Aviation dated July 07, 2017.

DIAL's appeal no. 10/2012 with respect to first control period has been concluded along with the appeal of certain airlines. TDSAT vide its order dated April 23, 2018 has passed the order, which provides clarity on the issues which were pending for the last six years and has laid down the principles to be followed by AERA in the third control period starting from April 1, 2019. The Company expects the positive impact of the TDSAT order to reflect in the tariff determination by AERA for the next control period i.e. 2019 -2024. DIAL's appeal against the second control period shall be heard in due course.

Further, as per State Support Agreement signed between DIAL and AAI as part of concession, DIAL is eligible for minimum tariff equivalent to Base Airport Charges as per schedule 8 of State Support Agreement + 10% in any year during the concession term. Since the tariff post July 7, 2017 has fallen below the Base Airport Charge + 10%, DIAL approached the regulator to allow minimum tariff as provided in the concession. The Regulator has also acknowledged the rights provided under the concession agreement and issued the consultation paper no. 6/2018-19 on May 29, 2018 for stakeholder's consultation.

Tariff at Hyderabad Airport: The tariff revision for Hyderabad airport for the 2nd Control Period i.e., 2016-2021 is due and AERA issued a Consultation Paper in December 2017. In the Consultation Paper, some of our major entitlements viz., pre-control period entitlement, foreign exchange losses, cost of equity and treatment of Cargo, Ground Handling and Fuel Farm, were not considered favorably by AERA.

Aggrieved by the Consultation Paper, GMR Hyderabad International Airport Limited (GHIAL) filed a writ petition before the Hon'ble High Court at Hyderabad, India and the Hon'ble Court passed an interim order wherein AERA has been directed not to finalize the determination of aeronautical tariff in respect of GHIAL for the second control period, pending disposal of writ petition. This interim order is in force as of date and we are hopeful of a favourable resolution of the issues.

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

The Group has made significant progress last year in its airport concessions. Goa airport, which was awarded in August 2016 has achieved the financial closure for 1st phase. GMR, along with its Greek partner, was also awarded Provisional Contractor status at Heraklion Airport in Greece and now is in process of completing the documentation. In Philippines, the Group has also secured the EPC contract of Clark Airport in Mabalacat City in Philippines.

In line with our strategy, Airport business will continue to be the growth engine for the Group. The Group is actively pursuing suitable airport opportunities in India as well as globally. Domestically, GMR is currently exploring the airport development opportunities in Nagpur, Jewar, Jaipur and Ahmedabad. Internationally, the Group is actively exploring opportunities in South Asia, South East Asia, Middle East, Africa and Eastern Europe.

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

Focus Areas for FY 2018-19

In FY 2018, IGI handled 66 million passengers and 0.96 million tons of cargo and ranked number one among all Indian airports in both passenger traffic and cargo handled. DIAL was ranked as the world's best Airport in the 40 million plus passenger category. 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.

DIAL will initiate the expansion of its airside infrastructure and terminal capacity as per the approved Master Development Plan in order to cater to the future growth in passenger and air traffic. The Phase 3A expansion, includes, among others, expansion of Terminal 1 and Terminal 3, construction of a fourth runway along with enhancement of airfields and construction of taxiways and will expand capacity to 94 million passengers annually.

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

Focus Areas for FY 2018-19

The key focus areas for Hyderabad Airport have been route development, airport capacity enhancement and passenger service quality.

With the Government of India's focus on Regional Connectivity, Hyderabad Airport is well positioned to leverage Hyderabad Airport's geographically central location to emerge as a gateway to entire South-Central India.

To enable continued growth in traffic and business during the period of expansion, new Interim terminals are being constructed for International Departures and Domestic Arrivals. Both these facilities are expected to be completed during FY 2018-19, which would de-congest the existing Passenger Terminal Building and provide additional capacity.

In addition to the enhanced air connectivity and expanded facilities, Hyderabad Airport has also been focusing on implementing various measures under its flagship 'Passenger is Prime' programme to deliver enhanced experience for the passengers which helped the airport retain its World No. 1 ranking in the 5-15 million size category for 2017 even through unprecedented growth in traffic.

GMR Megawide Cebu Airport Corporation (GMCAC)

In line with the concession agreement, GMCAC successfully commissioned Terminal 2 of Mactan Cebu International Airport on July 1, 2018. The terminal building was inaugurated by Hon'ble President of Philippines Rodrigo Duterte in a ceremony held on 7th June where the President called Terminal 2 as the most beautiful airport in the world.

Terminal 2 has been built to cater specifically to international passengers which in Cebu are dominated by tourists from Korea, Japan and China. The new terminal has been built around the theme of being the world's first resort airport with the wooden roof being the standout feature.

With Terminal 2 adding to the passenger handling capacity of the airport, we expect to unlock the latent demand which could not be accommodated till date due to constrained infrastructure. Coupled with the initiatives GMCAC has taken to boost air connectivity to China, we are confident that the international traffic growth for Cebu for 2018-19 should exceed 30%.

The Government of Philippines has been taking various steps to decongest Manila airport by moving flights to Clark airport. This should also help reduce congestion in Manila and lead to addition of more seat capacity between Manila and Cebu and hasten the pace of growth of domestic traffic.

Energy Sector Outlook and Future Plan

Indian Economy - Power Sector Scenario

The Indian economy in FY 2017-18 has continued to gain strength after the demonetization and GST disruptions. The oil price has emerged as the biggest risk to the economy (~70% rise in oil prices in one year) as it can stoke inflation and reduce growth. The industrial growth picture as per the Index of Industrial Production (IIP) suggests that industrial production had gained once again in FY 2017-18. The overall growth during FY 2017 has been 4.3%, mainly with positive contribution of Electricity (5.4%), Basic Metals (5.6%), Manufacturing (4.5%) and Mining (2.3%). The improved performance in electricity is due to high electricity demand even though growth in thermal power generation has lagged due to increasing role of renewables in power mix. The electricity generation by power utilities has increased by 4.00% in FY 2017-18 to 1,206.31 billion units (BU) from 1,160.14 BU in FY 2016-17.

As on March 31, 2018, total installed capacity in India stood at 344 GW.

Conventional energy (from thermal) sources accounted for 223 GW or 64.8% of the total capacity while renewable energy sources accounted for 69 GW and the rest comprised capacity from nuclear and hydro (>25 MW) based power plants. The new capacity addition during the year increased to 17,169 MW from 14,210 MW mainly due to higher renewable capacity addition (~11,778 MW). Most of the capacity addition in the renewable energy has been in solar sector (~9,362 MW).

Although, India is making rapid strides in renewable sector but issues remain for the thermal power sector:

1. Some 81 GW of thermal capacity (~36% of total installed thermal capacity) remains under stress due to various reasons such as non-availability of fuel, lack of power offtake agreements, regulatory stance, rising receivables and policy framework among other issues. These projects were commissioned on the basis of forecasted demand growth of the electricity which has not fructified. Though the Government is working towards electricity for all, India still remain one of the lowest per capita electricity consumption nations.

2. Government has come up with various measures to address the above issues such as SHAKTI scheme (auction of long term coal linkages) and coal tolling policy. SHAKTI scheme has been successful with 27.8 MT of coal linkages been awarded while coal tolling policy has been moderately successful with only a few states such as Gujarat opting for the same.

Internationally, coal demand and prices have seen a rebound from the lows of 2014-16 due to sustained demand from China and India. China has cut down its coal production due to environmental concerns while India continues to import due to high power demand and inadequate production by Coal India Limited. South-East Asia is likely to become the next growth driver for international coal demand. High coal demand and prices have also benefitted group's Indonesian coal mines.

The Country also witnessed a great emphasis on renewable energy by the Government. Generation from renewable sources increased by a healthy 24.83% to 101.8 BU in FY 2017-18 compared to 81.6 BU in FY 2016-17. Further, installed capacity from renewable energy sources increased by 21% to 69 GW in FY 2017-18 from 57 GW in FY 2016-17 – it is noteworthy that out of the capacity addition of 12 GW in renewable in FY 2017-18, bulk of it was added by private sector. Government is now confident of achieving the 175 GW capacity target of renewable energy much before 2022.

Government of India is planning to push manufacturing of solar cells and modules as well as battery storage through mandatory requirements of at least 50% domestic manufacturing component in solar bids and also planning to invite mega tenders (~100 GW) to encourage large scale solar manufacturing in the country.

GMR Energy Limited demonstrated outstanding resilience during one of the most challenging and volatile periods being faced by energy sector. Our focus over last year has been on stabilizing our existing assets, improving their profitability and achieving operational excellence. We have been able to stabilize GMR Kamalanga Energy Limited (GKEL) operations with 1.5 MT additional linkage coal secured through auction under SHAKTI Policy of the GoI. As a result of our sustained efforts, we have secured favorable regulatory orders in Central Electricity Regulatory Commission (CERC) for Change in Law petitions for GWEL and GKEL. Only two major regulatory orders are now pending in Appellate Tribunal for Electricity (APTEL) and CERC, which we hope to be favorably decided shortly during the first half of FY 2019. We had also focused on realization of regulatory receivables during FY 2018 which bore fruit with reduction in our receivables. We will continue this focused effort towards realizing regulatory receivables. GMR is proud to be the first and only IPP in the country to contribute towards Indian Government's goal of efficiency in coal transportation. Our GMR Chhattisgarh Energy Limited (GCEL) plant is currently operating a 500 MW PPA with Gujarat Urja Vikas Nigam Limited (GUVNL) by tolling the coal allotted to GUVNL and saving transportation of coal over 1,500 km. We thus remain committed to our goal of nation building.

The flagship power plant of the Group, GMR Power Corporation Limited (GPCL), was successfully monetized this year after having served the Group for more than 18 years.

However, due to the non-availability of domestic gas and high price of imported gas, we have been facing challenges in securing gas for our operational gas plants. After the unexpected order of the Supreme Court against GMR Vemagiri Power Generation Limited (GVPGL), we have been working at various levels and forums in order to secure gas supplies at competitive price to operationalize our gas assets and hope to achieve positive results in the coming fiscal.

Battling water ingress, tough geography and adverse weather conditions, our project team at GMR Bajoli Holi Hydro Power Limited (GBHHPL) has managed to tunnel through the tough terrain and the project is progressing full steam. We are expecting to commission the plant by the end of FY 2020.

As part of our Asset Light Asset Right (ALAR) strategy, we believe O&M of power plants is an area that could have good potential. This year, the Group has successfully partnered with TNB Remaco, (an associate of Malaysia's largest utility player Tenaga Nasional Berhad (TNB), which is a specialist in power plant repair and maintenance with a proven track record of over 30 years) and formed a new alliance – GMR Tenega Operation and Maintenance Private Limited, to provide O&M services in India also.

Transportation and Urban Infrastructure Sector Outlook and Future Plan

Transportation

Railways

Your Company has entered Railways business in FY 2014 by winning 2 Rail Vikas Nigam Limited (RVNL) projects. We made a big leap into Railway projects in FY 2015 when we were awarded 2 packages on the eastern Dedicated Freight Corridor (DFCC) in the State of Uttar Pradesh worth ₹ 5,080 Crore and further 2 more package 301 and 302 in 2016 worth ₹ 2,281 Crore. The Government is targeting capital expenditure of ₹ 1.48 Lakh Crore in this fiscal (up from ₹ 1.2 Lakh Crore in the previous year) which is mostly towards capacity creation by way of doubling of lines and track renewal. Out of the 67,000 km network of railways, only 40% of the track is electrified. Railway plans to bid out large tenders for electrification under the EPC model by 2021. The potential opportunity size is ₹ 36,000 Crore. There are other opportunities in other corridors of DFCC and station redevelopment as well. Your Company will pursue those opportunities which are viable and corresponds to our overall strategy.

Highways

Road sector in the country has emerged as one of the most active sectors in the country. The country achieved a highest constructed level of 9,829 km in FY 2018 and plans to construct 16,420 km in FY 2019- 65% more. The award of project is targeted at 20,000 km in FY 2019 against 17,055 km which were awarded in FY 2018. Government has also come up with Bharatmala Pariyojana which envisages constructing 84,000 km of roads at an investment of ₹ 7 Lakh Crore by 2022. Most of these projects are expected to be awarded in Hybrid Annuity Model (HAM) and Engineering, Procurement and Construction (EPC) modes. Govt. successfully monetized first bundle of projects under TOT model and is planning to come up with such more bundles in FY 2019. Though we are consolidating our portfolio in the Highways Sector, we will be on lookout for the right opportunities which are in sync with our strategy of ALAR and which will enhance values for our stakeholders.

Urban Infrastructure

The year has been challenging for the manufacturing and private investments. However, with the implementation of GST and campaigns like 'Make in India' and 'Invest India' gaining momentum, it is expected to provide much required impetus to the manufacturing and logistics sector in the country.

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

Notable achievements in Kakinada SIR during the FY under review were signing of MoUs by six companies with Govt. of Andhra Pradesh stating that they have chosen our Kakinada SIR project area for establishing their units. Further, we have signed lease deeds with couple of key players in the sea foods / fisheries segments for establishing their sea food processing units in Kakinada SIR. A 33/11 KV in-zone Sub-Station has been constructed and commissioned. A site administrative office building with a total area of about 13,000 sq.ft has also been constructed and put to operation. In addition, Kakinada SEZ Limited has been declared as a selected bidder for development of commercial port from the earlier permit to develop a captive port.

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. Necessary applications to Statutory Authorities were made and accordingly clearances were obtained.

In FY 2019, we will continue our efforts to create a right ecosystem for world's leading companies to establish their facilities in Kakinada SIR 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 environment management and efficient and sustainable operations as well. The details of Environment, Health and Safety (EHS) initiatives are provided in the Business Responsibility Report forming part of Annual Report.

Discussion and Analysis of Financial Condition and Operational Performance

The consolidated financial position as at March 31, 2018 and performance of the Company and its subsidiaries, joint ventures and associates during the financial year ended on that date are discussed hereunder:

1. ASSETS- NON CURRENT ASSETS

1.1. Property Plant and Equipment (PPE)

PPE has decreased from ₹ 10,139.61 Crore as at March 31, 2017 to ₹ 9,422.35 Crore as at March 31, 2018 primarily due to depreciation charge during the year.

1.2. Capital work-in-progress

Capital work-in-progress has increased from ₹ 239.20 Crore as at March 31, 2017 to ₹ 587.84 Crore as at March 31, 2018 primarily on account of expansion of existing airport at New Delhi and Hyderabad.

1.3. Investment Property

Investment property has increased from ₹ 2,520.68 Crore as at March 31, 2017 to ₹ 2,804.61 Crore as at March 31, 2018 primarily on account of additional capital expenditure incurred during the year by Kakinada SEZ Limited (KSEZ) and GMR Krishnagiri SIR Limited (GKSIR).

1.4. Financial assets – Investments

Investments has decreased from ₹ 9,448.29 Crore as at March 31, 2017 to ₹ 8,831.57 Crore as at March 31, 2018 primarily due to share of loss of parent in associates.

1.5. Other financial assets

Other financial assets has decreased from ₹ 1,818.93 Crore as at March 31, 2017 to ₹ 1,720.07 Crore as at March 31, 2018 mainly due to decrease in receivable against Service Concession Arrangements (SCA) and decrease in non-current bank balances.

1.6. Other non-current assets

Other non-current assets has increased from ₹ 322.18 Crore as at March 31, 2017 to ₹ 340.05 Crore as at March 31, 2018 primarily on account of capital advance towards airport expansion.

2. ASSETS – CURRENT ASSETS

2.1. Financial assets – Investments

Investments has increased from ₹ 2,973.94 Crore as at March 31, 2017 to ₹ 4,039.31 Crore as at March 31, 2018 primarily on account of increase in mutual fund investments by DIAL and GHIAL. GHIAL has also invested in commercial papers. All investments are in normal course of business.

2.2. Financials assets – Trade receivables

Trade receivables has increased from ₹ 1,736.74 Crore as at March 31, 2017 to ₹ 1769.65 Crore as at March 31, 2018. This is primarily on account of increase in trade receivables in GETL, GAL and GATL in the normal course of business, offset by decrease in trade receivables in DIAL

2.3. Financial assets – Cash and cash equivalents

Cash and cash equivalents has increased from ₹ 1,458.76 Crore as at March 31, 2017 to ₹ 1,647.16 Crore as at March 31, 2018. This is mainly due to increase in current account balances with bank in Delhi International Airport Limited (DIAL), GMR Hyderabad International Airport Limited (GHIAL), GMR Energy Trading Limited (GETL) and GMR Infrastructure Singapore Pte Limited (GISPL) on account of higher revenue from improved performance.

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

Bank balances other than cash and cash equivalents increased from ₹ 312.32 Crore as at March 31, 2017 to ₹ 331.91 Crore as at March 31, 2018 primarily due to increase in bank deposits in DIAL and GHIAL offset by marginal decrease in bank deposits in GTTEPL and GPEL.

2.5. Other financial assets

Other financial assets has increased from ₹ 627.10 Crore as at March 31, 2017 to ₹ 750.84 Crore as at March 31, 2018. This is mainly on account of increase in unbilled revenue and other non-trade receivables in subsidiaries in the normal course of business.

2.6. Other current assets

Other current assets has increased from ₹ 205.54 Crore as at March 31, 2017 to ₹ 253.26 Crore as at March 31, 2018. This is primarily due to increase in prepaid expenses & deposits with statutory authorities in subsidiaries in the normal course of business.

2.7. Assets classified as held for disposal

Assets classified as held for disposal increased from ₹ 851.09 Crore as at March 31, 2017 to ₹ 942.77 Crore as at March 31, 2018. GMIAL, PTDSU, GKUAEL, and Power plant asset of GPCL were accounted as Assets held for sale during 2017-18.

3. EQUITY

Equity share capital remains the same at ₹ 603.59 Crores. Other equity has decreased from ₹ 4,738.69 Crore as at March 31, 2017 to ₹ 3,214.75 Crore as at March 31, 2018 primarily on account of current year losses. Non-controlling interests has also increased from ₹ 1,713.55 Crore as at March 31, 2017 to ₹ 1,826.47 Crore as at March 31, 2018 mainly on account of share of current year profit and payment of dividend by DIAL and GHAIL.

4. NON-CURRENT LIABILITIES

4.1. Borrowings

Non-current borrowings has increased from ₹ 18,959.72 Crore as at March 31, 2017 to ₹ 20,552.95 Crore as at March 31, 2018, primarily due to issuance of Secured Senior Notes by GHIAL during the year

4.2. Deferred tax liabilities (net)

Deferred tax liabilities stood at ₹ 400.06 Crore as at March 31, 2018 (₹ 413.81 Crore as at March 31, 2017). Reduction in deferred tax liabilities is primarily due to deferred tax asset created on non-deductible expenses in DAIL.

5. CURRENT LIABILITIES

5.1. Borrowings

Borrowings has reduced from ₹ 617.56 Crore to ₹ 542.37 Crore as at March 31, 2018 mainly due to reduction in "Indian Rupee short term loan from others" in DSPL

5.2. Trade Payables

Trade payables has increased from ₹ 1,410.30 Crore as at March 31, 2017 to ₹ 1,957.24 Crore as at March 31, 2018 which is mainly in GETL, GHVEPL and GIL EPC business due to enhanced progress of its projects, deferment of revenue share in GHVEPL, offset by decrease of trade payables in GISPL.

5.3. Other financial liabilities

Other financial liabilities has increased from ₹ 3,594.15 Crore as at March 31, 2017 to ₹ 4,302.98 Crore as at March 31, 2018. The increase is mainly on account of increase in Non-trade payables, security deposits and current maturities of long term borrowings offset by decrease of interest payable.

5.4. Liabilities for current tax (net)

Liabilities for current tax (net) has decreased from ₹ 98.70 Crore as at March 31, 2017 to ₹ 55.32 Crore as at March 31, 2018 mainly due to decrease in DIAL offset by increasein GHIAL.

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

Liabilities held for disposal increased from ₹ 458.56 Crore as at March 31, 2017 to ₹ 530.8 Crore as at March 31, 2018. GMIAL, PTDSU, GKUAEL, and Power plant asset of GPCL were accounted as Assets held for sale during 2017-18.

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, 2018	**March 31, 2017**
Continuing operations		
Income		
Sales / income from operations	8,721.21	9,556.82
Other income	553.04	482.28
Total Income	**9,274.25**	**10,039.10**
Expenses		
Revenue share paid / payable to concessionaire grantors	1,911.50	2,762.93
Operating and other administrative expenditure	4,623.81	3,562.41
Depreciation and amortization expenses	1,028.40	1,018.65
Finance costs	2,316.34	2,128.00
Total expenses	**9,880.05**	**9,471.99**
Profit / (loss) before share of (profit) / loss of associate and joint ventures, exceptional items and tax from continuing operations	**(605.80)**	**567.11**
Share of (loss) / profit of associates and joint ventures (net of dividend distribution tax)	(431.36)	(68.40)
Profit / (loss) before exceptional items and tax from continuing operations	**(1,037.16)**	**498.71**
Exceptional items - (loss) / gains (net)	-	(385.70)
Profit / (loss) before tax from continuing operations	**(1,037.16)**	**113.01**
Tax expense	45.49	744.85
(Loss) / profit after tax from continuing operations	**(1,082.65)**	**(631.84)**
EBITDA from continuing Operations (sales/income from operations – Revenue share – Operating and other admin exp)	2,185.90	3,231.48
Discontinued operations		
Profit / (loss) from discontinued operations before tax expenses	**(31.96)**	**283.25**
Tax expense/(credit)	(0.02)	(1.13)
Profit / (loss) after tax from discontinued operations	**(31.94)**	**284.38**
Total (Loss) / profit after tax for the year	**(1,114.59)**	**(347.46)**
Other comprehensive income for the year, net of tax	(110.69)	5.41
Total comprehensive income for the year, net of tax	(1,225.28)	(342.05)

Sales/Operating Income

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

Particulars	For the year ended			
	March 31, 2018		March 31, 2017	
	Amount (₹ in Crore)	% of Total Income	Amount (₹ in Crore)	% of Total Income
Revenue from Operations:				
Airports segment	5,418.74	62.13%	7,100.16	74.29%
Power segment	1,533.53	17.58%	1,274.08	13.33%
Road segment	589.70	6.76%	565.10	5.92%
EPC segment	931.12	10.68%	380.86	3.99%
Others segment	248.14	2.85%	236.62	2.47%
Total Revenue from operations	**8,721.21**	**100.00%**	**9,556.82**	**100.00%**

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 decreased by 23% from ₹ 7,100.16 Crore in fiscal 2017 to ₹ 5,418.74 Crore in fiscal 2018 primarily due to revision of tariff in DIAL, however there is overall increase in traffic in all the operating airports.

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 increased by 4% to ₹ 589.70 Crore for fiscal 2018 from ₹ 565.10 Crore for fiscal 2017 primarily on account of increase in operation and maintenance income and construction income and Toll income from expressways.

Operating income from EPC sector

IIncome 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 ₹ 931.12 Crore to the operating income as against ₹ 380.86 Crore in the previous year. Increase is mainly on account of revenues from ongoing DFCC project.

Operating income from Other Sectors

IIncome 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 ₹ 248.14 Crore to the Operating Income as against ₹ 236.62 Crore in the previous year.

Expenditure

Revenue share paid/payable to concessionaire grantors

The revenue share paid/payable to various concessionaires has decreased from ₹ 2,762.93 Crore in fiscal 2017 to ₹ 1,911.50 Crore in fiscal 2018 primarily on account of decrease in operating income at DIAL

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, manpower hire charges, 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 mainly due to operational needs and inflation impact.

Exceptional items

In fiscal 2017, an impairment loss of ₹ 385.70 Crore was booked against impairment of assets in GHVEPL. No exception items in fiscal FY 2018.

Tax expenses

Tax expenses, mainly comprising of current tax and deferred tax expense, has decreased from ₹ 744.85 Crore in fiscal 2017 to ₹ 45.49 Crore in fiscal 2018. Reduction in current tax in FY 2018 was due to primarily on account of reduction in profits of DIAL and GHIAL from last year. Increase in deferred tax expense in FY 2017 was 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 25 locations in India. The locations are spread across different states namely Andhra Pradesh, Chhattisgarh, Delhi, Himachal Pradesh, Karnataka, 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 the Annual Report.

Awards and Recognitions in the year 2017-18:

- CSR Leadership Award in the category of "Best CSR Practices Award for Women Empowerment" by Navbharat Hindi Daily.
- Award for Excellence in Social Welfare Initiatives for Women Empowerment at GMR Hyderabad International Airport Ltd. by The Federation of Telangana and Andhra Pradesh Chambers of

Commerce and Industry (FTAPCCI).

- CSR Health Impact Award in the category of "Healthy Nutrition Awareness Initiative of the Year" by Paras Health Care.
- CSR Excellence Award jointly by Indywood and Government of Telangana.
- "Golden Peacock Award for Corporate Social Responsibility" for GHIAL in the category of Transportation (Aviation) by Institute of Directors, Bangalore.

Risk Concerns and Threats

Identification, assessment, profiling, treatment and monitoring the risks

The Company has deployed risk management process which includes risk identification, its assessment and profiling, its treatment, monitoring and review actions. The Enterprise Risk Management (ERM) process that has been in place over the years helps the Sectors and key business units in aggregating and consolidating their risks. The Company prioritizes and manages the risks identified through its Risk Registers.

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 has helped the Company to 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 puts 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, as follows:

1. **Macroeconomic Risk factors:** The Indian economy has been recovering, helped by positive policy actions and lower global oil prices. However, the trend on global oil prices has reversed in the past few months, which may adversely impact the fiscal deficit, with consequent impact on inflation and interest rates. 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 exposed to regulatory risks

   - The Company's Airports business is exposed to regulatory changes that can affect its revenue model. AERA's tariff determinations have affected and may continue to adversely affect our results of operations and financial condition.
   - Third parties like 'International Air Transport Association (IATA) and Federation of Indian Airlines (FIA) may file appeals against the Company's airport operations.
   - The new guidelines from RBI on non-performing loans may have unforeseen implications on our stressed assets.
   - Changes and modifications in regulations related to tariffs and environmental protection may impact the Group's energy business.
   - Regulatory changes that affect toll-roads have had direct impact on revenue from operating road assets.
   - Implementation of GST has had impact on goods traffic throughout the country. Consequently, our road assets saw mixed response on revenue. Our Ambala-Chandigarh asset saw a positive effect on revenue due to abolition of octroy. Hyderabad Vijayawada asset however, did not see any positive impact.

   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:** I: Infrastructure players, given the nature of the sector, carry relatively higher debt levels. Under adverse market conditions, this could inhibit our ability to raise more funds at competitive rates for further growth. 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.
   - Our airport business is exposed to credit risks of our airline customers and non-aero services customers, due to which collection of receivables could be at risk.

6. **Interest Rate Risk:** Recent macroeconomic trends on account of rising oil prices may adversely impact interest rates. 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 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 Group to enhance the safety and security of its IT-based operations, for which it plans to deploy best-in-class resources. The Company has instituted processes to assess its vulnerability to cyber security risks and initiated actions to mitigate emerging risks. This will be an ongoing exercise.

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 overhaulingtheir 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 Group 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:** Under its plan for accelerating infrastructure development, government authorities could grant new concessions that may compete with our airports or the existing airports may compete with our proposed airports. 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. 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 its core business areas to ensure that we are competitively well-positioned in our businesses.

    We also have mechanisms 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 Group faces severe risks of unresolved disputes or annulment of appeals.

    - The Group 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 Group 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 Group also considers and explores out of court settlements under advice.

13. **Geopolitical risk:** Over the 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 adequate to ensure its operational, compliance and reporting objectives are achieved. The Company's internal financial control framework is based on the 'three lines of defense model'.

The Company has appropriate policies and procedures in place for its current size as well as the future growing needs. These policies and procedures play a pivotal role in the deployment of the internal controls. They are periodically reviewed to ensure both relevance and comprehensiveness and its compliance is ingrained into the management review process. Respective Business/Company CEOs are responsible to ensure compliance with the policies and procedures laid down by the Management.

Deviations, if any, are addressed through systemic identification of causals. Various data analytic reports, run as a part of routine monitoring activities by all functions, also assist in early and timely identification of exceptions. Corrective actions, if required, are taken by the respective functions. As far as possible, emphasis is placed on automation of controls within the process to minimize deviations and exceptions. Investment in advanced IT tools on an ongoing basis is one of the key means to achieve the automation.

The Company firmly believes that every employee has a role to play in fostering an environment in which emphasis on compliance with regulations and ethical behavior are accorded highest importance. Towards this, sessions are periodically held to increase employee awareness on the Company's Code of Conduct.

The Company has also invested in an IT tool that helps track crucial compliances as close as possible to the actual due date. Any deviations are highlighted for prompt corrective action. Functional owners take responsibility for introducing preventive actions. Proactive actions are initiated to ensure compliance with the several upcoming regulations through deployment of cross functional teams.

The effectiveness of the internal controls is continuously monitored by the 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 compliance and governance framework. 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 Senior Management and the Audit Committee.

The Company continues to stay committed to working at the highest standards of governance.

Seamless transition

A well-planned and coordinated initiative was undertaken to design systems and set up process controls that ensured a smooth, efficient and effective transition to the GST regime.

Developments in Human Resources and Organization Development at GMR Group

The FY 2017-18 was the year when group focused heavily on investing in talent and digital transformation of the process platforms across HR, Facilities Management and Shared Services Centre (back-office transaction processing center). While large number of initiatives were successfully completed during the year, the focus is continued on stabilizing the digital platforms and more importantly adapt the new way of managing work. Numerous number of improvement initiatives arising from Group Corporate Services Integration Council, HR Strategic Advisory Council, Group Business Excellence Council, HR and FMS Council, GPAC (GMR Performance Advisory Committee) Reviews and Business Organization Development workshops have started delivering encouraging results on all front, especially people performance, engagement and culture.

This year we witnessed tremendous participation from employees across the group and robust outcomes in plethora of people initiatives, e.g. Employee Engagement and Ethical Culture survey, Continual Improvement Projects, Employee Suggestion Scheme – Idea Factory, Employee Rewards & Recognition, Employee Communication through Town Halls, Skip Level Meetings, Goal Setting, Performance Appraisals, Digital Awareness, Self-learning and development, while keeping a close eye on 'Frugal' way of working and imbibing group's core values and beliefs.

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

- **Annual Staffing Plan**

  Successfully completed the 2nd round of Annual Staffing Plan during the year for estimating the optimum level of human capital requirement, both in terms of capacity and capability to accomplish organizational objectives.

  This has yielded resource optimization by up to 45% of additional requirement, by implementing innovative suggestions arising out of Productivity Studies, Process improvements, Cross functional team led technological interventions.

- **Internal Job Opportunities**

  'GROW' – Group's in-house developed Internal Job Posting (IJP) portal was launched in FY 2017 which is now stabilized and has been widely adopted by employees to continue to look for exciting job opportunities round the year. Backed by a robust panel interview and screening process, this year 32% of job postings were internally fulfilled, which is double the FY 2017 IJP fulfillment.

GROW

Gain Rewarding Opportunities for Work

- **AARAMBH**

  AARAMBH is a group initiative taken in FY 2017 to induct Management Trainee from well-known institutes in India, including Chartered Accountants for creating a sustainable pipeline of future leaders across all sectors.

  The 1st Batch of 38 Management Trainees underwent a robust 1 year blended training program including class room sessions, on the job assignment and individual projects, mentored by senior leaders

aarambh...

While the 1st batch graduated and the trainees joined their respective business functions during FY 2018, the 2nd batch of Management Trainees was inducted under AARAMBH having selected 47 management graduates screened through a stringent selection criteria across 14 B-Schools and Educational Institutes across the country. To fulfil the need for technical talent specifically in Airports Sector 52 GETs (Graduate Engineer Trainees) were inducted in FY 2018, currently undergoing 1 full year of training period and shall soon graduate to join their respective functions.

- **Leadership Pipe Line & Talent Review:**

  GMR is now poised to embark on the next phase of growth journey. 'Engaged Talent' has been the key focus area for Group Leadership team and therefore to prepare for these massive growth opportunities a two pronged approach has been adopted. Lateral recruitment to cater to immediate requirements and Talent Review and Development for Mid-term to Long-term talent needs.

  Over the last 3 years there has been significant progress on bridging the talent demand and supply gap, having inducted 6 top leaders in FY 2016, 13 in FY 2017 and 20 in FY 2018.

  On other hand, to groom internal top talent and provide them with the robust career progression while building talent pipeline for future opportunities, Group Talent Review was initiated during FY 2017. Significant progress has been made, having completed the TR Process in respective sectors (250+ Top Employees), now geared up for Group Level Top Talent review in Q2 FY 2019.

TalentReview

- **Employee Engagement**

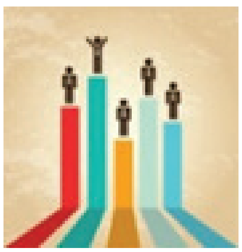
  'PULSE' is Group initiative to assess the Employees' engagement levels and Ethical Culture climate through an IT enabled online survey. This was a remarkable year which witnessed increase in Employee Engagement Score from 4.12 (on a scale of 0-5) in FY 2017 to 4.40 in FY 2018, while the % employee participation increased from 78.7% in FY 2017 to 89.1% in FY 2018. The ethical climate results also indicated improvement as the score moved from 3.93 in FY 2017 to 4.39 in FY 2018.

To learn from global best practices implemented in other organizations, Group Airport entities including Delhi Airport, Hyderabad Airport, Airport Construction and Airport Corporate Teams invited GPTW (Great Place To Work) Team during FY 2018. The GPTW survey outcome has been extremely encouraging, and largely corroborates with PULSE survey.

The result of surveys were analyzed from numerous perspectives to develop deeper insights around Employee Engagement and Workplace experience, backed by time bound, Cross Functional Team led Action Projects.

- **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 (SMART) 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 is carried out to access and confirm the performance of all employees.



Having implemented the Digital HR, the process has become much simpler and accessible from any part of the world, providing immense flexibility to exercise Goal Setting, Mid-year self-appraisal, Full year appraisal, and Performance appraisal reviews by managers within the set time lines.

- **Digital HR, Digital FMS**

A massive transformation project was initiated in FY 2017 to digitize people processes spanning across employee life cycle from Hire-to-Retire. It would provide seamless and secure 24X7 access to Digital HR through multiple modes to all employees whether in or outside of office. It delivers state-of-the-art features and enhanced user friendliness with inbuilt performance dashboard and insightful analytics for effective and timely decision making.

During FY 2018, a cluster of 13 core HR Processes were successfully migrated from a legacy platform to a new digital platform of SAP Successfactors. With no additional project resource deployed, the existing team members formed small Cross Functional Teams having members from Core HR, Shared Services Center, Information Technology, Procurement, Business, Legal, Internal Audit and other support teams, implemented these 13 core HR modules in a record period of 12 months. Massive Change Management programs were held at all GMR locations to train the employee with new way of HR Process Management.

Under Digital FMS, a total of 15 FMS processes were digitized out of total 18 processes at Group level, aimed at providing a seamless, digital and customer friendly experience to all employees.

- **Digital Awareness**

The pace at which the external world is changing coupled with internal processes continuously undergoing digital transformation, Digital Awareness has become one of the most desired mandatory skillset for each member in GMR agnostic of the job level.

A customized curriculum blended with classroom sessions and online self-learning modules was developed by the Digital Awareness partner. By end of Q4 FY 2018 72% of total 4,250 employees in core businesses were covered under class room training across group locations including corporate office, plant sites, airport operations, project sites and other assets. The content quality, training delivery effectiveness, learning effectiveness and overall program management was continuously evaluated at the end of each session, which is @ 4.37 on a scale of 0-5. The focus in FY 2019 is now on to drive the self-learning digital modules and assessment of post training effectiveness.

- **Gender diversity and sensitization**

Gender equality, gender diversity and gender sensitivity have been immutable focus areas for leadership in GMR Group. There has been continuous focus to enhance the current gender diversity at group level, which has improved by 10% over FY 2017 levels. For every position up to 50% of profiles are women candidate only. However, gender diversity at senior position has been an area which has significant improvement opportunity and we expect to see better ratio at senior positions also in FY 2019.

Series of programs were conducted in FY 2018 including Panel discussion with external HR experts, women folks, and business leaders to discuss on issues, policies and processes to make workplace environment more women-friendly. During FY 2018 45% of total female employees participated in women self-defense training programme which received enthusiastic response and well appreciated.

- **Business Excellence**

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 FY 2018, GMR Hyderabad Airport conducted the External BE Assessment and reported the improvement in Business Process and Business Results (Score – 556 out of 1000) moving to 'Emerging Industry Leader' Band.

The 6th edition of Group Business Excellence Reward and Recognition was conducted on February 2, 2018, during which 133 team members were felicitated for successfully completing 197 yielding benefits of ₹ 101.72 Crore. During the year, 229 CIPs were registered of which 159 were successfully completed and balance 70 projects are under implementation. Under Bhavyatha Framework (GMR project execution excellence) 16 processes were covered out of total 25 in Delhi Airport expansion project, while balance processes are being covered in line with project progress. The I2P (Invoice-to-pay) project under P2P (Procure-to-pay) transformation is now in its final phase of testing and production roll out check stage, which shall replace the legacy application with SAP Open Text solution standardizing the invoice processing across group with optimized process turnaround time.

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

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

Having completed the Phase I roll out of new grades and bands, during FY 2018 the revised Grades and Bands were rolled out at CEBU Airport Project. Initial preparatory work has been completed in other GMR Businesses including RAXA, GMRVF CSW (GMR Varalakshmi Foundation Community Services Wing).

- **Shared Service Center @ Hyderabad (SSC 3.0)**

In line with our Group Strategy, the Bangalore SSC Center was successfully migrated to Hyderabad during FY 2018 and commenced operation from February 26, 2018. The new center was built in record 5 months at extremely competitive per sq.ft. cost. This is a best-in-class back office operation center on ground floor of Aero Towers Building in Hyderabad airport campus, equipped with 466 seats, state-of-the-art training rooms, meeting rooms, discussion rooms with open office concept based work space, and an OPS (Operations) command room streaming the live status of processing.

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

An advisory council comprising of eminent external HR experts and Group HR leaders was formed in FY 2017 to take up various people related agenda points, debate, discuss and adopt Best & Next HR practices and recommend improvement strategies and directions.

4 council meetings were organized during FY 2018, to appraise the panel with ongoing HR initiatives at Group level and invite their insights and learning from global best companies in the areas of People Practices.

- **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 GMR Vision, Values & Beliefs and GMR BE Model.

GCS Integration Council is a platform created in FY 2017 with an aim to provide a federal oversight leveraging collective strengths of various Group Corporate Services (GCS) functions and to create a platform for inter-functional effectiveness. This council identifies and implements cross-functional business process transformation projects, running across all GMR Businesses.

GCS Integration Council

3 Council meetings were held during FY 2018, discussing on apex agenda items which has potential impact at group level, the committee identified 12 improvement projects, which are under implementation.

- **ANUSHiSTA**

  'Being Frugal' has been one of the core focus area of Group when it comes to the utilization of resources whether monetary or non-monetary. 'ANUSHiSTA' was launched in FY 2017 across Group business units and asset sites to impart awareness amongst employees and inculcate the culture of frugality. Employees were encouraged to form small cross functional teams and identify avenues to optimize resource utilization. During FY 2018, a total 380 ANUSHiSTA Projects were registered, involving 1,520 employees, delivering annual benefits of ₹ 7.26 Crore.