Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Members of GMR Infrastructure Limited

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

1. We have audited the accompanying consolidated financial statements of GMR Infrastructure Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), its associates and joint ventures, which comprise the Consolidated Balance Sheet as at 31 March 2020, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information of the subsidiaries, associates and joint ventures except for the effects/possible effects of the matters described in the Basis for Qualified Opinion section of our report, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the consolidated state of affairs of the Group, its associates and joint ventures, as at 31 March 2020, and their consolidated loss (including other comprehensive income), consolidated cash flows and the consolidated changes in equity for the year ended on that date.

Basis for Qualified Opinion

3. As stated in note 8b(13)(ii) to the accompanying consolidated financial statement for the year ended 31 March 2020, the Group has an investment amounting to ₹ 1,897.63 crore in GMR Energy Limited ('GEL'), a joint venture company and outstanding loan amounting to ₹ 212.66 crore, recoverable from GEL as at 31 March 2020. Further, the Holding Company has an investment in GMR Generation Assets Limited ('GGAL'), a subsidiary of the Holding Company. GEL has further invested in GMR Vemagiri Power Generation Limited ('GVPGL'), and GMR (Badrinath) Hydro Power Generation Private Limited ('GBHPL'), both subsidiaries of GEL and in GMR Kamalanga Energy Limited ('GKEL'), joint venture of GEL. GGAL has further invested in GMR Rajahmundry Energy Limited ('GREL'), an associate company of GGAL.

   As mentioned in note 8b(13)(iv), GVPGL and GREL have ceased operations due to continued unavailability of adequate supply of natural gas and other factors mentioned in the said note, and have been incurring significant losses, including cash losses with consequential erosion of their respective net worth. Further, GREL has entered into a resolution plan with its lenders to restructure its debt obligations during the year ended 31 March 2019. The Holding Company has given certain corporate guarantees for the loans including Cumulative Redeemable Preference Shares ('CRPS') outstanding in GREL amounting to ₹ 2,068.50 crores.

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

   As mentioned in note 8b(13)(viii), the proposed sale of equity stake by management of GEL in GKEL during the year ended 31 March 2020 has been put on hold by the buyer subsequent to the year end. The management continues to account the investment in GKEL based on the valuation performed by an external expert using the discounted future cash flows method which is significantly dependent on the achievement of certain assumptions considered in aforementioned valuation including the uncertainty and the final outcome of the litigations as regards claims against GKEL.

   Further, as mentioned in note 8b(13)(vi), GBHPL has stopped the construction of the 300 MW hydro based power plant on Alaknanda river, Uttarakhand, since May 07, 2014 on directions of Hon'ble Supreme Court of India ('the Supreme Court'). The carrying value of the investments in GBHPL is significantly dependent on obtaining requisite approvals from Supreme court, environmental clearances, availability of funding support and achievements of the key assumptions made in the valuation assessment done by an external expert.

   Accordingly, owing to the aforementioned uncertainties, we are unable to comment upon adjustments, if any, that may be required to the carrying value of the non-current investment, and further provisions, if any, required to be made for the said obligations, and the consequential impact on the accompanying Consolidated Financial Statement for the year ended 31 March 2020.

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

   The above matter pertaining to GVPGL and investment in GKEL and GBHPL have been reported as a qualification in the audit report dated 18 June 2020 and 18 June 2020 issued by other firms of chartered accountants, on the standalone financial statement of GVPGL and GEL respectively and the matters described above for GREL have been covered as an emphasis of matter in the audit report dated 19 May 2020 issued by another firm of chartered accountants on the standalone financial statement of GREL. Further, considering the erosion of net worth and net liability position of GKEL, GVGPL and GREL, we, in the capacity of auditors of GKEL and the respective auditors of GVGPL and GREL have also given a separate section on material uncertainty related to going concern in the auditor's reports on the respective standalone financial statements of aforesaid companies for the year ended 31 March 2020.

4. As detailed in note 45(xi) to the accompanying consolidated financial statement for the year ended 31 March 2020, the Group had acquired the Class A Compulsory Convertible Preference Shares ('CCPS') of GMR Airport Limited ('GAL'), a subsidiary of the Holding Company, for an additional consideration of ₹ 3,560.00 crores from Private Equity Investors as per the settlement agreement entered during the year ended 31 March 2019. The said CCPS were converted into equity shares of an equivalent amount as per the investor agreements. The aforesaid additional settlement consideration of ₹ 3,560.00 crores paid to Private Equity Investors has been considered as recoverable and recognised as Other financial assets upto the end of the previous year ended 31 March 2019, based on proposed sale of such equity shares to the proposed investors, as detailed in note 45(xvii) to the consolidated financial statements. The sale of such equity shares has been completed in the year ended 31 March 2020 and consequently the management has recorded the aforesaid transaction in the year ended 31 March 2020 instead of restating the balances as at 31 March 2019 in accordance with the requirements of relevant accounting standards. Had the management accounted for the aforesaid transaction in the correct period, the 'Other equity' as at 31 March 2019 would have been lower by ₹ 3,560.00 crores, and 'Other financial assets' as at 31 March 2019 would have been lower by ₹ 3,560.00 crores with a consequential impact on segment assets of the Airport sector as at 31 March 2019.

   The opinion expressed by the predecessor auditor in their audit report dated 29 May 2019 for the year ended 31 March 2019 was also qualified in respect of this matter.

5. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Holding Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 21 of the Other Matters section below, is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matters

6. We draw attention to note 54 of the accompanying consolidated financial statement for the year ended 31 March 2020, which describes the uncertainties due to the outbreak of COVID-19 pandemic and management's evaluation of the impact on the consolidated financial statements of the Group as at the balance sheet date. Our opinion is not modified in respect of this matter.

7. We draw attention to note 36 to the accompanying consolidated financial statement for the year ended 31 March 2020, which describes the uncertainty related to the outcome of a tax assessment from Maldives Inland Revenue Authority ('MIRA') on business profit tax. As per the statement issued by MIRA dated 1st June 2020, GMR Male International Airport Private Limited ('GMIAL') has to settle business profit tax amounting to USD 0.72 crore and fines on business profit tax amounted to USD 0.58 crore. As per the letter dated 22 January 2020 issued by "the Ministry of Finance Male, Republic of Maldives, the amount of tax assessed by the MIRA relating to the final arbitration award is only USD 0.58 crore and this amount should be paid by whom the payment was settled to GMIAL in the event of any tax payable by GMIAL. Further the letter also confirms that GMIAL is not liable to pay for the taxes assessed by MIRA on the arbitration sum and the Government of Maldives have initiated communication with MIRA to settle the taxes and fines payable on the arbitration award". Accordingly, the ultimate outcome of the business tax assessment sent by the MIRA cannot be determined and hence, the effect on the financial statements is uncertain. Accordingly, the Group has not made any provision in these financial statements. Our opinion is not modified in respect of this matter.

   The above matter has also been reported as an emphasis of matter in the audit report dated 18 June 2020 issued by other firm of chartered accountants on the standalone financial statements of GMIAL for the year ended 31 December 2019.

8. We draw attention to note 45(xvii) to the accompanying consolidated financial statement for the year ended 31 March 2020, with respect to completion of sale of 49% stake by the Group in GAL to Aerport De Paris SA on 7 July 2020 with certain modifications to the earlier signed share subscription and share purchase agreement, the details of which are described in aforesaid note. Our opinion is not modified in respect of this matter.

Key Audit Matters

9. Key audit matters are those matters that, in our professional judgment and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information of the subsidiaries, associates and joint ventures, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

10. In addition to the matters described in the Basis for Qualified Opinion, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
1. Assessment of going concern basis (refer note 1.1 to the accompanying consolidated financial statements)	
The Group has incurred loss before tax amounting to ₹ 2,283.41 crores for the year ended 31 March 2020 and its current liabilities exceeds its current assets by ₹ 4,212.44 crores as at 31 March 2020 with a consequent lower credit rating of some of its borrowings. Further, as disclosed in note 19, 20 and 23 the Group has financial liabilities of ₹ 14,192.00 crores to be settled within one year from March 31, 2020. While the above factors indicated a need to assess the Group's ability to continue as a going concern, as mentioned in aforesaid note, the Group has taken into consideration the following mitigating factors in its assessment for going concern basis of accounting. • Stake sales in certain subsidiaries in the airport sector to the extent of 49% to Airports de Paris (ADP). The first tranche of ₹ 5,248.00 crore for 24.99% shares of GAL (primarily through buyout of GMR Infra Services Limited (GISL) via primary infusion of equity) had been completed on February 24, 2020. The amount of ₹ 4,565.00 crores towards second and final tranche payment from ADP has been received subsequent to year end (also refer note 45(vii) to the accompanying consolidated financial statements). • Sale of certain power entities including GMR Chhattisgarh Energy Limited and reducing debt obligation of the Group • Additional funds raised at lower rates in airport entities Management has prepared future cash flow forecasts taking into cognizance the above developments and performed sensitivity analysis of the key assumptions used therein to assess whether the Group would be able to operate as a going concern for a period of at least 12 months from the date of financial statements, and concluded that the going concern basis of accounting used for preparation of the accompanying consolidated financial statements is appropriate with no material uncertainty. We have considered the assessment of management's evaluation of going concern basis of accounting as a key audit matter due to the pervasive impact thereof on the consolidated financial statements and the significant judgements and assumptions that are inherently subjective and dependent on future events, involved in preparation of cash flow projections and determination of the overall conclusion by the management.	Our audit procedures included but were not limited to, the following in relation to assessment of appropriateness of going concern basis of accounting: • Obtained an understanding of the management's process for identifying all the events or conditions that could impact the Group's ability to continue as a going concern and the process followed to assess the mitigating factors for such events or conditions. Also, obtained an understanding around the methodology adopted and the associated controls implemented by the Group to assess their future business performance, to prepare a robust cash flow forecast. • Reconciled the cash flow forecast to the future business plans of the Group as approved by the Board of Directors. These forecasts are largely based on the expected proceeds upon the successful closure of divestment of equity stake in GAL, for which the first and the second tranches were received during the year and subsequent to the year respectively. We have traced the receipts of the second tranche to the bank statements and considered the same for our assessment of the Group's capability to meet its financial obligation falling due within next twelve months. • In order to corroborate management's future business plans and to identify potential contradictory information, we read the minutes of the Board of Directors and discussed the same with the management. • Tested the appropriateness of key assumptions adopted used by the management, including the impact of COVID 19 pandemic on such assumptions, that had most material impact in preparation of the cash flow forecasts such as expected realization from proceeds on account of divestment of stake in certain entities, realization from various claims in investee entities and evaluation of the expected outflow on account of debt repayments. • Performed independent sensitivity analysis to test the impact of variation on the cash flows due to change in key assumptions. • Assessed the appropriateness and adequacy of the going disclosures, made in the consolidated financial statements in respect of going concern.
2. Utilisation of Minimum Alternate Tax ('MAT') Credit (refer note 2.3(i) for the accounting policy and note 37(a) for the disclosures of the accompanying consolidated financial statements)	
The Group has accumulated MAT credit entitlement of ₹ 515.93 crore as at 31 March 31, 2020, accounted primarily in GMR Hyderabad International Airport Limited ('GHIAL') amounting to ₹ 457.11 crores and in the Holding Company amounting to ₹ 58.72 crores. GHIAL is under tax holiday period upto financial year 2021-22 and the utilization of MAT credit depends on the ability of the respective entities to earn adequate tax profits. In order to assess the utilization of MAT credit, the respective entities have prepared revenue and profit projections which involves judgements and estimations such as estimating aeronautical tariff [which is determined by Airport Economic Regulatory Authority ("AERA")] for GHIAL, revenue growth, profit margins, tax adjustments under the Income Tax, 1961.	Our audit procedures, including those performed in our joint audit of GHIAL conducted with M/s K S Rao and Co., with respect to MAT credit entitlements included, but were not limited to the following: • Assessed and tested the design and operating effectiveness of the management's controls over recognition of the MAT credit. • Obtained and updated understanding of the management's process of computation of future accounting and taxable profits of the Group, and expected utilization of available MAT credit within specified time period as per provision of the IT Act.

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<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>As aforesaid, the recognition of a deferred tax asset in the form of MAT credit is based on management's estimate of taxable and accounting profits in future, which are underpinned by the management's input of key variables and market conditions including the tariff determined by AERA for the second control period in case of GHIAL and tax adjustments required to be made in the taxable profit computations, as per the provisions of Income Tax Act, 1961 (IT Act). The forecasted profit has been determined using estimations of projected income and expenses of the respective businesses.

Recognition of MAT credit asset requires significant judgement regarding the likelihood of its realization with-in the specified period through estimation of future taxable profits of the respective companies and consequently there is a risk that the MAT credit asset may not be realized within the specified period, if these projections are not met.

Considering the materiality of the amounts involved and inherent subjectivity requiring significant judgment involved in the determination of utilization of MAT credit through estimation of future taxable profits and projected revenue, this matter has been determined as a key audit matter for current year audit.</td><td>• Reconciled the business results projections to the future business plans approved by the Holding Company's and GHIAL's board of directors;

• Challenged the management's assessment of underlying assumptions, including the impact of COVID 19, used for the business results projections including expected capacity expansion and utilisation, implied growth rates and expected prices considering evidence available to support these assumptions, based on our knowledge of the industry , publicly available information and Group's strategic plans

• Performed an independent sensitivity analysis in respect of the key assumptions such as growth rates to ensure there was sufficient headroom with respect to the estimation uncertainty impact of such assumptions on the timing of reversal of unabsorbed depreciation and unabsorbed business losses and utilization of MAT credit;

• Tested the computations of future taxable profits, including testing of the adjustments made in such computations with respect to tax-allowed and tax-disallowed items, other tax rebates and deductions available to the respective company, and tested the computation of MAT liability in such future years, in accordance with the provisions of the IT Act.

• Tested the mathematical accuracy of management's projections and tax computations.

Based on aforesaid computations, assessed the appropriateness of management's estimate of likelihood of utilization of MAT credit within the time period specified and in accordance with the provisions of the IT Act. Assessed the appropriateness and adequacy of the disclosures related to MAT credit in the financial statements in accordance with the applicable accounting standards.</td></tr>
<tr><td colspan="2">3. Valuation of Derivative Financial Instruments and Application of Hedge Accounting in relation to Delhi International Airport Limited / GMR Hyderabad International Airport Limited (refer note 2.3(x) for accounting policy and note 51 for disclosures of the accompanying consolidated financial statements)</td></tr>
<tr><td>The Group has entered into derivative financial instruments i.e. call spread options coupon only hedge and had purchased derivative financial instruments, i.e. cross currency swap, coupon only swap and call spread options, to hedge its foreign currency risks in relation to the long-term bonds issued in foreign currency in GHIAL and Delhi International Airport Limited ('DIAL') respectively.

Management has designated these derivative financial instruments and the aforesaid debt at initial recognition as cash flow hedge relationship as per Ind AS 109, Financial Instruments.

The valuation of hedging instrument is complex and necessitates a sophisticated system to record and track each contract and calculates the related valuations at each financial reporting date. Since valuation of hedging instruments and consideration of hedge effectiveness involves both</td><td>Our audit procedures, including those performed in our joint audit of DIAL and GHIAL conducted with M/s K S Rao and Co., with respect to assess hedge accounting test the and valuation of the derivative financial instruments included but were not limited to the following:

• Assessed and tested the design and operating effectiveness of management's key internal controls over derivative financial instruments and the related hedge accounting;

• Reviewed the management's documentation for the designated hedge instrument which defines the nature of hedge relationship;

• Considered the consistent application of the accounting policies and assessed the hedge accounting methodologies applied; and compared these to the requirements of Ind AS 109, Financial Instruments;</td></tr>
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<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>significant assumptions and judgements such as discount rates, forward exchange rates, future interbank rates and involvement of management’s expert, and therefore, is subject to an inherent risk of error.

We have determined the valuation of hedging instruments as a key audit matter in view of the significant judgements, estimates and complexity involved.</td><td>• Evaluated the management’s valuation specialist’s professional competence, expertise and objectivity;

• Tested the accuracy of input data provided by the management to the external valuation specialist and assessed the reasonability of the assumptions used, while valuing the hedging instruments;

• Involved our valuation specialists to test the fair values of derivative financial instruments and compared the results to the management's results;

• Assessed the appropriateness and adequacy of the related disclosures in the standalone consolidated financial statements in accordance with the applicable accounting standards</td></tr>
<tr><td colspan="2">4. Evaluation and disclosure of accrual estimates for legal claims, litigation matters and contingencies (refer note 2.3(u) for accounting policy and note 21 and 41(c) for disclosures of the accompanying consolidated financial statements)</td></tr>
<tr><td>The Group has ongoing litigations with various authorities and third parties which could have a significant impact on the consolidated financial statements, if the potential exposures were to materialize. The amounts involved are significant, and the application of accounting standards to determine the amount, if any, to be provided as a liability or disclosed as a contingent liability, is inherently subjective. Claims against the Group are disclosed in the consolidated financial statements by the Group.

We have determined the evaluation and disclosure for litigations matters and contingencies as a key audit matter, because the outcome of such legal claims and litigation is uncertain and the position taken by management involves significant judgments and estimations to determine the likelihood and/or timing of cash outflows and the interpretation of preliminary and pending court rulings.

Considering the aforementioned matter is fundamental to the understanding of the users of the accompanying consolidated financial statements, we further draw attention to the following specific matters involving significant litigations and contingencies:

a. Note 47(i) relating to certain claims and counter claims filed by GMR Power Corporation Limited (‘GPCL’), (an erstwhile step down subsidiary of the Holding Company, now merged with GGAL, a subsidiary of the Holding Company via National Company Law Tribunal (‘NCLT’) order dated 13 March 2020), and Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) which are pending before the Tamil Nadu Electricity Regulatory Commission as directed by the Honorable Supreme Court of India. Based on its internal assessment and legal expert advice, pending final outcome of the litigation, the management is of the view that no adjustments are required to be made to the accompanying Statement for the aforesaid matter. The above matter is also reported as an emphasis of matter in the audit report dated 22 June 2020 issued by another firm of chartered accountants on the standalone financial statements of GGAL for the year ended 31 March 2020.</td><td>Our audit procedures in relation to the assessment of legal claims, litigation matters and contingencies included but were not limited to the following:

• Obtained an understanding of management’s process and evaluated design, implementation and operating effectiveness of management’s key internal controls over assessment of legal claims, litigations and various other contingencies and completeness of disclosures

• Obtained and read the summary of litigation matters provided by management, the supporting documentation on sample basis and held discussions with the management of the Group;

• For claims/matters/disputes settled during the year if any, we have read the related orders/directions issued by the courts/ settlement agreements in order to verify whether the settlements were appropriately accounted for/disclosed;

• Evaluated various legal opinions obtained by management and conducted a review of the assessment done by the management through internal and external tax and legal experts for the likelihood of contingencies and potential impact of various litigations and legal claims, examining the available supporting documents.

• Involved auditor’s experts to assess relevant judgements passed by the appropriate authorities in order to assess the basis used for the accounting treatment and resulting disclosures for entities audited by us;

• Assessed the financial statements of the components with regards to the disclosures pertaining to the various legal claims, litigation matters and contingencies;

Assessed the appropriateness and adequacy of the related disclosures in note 21 and 41(c) to the consolidated financial statements in accordance with the requirements of applicable accounting standards.</td></tr>
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<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>b. Note 45(iii), which describes the uncertainty relating to the outcome of litigation pertaining to the costs related to procurement of security equipment, construction of residential quarters for Central Industrial Security Force deployed at the Rajiv Gandhi International Airport, Hyderabad and other costs which have been adjusted from the PSF (SC) Fund upto 31 March 2018, pending final decision from the Hon'ble High Court of Telangana and the consequential instructions from the Ministry of Civil Aviation.

The above matter has also been reported as an emphasis of matter in the audit report dated 15 June 2020 issued by us along with other joint auditor on the financial statements for the year ended 31 March 2020 of GMR Hyderabad International Airport Limited, a subsidiary of the Holding Company.</td><td></td></tr>
<tr><td colspan="2">5. Revenue recognition and measurement of upfront losses on long-term construction contracts (refer note 2.3(f) for the accounting policy and note 24 for disclosures of the accompanying consolidated financial statements)</td></tr>
<tr><td>For the year ended 31 March 2020, the Holding Company has recognized revenue from Engineering, procurement and construction (EPC) contracts of ₹ 859.48 crores and has accumulated provisions for upfront losses amounting to ₹ 57.96 crores as at 31 March 2020.

The Holding Company's revenue primarily arises from construction contracts, which is recognised over a period of time in accordance with the requirements of Ind AS 115, Revenue from Contract with Customers, as further explained in note 2.3(f) to the accompanying consolidated financial statements, and which, by its nature, is complex given the significant judgements involved in the assessment of current and future contractual performance obligations.

The Holding Company recognises revenue and margins based on the stage of completion which is determined on the basis of the proportion of value of goods or services transferred as at the Balance Sheet date, relative to the value of goods or services promised under the contract.

The recognition of contract revenue, contract costs and the resultant profit/loss therefore rely on the estimates in relation to forecast contract revenue and the total cost. These contract estimates are reviewed by the management on a periodic basis. In doing so, the management is required to exercise judgement in its assessment of the valuation of contract variations and claims and liquidated damages as well as the completeness and accuracy of forecast costs to complete and the ability to deliver contracts within contractually determined timelines. The final contract values can potentially be impacted on account of various factors and are expected to result in varied outcomes. Changes in these judgements, and the related estimates as contracts progress can result in material adjustments to revenue and margins/ onerous obligations.

Owing to these factors, we have determined revenue recognition and provision for upfront losses from EPC contracts as a key audit matter for the current year audit.</td><td>Our audit procedures for recognition of contract revenue, margin and contract costs, and related receivables and liabilities included, but were not limited to, the following:

• Evaluated the appropriateness of the Holding Company's accounting policy for revenue recognition from construction contracts in accordance with Ind AS 115, 'Revenue from Contracts with Customers;

• Assessed the design and implementation of key controls, over the recognition of contract revenue and margins, and tested the operating effectiveness of these controls;

• For a sample of contracts, we have tested the appropriateness of amount recognized as revenue by evaluating key management judgements inherent in the determining forecasted contract revenue and costs to complete that drive the accounting under the percentage of completion method by performing following procedures:

- reviewed the contract terms and conditions;

- evaluated the identification of performance obligation of the contract;

- evaluated the appropriateness of management's assessment that performance obligation was satisfied over time and consequent recognition of revenue using percentage of completion method;

- obtained an understanding of the assumptions applied in determining the forecasted revenue and cost to complete;

- assessed management's estimates of the impact to revenue and budgeted costs arising from scope changes made to the original contracts, claims, disputes and liquidation damages with reference to supporting documents including variation orders and correspondence between the Holding Company and the customers; and

• Assessed the appropriateness and adequacy of disclosures made by the management with respect to revenue recognised during the year in accordance with applicable accounting standards.</td></tr>
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<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">6. Impairment testing carried out for carrying value of investments in joint venture and associates, investment property under construction and carriage-ways grouped under other intangible assets of the Group (refer note 8a, 8b, 5 and 7 to the accompanying consolidated financial statements other than those referred in basis of qualified opinion paragraph 3 above)</td></tr>
<tr><td>The Group has total investments in joint ventures and associates amounting to ₹ 7,012.75 crore, investments in investment property under construction amounting to ₹ 3,252.56 crore and carriage-ways grouped under other intangible assets amounting to ₹ 2,342.90 crore. The aforementioned investments, investment properties under construction and intangible assets are accounted for in accordance with Ind AS 27, Separate Financial Statements, Ind AS 40, Investment Property and Ind AS 38, Intangible Assets, respectively.

The Group assesses these investments and assets for impairment when impairment indicators exist by comparing the recoverable amount (determined as the higher of fair value less costs of disposal and value in use) with the carrying amount of the respective assets as on the reporting date. The value in use is computed using the Discounted Cash Flow Model (‘DCF’) model.

The determination of recoverable amounts of the carrying value of these investments in joint venture and associates, investment property under construction and carriage-ways grouped under other intangible assets of the Group relies on various management estimates of future cash flows and their judgment with respect to the following:

Investments in joint venture and associates:

• In case of investments in entities in the energy business, cash flow projections are based on estimates and assumptions relating to conclusion of tariff rates, operational performance of the plants and coal mines, life extension plans, availability and market prices of gas, coal and other fuels, restructuring of loans etc.

• In case of investments in airport entities, cash flow projections are based on estimation of passenger traffic, conclusion of tariff rates per acre/hectre for lease rentals from CPD, passenger penetration rates and favourable outcomes of litigations etc.

Investment property under construction – In case of investments in SEZ businesses, cash flow projections are based on assumptions relating to realization per acre of land from monetization for SEZ business which are considered as reasonable by the management, estimation of rates of properties owned by the Group with the help of external valuation expert, rate of comparable properties and adjustment factors applied to adjust for the differentiating features with such comparable properties.

Carrying values of carriage-ways grouped under other intangible assets – In case of investments in carriage-ways, cash flow projections are based on assumptions relating to periodic major maintenance by using a model that incorporates a number of assumptions, including the life of the concession agreement, annual traffic growth and the expected cost of the periodic major maintenance which are considered as reasonable by the management and also consider favourable outcomes of litigations etc. in the carriage-ways business

The key assumptions underpinning management's assessment of the recoverable amount further include, but are not limited to, projections of growth rates, discount rates, estimated future operating and capital expenditure. Changes to assumptions could lead to material changes in estimated recoverable amounts, resulting in impairment of investments in joint venture and associates, investment property under construction and carriage-ways grouped under other intangible. Complexity involved in such</td><td>Our audit procedures with respect to assessment of impairment loss on carrying value of investments in joint venture and associates, investment property under construction and carriage-ways grouped under other intangible assets of the Group included but not limited to the following:

• Obtained an understanding of the management’s process for identifying impairment indicators as well as determining the appropriate methodology to carry out impairment testing for the carrying value of investments in accordance with the requirements of Ind AS 36, Impairment of Assets;

• Evaluated the Group’s valuation methodology in determining the value-in-use and fair value to estimate the recoverable value of such investments. In making this assessment, we also assessed the professional competence, objectivity and capabilities of the valuation specialist engaged by the management;

• Involved auditor’s valuation specialists to assess the appropriateness of the value-in-use and fair value determined by the management and to test reasonability of the key assumptions used in the cash flow forecasts forecasts such as growth rates during the explicit period, terminal growth rate and the discount rate including the impact of COVID-19 on such assumptions;

• We have carried out discussions with management on the performance of these investments as compared to previous year in order to evaluate whether the inputs and assumptions used in the aforesaid cash flow forecasts were suitable.

• Discussed the significant ongoing litigations in these entities which had a material impact to ascertain the appropriateness of the outcome considered in the respective valuation models

• Tested the arithmetical accuracy of the calculations performed by the management expert.

Assessed the appropriateness and adequacy of the related disclosures in the consolidated financial statements in accordance with the requirements of relevant accounting standards.</td></tr>
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Key audit matter	How our audit addressed the key audit matter
assumptions and estimates increased in the current year due to the impact of COVID-19 pandemic outbreak on the Group's operations as disclosed in Note 54 to the accompanying financial statements. Considering the significance of the amounts involved and auditor attention required to test the appropriateness of the accounting estimates that involves high estimation uncertainty and significant management judgement, this matter has been determined as a key audit matter for current year's audit. Considering the matter is fundamental to the understanding of the users of the accompanying consolidated financial statements we further draw attention to: a. Note 8b(12)(i) and 8b(13)(vii), which is in addition to the matters described in paragraph 3 above, regarding the investment made by the Group in GEL amounting to ₹ 1,897.63 crores as at 31 March 2020. The recoverability of such investment is further dependent upon various claims, counter claims and other receivables from customers of GMR Warora Energy Limited ('GWEL'), a subsidiary of GEL, which are pending settlement / realization as on 31 March 2020, and certain other key assumptions considered in the valuation performed by an external expert, including capacity utilization of plant in future years and renewal of Power Purchase Agreement with one of its customers which has expired in June 2020. The above claims also include recovery of transmission charges from Maharashtra State Electricity Distribution Company Limited ('MSEDCL') by GWEL, based on the Order of the Appellate Tribunal for Electricity ('APTEL') ('the Order') dated 8 May 2015 as described in aforesaid note. The management of the Holding Company, based on its internal assessment, legal opinion, certain interim favourable regulatory orders and valuation assessment, is of the view that the carrying value of the aforesaid investment of the Group in GEL, taking into account the matters described above in relation to the investments made by GEL in its aforementioned subsidiary, is appropriate and accordingly, no adjustments to the aforesaid balance have been made in the accompanying Statement for the year ended 31 March 2020. The above matters with respect to GWEL are also reported as an emphasis of matter in the audit report dated 29 May 2020 and 18 June 2020 issued by other firm of chartered accountants on the standalone financial statements of GWEL and GEL, respectively, for the year ended 31 March 2020. Further, a separate section on material uncertainty over going concern has also been reported in the audit report issued by another firms of chartered accountants on the standalone financial statements of GEL and GWEL, respectively, for the year ended 31 March 2020. b. Note 46(i) and 46(ii), which relates to the ongoing arbitrations with National Highways Authority of India (NHAI) for compensation of losses being incurred by GMR Ambala Chandigarh Expressways Private Limited ('GACEPL') and GMR Hyderabad Vijayawada Expressways Private Limited ('GHVEPL'), step-down subsidiaries of the Holding Company, since the commencement of commercial operations. Pending outcome of the aforementioned arbitration proceedings, GHVEPL has not paid to NHAI an amount of ₹ 620.31 crore towards additional concession fee along with interest thereon.	

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Further, based on management's internal assessment of compensation inflows, external legal opinions and valuation performed by independent experts, the management is of the view that the recoverable amounts of the carriageways of GACEPL and GHVEPL is assessed to be in excess of the respective carrying values amounting ₹ 355.55 crores and ₹ 1,984.04 crores as at 31 March 2020. Currently useful life of 25 years has been considered in arriving at the carrying value and amortisation of carriageways of GHVEPL, on the basis of management's plan to develop the six-lane project within the stipulated time period ending in April 2024 subject to arbitration outcome. However, the useful life will have to be considered at 15 years if the arbitration award is not favourable and 6 lane has not been constructed by April 2024. Accordingly, no adjustments to the consolidated financial results are considered necessary.

The above matters have also been reported as an emphasis of matters in their auditor's reports dated 16 May 2020 and 23 July 2020 issued by other firms of chartered accountants on the standalone financial statements of the GACEPL and GHVEPL, respectively, for the year ended 31 March 2020. Further, considering the erosion of net worth and net liability position of these entities, such auditors have also given a separate section on the material uncertainty relating to going concern in their respective audit reports.</td><td></td></tr>
<tr><td colspan="2">7. Significant additions to Capital assets in DIAL/GHIAL (refer note 2.3(k) for accounting policy and note 45(xxvi) and 45(xxvii)for disclosures of the accompanying consolidated financial statements)</td></tr>
<tr><td>GHIAL is in the process of expansion of the Rajiv Gandhi International Airport while DIAL is in the process of expansion of the Indira Gandhi International Airport and have incurred ₹ 1,974.28 crores as capital expenditure in the current year towards such expansion plans as further explained in note 3 to the accompanying consolidated financial statements.

Determining whether expenditure meets the capitalization criteria, specifically with regard to whether they are operational or capital in nature, involves significant management judgement in assessing whether capitalization is in line with Ind AS 16, Property, Plant and Equipment and the Group's accounting policy.

Further, the tariff determination by AERA for control periods for the aeronautical services is linked to the Regulated Asset Base, which is based on the fixed asset balance and considering these additions are significant to the asset base of the Group, we have assessed inappropriate capitalization as a significant risk as part of our audit strategy.

Further, the aforementioned capital expenditure has been funded from the specific borrowings raised for such purpose. Accordingly, the borrowing cost incurred on such borrowings have been included as a capital expenditure in accordance with the provisions of Ind AS 23, Borrowing Costs.

This has been determined as a key audit matter due to the significance of the capital expenditure during the year and the risk that the elements of costs (including borrowing costs) that are eligible for capitalisation are appropriately capitalised in accordance with the recognition criteria provided in Ind AS 16 and Ind AS 23.</td><td>Our audit procedures including those performed in our joint audit of DIAL and GHIAL conducted with M/s K S Rao and Co., with respect to appropriate capitalization of such expenditure included, but were not limited to the following:

• Assessed the design and implementation and tested the operating effectiveness of key controls surrounding the capitalization of costs.

• Reviewed management's capitalisation policy, including application of the aforesaid policy, to assess consistency with the requirements set out by Ind AS 16, Property, Plant and Equipment.

• Compared the additions with the budgets and the orders given to the vendors.

• Ensured that the borrowing cost capitalized is as per Ind AS 23 Borrowing Costs

• Tested the additions on a sample basis for their nature and purpose to ensure that the capitalization is as per respective company's accounting policy.

• Assessed the appropriateness and adequacy of the related disclosures in the Consolidated financial statements in accordance with the applicable accounting standards.</td></tr>
</table>

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

11. The Holding Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Report on Corporate Governance, Directors' Report, etc., but does not include the consolidated financial statements and our auditor's report thereon. These reports are expected to be made available to us after the date of this auditor's report.

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

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

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

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

12. The accompanying consolidated financial statements have been approved by the Holding Company's Board of Directors. The Holding Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated state of affairs (consolidated financial position), consolidated profit or loss (consolidated financial performance including other comprehensive income), consolidated changes in equity and consolidated cash flows of the Group including its associates and joint ventures in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of consolidated Ind AS financial statements. Further, in terms of the provisions of the Act, the respective Board of Directors /management of the companies included in the Group, and its associate companies and joint venture companies {covered under the Act} are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

13. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associates and joint ventures are responsible for assessing the ability of the Group and of its associates and joint ventures to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

14. Those Board of Directors are also responsible for overseeing the financial reporting process of the companies included in the Group and of its associates and joint ventures.

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

15. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

16. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls;

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associates and joint ventures to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associates and joint ventures to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group, and its associates and joint ventures, to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit of financial statements of such entities included in the financial statements, of which we are the independent auditors. For the other entities included in the financial statements, which have been audited by the other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

17. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

18. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

19. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

20. We have jointly audited with another auditor, the financial statements and other financial information of 2 subsidiaries, whose financial statement reflects (before adjustments for consolidation) total assets of ₹ 25,683.80 crores and net assets of ₹ 5,063.63 crores as at 31 March, 2020 total revenues of ₹ 5,883.70 crores, total net profit after tax of ₹ 649.97 crores, total comprehensive income of ₹ 793.35 crores, and cash flows (net) of ₹ 1,690.27 crores for the year ended on that date, as considered in the consolidated financial statements. For the purpose of our opinion on the consolidated financial statements, we have relied upon the work of such other auditor, to the extent of work performed by them.

21. We did not audit the financial statements of 77 subsidiaries and 1 joint operation (including 13 subsidiaries consolidated for the quarter and year ended 31 December, 2019 with a quarter lag and 1 joint operation consolidated for the year ended 31 December, 2019 with a quarter lag), whose financial statements reflects (before adjustments for consolidation) total assets of ₹ 33,288.34 crores and net assets of ₹ 2,594.87 crores as at 31 March, 2020 total revenues of ₹ 7,366.23 crores, and net cash flows (net) of ₹ 118.17 crores for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also includes the Group's share of net loss after tax (including other comprehensive income) of ₹ 261.06 crores for the year ended 31 March, 2020 as considered in the consolidated financial statements in respect of 5 associates and 46 joint ventures (including 28 joint ventures consolidated for the year ended 31 December, 2019 with a quarter lag), whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose audit reports have been furnished to us by the management, and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, associates and joint ventures/operations, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, associates and joint ventures/operations, is based solely on the reports of the other auditors.

    Further, of these subsidiaries/ joint operation/ associates/ joint ventures, 13 subsidiaries, 1 joint operations and 30 joint ventures, are located outside India, whose financial statements have been prepared in accordance with accounting principles generally accepted in their respective countries, and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries/ joint operation/ joint ventures located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion on the consolidated financial statements, in so far as it relates to the balances and affairs of such subsidiaries, associates and joint ventures located outside India are based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

    Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors.

22. We did not audit the financial information of 12 subsidiaries (including 6 subsidiaries consolidated for the year ended 31 December 2019, with a quarter lag), which have not been audited whose financial information reflects (before adjustments for consolidation) total assets of ₹ 1,208.88 crores and net assets of ₹ 1,207.15 crores as at 31 March 2020, total revenues of ₹ 5.37 crores and cash flows (net) of ₹ (0.57) crores for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net loss (including other comprehensive income) of ₹ 1.67 crores for the year ended 31 March, 2020 as considered in the consolidated financial statements, in respect of 1 associates and 7 joint ventures (including 3 joint ventures consolidated for the year ended 31 December, 2019 with a quarter lag), whose financial information have not been audited by us. These financial information are unaudited and have been furnished to us by the management and our opinion on the consolidated financial statements and our report in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries, associates and joint ventures, are based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the management, these financial information are not material to the Group.

    Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matter with respect to our reliance on the financial information certified by the management.

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

Report on Other Legal and Regulatory Requirements

24. As required by section 197(16) of the Act, based on our audit and on the consideration of the reports of the other auditors, referred to in paragraph 21, on separate financial statements of the subsidiaries, associates, joint ventures, we report that the Holding Company, 25 subsidiary companies, 1 associate company and 11 joint venture companies covered under the Act paid remuneration to their respective directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act. Further, we report that the provisions of section 197 read with Schedule V to the Act are not applicable to 2 subsidiary companies, 4 associate companies and 2 joint venture companies covered under the Act, since none of these companies is a public company as defined under section 2(71) of the Act. Further, we report that 40 subsidiary companies, 1 associate company and 4 joint venture companies covered under the Act have not paid or provided for any managerial remuneration during the year. Accordingly, reporting under section 197(16) of the Act is not applicable in respect of such subsidiary companies/ associate companies/ joint venture companies. Further, as stated in paragraph 22, financial statements of 6 subsidiary companies, 1 associate companies and 2 joint venture companies covered under the Act are unaudited and have been furnished to us by the management, and as certified by the management, such companies have not paid or provided for any managerial remuneration during the year. Accordingly, reporting under section 197(16) of the Act is not applicable in respect of such subsidiary companies/ associate companies/ joint venture companies.

25. As required by Section 143 (3) of the Act, based on our audit and on the consideration of the report (s) of the other auditor (s) on separate financial statements and other financial information of the subsidiaries, associates and joint ventures, we report, to the extent applicable, that:

    a) we have sought and except for the matters described in the Basis for Qualified Opinion section, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

    b) in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors, except for the effects/possible effects of the matters described in paragraph 3 and paragraph 4 of the Basis for Qualified Opinion section with respect to the consolidated financial statements;

    c) the consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

    d) except for the effects/possible effects of the matters described in the Basis for Qualified Opinion section, in our opinion, the aforesaid consolidated financial statements comply with Ind AS specified under section 133 of the Act;

    e) the matters described in paragraph 6 of the Emphasis of Matters section, emphasis of matters reported in sr. no 6 of the Key audit matters section in paragraph 10 above and paragraph 3 of the Basis for Qualified Opinion section, in our opinion, may have an adverse effect on the functioning of the Group, its associates and joint ventures;

    f) on the basis of the written representations received from the directors of the Holding Company and taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, associate companies and joint venture companies covered under the Act, none of the directors of the Group companies, its associate companies and joint venture companies covered under the Act, are disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act;

    g) the qualifications relating to the maintenance of accounts and other matters connected therewith are as stated in paragraph 3 and paragraph 4 of the Basis for Qualified Opinion section;

    h) with respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company, and its subsidiary companies, associate companies and joint venture companies covered under the Act, and the operating effectiveness of such controls, refer to our separate report in 'Annexure A'; and

    i) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, associates and joint ventures:

        i. except for the effects/possible effects of the matters described in paragraph 3 and 4 of the Basis for Qualified Opinion section, the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, its associates and joint ventures as detailed in Note 8a, 8b, 41, 44, 45, 46, 47 and 48 to the consolidated financial statements;

        ii. except for the effects/possible effects of the matters described in paragraph 3 and 4 of the Basis for Qualified Opinion section, provision has been made in these consolidated financial statements, as required under the applicable law or Ind AS, for material foreseeable losses, on long-term contracts including derivative contracts, as detailed in note 2.3(u) to the consolidated financial statements;

        iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, and its subsidiary companies, associate companies and joint venture companies during the year ended 31 March, 2020; and

iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November, 2016 to 30 December, 2016 which are not relevant to these consolidated financial statements. Hence, reporting under this clause is not applicable.

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

Neeraj Sharma
Partner
Membership No.: 502103
UDIN: 20502103AAAABK4842

Place: New Delhi
Date: July 30, 2020

Annexure A

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

1. In conjunction with our audit of the consolidated financial statements of GMR Infrastructure Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), its associates and joint ventures as at and for the year ended 31 March 2020, we have audited the internal financial controls with reference to financial statements of the Holding Company, its subsidiary companies, its associate companies and joint venture companies, which are companies covered under the Act, as at that date.

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

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

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

3. Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of the Holding Company, its subsidiary companies, its associate companies and joint venture companies, as aforesaid, based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.

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

5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to financial statements of the Holding Company, its subsidiary companies, its associate companies and joint venture companies as aforesaid.

Meaning of Internal Financial Controls with Reference to Financial Statements

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation

of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified opinion

8. According to the information and explanations given to us and based on our audit and consideration of the report of the other auditors on internal financial controls with reference to financial statements of subsidiaries, joint venture and associate companies, the following material weakness has been identified in the operating effectiveness of the internal financial controls with reference to financial statements of the Holding Company and its joint venture company as at 31 March 2020:

   The Holding Company's internal control system towards estimating the carrying value of investments in certain joint ventures and associates as more fully explained in note 8b(13)(ii) to the consolidated financial statements were not operating effectively due to uncertainties in the judgments and assumptions made by the Holding Company in such estimations, which could result in the Group not providing for adjustment, if any, that may be required to the carrying values of investments and further provisions, if any, required to be made for the obligations on behalf of those entities and its consequential impact on the accompanying financial statements.

   The report on internal financial controls with reference to financial statements of a joint venture company, GMR Energy Limited, is also qualified with respect to the above matter, issued by an independent firm of Chartered Accountants vide its report dated 18 June 2020.

9. A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial controls with reference to financial statements, such that there is a reasonable possibility that a material misstatement of the Holding Company's annual or interim financial statements will not be prevented or detected on a timely basis.

10. In our opinion and based on the consideration of the reports of the other auditors on internal financial controls with reference to financial statements of the subsidiary companies, associate companies and joint venture companies, the Holding Company, its subsidiary companies, associate companies and joint venture companies which are companies covered under the Act, have, in all material respects, adequate internal financial controls with reference to financial statements as at 31 March 2020, based on the internal financial controls with reference to financial statements criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI, and except for the effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, such internal financial controls with reference to financial statements were operating effectively as at 31 March 2020.

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

Other Matters

11. We have jointly audited with another auditor, the financial statements and other financial information of 2 subsidiaries, whose financial statement reflects (before adjustments for consolidation) total assets of ₹ 25,683.80 crores and net assets of ₹ 5,063.63 crores as at 31 March 2020, total revenues of ₹ 5,883.70 crores, and cash flows (net) amounting to ₹ 1,690.27 crores for the year ended on that date, as considered in the consolidated financial statements. For the purpose of our opinion on the adequacy and operating effectiveness of the internal financial controls with reference to financial statements for the Holding Company, its subsidiary companies, its associate companies and joint venture companies, as aforesaid, under Section 143(3)(i) of the Act in so far as it relates to such subsidiary companies, we have relied upon the work of such other auditor, to the extent of work performed by them.

12. We did not audit the internal financial controls with reference to financial statements in so far as it relates to 64 subsidiary companies, which are companies covered under the Act, whose financial statements reflect total assets of ₹ 22,007.34 crores and net assets of ₹ 2,716.91 as at 31 March 2020, total revenues of ₹ 5,876.49 crores and cash flows (net) amounting to ₹ 123.12 crores for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net loss (including other comprehensive income) of ₹ 446.38 crores for the year ended 31 March 2020, in respect of 5 associate companies and 16 joint venture companies, which are companies covered under the Act, whose internal financial controls with reference to financial statements have not been audited by us. The internal financial controls with reference to financial statements in so far as it relates to such subsidiary companies, associate companies and joint venture companies have been audited by other auditors whose reports have been furnished to us by the management and our report on the adequacy and operating effectiveness of the internal financial controls with reference to financial statements for the Holding Company, its subsidiary companies, its associate companies and

joint venture companies, as aforesaid, under Section 143(3)(i) of the Act in so far as it relates to such subsidiary companies, associate companies and joint venture companies is based solely on the reports of the auditors of such companies. Our opinion is not modified in respect of this matter with respect to our reliance on the work done by and on the reports of the other auditors.

13. We did not audit the internal financial controls with reference to financial information in so far as it relates to 6 subsidiaries, which are companies covered under the Act, whose financial information reflect total assets of ₹ 13.36 crores and net assets of ₹ 13.22 as at 31 March 2020, total revenues of ₹ 0.01 crores and cash flows (net) amounting to ₹ (0.03) crores for the year ended on that date; and 1 associate companies and 2 joint venture companies, which are companies covered under the Act, in respect of which, the Group's share of net profit (including other comprehensive income) of ₹ 2.41 crores for the year ended 31 March 2020 has been considered in the consolidated financial statements. The internal financial controls with reference to financial information of these subsidiary companies, joint venture companies and associate companies, which are companies covered under the Act, are unaudited and our opinion under Section 143(3)(i) of the Act insofar as it relates to the aforesaid subsidiaries, associates and joint venture companies, which are companies covered under the Act, is solely based on the corresponding internal financial controls with reference to financial information reports certified by the management of such companies. In our opinion and according to the information and explanations given to us by the management, these financial information are not material to the Group. Our report on adequacy and operating effectiveness of the internal financial controls with reference to consolidated financial statements of the Group does not include the internal financial controls with reference to financial information assessment in respect of the aforesaid companies. Our opinion is not modified in respect of the above matter with respect to our reliance on the internal financial controls with reference to financial information reports certified by the management.

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

Neeraj Sharma
Partner
Membership No. 502103
UDIN: 20502103AAAABK4842

Place: New Delhi
Date: 30 July 2020