Independent Auditors' Report

To the Board of Directors of GMR Infrastructure Limited

We have audited the accompanying consolidated financial statements of GMR Infrastructure Limited ('the Company'), its subsidiaries and its jointly controlled entities [collectively hereinafter referred to as 'the Group' and individually as 'component' (refer note 2 to the accompanying consolidated financial statements of the Group)], which comprise the consolidated balance sheet as at March 31, 2013, the consolidated statement of profit and loss and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

1) *As detailed in Note 35(viii)(j)(2) to the accompanying consolidated financial statements for the year ended March 31, 2013, GMR Rajahmundry Energy Limited ('GREL'), a subsidiary of the Company has capitalised ₹ 282.39 crore for the period July 1, 2012 to March 31, 2013 towards indirect expenditure and borrowing costs incurred on a plant under construction where active construction work has been put on hold pending securing supply of requisite natural gas and has approached the Ministry of Corporate Affairs for clarification on the applicability of / relaxation from the provisions of Accounting Standard ('AS') -10 and AS -16 to the aforesaid capitalisation. However, in our opinion, the capitalisation of such expenses is not in accordance with the relevant Accounting Standards. Had the aforesaid expenditure not been capitalised, profit after tax and minority interest of the Group for the year ended March 31, 2013 would have been lower by ₹ 276.49 crore.*

2) *As detailed in Note 35(viii) (n) to the accompanying consolidated financial statements for the year ended March 31, 2013, GMR Kishangarh Udaipur Ahmedabad Expressways Limited ('GKUAEL'), a subsidiary of the Company has issued a notice of intention to terminate the Concession Agreement with National Highways Authority of India ('NHAI') which has been disputed by NHAI. As at March 31, 2013, GKUAEL has incurred and capitalised indirect expenditure towards project and borrowing costs of ₹ 107.75 crore and has given capital advances of ₹ 590.00 crore. In our opinion, the aforesaid capitalisation of ₹ 107.75 crore is not in accordance with the relevant Accounting Standards and such expenses should have been charged off in the consolidated financial statements. Had the aforesaid expenditure not been capitalised, profit after tax and minority interest of the Group for the year ended March 31, 2013 would have been lower by ₹ 107.75 crore. Further, having regard to the uncertainty in view of the dispute, we are also unable to comment on the final outcome of the matter and any other consequential impact that may arise in this regard, on the consolidated financial statements for the year ended March 31, 2013.*

3) *As detailed in Note 30(a) and 35(viii)(m) to the accompanying consolidated financial statements for the year ended March 31, 2013, the Concession Agreement entered into between GMR Male International Airport Private Limited ('GMIAL'), a subsidiary of the Company, Maldives Airport Company Limited ('MACL') and Ministry of Finance and Treasury ('MoFT') for the Rehabilitation, Expansion, Modernization, Operation and Maintenance of Male International Airport ('MIA') for a period of 25 years has been declared void ab initio by MACL and MoFT and MACL has taken possession of MIA with effect from December 8, 2012. GMIAL has initiated arbitration process to seek remedies under the said agreement and pending resolution of the dispute, continues to recognise the assets at their carrying values as at March 31, 2013 including the claim recoverable of ₹ 919.16 crore (USD 16.77 crore) as the management is of the opinion that GMIAL will be able to recover at least the carrying value of the assets.*

   Further, GMIAL has executed work construction contracts with GADL International Limited ('GADLIL'), a subsidiary of the Company and other service providers for Rehabilitation, Expansion and Modernization of MIA. Pursuant to the aforesaid takeover of the airport by MACL, GMIAL has terminated the contracts with GADLIL and these service providers and has received claims from GADLIL and other service providers towards termination payments. However, no such claims relating to the termination of contracts have been recognised in the consolidated financial statements as at March 31, 2013.

   The takeover of MIA by MACL, indicate the existence of a material uncertainty about the going concern of GMIAL and GADLIL. However, the financial statements of GMIAL and GADLIL as at and for the year ended March 31, 2013 continue to be prepared on a going concern basis.

   Having regard to the uncertainty in view of the dispute and the final outcome of the matter, we are unable to comment on its impact on the carrying value of the assets of GMIAL and GADLIL and any other consequential impact that may arise in this regard on the consolidated financial statements for the year ended March 31, 2013.

Qualified opinion

In our opinion and to the best of our information and according to the explanations given to us i.e. *except for the effects / possible effects of the matters described in the Basis for Qualified Opinion paragraph,* the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2013;

(b) in the case of the consolidated statement of profit and loss, of the profit for the year ended on that date; and

(c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

Emphasis of Matter

i. We draw attention to Note 35(viii) (h) to the accompanying consolidated financial statements for the year ended March 31, 2013 in connection with the carrying value of net assets of ₹ 238.35 crore (after providing for losses till date of ₹ 103.21 crore) as regards investment in GMR Ambala Chandigarh Expressways Private Limited ('GACEPL'), a subsidiary of the Company. Though GACEPL has been incurring losses since the commencement of commercial operations, based on management's internal assessment and legal opinion obtained by the management of GACEPL, the management of the Group is of the view that the carrying value of the net assets (after providing for losses till date) as regards investment in GACEPL is appropriate. Accordingly, no adjustments have been made in the accompanying consolidated financial statements. Our opinion is not qualified in respect of this matter.

ii. We draw attention to Note 35 (viii) (r) to the accompanying consolidated financial statements for the year ended March 31, 2013 in connection with the approval pending from the Board of Approval of the Ministry of Commerce & Industry for the extension of the validity period for development of a port based multi-product SEZ by Kakinada SEZ Private Limited, a subsidiary of the Company. The management of the Group is confident of obtaining the necessary approval in the foreseeable future. Our opinion is not qualified in respect of this matter.

iii. We draw attention to Note 35 (iv) (f) to the accompanying consolidated financial statements for the year ended March 31, 2013 regarding outstanding dues in GMR Hyderabad International Airport Limited and Delhi International Airport Private Limited ('DIAL'), subsidiaries of the Company, from Kingfisher Airlines Limited ('KAL') aggregating to ₹ 16.73 crore. The Group's management has represented that they have taken steps to recover the amounts and are of the opinion that the receivables are fully recoverable. Accordingly, no adjustments have been made in the accompanying consolidated financial statements. Our opinion is not qualified in respect of this matter.

iv. We draw attention to note 35(viii)(k) to the accompanying consolidated financial statements for the year ended March 31, 2013 which indicate that the entire matter relating to claims / counter claim arising out of the Power Purchase Agreement and Land Lease Agreement, filed by GMR Power Corporation Limited ('GPCL'), a subsidiary of the Company, and Tamil Nadu Electricity Board, is sub-judice before the Hon'ble Supreme Court of India and has not attained finality. However, pending the resolution of matter, no adjustments have been made in the accompanying consolidated financial statements. Considering that substantial amount, though under protest, has been received, GPCL, based on an expert opinion, has offered the amount of claims received upto March 31, 2012 as income in its tax returns and has claimed the deduction under Section 80IA of the Income Tax Act 1961. Our opinion is not qualified in respect of this matter.

v. We draw attention to Note 35(viii)(j)(1) to the accompanying consolidated financial statements for the year ended March 31, 2013 regarding (i) losses incurred by GMR Energy Limited ('GEL'), GMR Vemagiri Power Generation Limited ('GVPGL'), subsidiaries of the Company, and the consequent erosion of net worth resulting from the unavailability of adequate supply of natural gas; and (ii) rescheduling of the commercial operations date and the repayment of certain project loans by GREL pending linkage of natural gas supply. Based on business plans and valuation assessment, the management of the Group is of the view that the carrying value of the net assets in GEL, GVPGL and GREL as at March 31, 2013 is appropriate. However, continued uncertainty exists as to the availability of adequate supply of natural gas which is necessary to conduct operations at varying levels of capacity in the future and as such the accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not qualified in respect of this matter.

Other Matters

(a) The financial statements and other financial information of a subsidiary, with total assets of ₹ 11,878.19 crore as at March 31, 2013, total revenue (including other income) of ₹ 3,120.99 crore, total loss of ₹ 115.15 crore and net cash outflow amounting to ₹ 70.59 crore for the year then ended (after adjustments on consolidation) have been audited jointly by S.R. BATLIBOI & ASSOCIATES LLP along with other auditors.

(b) The financial statements and other financial information of a subsidiary, with total assets of ₹ 2,620.48 crore as at March 31, 2013, total revenue (including other income) of ₹ 682.13 crore, total profit of ₹ 28.04 crore and net cash inflow amounting to ₹ 18.89 crore for the year then ended (after adjustments on consolidation) have been audited jointly by S R B C & CO LLP along with other auditors.

(c) We did not audit the financial statements and other financial information of (i) 107 subsidiaries (including 6 subsidiaries consolidated for the period January 1, 2012 to December 31, 2012) with total assets of ₹ 39,935.12 crore as at March 31, 2013, total revenue (including other income) of ₹ 4,151.25 crore, total profit of ₹ 550.17 crore and net cash inflow amounting to ₹ 1,551.74 crore for the year then ended (after adjustments on consolidation); and (ii) 26 jointly controlled entities (including 13 jointly controlled entities consolidated for the period January 1, 2012 to December 31, 2012) whose financial statements include the Group's share of total assets of ₹ 2,186.60 crore as at March 31, 2013, total revenue (including other income) of ₹ 1,898.49 crore, total profit of ₹ 40.59 crore and net cash outflow amounting to ₹ 109.64 crore for the year then ended (after adjustments on consolidation). These financial statements and other financial information for these subsidiaries and jointly controlled entities have been audited by other auditors, whose reports have been furnished to us, and our opinion in so far as it relates to the affairs of such subsidiaries and jointly controlled entities is based solely on the report of such other auditors.

(d) We did not audit the financial statements and other financial information of (i) 3 subsidiaries whose financial statements reflect total assets of ₹ 30.83 crore as at March 31, 2013, total revenue (including other income) of ₹ 2.42 crore, total loss of ₹ 1.71 crore and net cash outflows amounting to ₹ 5.92 crore for the year then ended (after adjustments on consolidation); and (ii) 3 jointly controlled entities whose financial statements include the Group's share of total assets of ₹ 22.44 crore as at March 31, 2013, total revenue (including other income) of ₹ 17.32 crore, total profit of ₹ 4.75 crore and net cash outflow amounting to ₹ 0.81 crore for the year then ended (after adjustments on consolidation). These financial statements and other financial information have been incorporated in the consolidated financial statements of the Group based on un-audited financial statements as provided by the management of the Company as audited financial statements of such component entities as at and for the year ended March 31, 2013 were not available and our opinion in so far as it relates to the affairs of such subsidiaries and jointly controlled entities is based solely on the basis of management certified financial statements. Our opinion is not qualified in respect of this matter.

For S.R.BATLIBOI & ASSOCIATES LLP
ICAI Firm registration number: 101049W
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership number: 35141

Place: Bengaluru
Date: May 30, 2013