

## Auditors' Report on the Standalone Financial Statements of GMR Infrastructure Limited

To

The Members of GMR Infrastructure Limited

1. We have audited the attached balance sheet of GMR Infrastructure Limited ('the Company') as at March 31, 2012 and also the statement of profit and loss and the cash flow statement for the year ended on that date annexed thereto ('financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our opinion, we draw attention to Note 29 to the accompanying financial statements as at and for the year ended March 31, 2012 in connection with an investment of Rs. 307.86 Crore (including loans of Rs. 91.27 Crore and investment in equity / preference shares of Rs. 216.59 Crore made by the Company and its subsidiaries) in GMR Ambala Chandigarh Expressways Private Limited (GACEPL). 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, such investment has been carried at cost.
5. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
  - v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2012;
    - b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
    - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. Batliboi & Associates  
Firm registration number: 101049W  
Chartered Accountants

per Sunil Bhumralkar  
Partner  
Membership No.: 35141

Place: Bengaluru  
Date: May 29, 2012

## Annexure referred to in paragraph 3 of our report of even date Re: GMR Infrastructure Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was no disposal of a substantial part of fixed assets during the year.
- (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. Inventories lying with outside parties have been confirmed by them as at year end.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. Discrepancies noted on physical verification of inventories were not material, and have been properly dealt with in the books of account.
- (iii) (a) The Company has granted unsecured loans (including unsecured debentures) to nine entities covered in the register maintained under section 301 of the Act. The maximum amount involved during the year (excluding interest) was Rs. 2,779.06 Crore and the year-end balance of loans (excluding interest) granted to such parties was Rs. 2,779.06 Crore.
- (b) In our opinion and according to the information and explanations given to us and considering the economic interest of the Company in the above entities, the rate of interest and other terms and conditions for such loans/ debentures are not prima facie prejudicial to the interest of the Company.
- (c) In respect of unsecured loans (including unsecured debentures) granted, repayment of the principal amount and payment of interest is as stipulated or demanded as per mutually agreed terms.
- (d) There is no overdue amount of loans/ debentures granted to companies, firms or other parties listed in the register maintained under section 301 of the Act.
- (e) The Company has not taken any loans except that it has issued unsecured debentures to one Company covered in the register maintained under section 301 of the Act. The maximum amount involved during the year (excluding interest) was Rs. 250 Crore and the year-end balance of debentures (excluding interest) outstanding was Rs. 250 Crore.
- (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such unsecured debentures are not prima facie prejudicial to the interest of the Company.
- (g) In respect of unsecured debentures issued, repayment of the principal and payment of interest is as stipulated or demanded as per mutually agreed terms.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of services. In case of purchase of certain fixed assets and inventory, the management has represented that because of the unique and specialized nature of the items involved, alternate quotations could not be obtained in certain cases. The activities of the Company do not involve sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In respect of transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Act and the rules framed thereunder.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Act, related to the construction activities and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of

records with a view to determine whether they are accurate or complete.

- (ix) (a) Undisputed statutory dues including provident fund (after considering allowed five days of grace period), employees' state insurance, sales-tax, wealth-tax, service tax, customs duty, income tax, excise duty, investor education and protection fund, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities *though there have been slight delays in remittance of profession tax dues in a few cases.*
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, investor education and protection fund, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) *The Company has given a guarantee in respect of a loan taken by a group Company from a bank in respect of which it has not charged any commission nor was any adequate explanation provided to us of*

*the benefit to the Company for giving such a guarantee.* In respect of other guarantees given by the Company for loans taken by others from banks or financial institutions, the terms and conditions, in our opinion, are not prima-facie prejudicial to the interest of the Company.

- (xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to us, the Company has issued 3,500 secured debentures of Rs. 0.10 Crore each, during the period covered by our audit report. The outstanding amount as at March 31, 2012 in respect of these secured debentures is Rs. 349.13 Crore. The Company has created security in respect of debentures issued. Further, the Company has unsecured debentures of Rs. 425.00 Crore outstanding as at March 31, 2012 on which no security is required to be created.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S. R. Batliboi & Associates  
Firm registration number: 101049W  
Chartered Accountants

per Sunil Bhumralkar  
Partner  
Membership No.: 35141

Place: Bengaluru  
Date: May 29, 2012