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Chartered Accountants

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**Limited Review Report On Standalone Financial Results of GMR Infrastructure Limited pursuant to the Regulation 33 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015**

**To**
**The Board of Directors of GMR Infrastructure Limited**

1. We have reviewed the accompanying statement of unaudited standalone financial results of GMR Infrastructure Limited ('the Company') for the quarter and nine months ended December 31, 2016 (the 'Statement'), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI Circular No.CIR/CFD/FAC/62/2016 dated July 5, 2016.

   This Statement is the responsibility of the Company's management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.

2. We conducted our review in accordance with the Standard on Review Engagements ('SRE') 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3. As detailed in Note 12 (b) to the accompanying statement of standalone financial results for the quarter and nine months ended December 31, 2016, GMR Kishangarh Udaipur Ahmedabad Expressways Limited ('GKUAEL') and NHAI have settled their disputes before the arbitral tribunal on payment of requisite penalty by GKUAEL to NHAI. However, the claims made by the EPC contractor are currently pending settlement which indicate the existence of a significant uncertainty about the recovery of capital advance of Rs. 590.00 Crore given by GKUAEL to its EPC contractor. Having regard to this significant uncertainty, we are unable to comment on the final outcome of the recovery of the aforesaid capital advance and its consequential impact on the carrying value of the Company's investments in GKUAEL as at December 31, 2016. In respect of the above matter, our audit report for the year ended March 31, 2016 and limited review reports for the quarters ended June 30, 2016 and September 30, 2016 were similarly qualified.

4. Based on our review conducted as above, except for the possible effects of the matter described in the paragraph 3 above, nothing has come to our attention that causes us to believe that the Statement of unaudited standalone financial results prepared in accordance with recognition and measurement principles laid down in the applicable Ind AS prescribed under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016, including the manner in which it is to be disclosed, or that it contains any material misstatement.

5. We draw attention to the following matters in the notes to the accompanying standalone financial results for the quarter and nine months ended December 31, 2016:

a) Note 7 regarding losses being incurred by GMR Ambala Chandigarh Expressways Private Limited ('GACEPL') since the commencement of its commercial operations and ongoing arbitration regarding compensation for losses arising as a result of diversion of partial traffic on parallel roads. Based on management's internal assessment and a legal opinion obtained by the management of GACEPL, the investments in GACEPL have been carried at cost and accordingly, no provision for diminution in the value of investments has been made in the accompanying standalone financial results for the quarter and nine months ended December 31, 2016.

b) Note 8 regarding (i) reduction of operations and the losses, including cash losses incurred by GMR Energy Limited ('GEL') and GMR Vemagiri Power Generation Limited ('GVPGL'), and the consequent erosion of net worth of these entities resulting from the unavailability of adequate supply of natural gas and (ii) rescheduling of the commercial operation date and the repayment of certain project loans by GMR Rajahmundry Energy Limited ('GREL'), pending linkage of natural gas supply. 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 the appropriateness of the going concern assumption of these entities is dependent on the ability of the aforesaid entities to establish consistent profitable operations as well as raising adequate finance to meet short term and long term obligations. The accompanying standalone financial results of the Company for the quarter and nine months ended December 31, 2016 do not include any adjustments that might result from the outcome of this matter.

c) Note 9 regarding uncertainties in tying up power supply agreements, achieving profitability in operations, mega power status, refinancing of existing loans at lower rates of interest and other key assumptions made in the valuation assessment of the investments in GMR Chhattisgarh Energy Limited ('GCEL'). The carrying value of the investments in GCEL is critically dependent upon the achievement of the key assumptions as discussed in the aforesaid note. The Company is confident of achieving these assumptions and reduction in borrowing costs on completion of Strategic Debt Restructuring as explained in the aforementioned note and accordingly in the opinion of the management of the Company no further provision for diminution in the value of investments is considered necessary at this stage in the accompanying standalone financial results for the quarter and nine months ended December 31, 2016 for the reasons explained in the said note.

d) Note 12(a) regarding losses being incurred by GMR Hyderabad Vijayawada Expressways Private Limited ('GHVEPL') since the commencement of its commercial operations. The Company has made a provision for the diminution in the value of the investments for reasons explained in the aforementioned note. Based on a valuation assessment, a legal opinion and for reasons explained in the said note, the management of the Company believes that no further provision for diminution in the value of investments is considered necessary in the accompanying standalone financial results for the quarter and nine months ended December 31, 2016.

e) Note 14(a) and 14(b) regarding the uncertainties pertaining to coal prices and other key assumptions made by the management in the valuation assessment of its investments in entities which are engaged in the operation and development of coal mines. In the opinion of the management of the Company, no further provision for diminution in the value of investments is considered necessary in the accompanying standalone financial results for the quarter and nine months ended December 31, 2016 for the reasons explained in the said notes.

f) Note 5 regarding the call option exercised by the Company to acquire Class A Compulsorily Convertible Preference Shares ("CCPS A"), issued by GMR Airports Limited ('GAL') to the

Private Equity Investors ('the Investors'), subject to obtaining the requisite regulatory approvals. However, the Investors have initiated arbitration proceedings against GAL and the Company, seeking conversion of CCPS A. In view of ongoing arbitration, no adjustments have been made for the call option exercised by the Company to purchase CCPS A and that Class B Compulsorily Convertible Preference Shares ("CCPS B") issued to the Company continue to be carried at cost of Rs. Nil.

Our conclusion is not qualified in respect of the aforesaid matters.

For S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI firm registration number: 101049W / E300004

per Adarsh Ranka
Partner
Membership number: 209567

S.R. Batliboi & Associates LLP
Bengaluru

Place: Vishakhapatnam
Date: February 13, 2017

**GMR Infrastructure Limited**
**Corporate Identity Number (CIN): L45203MH1996PLC281138**
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**Statement of standalone unaudited financial results for the quarter and nine months ended December 31, 2016**

(in Rs. crore)

| S.No. | Particulars | Quarter ended | | | Nine months ended | |
|---|---|---|---|---|---|---|
| | | December 31, 2016 | September 30, 2016 | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| | | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited |
| 1 | **Income from operations** | | | | | |
| | (a) Sales/income from operations | 85.58 | 62.23 | 24.42 | 215.79 | 65.66 |
| | (b) Other operating income (Refer note 20) | 130.67 | 268.39 | 270.06 | 692.34 | 779.20 |
| | **Total income from operations** | **216.25** | **330.62** | **294.48** | **908.13** | **844.86** |
| 2 | **Expenses** | | | | | |
| | (a) Cost of materials consumed | 21.09 | 16.42 | 3.57 | 54.08 | 15.45 |
| | (b) Subcontracting expenses | 30.57 | 19.95 | 17.70 | 79.57 | 43.42 |
| | (c) Employee benefits expenses | 16.32 | 12.73 | 4.21 | 42.23 | 11.70 |
| | (d) Depreciation and amortisation expenses | 4.01 | 4.09 | 3.91 | 12.16 | 11.91 |
| | (e) Foreign exchange fluctuation loss (net) | - | 6.35 | - | - | - |
| | (f) Other expenses | 31.53 | 22.01 | 6.90 | 71.62 | 36.55 |
| | **Total expenses** | **103.52** | **81.55** | **36.29** | **259.66** | **119.03** |
| 3 | **Profit / (Loss) from operations before other income, finance costs and exceptional items (1-2)** | **112.73** | **249.07** | **258.19** | **648.47** | **725.83** |
| 4 | Other income | | | | | |
| | a) Foreign exchange fluctuation gain (net) | 8.78 | - | 2.17 | 7.28 | 2.37 |
| | b) Other income - others | 0.94 | 0.60 | 2.07 | 1.82 | 13.50 |
| 5 | **Profit / (Loss) from ordinary activities before finance costs and exceptional items (3 ± 4)** | **122.45** | **249.67** | **262.43** | **657.57** | **741.70** |
| 6 | Finance costs | 196.58 | 175.33 | 173.97 | 566.35 | 534.74 |
| 7 | **Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5 ± 6)** | **(74.13)** | **74.34** | **88.46** | **91.22** | **206.96** |
| 8 | **Exceptional items** | | | | | |
| | Provision for diminution in value of investments/advances (Refer note 12 and 18) | (343.07) | (752.65) | (48.43) | (1,296.48) | (140.05) |
| 9 | **(Loss) / Profit from ordinary activities before tax (7 ± 8)** | **(417.20)** | **(678.31)** | **40.03** | **(1,205.26)** | **66.91** |
| 10 | Tax expenses (net) | (35.27) | 22.03 | 0.02 | 0.07 | 0.06 |
| 11 | **Net (Loss) /Profit from ordinary activities after tax (9 ± 10)** | **(381.93)** | **(700.34)** | **40.01** | **(1,205.33)** | **66.85** |
| 12 | **Other Comprehensive Income/ (expenses) (net of tax)** | 0.55 | (0.36) | (0.32) | 0.20 | (0.30) |
| 13 | **Total Comprehensive income for the period (11 + 12)** | **(381.38)** | **(700.70)** | **39.69** | **(1,205.13)** | **66.55** |
| 14 | **Paid-up equity share capital (Face value - Re. 1 per share)** | 603.59 | 603.59 | 603.59 | 603.59 | 603.59 |
| 15 | Weighted average number of shares used in computing Earning Per Share | 6,017,945,475 | 6,017,945,475 | 6,017,945,475 | 6,017,945,475 | 5,521,620,510 |
| 16 | Earnings per share (of Re. 1 each) (not annualised) Basic and Diluted | **(0.63)** | **(1.16)** | **0.07** | **(2.00)** | **0.12** |

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Report on Standalone Segment Revenue, Results and Capital Employed

( in Rs. crore)

| S.No | Particulars | Quarter ended | | | Nine months ended | |
|---|---|---|---|---|---|---|
| | | December 31, 2016 | September 30, 2016 | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| | | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited |
| 1 | **Segment Revenue** | | | | | |
| | a) EPC | 85.58 | 62.23 | 24.42 | 215.79 | 65.66 |
| | b) Others | 130.67 | 268.39 | 270.06 | 692.34 | 779.20 |
| | **Total** | **216.25** | **330.62** | **294.48** | **908.13** | **844.86** |
| | Less: Inter Segment | - | - | - | - | - |
| | **Net Segment Revenue** | **216.25** | **330.62** | **294.48** | **908.13** | **844.86** |
| 2 | **Segment Results** | | | | | |
| | a) EPC | (8.64) | (2.19) | (6.93) | (17.56) | (13.57) |
| | b) Others | 131.09 | 251.86 | 269.36 | 675.13 | 755.27 |
| | **Total** | **122.45** | **249.67** | **262.43** | **657.57** | **741.70** |
| | Less: Finance costs | 196.58 | 175.33 | 173.97 | 566.35 | 534.74 |
| | Add/(less): Exceptional items | | | | | |
| | Provision for dimunition in value of investments/advances (Refer Note 12 and 18) | 343.07 | 752.65 | 48.43 | 1,296.48 | 140.05 |
| | **(Loss) / Profit before tax** | **(417.20)** | **(678.31)** | **40.03** | **(1,205.26)** | **66.91** |
| 3 | **Capital employed** | | | | | |
| | **Segment Assets** | | | | | |
| | a) EPC | 588.83 | 523.25 | 397.68 | 588.83 | 397.68 |
| | b) Others | 14,503.85 | 14,590.71 | 17,240.32 | 14,503.85 | 17,240.32 |
| | c) Unallocated | 217.52 | 172.04 | 152.57 | 217.52 | 152.57 |
| | **Total** | **15,310.20** | **15,286.00** | **17,790.57** | **15,310.20** | **17,790.57** |
| | **Segment Liabilities** | | | | | |
| | a) EPC | 518.67 | 452.79 | 441.35 | 518.67 | 441.35 |
| | b) Others | 186.57 | 155.79 | 161.12 | 186.57 | 161.12 |
| | c) Unallocated | 6,432.83 | 6,088.70 | 5,963.99 | 6,432.83 | 5,963.99 |
| | **Total** | **7,138.07** | **6,697.28** | **6,566.46** | **7,138.07** | **6,566.46** |

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**Notes to the standalone financial results for the quarter and nine months ended December 31, 2016**

1. Investors can view the standalone results of GMR Infrastructure Limited ("the Company" or "GIL") on the Company's website www.gmrgroup.in or on the websites of BSE (www.bseindia.com) or NSE (www.nse-india.com).

2. The standalone financial results have been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standards ("Ind AS") 34 on Interim Financial Reporting prescribed under section 133 of the Companies Act, 2013, read with relevant rules thereunder and in terms of Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016.

   The Company has opted to avail relaxation provided by Securities and Exchange Board of India ('SEBI') vide the aforesaid circular dated July 5, 2016 in respect of disclosure requirements for figures of earlier periods. Accordingly, the financial results for the year ended March 31, 2016 have not been presented. Other equity (excluding revaluation reserve), as per the balance sheet of the previous accounting year not being mandatory, have not been presented. There is a possibility that these financial results along with the comparative financial results for the quarter and nine months ended December 31, 2015 may require adjustment before constituting the final Ind AS financial statements as of and for the year ending March 31, 2017.

3. **Segment Reporting**

   a. The Company carries on its business in two business verticals viz., Engineering Procurement Construction ('EPC') and Others.

   b. The segment reporting of the Company has been prepared in accordance with Ind AS 108 'Operating Segments' prescribed under section 133 of the Companies Act, 2013, read with relevant rules thereunder. The business segments of the Company comprise of the following:

| Segment | Description of Activity |
|---|---|
| **EPC** | Handling of engineering, procurement and construction solutions in infrastructure sector |
| **Others** | Investment activity and corporate support to various infrastructure SPVs |

4. Reconciliation of the standalone financial results to those reported under previous Indian GAAP for the quarter and nine months ended December 31, 2015 are summarized as below:

**In Rs. Crore**

| Sl. No | Particulars | Quarter ended December 31, 2015 | Nine months ended December 31, 2015 |
|---|---|---|---|
| 1 | Profit / (loss) after tax under previous Indian GAAP | (2.41) | 0.13 |
| 2 | Add / (Less) | | |
| (i) | Interest on preference shares accounted as financial asset at amortised cost | 51.03 | 147.50 |
| (ii) | Recognition of finance income under Ind AS on interest free loans, loans at concessional rate of interest and guarantees given to subsidiaries, jointly controlled entities and associates | 29.85 | 87.92 |
| (iii) | Loans / preference shares recognized using effective rate of interest | (1.19) | (64.77) |

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**Notes to the standalone financial results for the quarter and nine months ended December 31, 2016**

| | | | |
|---|---|---|---|
| (iv) | Impairment of financial assets | (32.79) | (93.92) |
| (v) | Others | (4.47) | (10.00) |
| (vi) | Tax adjustments | - | - |
| 3 | Profit / (loss) after tax as per Ind AS | 40.01 | 66.85 |
| 4 | Other comprehensive income / (expenses) (net of tax) | (0.32) | (0.30) |
| 5 | Total Comprehensive Income / (Loss) for the period under IND AS | 39.69 | 66.55 |

**5.** Pursuant to investor agreements (including amendments thereof) entered into during the years ended March 31, 2011 and 2012 (hereinafter collectively referred to as "investor agreement"), GMR Airports Limited, ('GAL'), a subsidiary of the Company, had issued 3,731,468 Class A Compulsorily Convertible Preference Shares ("CCPS A") of Rs. 1,000 each at a premium of Rs. 2,885.27 each and Rs. 3,080.90 each aggregating to Rs. 663.31 crore and Rs. 441.35 Crore, to certain Private Equity Investors ('Investors'). Further, GAL had allotted bonus shares of 11,046,532 class B Compulsorily Convertible Preference Shares ("CCPS B") to the Company, utilising the securities premium.

As per the terms of the investor agreement, the Company has a call option to buy CCPS A from the Investors for a call price to be determined as per the terms of investor agreement. The call option could be exercised by the Company on or before April 6, 2015. If the call option is not exercised by the Company before April 6, 2015, as per the investment agreement, each CCPS A will get converted into 82.821 equity shares of GAL with simultaneous conversion of CCPS B held by the Company into equity shares of GAL as per Articles and Memorandum of Association of GAL.

The Company vide its letter dated April 1, 2015, had exercised the call option to buy the CCPS A, subject to the regulatory approvals. However, Investors have initiated arbitration proceedings against GAL and the Company, seeking conversion of the CCPS A. Subsequent to the quarter ended December 31, 2016, the investors have filed their statement of claim and the Company and GAL are in the process of filing the statement of defense. In view of ongoing arbitration, no adjustments have been made for the call option exercised by GIL to acquire CCPS A and the CCPS B issued to the Company continues to be carried at cost of Rs. Nil. Accordingly, the standalone financial results of the Company do not include any adjustments that might result from the outcome of this uncertainty.

**6.** The Company through its subsidiary GMR Infrastructure (Mauritius) Limited ('GIML') has made investments of Rs. 158.94 Crore (USD 2.31 Crore) towards 77% holding in GMR Male International Airport Private Limited ('GMIAL'), a subsidiary of the Company. GMIAL entered into an agreement on June 28, 2010 with Maldives Airports Company Limited ('MACL') and Ministry of Finance and Treasury ('MoFT'), Republic of Maldives for the Rehabilitation, Expansion, Modernization, Operation and Maintenance of Male International Airport ('MIA') for a period of 25 years ("the Concession Agreement"). On November 27, 2012, MACL and MoFT issued notices to GMIAL stating that the Concession Agreement was void ab initio and that neither MoFT nor MACL had authority under the laws of Maldives to enter into the agreement and MACL took over the possession and control of the MIA and GMIAL vacated the airport effective December 8, 2012. The matter was under arbitration. Further, GMIAL has received claims of around USD 8.00 Crore as at December 31, 2016 from GADL International Limited ('GADLIL') whose contract for rehabilitation, expansion and modernization of MIA was terminated pursuant to takeover of airport. However, no such claims relating to the termination of contracts have been recognized as at December 31, 2016 since the amounts payable were not certain. During the nine months ended December 31, 2016, the arbitration tribunal delivered its final award in favour of GMIAL, pursuant to which GMIAL received USD 27.10 Crore from MACL.

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GMIAL is in the process of settling various obligations and the aforesaid claims, however the management is confident that the consideration received by the Company is higher than the carrying value of the claims recoverable and the claims from the EPC contractors do not require any further adjustments to the carrying value of the investments in GMIAL as at December 31, 2016.

7. The Company along with its subsidiaries has investments of Rs. 398.26 Crore in GMR Ambala Chandigarh Expressways Private Limited ('GACEPL') a subsidiary of the Company as at December 31, 2016. GACEPL has been incurring losses since the commencement of its commercial operations and has accumulated losses of Rs. 228.41 Crore as at December 31, 2016. The management believes that these losses are primarily attributable to the loss of revenue arising as a result of diversion of partial traffic on parallel roads. The matter is currently under arbitration and the arbitration tribunal has passed an interim order staying the payment of negative grant which were due during the years ended March 31, 2014, March 31, 2015 and March 31, 2016 and period ended December 31, 2016 till further orders. Based on an internal assessment and a legal opinion obtained by the management, the management of GACEPL is confident that it will be able to claim compensation from relevant authorities for the loss it has suffered due to such diversion of traffic and accordingly, the investments in GACEPL has been carried at cost and no provision for diminution in the value of investments has been made as at December 31, 2016. The statutory auditors of the Company have drawn an Emphasis of Matter in their Limited Review Report in this regard.

8. In view of lower supplies / availability of natural gas to the power generating companies in India, GMR Energy Limited ('GEL'), GMR Vemagiri Power Generation Limited ('GVPGL') and GMR Rajahmundry Energy Limited ('GREL') are facing shortage of natural gas supply and delays in securing gas linkages. As a result, GEL has not generated and sold electrical energy since April 2013 and GVPGL had not generated and sold electrical energy since May 2013 till March 31, 2015 and have been incurring losses including cash losses on account of the aforesaid shortage of natural gas supply, thereby resulting in erosion of net worth. GREL had not commenced commercial operations pending linkages of natural gas supply from the Ministry of Petroleum and Natural Gas till the period ended September 30, 2015 and accordingly the consortium of lenders had approved the reschedulement of Commercial Operation Date ('COD') of GREL to October 22, 2015 and repayment of project loans and have agreed for further funding of Rs.707.00 Crore to meet its cost overruns on account of delays in commissioning of its power plant. Further, during the nine months period ended December 31, 2016, GREL has converted its borrowings of Rs. 1,308.57 Crore and interest accrued thereon of Rs. 105.42 Crore into equity shares, under a Framework for Revitalising Distressed Assets in the Economy, Reserve Bank of India ('RBI'), under which the lenders have to collectively hold 51% or more of the equity shares in the Company with distressed assets.

In March 2015, the Ministry of Power, Government of India ('GoI') issued a scheme for utilization of the gas based power generation capacity for the years ended March 31, 2016 and 2017. The scheme envisages supply of imported spot RLNG "e –bid RLNG" to the stranded gas based plants as well as plants receiving domestic gas, upto the target Plant load factor ('PLF'), selected through a reverse e-bidding process and also intervention / sacrifices to be collectively made by all stakeholders. The aforementioned gas based power plants of the aforesaid entities are included in the list of stranded gas based power plants and are entitled to participate in the e-bidding process. GVPGL and GREL emerged as successful bidders in the auction process organised by the Ministry of Power in May 2015, September 2015 and March 2016 and have been awarded the Letter of Intent for gas allocation for 4 months period ended September 2015, for 6 months period ended March 2016 and September 2016 respectively. Further, GVPGL has emerged as successful bidder in the auction process in September 2016 and has been awarded the Letter of Intent for gas allocation for 6 months period ended March 2017, though it has not generated electricity during the quarter ended December 31, 2016. These factors have facilitated the operations of both GREL and GVPGL at varying capacity and accordingly GVPGL and GREL have commenced operations on an intermittent basis from August 2015 and October 2015

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respectively. There has been a significant decline in the price of imported gas and in view of the amendment to the Central Sales Tax Act with regard to gas sold or purchased and transported through a common carrier pipeline or any other common transport distribution systems, the management believes that these would result in significant reduction in the costs of imported gas.

The management and the Association of Power Producers continue to monitor the macro situation and are evaluating various approaches / alternatives to deal with the situation and the management is confident that GoI would take further necessary steps / initiatives in this regard to improve the situation regarding availability of natural gas from alternate sources in the foreseeable future.

The management carried out valuation assessment of these gas based companies which includes certain assumptions relating to availability and pricing of domestic and imported gas, future tariff and other operating parameters, which it believes reasonably reflect the future expectations from these projects. The management will monitor these aspects closely and take actions as are considered appropriate and is confident that these gas based entities will be able to generate sufficient profits in future years and meet their financial obligations as they arise. Based on the aforementioned reasons, business plans and a valuation assessment by an external expert carried out during the year ended March 31, 2016, the management is of the view that the carrying value of the investments (including advances) made by the Company in these aforesaid gas based companies December 31, 2016 is appropriate. In the meantime, the Company has also committed to provide necessary financial support to these entities as may be required for continuance of their normal business operations. The statutory auditors of the Company have drawn an Emphasis of Matter in their Limited Review Report.

**9.** As at December 31, 2016, the Company through GMR Generation Assets ('GGAL') (formerly 'GMR Renewable Energy Limited' ), a subsidiary of the Company has investments of Rs. 3,485.56 Crore in GMR Chhattisgarh Energy Limited ('GCEL'), a subsidiary of the Company and has also provided corporate / bank guarantee towards loan taken by GCEL from the project lenders.

GCEL has experienced certain delays and incurred cost overruns in the completion of the project including additional claims from EPC contractors. As per the management of GCEL, additional claims from EPC contractors are not expected to be material. GCEL has obtained provisional Mega Power status certificate from the Ministry of Power, GoI, vide letter dated September 8, 2011 and accordingly has availed an exemption of customs and excise duty against bank guarantees of Rs. 955.68 Crore and pledge of deposits of Rs. 71.78 Crore. The grant of final Mega Power status of GCEL is dependent upon its achieving tie up for supply of power for 85% of its installed capacity through long term Power Purchase Agreements ('PPAs') within stipulated time. The management of GCEL is certain of obtaining Mega Power status, pending which cost of customs and excise has not been considered as cost of the project. During the year ended March 31, 2015, GCEL was allotted two coal mines to meet its fuel requirements. GCEL has declared commercial operations of Unit I and coal mine on November 1, 2015 and Unit II on March 31, 2016 of its 1,370 MW coal based thermal power plant at Raipur district, Chhattisgarh.

GCEL does not have PPAs currently and is taking steps to tie up the power supply through power supply agreements on a long/medium term basis with various customers including State Electricity Boards. Though the COD for Unit I was declared from June 1, 2015, GCEL commenced generation of power on November 1, 2015 and sold power on a merchant basis. As a result, GCEL has been incurring losses since the commencement of its commercial operations and has accumulated losses of Rs. 1,782.95 Crore as at December 31, 2016.

GCEL's future revenues, profitability of operations and servicing of its debts is dependent upon tying up of its entire generation capacity for profitable rates through long term and medium term PPAs in a power scarce market, achievement of higher PLF and refinancing of existing loans with lower interest rates with banks and successful gains from the government announced initiatives including tolling linkage. Considering the improvement in the power market in India, GCEL is hopeful of tying up its significant generation through profitable long term PPAs, tolling linkage

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and also obtaining Mega Power Status along with refinancing of loans and reduction in interest rates on borrowings. GCEL is in active discussion with the lenders to restructure its loans and towards funding of cost overruns. Further, the lenders have invoked Strategic Debt Restructuring and the management of GCEL expects the same to be completed in the current financial year. The Strategic Debt Restructuring would result in conversion of significant debts of GCEL into equity shares by having a favorable impact on the finance costs of GCEL. Due to these reasons and based on business plans and valuation assessment by an external expert carried out during the year ended March 31, 2016, the management is of the view that the carrying value of its investments in GCEL as at December 31, 2016 is appropriate. In estimating the future cash flows, the management has, in the absence of medium/long term PPAs', made certain key assumptions relating to the future revenues based on externally available information, restructuring of loans by the lenders, continued financial support by the Company and operating parameters which the management believes reasonably reflect the future expectations of these items. In view of the above, the Company is monitoring these assumptions closely on a periodic basis to take necessary action as is considered appropriate. The statutory auditors of the Company have drawn an Emphasis of Matter in their Limited Review Report.

**10.** As at December 31, 2016, the Company through GEL has investments of Rs. 1,191.84 Crore in GMR Warora Energy Limited ('GWEL') and has also provided corporate / bank guarantee towards loans taken by GWEL from the project lenders. GWEL is engaged in the business of generation and sale of electrical energy from its coal based power plant of 600 MW situated at Warora. GWEL has accumulated losses of Rs. 1,134.45 Crore as at December 31, 2016 which has resulted in erosion of GWEL's entire net worth. GWEL has achieved the COD of Unit I in March 2013 and of Unit II in September 2013 and has tied up entire power supplies capacity with customers and has completed the refinancing of its term and other loans with the lenders which has resulted in the reduction in the rate of interest and extended repayment period. Though the net worth of GWEL is fully eroded, the losses have reduced and accordingly, the management of GWEL expects that the plant will generate sufficient profits in the future years and based on business plans and valuation assessment by an external expert during the year ended March 31, 2016, is of the view that the carrying value of the investments in GWEL as at December 31, 2016 is appropriate.

**11.** As at December 31, 2016, the Company through GEL has investments of Rs. 2,553.37 Crore in GMR Kamalanga Energy Limited ('GKEL') and also provided corporate / bank guarantee towards loan taken by GKEL from the project lenders. GKEL is engaged in development and operation of 3*350 MW under Phase I and 1*350 MW under Phase II, coal based power project in Kamalanga village, Orissa and has commenced commercial operation of Phase I of the project. GKEL has a fuel supply agreement for 500 MW with Mahanadi Coal Fields Limited, a subsidiary of Coal India Limited. GKEL has accumulated losses of Rs. 1,887.85 Crore as at December 31, 2016, which has resulted in substantial erosion of GKEL's net worth due to operational difficulties faced during the early stage of its operations. However, the losses have reduced and pursuant to the Reserve Bank of India's framework for revitalizing distressed assets in the economy (including strategic debt restructuring scheme), the consortium of bankers have amended the rupee term loan agreement on June 29, 2015 and accordingly loan is to be repaid in 66 quarterly structured instalments from October 1, 2017. During the year ended March 31, 2016, GKEL received favourable orders with regard to its petition for 'Tariff Determination' in case of PPA with GRIDCO Limited and for 'Tariff Revision' in case of PPAs with Haryana DISCOMS through PTC India Limited from Central Electricity Regulatory Commission ('CERC'). In view of these matters, business plans, valuation assessment by an external expert carried out during the year ended March 31, 2016 and continued financial support by the Company, the management is of the view that the carrying value of the investments in GKEL as at December 31, 2016 is appropriate.

**12.** Based on a valuation assessment of its investments in GMR Highways Limited ('GMRHL'), a subsidiary of the Company, the Company made a provision for diminution in the value of investments / advances of Rs. 1,270.21 Crore as at December 31, 2016 (including Rs. 77.03 Crore and 349.85 Crore provided during the quarter and nine months ended December 31, 2016

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respectively). The diminution in value has primarily arisen on account of the diminution in the value of investments / advances in GMR Hyderabad Vijayawada Expressways Private Limited ('GHVEPL') a subsidiary of the Company, GMR Kishangarh Udaipur Ahmedabad Expressways Limited ('GKUAEL'), a subsidiary of the Company and other road projects for reasons stated in (a), (b) and (c) below

a) The Company along with its subsidiaries has made investments of Rs. 718.95 Crore in GHVEPL. GHVEPL has been incurring losses since the commencement of its commercial operations. The management of GHVEPL believes that the losses are primarily due to loss of revenue arising as a result of drop in commercial traffic on account of bifurcation of State of Andhra Pradesh and ban imposed on sand mining in the region. The management based on its internal assessment and a legal opinion, believes that these events constitute a Change in Law as per the Concession Agreement and GHVEPL is entitled to the claim for losses suffered on account of the aforementioned reasons and accordingly filed its claim for the loss of revenue till the year ended March 31, 2015 with National Highways Authority of India ('NHAI'). During the year ended March 31, 2016, NHAI rejected the aforementioned claims and consequently GHVEPL invoked dispute resolution process as per the provisions of the Concession Agreement. Subsequently, NHAI has intimated GHVEPL that conciliation has failed. GHVEPL issued a notice of force majeure (political event) as per article 34 of the Concession Agreement during the nine months ended December 31, 2016. GHVEPL has initiated arbitration proceedings against NHAI pursuant to which both GHVEPL and NHAI have appointed their arbitrators. The management of the Company is confident that it will be able to claim compensation from the relevant authorities for the loss it has suffered due to aforementioned reasons and based on valuation assessment which is significantly dependent on the fructification of the aforesaid claims, the Company has made a provision for diminution in the value of investments in GHVEPL of Rs. 449.33 Crore till December 31, 2016 (including Rs. 52.64 Crore and Rs. 166.28 crore provided during the quarter and nine months ended December 31, 2016 respectively) which has been disclosed as an 'exceptional item' in the standalone financial results of the Company and believes that no further provision for diminution in the value of investments is necessary as at December 31, 2016. The statutory auditors of the Company have drawn an Emphasis of Matter in their Limited Review Report in this regard.

b) The Company along with its subsidiary made investments of Rs. 779.87 Crore in GKUAEL which was primarily utilized by GKUAEL towards payment of capital advance of Rs. 590.00 Crore to its EPC contractors and towards indirect expenditure attributable to the project and borrowing costs ('project expenses'). GKUAEL had also provided a bank guarantee of Rs. 269.36 Crore to NHAI. GKUAEL had entered into a Concession Agreement with NHAI on November 30, 2011 for six laning of Kishangarh-Udaipur-Ahmedabad section of National Highways 79A, 79, 76 and 8. Pursuant to non-fulfillment of the mandatory 'Conditions Precedent' specified under the Concession Agreement within the due date, GKUAEL had issued a notice to NHAI dated December 21, 2012 of its intention to terminate the Concession Agreement. In response, NHAI vide their letter dated January 1, 2013 termed the notice not maintainable both in law and in facts. The matter was under arbitration. In addition, GKUAEL awarded the EPC contract to GMR Projects Private Limited ('GPPL' or 'EPC Contractor'') and had given an advance of Rs. 590.00 Crore as stated above. Pursuant to the notice of dispute, GKUAEL has terminated the contract on May 15, 2015. During the year ended March 31, 2016, GKUAEL has received a claim of Rs. 840.76 Crore from the EPC contractor, however no such claim relating to the termination of contract has been recognized by GKUAEL as at March 31, 2016 as the amounts payable are not certain. During the nine months ended December 31, 2016, both the parties have settled their disputes before the arbitral tribunal after payment of penalty of Rs 53.87 Crore by GKUAEL to NHAI and the said bank guarantee has been discharged by NHAI. The claims made by the EPC contractor are currently pending settlement and based on an internal assessment of its investments, the Company has made a provision for diminution in the value of investments in GKUAEL of Rs. 195.01 Crore till December 31, 2016 (including Rs. 0.50 Crore and Rs. 57.43 crore provided during the quarter and nine months ended December 31, 2016) which has been disclosed as an 'exceptional item' in the standalone financial results of the Company and believes

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that no further provision for diminution in the value of investments is necessary as at December 31, 2016. The statutory auditors have qualified their Limited Review Report in this regard.

c) Based on an internal assessment of its investments in certain road projects, the Company has made a provision for diminution in the value of investments of Rs. 625.87 Crore as at December 31, 2016 (including Rs. 23.89 Crore and Rs. 126.14 crore provided during the quarter and nine months ended December 31, 2016), which has been disclosed as an 'exceptional item' in the standalone financial results of the Company.

**13.** As at December 31, 2016, the Company along with GEL and GMR Power Corporation Limited has investments of Rs. 446.16 Crore in GMR Badrinath Hydro Power Generation Private Limited ('GBHPL'). GBHPL is in the process of setting up 300 MW hydro based power plant in Alaknanda river, Chamoli District of Uttarakhand. The Hon'ble Supreme Court of India ('the Court'), while hearing a civil appeal in the matters of Alaknanda Hydro Power Company Limited, directed vide its order dated May 7, 2014 that no further construction work shall be undertaken by the 24 projects coming up on the Alaknanda and Bhagirathi basins until further orders. Further, during the year ended March 31, 2016, Ministry of Environment Forest and Climate Change ('MoEF') has represented to the Supreme Court of India that of the six hydro projects in Uttarakhand, two projects including GBHPL requires certain design modifications as per the policy stipulations. However, based on its internal assessment and a legal opinion, the management of GBHPL is confident of obtaining the requisite clearances and based on business plan and a valuation assessment by an external expert carried out during the year ended March 31, 2016, the management of the Company is of the view that the carrying value of the investments in GBHPL as at December 31, 2016 is appropriate.

**14.** a) The Company through its subsidiaries has investments of Rs. 617.62 Crore (USD 8.99 Crore) in PT Dwikarya Sejati Utama ('PTDSU'), a subsidiary of the Company as at December 31, 2016. PTDSU was acquired for a consideration of USD 4.00 Crore and a deferred consideration to be determined and paid on achievement of certain conditions as specified in the share purchase agreement. PT Duta Sarana Internusa ('PTDSI'), a step down subsidiary of PTDSU had pledged 60% shares of PT Barasentosa Lestari ('PTBSL') with the sellers of PTDSU. The achievement of aforementioned conditions for settlement of deferred consideration had been under dispute and pursuant to a settlement agreement dated June 25, 2014, the deferred consideration of USD 2.00 Crore was agreed with the sellers of PTDSU. As per the settlement agreement, USD 0.50 Crore was paid and the balance USD 1.50 Crore was to be paid in 16 equal quarterly instalments, commencing from June 30, 2015. Further, 35% shares of PTBSL are pledged as a security towards the payment of the balance instalments.

PTBSL, a coal property company commenced coal production on a trial basis and achieved a production of 28,000 MT during the year ended March 31, 2015. Though, these entities are currently unable to produce coal in view of limitations on transportation of coal due to water levels in Musi River, the management is hopeful of resuming production once the water levels are stabilized. The coal prices had significantly declined during the year ended March 31, 2016 However, there has been an increase in coal prices during the period ended December 31, 2016 and the management of the Company believes that such decline in the prices is expected to be temporary and as such the above factors do not have a significant impact on the ability of these entities to continue as a going concern. PTDSU and its subsidiaries are confident of raising finance as may be required for development of mines and continuance of their normal business operations. Based on these factors and valuation assessment by an external expert during the year ended March 31, 2016, the management is of the view that the carrying value of the investments in PTDSU and its subsidiaries as at December 31, 2016 is appropriate. The statutory auditors of the Company have drawn an Emphasis of Matter in their Limited Review Report in this regard.

b) The Company through its subsidiary GMR Coal Resources Pte. Limited ('GCRPL'), a subsidiary of the Company has investments of Rs. 3,482.20 Crore (USD 50.69 Crore) in PT Golden Energy Mines ('PTGEMS'), a jointly controlled entity of the Company. PTGEMS along

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with its subsidiaries is engaged in the business of coal mining and trading activities. The Group has a Coal Supply Agreement ('CSA') with PTGEMS whereby the Group is entitled to offtake stated quantity of coal as per the terms of the CSA at an agreed discount. The Group has not significantly commenced the offtake of the coal under the CSA, however the management of the Group is of the view that the same will not have an impact on their total entitlements of offtake of coal under CSA. The management of the Group is also negotiating certain terms of the CSA which are pending conclusion. The coal prices had significantly declined during the year ended March 31, 2016. However, there has been an increase in coal prices during the period ended December 31, 2016 and the management of the Company believes that such decline in the prices is expected to be temporary. Further, the aforesaid decline has been compensated by favorable currency movements in Indonesia and cost efficiency measures in mining activities in PTGEMS. Subsequent to the quarter ended December 31, 2016, the Company along with GCRP L has restructured its loans. Based on these factors and valuation assessment carried out by an external expert during the year ended March 31, 2016, the management of the Company believes that the carrying value of the investments in PTGEMS as at December 31, 2016 is appropriate. The statutory auditors of the Company have drawn an Emphasis of Matter in their Limited Review Report in this regard.

**15.** The Company has given an interest free loan of Rs. 115.00 Crore to Welfare Trust of GMR Infra Employees ('GWT') during the year ended March 31, 2011 for the purpose of employee benefit scheme. Based on the confirmation received from GWT, the trust has utilised the proceeds of the loan received from the Company in the following manner:

(In Rs. Crore)

| | |
|---|---|
| Equity shares of the Company | 101.55 |
| Equity shares of GAL | 11.28 |
| Others | 2.17 |
| **Total** | **115.00** |

SEBI had issued Circular CIR/CFD/DIL/3-2013 dated January 17, 2013 prohibiting listed companies from framing any employee benefit scheme involving acquisition of its own securities from the secondary market. SEBI had issued Circular CIR/CFD/POLICYCELL/14/2013 dated November 29, 2013 extending the date of compliance to June 30, 2014. The management of the Company submitted the details of the GWT to the stock exchanges. SEBI has issued a Notification dated October 28, 2014 notifying "The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014" ("SEBI Regulations") whereby the Companies having existing schemes to which these regulations apply are required to comply with these regulations within one year of the effective date of the regulations and the trusts holding shares, for the purposes of implementing general employee benefit schemes, which exceed ten percent of the total value of the assets of the trusts, shall have a period of five years to bring down trusts' holding in such shares to the permissible limits. SEBI published Frequently Asked Question ("FAQ") on SEBI Regulations and clarified that appropriation of shares towards ESPS/ESOP/SAR/General Employee Benefits Scheme / Retirement Benefit Schemes by October 27, 2015 would be considered as compliance with proviso to regulation 3(12) of the SEBI Regulations. The Company may appropriate towards individual employees or sell in the market during next four years so that no unappropriated inventory remains thereafter. The shareholders have approved the revised terms and conditions of the scheme by passing a special resolution in the annual general meeting of the Company held on September 23, 2015 and that the Company will ensure compliance with other applicable provisions of the new regulations within the permissible time period. The Company has consolidated the financial results of GWT in the standalone financial results of the Company under Ind AS.

**16.** A search under Section 132 of the Income Tax Act, 1961 ('IT Act') was carried out at the premises of the Company by the Income Tax Authorities on October 11, 2012, followed by search closure visits on various dates thereafter during the year ended March 31, 2013 to check the compliance with the provisions of the IT Act. The Income Tax Department subsequently sought certain information / clarifications. During the years ended March 31, 2015 and March 31, 2016, block

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assessments have been completed for certain years and the Company received orders /demand amounting to Rs 94.60 Crore under Section 143(3) r.w.s.153A of the IT Act from the Income Tax Authorities in respect to Assessment Years 2007-08 to 2013-14. The management of the Company has filed the appeals against the above orders and believes that these demands are not tenable and it has complied with all the applicable provisions of the IT Act with respect to its operations. Further, during the period ended December 31, 2016, a survey under the IT Act was conducted at the premises of the Company. However, the Company has not received any demand/ show cause notices from the Income Tax Authorities in this regard.

**17.** Pursuant to the approval of the Management Committee, the Company entered into a Subscription and Shareholders Agreement dated May 9, 2016 with Tenaga Nasional Berhad and its affiliate, Power and Energy International (Mauritius) Limited ('Investors') whereby the investors will acquire 30% equity stake in a select portfolio of GEL assets on a fully diluted basis for a consideration of USD 30.00 crore through primary issuance of equity shares of GEL.

During the quarter ended December 31, 2016, the transaction has been completed and GEL has allotted equity shares to the investors for the said consideration of USD 30.00 crore. Further, as per the conditions precedent to the completion of the transaction investments of GEL in certain subsidiaries have been transferred from GEL to other subsidiaries of the Company and the Company has novated loans provided to GEL amounting to Rs. 4,188.57 Crore to GGAL. Loans amounting to Rs 4,051.34 Crore and preference shares of Rs. 2,120.90 Crore held by the Company in GGAL have been converted into equity shares of GGAL. Further, compulsory convertible preference shares of GEL held by certain subsidiaries of the Company and by certain third parties have been converted into equity shares of GEL.

**18.** The Company has investments in GEL and GGAL. GGAL and GEL have made investments in their underlying subsidiaries/ jointly controlled entities which are implementing or operating various energy sector projects including mining operations. Some of their underlying subsidiaries/ jointly controlled entities as further detailed in Notes 8, 9, 10, 11, 14(a) and 14(b) and these two entities have been incurring losses. As at December 31, 2016, based on its internal assessment with regard to future operations and valuation assessment by an external expert, the management of the Company made a provision of Rs. 1,545.06 Crore (including Rs. 229.90 Crore and Rs. 667.77 Crore for the quarter and nine months ended December 31, 2016 respectively) and Rs. 1,036.01 Crore (including Rs. 35.15 Crore and Rs. 278.96 Crore for the quarter and nine months ended December 31, 2016) respectively towards diminution in the value of its aforementioned investments in GGAL and GEL as the management is of the view that such diminution in the value of the investments is other than temporary.

**19.** Except for the amounts pertaining to standalone financial information of GIL, the amounts disclosed in notes 7, 8, 9, 10, 11, 12, 13, 14 and 18 are as per the management certified accounts of the respective entities prepared under previous Indian GAAP.

**20.** Other operating income includes interest income, dividend income, income from management and other services and profit on sale of current investments considering that the Company undertakes investment activities.

**21.** Employee benefits expenses and other expenses for quarter and nine months ended December 31, 2016 are net of Rs. 23.77 Crore and Rs. 77.59 Crore, respectively, cross charged to certain subsidiaries / jointly controlled entities / associates of the Company.

**22.** The standalone financial results of the Company for the quarter and nine months ended December 31, 2016 have been reviewed by the Audit Committee in their meeting on February 13, 2017 and approved by the Board of Directors in their meeting on February 13, 2017.

**23.** The statutory auditors of the Company have carried out a Limited Review of the standalone financial results for the quarter and nine months ended December 31, 2016.

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**Notes to the standalone financial results for the quarter and nine months ended December 31, 2016**

**24.** Previous period figures have been regrouped/ reclassified, wherever necessary to confirm to current period's classification.

For GMR Infrastructure Limited

Grandhi Kiran Kumar
Managing Director

Vishakhapatnam
February 13, 2017