Management Discussion & Analysis

Forward-looking Statements

This document contains certain forward-looking statements based on the currently held beliefs and assumptions of the management of GMR Infrastructure Limited, which are expressed in good faith, and in its opinion and judgment, are fairly reasonable. For this purpose, forward-looking statements mean statements, remarks or forecasts that address activities, events, conditions or developments that the Company expects or anticipates which may occur in the future. Because of the inherent risks and uncertainties in the social and economic scenarios, the actual events, results or performance can differ materially and substantially from those indicated by these statements. GMR Infrastructure Limited disclaims any obligation to update these forward-looking statements to reflect future events or developments.

Infrastructure Growth

Macroeconomic Indicators

FY 2020-21 may very well be called the COVID year. The Pandemic prevailed throughout the year disrupting global economy at a macro level and impacting human life on an individual level. The period was marked with stringent lockdowns across the globe, loss of employment, struggle of inadequate healthcare infrastructure and finally much sought after roll out of vaccinations. All this while countries came up with various fiscal initiatives to support their dwindling economies.

As a result of pandemic related disruptions, the global economic growth for 2020 as estimated by IMF came in at -3.3% as compared to 2.9% in 2019 and 3.6% in 2018.

While the world continues to reel under the effects of the pandemic, economies have started to cautiously open up after initial stringent lockdowns. Rapid vaccination across the globe coupled with pent up demand from last year is expected to support the global economic growth in 2021. As a result, the global economy is expected to grow at 5.5% in 2021 and then moderate to 4.2% in 2022 (IMF). However, these estimates are subject to severity of successive COVID waves we might encounter in future and progress made on vaccination coverage.

With the onset of pandemic, in order to protect human life and limit stress on medical infrastructure, India implemented one of the most stringent lockdowns in the world which significantly impacted economic activity. Accordingly, India recorded its worst ever GDP growth numbers due to the pandemic related lockdown. Even before the pandemic, India had been heading towards an economic slowdown owing to demand contraction. Overall FY 2019-2020 GDP was recorded at 4.0%.

Due to pandemic induced lockdown, April-June 2020 saw a GDP de-growth of 24.4% versus same period of last year. India's manufacturing and service PMI (Purchasing manager's index) also reduced drastically from 51.8 and 49.3 in March 2020 to 27.4 and 5.4 in June 2020 respectively. Similarly, IIP (index of industrial production) fell by 57% YoY in April 2020.

Meanwhile, Government announced various economic packages to stem the economic downfall, supported by Reserve Bank of India, which reduced interest rates (policy repo rate cut from 5.15% in February 2020 to 4% in May 2020) and supplied liquidity to fuel growth. Finally, India came out of lockdown in June 2020, and the economy reopened in a phased manner. Most restrictions were removed, and macro-economic indicator trends turned positive. IIP growth climbed back in positive territory and reached pre-COVID levels by September 2020. India's manufacturing and service PMI also recovered sharply from 27.4 and 5.4 in June 2020 to 55.4 and 54.6 in March 2021 respectively. Post reopen, India's GDP fall softened to -7.4% in Q2 FY21 and climbed into positive territory in Q3 FY21 to +0.5% and further improved to +1.6% in Q4 FY 21.

However, this exuberance was short-lived and another wave of pandemic hit the country. The 2nd wave was far more devastating that the initial outbreak and restrictions were re-imposed. The V-shaped recovery took a significant hit as economic activities were impacted by state specific restrictions. The wave peaked in first week of May 2021, and since then has moderated, once again paving path for the economy to recover. As per various estimates, India's GDP growth for FY22 is expected to be in the range of 9.5% - 10.0%. However, such estimates may change significantly, if the country is hit by a major third COVID wave.

On the forex front, Indian rupee has remained within a range of ~ INR 72 to 75 per USD during H2 FY21. India's forex reserves touched an all-time high of over USD 605 billion by 2nd week of June 2021. Reserve Bank of India, in a bid to support economic growth, continues to hold repo rate to 4.0% with accommodative stance.

Even during a pandemic year, India remained an attractive investment destination. During FY21, India managed to attract highest ever FDI inflow of ~USD 81.7 Bn; a 10% rise over the previous financial year.

However, strong economic recovery during H2 FY21 and overall global boom in commodities led to steep rise in wholesale price index (WPI), a measure of inflation from close to zero in June-July 2020 to ~12% in June 2021.

On the COVID-19 front, India begun its massive vaccination drive in 2nd week of January 2021. Vaccination rate has been increasing since then as manufacturers continue to enhance their capacity. By July 2021, more than 25% of the population has been covered during this vaccination drive and received at least one dose. Government of India has set an ambitious target of vaccinating almost the entire eligible population by December 2021.

COVID impact was also felt in other countries where our Group operates. Philippines, home to Mactan-CEBU International airport, instituted one of the longest and most stringent community lockdowns globally in the wake of the COVID-19 outbreak in the country. These measures resulted in GDP contraction by ~9.5% in 2020. Further, growth outlook remains relatively downbeat with authorities recently tightening partial lockdown measures further in April 2021 as COVID-19 infections spiked.

Infrastructure Initiatives announced

Recognizing the role of vaccination in fight against the pandemic, Government in the February 2021 union budget, announced a major allocation of INR 35,000 Cr for COVID-19 vaccination drive. This works well for India as a whole, as accelerated vaccination would enable the economy to recover faster and consequently enhance tax collections for the government.

Government spending is an important tool to spur economy in such uncertain times. Recognizing this, government decided to increase spending especially in the infrastructure sector.

Accordingly, a budget allocation of INR 5.54 lakh Cr was made for infrastructure sector, a 35% increase over previous fiscal year allocation. The Budget allocated highest ever INR 1,18,101 Cr outlay for Ministry of Road Transport and Highways, of which INR 1,08,230 Cr is for capital expenditure. Under the Bharatmala Pariyojana, with an estimated investment of Rs 5.35 lakh Cr, already 13,000 km of roads worth INR 3.3 lakh Cr have been awarded for construction. A significant amount has been earmarked for ongoing and new economic corridors/expressways. An amount of INR 1,10,055 Cr has been allocated to the Railways, of which INR 1,07,100 Cr is for capital expenditure. The government announced INR 18,998 Cr for metro rail projects. For energy sector, an amount of INR 305,984 Cr has been allocated to be spent over the next five years for a revamped, reform-based and result-linked new power distribution sector scheme.

Further, government also announced setting up of Asset Reconstruction Company (ARC) and Asset Management Company (AMC). As most stressed projects are in the infrastructure sector, successful implementation of this initiative will lead to addressing bad assets and recapitalizing lending institutions, which in turn can help trigger lending in infrastructure sector. Working towards this objective, government also allocated INR 20,000 Cr to set up and capitalize a Development Financial Institution (DFI), so as to act as a provider, enabler and catalyst for infrastructure financing. Government intends to create INR 5 lakh Cr lending portfolio under the proposed DFI in a three-year timeframe.

Further, in an effort to attract domestic and international investments in the infrastructure sector, government has created a National Monetization Pipeline to monetize operational public infrastructure assets. In addition, Ministry of Railways plans to monetize assets including Eastern and Western Dedicated Freight Corridors after commissioning, induction of 150 modern rakes through PPP, station redevelopment through PPP, railway land parcels, multifunctional complexes (MFC), railway colonies, hill railways and stadiums.

In addition, during the budget government has also announced an outlay of INR 1.97 lakh Cr for the Production-Linked Incentive (PLI) scheme for 13 identified sectors. The scheme aims to boost domestic manufacturing and investments into India under the government's Atmanirbhar Bharat initiative.

Apart from the budget announcements, government continues to announce various policy measures to combat the impact of COVID-19 pandemic. In order to limit the impact and help restart economic activities, Indian government, last year announced a comprehensive economic package of INR 20 Lakh Cr, which included measures across the industry spectrum. Out of this, around INR 2 Lakh Cr is for cash disbursements, grains etc. for poor, while approximately INR 8 Lakh Cr is in the form of liquidity impetus provided by RBI. Further, various amounts were allocated across the board to MSMEs, NBFCs, DISCOMs, Food processing industry, agricultural sector, etc. A significant amount was designated for employment schemes.

Overall, with such reforms, expedited vaccination drive and India's innate strengths, we feel that the economy is expected to make an impressive comeback post pandemic.

Impact on Sectors in which GMR Operates

The global aviation sector was among the worst affected due to COVID pandemic. Air travel came to a standstill amid COVID induced lockdowns imposed by majority of nations. While some recovery is visible on domestic front, International travel continues to see little growth on account of travel restrictions imposed by various countries.

Such challenging times have tested our teams not only in terms of operational flexibility, but also in terms of financial resilience. In order to counter the effect of revenue loss due to low traffic, our airport took up various measures to ensure optimal use of capital. These include terminal usage optimization, deferment/ avoidance of non-essential operational expenditure, renegotiation of major expenditure contracts, manpower expense optimization and so on.

As a result of such measures, we have on one hand, sustained the operational aspects of the airport and maintained safe and efficient operating conditions while, on the other hand, ensured financial sustainability of the airport.

Even in a pandemic hit world, we believe that aviation market sector in India remains attractive. Government already announced that 100 new airports are to be developed by 2024 under UDAN scheme. Further, as government continues with privatization of existing airports, investment opportunities in Indian aviation sector are immense. The UDAN – regional connectivity scheme has been very effective in connecting more cities and thus tapping the largely untapped aviation market in India. We believe, that this scheme will be a major driver towards increasing India's air traffic. Further, Government also launched a development program for water aerodromes under UDAN 3.0. Even airlines seem upbeat on the future growth prospects and continue to add more aircrafts to their fleet. Further, with sale of Jet Airways and prospective addition of new airlines, aviation sector in India is expected to grow in future.

On the energy front, pandemic impacted the sector in the first quarter of the financial year. The lockdown imposed by Government led to stoppage of almost all heavy industrial activity across India. This led to a sharp drop in consumption. However, since then energy demand has made an impressive recovery. A number of measures have been announced by the Government to ensure revival of sector during the COVID crisis. INR 90,000 Cr loan package was announced for the Discoms, wherein they will be able to draw low-cost loans from PFC/REC, enabling them to pay off outstanding dues to power generators.

In railways sector, various DFC projects were also announced which will be taken up on a PPP model, including stretches on East-West freight corridor, East coast freight corridor and North-South freight corridor. Given the Group's experience and expertise in development of dedicated freight corridors, we will capitalize on our early mover advantage and explore further opportunities in the sector.

Key developments at GMR Group

Over the past few years, we have consolidated our position, focused on addressing, rationalization and management of corporate debt and stressed assets while building a platform for growth for the future. We have taken many significant steps in implementing our stated strategy to strengthen the balance sheet through improved cash flows from increased profitability, debt reduction through asset monetization, value unlocking and prudent working capital management while creating avenues for growth.

During the first half of this financial year, GMR Group successfully completed the final leg of strategic partnership transaction for our airport business with Groupe ADP, France based Global Airport Operator, which is a testament to the inherent strength of our Airport portfolio and also to the Group's credibility and ability to reinvent itself during difficult times. GMR Airports Limited (GAL) is now jointly owned by GMR Infrastructure Limited (51%) and Groupe ADP (49%), with GIL retaining management control. The money received from the deal has primarily been used for reducing debt and to improve overall liquidity at the Group level.

Groupe ADP, formerly Aéroports de Paris or ADP (Paris Airports), is an international airport operator based in Paris (France). Groupe ADP owns and manages Parisian international airports Charles de Gaulle Airport, Orly Airport and Le Bourget Airport, all gathered under the brand Paris Aéroport since 2016. Overall, the group managed 24 airports and 234.1 million passengers in 2019.

According to terms of the deal, GMR will retain management control over the airport business with Groupe ADP having board representation at GAL and its key subsidiaries. The strategic partnership is built on two-way exchange of expertise, personnel, knowledge and market access. Passengers and other stakeholders will also benefit immensely and thereby setting newer industry-defining benchmarks.

On the non-airport side, we continue to consolidate the Energy and Highways business with focus on cash flow improvement by recovering long pending receivables, pursuing claims with the appropriate agencies and strategically explore opportunities to unlock value in these businesses.

Further, on the monetization/ divestment front, we have made significant strides at our special investment regions. The Group has divested its entire 51% stake in Kakinada SEZ. All the State/ Central Government approvals pertaining to divestment are in place. In addition, we have closed major land monetization deals in Krishnagiri SIR. Further, we are very hopeful that initiatives such as 'Make in India', PLI incentive scheme of the Government of India, stable political environment and proactive favorable policy interventions should be able to attract various global companies to set up base in India. In addition, post pandemic, there is a move on part of large manufacturing companies with supply chain concentrated in Far East to seek alternatives and we hope India will emerge as one of the choices for the same in the medium term. This should be a big positive for this sector.

Further, in an important step towards unlocking value, GIL has taken up a restructuring initiative, under which, the group has initiated a vertical de-merger of its airport and non-airport businesses. Post the de-merger, GIL will emerge as India's only pure-play listed airport company. Company's non-airports business will shift to another listed entity GMR Power and Urban Infra Limited (GPUIL), with a mirror shareholding of GIL. The restructuring will result in simplification of corporate holding structure and enable airport and non-airport businesses to chart their respective growth plans independently. Further, value creation will be targeted through strategic partnerships and attracting dedicated investor capital.

While ESG has been core to the ethos at GMR, we have renewed our efforts even during the Covid Period to make sure that we continue to strive towards excellence. In particular, our flagship Delhi Airport is setting new standards on the front of environment safety and sustainability. Delhi Airport has now become Asia Pacific's first Level 4+ (Transition) accredited airport announced by ACI Europe Annual Assembly & Congress. Our focus on sustainability has won us accolades and awards for almost all our operating assets across all business segments.

Leveraging its sustainability focus, DIAL also raised 450 Mn US$ Green Bond to finance its' expansion plans and refinance dollar bonds maturing in February 2022. DIAL was able to do so as it was able to demonstrate the environment friendly nature of its terminal expansion as also the carbon savings it will be able to achieve with the construction of the Eastern Cross Taxiway (which is part of phase 3A expansion project).

Further, the impact of Covid was felt across the employees and stakeholders of the Group, and the Group was able to provide tremendous support to both employees and other stakeholders during this period.

At GMR, our commitment to the cause of Nation building is through creation of quality assets. We are proud to have been associated with landmark infrastructure projects in India like Delhi Airport, Hyderabad Airport, DFCC etc. We will strive to continue developing more such marquee infrastructure assets in service of the nation.

Airport Sector Outlook and Future Plan

Airport Sector

The aviation industry across the globe is facing an unprecedented situation due to the COVID-19 outbreak. In India, a total shut down of all domestic and international air travel was implemented since March 24, 2020 until May 25, 2020 when scheduled domestic operations resumed. This resulted in near wipe out of passenger traffic across airports in India. Domestic operations started with a cap of 30% of capacity while international travel was restricted to special evacuation flights under the Vande Bharat Mission of government of India. International traffic then took a gradual route to recovery till March 2021 reaching to about 30% to 35% of pre-COVID level, while domestic traffic reached about 70% to 75% of pre-COVID levels.

The resurgence of COVID-19 in April 2021 led to the reset of traffic to the minimum level. Cargo volume recovery has been much stronger by comparison to pre-COVID levels in FY 21 and the second wave has not made a significant impact. Based on the estimates of various established agencies and looking at the current growth, the next few months will continue to witness a gradual recovery in passenger traffic levels unless we are hit with further waves of COVID-19. As per a recent estimate by IATA, global passenger traffic level for the year 2021 could be nearly 48% lower than the 2019 level. However, further recovery of traffic may get affected with the resurgence of COVID through additional waves.

Given that India has been a large domestic market, its' recovery has been relatively stronger as international travel has struggled across the world given restrictions imposed by various governments. Further, given that air travel was established as a safe mode of travel, it appeared to encourage many first time travelers to travel by air. Further, despite the constrained capacity available, at both our airports we were able to expand the network to cover destinations that were not covered earlier. This is likely to further accelerate growth trends post recovery as new destinations and flyers join the system.

The rapidly-evolving situation related to COVID-19 required a robust response by airport operators to ensure the safety of passengers, staff, and operations at airports. GMR is proud to mention that it has done exceedingly well in the current situation and has proactively implemented contingency plans and adapted wherever needed by developing new ones.

At GMR, we have looked at business continuity in the context of sustaining operations (aircraft movements and passenger management), maintaining safe operating conditions, and managing the financial sustainability of the airport with respect to business resilience and crisis management for addressing a prolonged crisis. We have considered the following four points regarding business continuity from an airport system perspective:

- Operational continuity – Our Airport teams have worked ceaselessly during the entire lockdown period to systematically prepare for a Safe and Reliable experience post-lockdown with strong focus on health and sanitation across passenger, partner and employee journey through the airport.
- Employee Safety – During this period, employee safety has been the utmost priority to us and we have worked 24x7 with a dedicated team to cater to employee's needs related to but not limited to COVID testing, providing medicines, travel support, hospitalization etc. We have provided free vaccination for our employees and facilitated vaccination for all the aviation stakeholders at our airports premises.
- Financial sustainability – Our Teams have been focused on cash conservation and cost reduction through various interventions in our capital and operating expenditure. An important part of the effort for long term sustainability has involved stakeholder management with the various partners of our airport business and policy advocacy to various Government agencies through industry bodies.
- Organizational resilience – During this period of crisis, our teams have worked seamlessly to introduce new systems and processes to ensure that the organization continues to perform optimally while ensuring safety and well-being of the employees and other partners of the organization. In particular, a new work-from-home policy was introduced, while a number of measures were taken at the work place to ensure continued safety and sanitation. Accordingly, IT infrastructure and systems were strengthened to ensure protection of data in these changed circumstances.

We have focused all our efforts towards facilitating a safe and reliable journey for our passengers and are hopeful of a fast recovery of air traffic.

Accelerated Digitalization – With the onset of COVID pandemic, safety of the passengers travelling through our airports became of paramount importance. Introduction of new concepts, initiatives, trials and technologies designed to enhance the passengers' safety took center stage. Accordingly, our airports introduced a number of technology innovations / solutions addressed towards enhancing passenger safety including surface sanitation and measuring systems, UV disinfectants, air filtrations systems, passenger tracking systems, etc. Our airports launched HOI, a dedicated AI-enabled app, which will help passengers on multiple fronts including tracking their upcoming flights, getting real-time alerts about gate changes, weather forecast at the destination, Indoor Navigation with Voice Guidance, Contactless ordering and Gate delivery of food and beverages, contactless shopping solution, etc. The HOI App is available in multiple form factors such as a mobile app for Android & IOS, Web app and Digital Self Order Kiosks at airports. By providing contact-less solution at the airport, it helps reduce human interface and overcrowding at the airport.

In lieu of travel restrictions and rules for all international passengers flying into India, our Delhi Airport developed and deployed the Air Suvidha Portal, which facilitated the process for all International Passengers coming to India to share relevant information including their Testing and Vaccination details as required. This information formed the basis for the pre-clearance given to passengers to facilitate their entry into the country and reduce passenger waiting times at all Indian airports. Further all our operating airports at Cebu, Delhi and Hyderabad took the lead in establishing RTPCR testing facilities and delivering results in a matter of hours, thereby providing great convenience to all passengers.

Further GMR has accelerated its innovation activities also, and has formally launched GMR Innovex, a new platform for Innovation. GMR Innovex will create a structured mechanism to build creative ideas, nurture and foster them, and build a Go-To-Market strategy for all successful initiatives. It will facilitate startups with various kinds of assistance like mentoring, access to resources, POC opportunities, help with filing patents among others. The collaborators will have access to internal resources, subject matter experts among others in an informal yet aesthetically set ambience that unleashes creativity. The advantage that this exchange brings in is that collaborators can also try their products/services at GMR Innovex across a very large landscape of businesses like Airports, MRO, Cargo, Logistics, Infrastructure etc. With a major focus on airports and with a broad array of industries under its span, GMR Innovation Hub is interested in multitude of technologies like Video Analytics, Machine-Vision, Blockchain, Drone-Tech, Smart Tagging, Contactless Technology, RPA, EV, Autonomous, AR/VR, IoT and others.

In Philippines at our CEBU airport, as a result of tight travel restrictions imposed by the government and CEBU predominantly being a tourist destination, recovery of air traffic has been relatively slow. We expect traffic to pick up at CEBU with progress in global vaccination drive and gradual unlocking by the local government.

Airport Land Development

On account of its strategic location in the cities, the real estate, available as part of the concessions for our airports, continue to hold tremendous potential. At Delhi, Aerocity is being developed as a Hospitality and Office led Global Business District providing word-class social infrastructure and services to its users in a safe and sustainable environment. Addition of new asset classes, continuous improvement of infrastructure services and technology driven operational excellence remain key focus areas in the future.

At our Hyderabad Airport City, the office leasing which saw a dip on account of Covid seems to be picking up and more leasing is expected in the forthcoming year. The Master Plan refresh at Hyderabad is expected to open up areas for development in a strategic manner and monetization is likely to accelerate in the years ahead. In addition to commercial office space, industrial and warehousing, hospitality, we intend to open up new initiatives in the social infrastructure such as education, healthcare, co-living, senior living, Innovation Hubs, Training facilities, etc.

We intend to progressively realize value in our real estate asset portfolio by diversifying the monetization models as well as the end use formats for development of these assets to capture demand for a wide range of developments. We intend to use a combination of lease, self-development and joint development models targeting developers and end-use customers respectively. Further, given the long term economic growth prospects of India, we believe that with dissipation of COVID impact and people rejoining offices, there will be an increase in demand for Grade A office spaces. Similar trend may play out for other real estate asset classes. Our airport real estate should definitely benefit in line with above macro trend.

Economic Regulation & Airport Tariffs

Tariff at Delhi Airport: AERA has issued tariff order no 57/2020-21 for third control period on December 30, 2020 allowing DIAL to continue with BAC+10% tariff for the balance period of third control period plus compensatory tariff in lieu of Fuel Throughput Charges. The regulator has further confirmed the right of DIAL to charge the minimum tariff of BAC+10% for the balance period of the concession when the determined tariff is lower than BAC +10%. DIAL had also filed an appeal against some of AERA's decision in third control period order on January 29, 2021 with TDSAT.

Tariff at Hyderabad Airport: AERA, in case of Hyderabad Airport, issued consultation paper no 11/2021-22 on July 2, 2021 for third control period (FY'22 –FY'26). The order on the subject matter is expected by September 2021.

Growth Outlook – New Opportunities

Though aviation sector has been going through unprecedented challenges this year due to pandemic, at GMR Airports we have strategized to convert these challenges into opportunities. Group's resilience and agile strategies have been helpful in navigating through the current pandemic and at the same time charter the new growth territories.

In line with our larger strategy for airports business, we believe that Airport business has huge underlying strength and it will continue to be the growth engine for the Group. Now with combined expertise and reach of both GMR and ADP, we are strategically much better placed to further scale up the airports business in Indian and new foreign territories.

Domestically, GMR is actively pursuing opportunities for new airports as and when they arise. In our immediate sight is the opportunity of next round of regional airports privatization. Out of India, the Group is strategically focusing in promising geographies of South Asia, South East Asia, Middle East, Africa, Eastern Europe and Latin America. We are actively evaluating and participating in multiple airports privatization opportunities in these geographies.

GMR Airports Business is conceptualized as a platform with airport concessions being the core and a range of adjacent businesses built around the same. Our rich experience over the past decade of operating in diverse markets in the developing world has given us a unique understanding of drivers and a rich understanding of the various adjacency businesses.

As a result, we pushed forward with Group's vision to diversify and expand in the airport adjacency space. We are currently evaluating multiple opportunities in the cargo, duty free and services business across the geographies and believe that in the short to medium term we will have more adjacency businesses to add to our overall portfolio. We have created a richly experienced team at GMR Airports to drive our vision for airport adjacencies.

We broke ground in this direction with launch of Kannur Duty Free operations in February 2021, notwithstanding challenges due to the COVID pandemic. We also evaluated duty free opportunities in Mumbai, Indonesia, South Korea and other geographies and this has enhanced the group's understanding of international duty free space.

At the same time, Group is also looking to unlock value from its existing non-aero commercial businesses. This year, we launched a range of initiatives to enhance the value creation in our non-aero businesses. As a first step, we have launched non-aero Centre for Excellence (CoE) for duty-free and cargo businesses. Under the CoE initiative, we are going to channel the collective non-aero wisdom of the group to achieve commercial excellence.

As we look forward into post -COVID future, we have a robust pipeline of airports and five strategic business units of adjacency opportunities and we believe that they will add significant value to the Group and all stakeholders.

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

Focus Areas for FY 2021-22

With the COVID-19 impacting the aviation sector, in FY 2020-21 IGI handled 22.6 Mn passengers and 0.74 MMT of cargo with substantial de-growth over last year. In FY21, IGI Airport has expanded its International market share from 27% to 32% amongst Indian airports. IGI Airport would continue to be the leading Airport among all Indian airports in both passenger traffic and cargo handled. DIAL was once again recognized as the Best Airport for service quality in the region by ACI and Best Airport in Central Asia by Skytrax.

DIAL's traffic has been heavily impacted by the travel restrictions imposed by the central and various state governments and the severe impact of the 2nd wave of COVID cases in India. While the reduced traffic levels will affect DIAL in this fiscal, we are looking forward to a strong recovery in traffic in second half of FY22 and substantial recovery in FY23. With increased pace of vaccination in India and gradual decline of COVID cases, we feel that both domestic and international traffic will achieve strong recovery. We are already seeing some green shoots of recovery post second wave. It is important to note that there is no fundamental change in the value drivers of the business. The impact from the COVID-19 outbreak on the business is expected to be a short to medium-term blip followed by a good recovery further aided by strong pent-up demand, especially from visiting friends and relatives (VFR) and leisure travel, once the spread is contained. Despite the pandemic, we were able to enhance the domestic connectivity within India by connecting to a number of new destinations, and further our passenger surveys also show that a higher number of first time passengers have started flying over the past year. These developments should accelerate the passenger growth trends post pandemic recovery.

To overcome the crisis, DIAL has been putting efforts towards various fronts such as Safe Flying and Passenger Experience, financial resilience, stakeholder engagement and employee health & safety. DIAL has been continuously engaging with the state and regulatory authority for several support measures and policy interventions and we look forward to their consideration of these requests.

To repose faith in flying for passengers, DIAL has taken every necessary action and will continue to do so. A recent survey at Delhi Airport tells that all the passengers traveling to or from Delhi Airport, felt 'absolutely safe' to travel. This may be substantiated with domestic recovery where IGIA had reached to around 70% of pre-Covid level towards the end of FY21.

DIAL will continue with the necessary parts of expansion of its airside infrastructure and terminal capacity as per the approved Master Development Plan in order to cater to the future growth in passenger and air traffic. The Phase 3A expansion, which includes, among others, expansion of Terminal 1 and Terminal 3, construction of a fourth runway along with enhancement of airfields and construction of taxiways, will expand IGIA capacity to around 100 Mn passengers annually.

DIAL continues to work with all stakeholders including the airlines to further establish IGI Airport as an international hub airport for passengers and cargo. In line with this goal, DIAL will continue to work for reopening key international destinations gradually in accordance with the uplifting of international border restrictions. We will also continue to work with international carriers to boost long haul flights as well as dedicated freighters coming into Delhi.

DIAL has also made significant progress in achieving all approvals necessary for progressing with the commercial real estate transaction with Bharti Realty after securing the requisite approval from Delhi Urban Arts Commission (DUAC). This is an important milestone in the further development of Aerocity as the premier Central Business District (CBD) of the National Capital Region (NCR), and we expect to progress this transaction further in FY 2021-22.

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

Focus Areas for FY 2021-22

Despite the pandemic related challenges during the year, in FY 2020-21, RGIA handled 8.1 million passengers, over 86,200 Air Traffic Movements (ATMs), and over 112,700 MT of cargo. With the emergence of new COVID-19 variants and 2nd wave of the COVID-19 pandemic in the year FY 2020-21, traffic and revenues have been impacted significantly across the global aviation value chain including India. With the situation yet to return to normalcy, GHIAL will continue to maintain focus on financial resilience and sustainability until traffic recovery, through measures for cash preservation and additional cash generation.

During FY22, GHIAL shall make all efforts to recover the passenger traffic with proactive engagement with airlines, development of both domestic and international routes.

During this period, a key focus area will be ensuring the health and well being of passengers, staff and all airport community stakeholders and to convey a clear message to all that aviation remains the safest mode of transport.

On the regulatory front, AERA has published the consultation paper for tariffs in relation to 3rd Control Period from FY 22 to FY 26. GHIAL will strive for timely finalization of the 3rd Control Period tariff by AERA.

As part of the capital expansion works, GHIAL has already commissioned the 4 Rapid Exit Taxiways, completed the rehabilitation works of Main Runway in Q1 FY22. In the balance part of the year, GHIAL intends to complete the construction of East Pier straight portion and North East Apron. GHIAL would ensure seamless integration of expansion with existing operations by following due procedures.

Given the strong business fundamentals, strategic and competitive advantages, and initiatives to sustain and grow the business, GHIAL is well-positioned to return to the growth path as soon as the situation resulting from the COVID-19 pandemic returns to normalcy.

GMR Megawide Cebu Airport Corporation (GMCAC)

The COVID-19 pandemic has had a considerable impact on Mactan-Cebu International Airport with annual traffic dropping significantly in CY 2020. The passenger footfall for CY 2020 was recorded at ~2.7 Mn, constituting of ~1.9 Mn Domestic passengers and ~0.8 Mn International passengers, thereby witnessing a 78% decline in overall traffic from CY 2019. COVID-19 has acted as a major deterrent towards travel especially since ~2.4 Mn passenger footfall (~90% of the total CY 2020 footfall) was recorded in the first quarter in 2020.

Scheduled domestic services resumed in June, with traffic ramping up as travel restrictions across the Philippines continue to be eased. MCIA has witnessed a sequential increase in traffic, with the traffic recovery being led by domestic travel. While in June 2020, MCIA was capturing ~3% of the monthly pre-covid traffic levels, in March 2021, it captured ~8% of the monthly pre-covid traffic.

The airport handled several international repatriation and utility flights, working closely with government stakeholders to ensure safe passage for Filipinos and foreigners alike. Following the ban on scheduled international services since March 2020, the airport welcomed its first batch of overseas travelers in mid-July – a feat made possible only by the establishment of a COVID-19 testing laboratory at the airport, which is the first dedicated, airport-centric testing facility in the world. The lab has a capacity of handling 3,000 RT-PCR tests a day, and till March 2021, the lab successfully handled 41,300 returning Filipinos, with an average testing time of 15.6 hours, which is the fastest in the country.

With the loss of traffic, GMCAC undertook a debt restructuring exercise to avoid stress on its cash flows. Along with this, GMCAC successfully rightsized the organization by affecting a significant rationalization in outsourced and manpower expenses. The combined demand for international (departure) and domestic (both departure and arrival) travel at MCIA is being fulfilled from Terminal 1 starting November 2020 leading to savings of $0.07 Mn per month. Also, specific initiatives were undertaken to reduce power and water consumption leading to additional savings.

With domestic traffic on a sequential rise, coupled with on-going vaccinations, an upcoming national election and with Cebu's international markets well on their way to recovery, the Management is confident that traffic shall rebound sooner than in other tourist-centric destinations. In addition to working with government stakeholders to resume operations and drive tourism revival in Cebu, the focus of the Management this year is to address COVID related concerns i.e., building passenger confidence and aid recovery, make the business leaner and more efficient through zero-based costing, reducing operating costs and ensure that the airport is ready to embrace the new normal. GMCAC is also working with government to establish policy framework to boost travel.

Crete International Airport

The consortium of GMR Airports and TERNA attained the concession commencement date for the design, construction, financing, operation, maintenance of the new international airport of Heraklion at Crete in Greece on February 6, 2020. The concession period is 35 years including the design and construction phase of five years.

Having attained the concession commencement, the design and construction activities of the project are underway. Company has received significant portion of land and also the entire state grant of Euro 180 million as envisaged under the concession agreement. Contractor has mobilized requisite manpower and equipment. Development and investigation studies are nearing completion. Site office and warehouse has been constructed. Earthworks for the Airport Airside and connecting Road networks have progressed well. All the works are being carried out with strict adherence to COVID-19 protocols and other safety measures. The Airport Company has also received ISO 9001 certification in this year.

Overall EPC construction is progressing well and focus for the next year would be on civil works and substantial construction of road network.

Energy Sector Outlook And Future Plan

Indian Economy - Power Sector Scenario

At the end of year, total installed capacity in India stood at 382 GW. Conventional energy (from thermal) sources accounted for 234 GW or 61.39% of the total capacity while renewable energy sources accounted for 95 GW and the rest comprised capacity from nuclear and hydro (>50 MW) based power plants.

Following were the highlights of the Power sector in India during FY 2020-21:

- FY 2020-21 saw marginal reduction in generation by 0.5% over the previous year – 1381 BU generated in FY 2020-21 as compared to 1389 BU in FY 2019-20. This is in spite of decrease and volatility in energy demand during the lockdown periods.
- Generation from thermal sources decline by 1% to 1032 BU in FY 2020-21 compared to 1043 BU in FY 2019-20.
- However, Generation from renewable sources increased by 6.44% to 147.25 BU in FY 2020-21 compared to 138.33 BU in FY 2019-20. Further, installed capacity from renewable energy sources increased by 9.51% to 95 GW in FY 2020-21 (till February 2021) from ~87 GW in FY 2019-20.
- FY 2020-21 saw a 6.2% drop in merchant tariffs as compared to FY 2019-20 from ₹ 3.01/kWh to ₹ 2.82/kWh.
- Pursuant to a major policy decision by Government to boost the economy impacted due to ongoing COVID pandemic, a relief package of INR 90,000 Cr under "Atmanirbhar Bharat Package" was announced for the ailing Power Distribution Sector to be utilized for clearing the outstanding dues to power generating companies. RBI also provided moratorium on principal and interest payment for 6 months (March-August 2020) assisted in cash flow management by all the companies during the unprecedented pandemic faced by the country.
- Solar Energy Corporation of India had asked for Expression of Interest from generators to supply bundled Round The Clock (RTC) power. Inexpensive renewable power is to be bundled with expensive thermal power to offer a RTC power to Discoms at cheaper rate. It had also issued RFS document for purchase of 5,000 MW bundled power. The bid date was extended multiple times and expected to conclude in FY 2021-22.
- Coal India Limited (CIL) continued its SHAKTI auctions of last year and offered linkage coal to power plants having no LoA and no PPAs under SHAKTI Scheme of MoC.
- Coal production in India remained at levels similar to FY 2019-20 with an All India production of 596 MT as against 602 MT last year.

The Company demonstrated outstanding resilience during one of the most challenging and volatile periods being faced by whole country due to ongoing COVID pandemic. Our focus over last year has been on stabilizing our existing assets, improving their profitability and achieving operational excellence.

Even though functioning at CERC and APTEL got impacted due to COVID restrictions, we were still able to continue to get positive results for our efforts on regulatory orders in APTEL and CERC. Our focus continued to be on the liquidation of regulatory receivables during FY 2020-21 and we have succeeded to a significant level.

Through Industry Associations, we have been working on various policy measures to support the recovery of the Sector. These include Usance LC for coal payments to CIL, usage of linkage coal for sale of power in short term markets, relaxation in FGD timelines, approval of Hydro Power Obligations for states, One Time restructuring for COVID impacted companies, etc. While the Government has made progress on some fronts, the industry continues to seek further support from the Government on the rest.

Many initiatives were taken to safeguard employee heath during pandemic such as temperature scanning at entry and exit gates, compulsory wearing of nose mask, scheduled sanitization of plant, launch of COVID-19 Warriors with responsibilities such as creating awareness in work area, ensuring usage of PPEs, ensuring social distancing, visitor management, etc.

Going forward, our strategy in the Energy sector will mainly be on improving operational efficiencies and focused efforts towards ensuring realization of benefits under the regulatory measures announced. While monetization/ divestment of assets on selective basis would be explored but we will also build on the existing platform to pursue growth opportunities in this sector that are asset light and/ or through partnership model.

Mining assets

Global outbreak of COVID-19 impacted the manufacturing activities across the world which resulted in reduced demand for power, which in turn impacted the demand of coal, as a result the international coal prices saw a sharp decline between April and September 2020, on account of lower demand from China and India. However, post easing of the restrictions, the prices have been on an increasing trend since October 2020.

As of July 2021 the coal prices are still robust and ICI index is at an all-time high. This increase is driven by incremental demand from China as well as import restrictions for the coal imports from Australia. We expect the current trade restrictions to continue and the coal prices continue to be robust in the medium term. Our mining investment, PTGEMS recorded a robust performance despite the lower average coal sales prices during 2020.

Going forward PTGEMS shall continue to remain focused on keeping the cash cost under control and ramping up the production volumes to maintain its profitability. Thermal coal remains an important source of fuel for developing countries in Asia and our business will remain well-positioned to benefit from the growing demand in the emerging markets.

Transportation and Urban Infrastructure Sector Outlook and Future Plan

Transportation

Railways

We made a big leap into Railway projects in FY 2014-15 when we were awarded two packages on the eastern Dedicated Freight Corridor Corporation (DFCC) in the State of Uttar Pradesh worth INR 5,080 Cr and further two more packages 301 and 302 in 2016 worth INR 2,281 Cr in Punjab & Haryana.

Your Company will be exploring new projects in DFCC in PPP /EPC mode that are expected to come up during FY 2021-22 and beyond. The Company has invested in two sets of fully mechanized track laying equipment and other heavy construction equipment that can lay up to 1.5 Kms of track linking every day and can be used in future projects as well.

Apart from construction of railway lines, Government has opened up station development and running of passenger trains in PPP mode. Your Company will explore those opportunities that correspond to its overall Group strategy.

Highways

As per the report released by the task force on National Infrastructure Pipeline, a total capital investment of INR 20 trillion has been planned for roads and bridges sector in the period between 2020 and 2025. The projects include construction of new expressways and several four and six laning projects. Significant number of projects are expected in new bridge construction, RoB's at level crossings, etc. The ambitious plan aims at development of 60,000 Kms of National highways including 2,500 Kms expressways, 9,000 Kms of economic corridors, 2,000 Kms of coastal and port connectivity, bypasses for 45 towns and enhanced connectivity for 100 tourist destinations by 2024.

The Highway sector continues to be one of the most dynamic sectors in the country. During FY 2020-21, NHAI awarded record number of projects in Hybrid Annuity Model (HAM) mode and significant number of projects are expected in HAM, BOT and EPC during FY 2021-22. Your Company would analyze all possible opportunities and bid for projects that correspond to the overall strategy of the Group.

Urban Infrastructure

In the year 2020, the world faced headwinds in the form of pandemic COVID-19. Due to lockdown, economic activity declined & all major corporates were looking critically at their operations, contractual obligations, workforce rationalization, business continuity plans, etc. and therefore most of the investments didn't materialize owing to wait & watch approach towards the evolving policies of the Central and State Governments.

Government of India has announced several business friendly policies like - Production Linked Incentive (PLI) Scheme for more than 10 key sectors with a Financial Outlay of Rs 1.45 lakh Cr & a stimulus package of INR 20 lakh Cr under Atma Nirbhar Bharat Abhiyan to revive the economy and to improve attractiveness of manufacturing sector in India. Further the Central/State Governments have reviewed and simplified the labour laws to make the States more attractive for Investments.

In particular, Government of Tamil Nadu has announced the new Industrial Policy which provides flexible mechanisms for new industrial units to avail fiscal benefits with special focus for sunrise sectors. The State of Andhra Pradesh rolled out new Industrial Policy (2020-2023) to provide traction to the manufacturing sector, incentives have been announced for Employment generation. Also, single window policy has been announced for speedy approvals.

The various policy changes coupled with the "China + one" strategy adopted by major economies like Europe & East Asia should augur well for Make-in-India initiative and propel demand for land in Industrial Parks in FY22. With all the efforts put up by Central Government and State Governments, economy has shown signs of revival. Further, new Foreign Trade Policy (2020-2025) is under formulation with the motive to boost Exports and reduce the Trade deficit. SEZs may be given tax incentives under this new Foreign Trade Policy.

GMR Group's Krishnagiri Special Investment Region (GKSIR) is in a JV agreement with Tamil Nadu Industrial Development Corporation (TIDCO) and has been making all the efforts to attract investors. The Company has sold approximately 211 Acres in Phase 1 to an Indian MNC to set up a large greenfield manufacturing plant. Further, the company has entered into a binding term sheet with the same client for another approximately 300 Acres which shall be concluded shortly. The Company will endeavor to focus on environmentally responsible sectors. With these positive developments, GMR Krishnagiri SIR is confident of overcoming the current pandemic situation and proceed with development/monetization as planned.

GMR Group has divested its 51% stake in its other Urban Infra project – Kakinada SEZ Limited to Aurobindo Realty & Infrastructure Private Limited. All the State/ Central Government approvals pertaining to divestment are in place. The transaction is expected to be completed by August 2021.

Environment Protection and Sustainability

As the Company operates in an increasingly resource-constrained world, being environmentally conscious and efficient are key to our operations. The Company has a Corporate Environment, Health, Safety and Quality (EHSQ) Policy to articulate, guide, and adopt an integrated approach towards implementing EHSQ objectives and the Company remains committed towards the said policy. These established systems certified by reputed certifying agencies have helped to monitor and manage our operations systematically, safely and in environment friendly manner. The Company continues to abide by regulations concerning the environment by allocating substantial investments and resources on a continuous basis to adopt and implement pollution control measures. Our continuous endeavor to go beyond compliance and conserve natural resources helps to march towards attaining excellence in environmental management and efficient and sustainable operations as well. The details of Environment, Health and Safety (EHS) initiatives are provided in the Business Responsibility Report forming part of Annual Report.

Discussion and analysis of financial conditions and operational performance

The consolidated financial position as at March 31, 2021 and performance of the Company and its subsidiaries, joint ventures and associates during the financial year ended on that date are discussed hereunder:

1. ASSETS- NON CURRENT ASSETS

1.1. Property Plant and Equipment (PPE)

PPE has decreased from ₹ 9,379.68 Cr as at March 31, 2020 to ₹ 9,021.22 Cr as at March 31, 2021 primarily due to additions to fixed assets in DIAL, GHIAL and GHAL offset by depreciation charge for the year.

1.2. Capital work-in-progress

Capital work-in-progress has increased from ₹ 3,809.02 Crore as at March 31, 2020 to ₹ 6,615.65 Crore as at March 31, 2021 primarily on account of expansion of existing airport at New Delhi and Hyderabad and ongoing construction of airport in Goa.

1.3. Investment Property

Investment property has decreased from ₹ 3,491.28 Crore as at March 31, 2020 to ₹ 534.51 Crore as at March 31, 2021 primarily due to disposal of Investment property of KSL and KGPL and some land parcels in Krishnagiri SIR region.

1.4. Other Intangible Assets

Other Intangible assets have decreased from ₹ 2,763.67 Crore as at March 31, 2020 to ₹ 2,672.48 Crore as at March 31, 2021 primarily due to amortization during the year.

1.5. Investments accounted for using equity method

Investments accounted for using equity method has decreased from ₹ 7,012.75 Crore as at March 31, 2020 to ₹ 6,400.33 Crore as at March 31, 2021 primarily due to share of loss in investment in joint venture and associates during the year and dividend from joint ventures.

1.6. Loans and Advances

Loans and advances have increased from ₹ 447.73 Crore as at March 31, 2020 to ₹ 1,528.86 Crore as at March 31, 2021 mainly due to security deposits given relating to equipment lease in DIAL.

1.7. Other financial assets

Other financial assets have decreased from ₹ 3,090.19 Crore as at March 31, 2020 to ₹ 3,068.72 Crore as at March 31, 2021 mainly due to decrease in derivative assets on MTM valuation, decrease in non-current balance, decrease in receivable from Service Concession Arrangements (SCA) set off by increase in non trade receivable.

1.8 . Other non-current assets

Other non-current assets have increased from ₹ 2,420.60 Crore as at March 31, 2020 to ₹ 3,452.05 Crore as at March 31, 2021 primarily on account of increase in balances with Govt. authorities in DIAL and GHIAL, lease equalization reserve in DIAL offset be decrease in capital advances in airport entities.

2. ASSETS – CURRENT ASSETS

2.1. Financial assets – Investments

Investments have decreased from ₹ 2,959.12 Crore as at March 31, 2020 to ₹ 2,863.40 Crore as at March 31, 2021 primarily on account of utilization of investments for project financing in GHIAL and DIAL.

2.2. Financial assets – Trade receivables

Trade receivables have decreased from ₹ 1,423.84 Crore as at March 31, 2020 to ₹ 1,145.58 Crore as at March 31, 2021 primarily on account of decrease in receivable in GIL, GETL and Airport entities.

2.3. Financial assets – Cash and cash equivalents

Cash and cash equivalents have increased from ₹ 2,859.43 Crore as at March 31, 2020 to ₹ 4,200.60 Crore as at March 31, 2021 mainly due to proceed received from fund raised from bonds and debentures in DIAL and GHIAL.

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

Bank balances other than cash and cash equivalents increased from ₹ 1,589.34 Crore as at March 31, 2020 to ₹ 2,113.67 Crore as at March 31, 2021 primarily due to increase in bank deposits in DIAL and GHIAL.

2.5. Other financial assets

Other financial assets have increased from ₹ 1,601.88 Crore as at March 31, 2020 to ₹ 2,464.78 Crore as at March 31, 2021. This is primarily due to movement in MTM valuation of DIAL, increase in unbilled revenue and non-trade receivable partially set-off by decrease in SCA receivable.

2.6. Other current assets

Other current assets have decreased from ₹ 776.06 Crore as at March 31, 2020 to ₹ 450.80 Crore as at March 31, 2021 primarily due to decrease in balances with Government Authorities and advance to suppliers in the normal course of business.

2.7. Assets classified as held for sale

Assets classified as held for sale increased from ₹ 61.73 Crore as at March 31, 2020 to ₹ 314.35 Crore as at March 31, 2021 mainly on account of receivable of land parcels classified as held for sale in FY 2020-21.

3. EQUITY

Equity share capital remains the same at ₹ 603.59 Crore. Total equity has increased from ₹ 215.89 Crore as at March 31, 2020 to ₹ 1,318.56 Crore as at March 31, 2021 primarily on account of sale of equity to ADP and increase in Foreign Currency Monetary Translation Reserve (FCMTR) set of by loss of FY 2020-21 attributable to equity shareholder.

Non-controlling interests have increased from ₹ 2,674.58 Crore as at March 31, 2020 to ₹ 3,036.69 Crore as at March 31, 2021 mainly on account of increase in minority capital due to ADP deal, set off by share of loss in PAT and OCI for FY 2020-21 attributable to minority shareholders and decrease in minority of entities disposed of during the year.

4. NON-CURRENT LIABILITIES

4.1. Borrowings

Non-current borrowings have increased from ₹ 26,521.90 Crore as at March 31, 2020 to ₹ 30,990.20 Crore as at March 31, 2021, primarily due to new borrowings through USD bonds and debentures in DIAL and GHIAL partially offset due to forex fluctuation in DIAL and GHIAL.

4.2. Lease Liabilities

Lease liabilities have increased from ₹ 105.24 Cr as at March 31, 2020 to ₹ 110.24 Cr as at March 31, 2021 in the normal course of business.

4.3. Other Financial Liabilities

Other financial liabilities have increased from ₹ 937.14 Crore as at March 31, 2020 to ₹ 1,279.00 Crore as at March 31, 2021, mainly due to annual fee payable to AAI partially set off with decrease in security deposit and non-trade payable.

4.4. Provisions

Provisions have decreased from ₹ 105.83 Crore as at March 31, 2020 to ₹ 81.51 Crore as at March 31, 2021 in the normal course of business.

4.5. Deferred tax liabilities (net)

Deferred tax liability is ₹ 117.13 Crore as at March 31, 2021 (₹ 225.04 Crore as at March 31, 2020). Decrease in deferred tax liabilities is primarily due to Deferred tax asset created on losses during FY 2020-21 in airport entities.

4.6. Other non-current Liabilities

Other non-current liabilities have decreased from ₹ 2,004.52 Crore as at March 31, 2020 to ₹ 1,937.62 Crore as at March 31, 2021 primarily due to decrease in deferred income in DIAL.

5. CURRENT LIABILITIES

5.1. Short term Borrowings

Borrowings have decreased from ₹ 1,630.87 Crore as at March 31, 2020 to ₹ 1,282.61 Crore as at March 31, 2021 mainly due to repayment of working capital loan in DIAL and GHIAL.

5.2. Trade Payables

Trade payables have increased from ₹ 2,071.63 Crore as at March 31, 2020 to ₹ 2,459.58 Crore as at March 31, 2021 mainly due to payable to NHAI in GHVEPL and increase in payable in DIAL and GETL

5.3. Other current financial liabilities

Other current financial liabilities have decreased from ₹ 10,289.49 Crore as at March 31, 2020 to ₹ 8,252.43 Crore as at March 31, 2021. The decrease is mainly due to decrease in current maturities of long term borrowings and interest payable on borrowings.

5.4. Provisions

Provisions have decreased from ₹ 968.45 Crore as at March 31, 2020 to ₹ 904.14 Crore as at March 31, 2021 in normal course of business.

5.5. Other current liabilities

Other current liabilities have decreased from ₹ 1,327.46 Crore as at March 31, 2020 to ₹ 1,151.70 Crore as at March 31, 2021 mainly due to decrease in statutory dues, advance from customers and other liabilities.

5.6. Liabilities directly associated with the assets classified as held for sale

Liabilities held for sale decreased from ₹ 71.50 Crore as at March 31, 2020 to ₹ 22.31 Crore as at March 31, 2021 mainly on account of GLPPL classified as held for sale entity in FY 2019-20.

Overview of our results of operations

The following table sets forth information with respect to our revenues, expenditure and profits (loss) on a consolidated basis:

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Continuing operations		
Income		
Revenue from operations (including other operating income)	6,064.86	8,394.93
Finance income	164.52	160.61
Other income	634.08	666.59
Total Income	**6,863.46**	**9,222.13**
Expenses		
Revenue share paid / payable to concessionaire grantors	484.87	2,037.19
Operating and other administrative expenditure	4,665.80	3,889.79
Depreciation and amortization expenses	1,004.54	1,064.25
Finance costs	3,172.17	3,545.07
Total expenses	**9,327.38**	**10,536.30**
Loss before share of net loss of investments accounted for using equity method, exceptional items and tax from continuing operations	**(2,463.92)**	**(1,314.17)**
Share of net loss of investments accounted for using equity method (net)	(345.69)	(288.33)
Loss before exceptional items and tax from continuing operations	**(2,809.61)**	**(1,602.50)**
Exceptional items - (loss) (net)	(880.57)	(680.91)
Loss before tax from continuing operations	**(3,690.18)**	**(2,283.41)**
Tax expenses / (income)	(262.43)	(84.92)
Loss after tax from continuing operations (i)	**(3,427.75)**	**(2,198.49)**
EBITDA from continuing operations (Sales/income from operations – Revenue share – operating and other admin expenses)	**1,078.71**	**2,628.56**
Discontinued operations		
Loss from discontinued operations before tax expenses	(0.02)	(3.70)
Tax expenses	-	-
Loss after tax from discontinued operations (ii)	**(0.02)**	**(3.70)**
Total loss after tax for the year (A) (i+ii)	**(3,427.77)**	**(2,202.19)**
Other comprehensive income for the year, net of tax (B)	197.64	24.15
Total comprehensive income for the year, net of tax (A+B)	**(3,230.13)**	**(2,178.04)**

Sales/Operating Income

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

Particulars	For the year ended			
	March 31, 2021		March 31, 2020	
	Amount (₹ in Crore)	% of Revenue from operations	Amount (₹ in Crore)	% of Revenue from operations
Revenue from Operation	-	-	-	-
Airport segment	3,404.46	54.65%	6,131.49	71.67%
Power segment	1,023.40	16.43%	777.35	9.09%
Road segment	496.87	7.98%	585.20	6.84%
EPC segment	1,081.69	17.36%	859.10	10.04%
Other segment	222.96	3.58%	202.40	2.37%
Total Revenue from operation	**6,229.38**	**100.00%**	**8,555.54**	**100.00%**

Operating income from airport segment

Income from our airport segment consists of income from aeronautical sources (principally consisting of landing and parking, passenger service fees and UDF), non-aeronautical sources (consisting principally of income from rentals, trade concessionaires and ground handling), cargo operations and rentals received in connection with commercial development on land that is part of our airport projects.

Operating income from airport segment decreased by 44.48% from ₹ 6,131.49 Cr in FY 2019-20 to ₹ 3,404.45 Cr in FY 2020-21 mainly in aeronautical, duty free, retail, advertisement and parking revenues due to Covid-19 pandemic.

Operating income from power segment

Income from our power segment mainly consists of energy and coal trading income from GETL and GISPL. Other major operating energy entities including major entities like GWEL, GKEL and GGSPPL are assessed as Joint ventures and accounted for based on equity accounting. The operating income from power segment has increased by 31.65% from ₹ 777.35 Cr in FY 2019-20 to ₹ 1,023.40 Cr in FY 2020-21 primarily due to increased operations in electrical energy revenue.

Operating income from road segment

Income from road operations is derived from annuity payments received from NHAI for annuity projects and toll charges collected from road users of the toll road projects.

The operating income from road segment has decreased by 15.09% from ₹ 585.20 Cr in FY 2019-20 to ₹ 496.87 Cr in FY 2020-21 mainly in toll income.

Operating income from EPC sector

Income from our EPC division is derived from the execution of engineering, procurement and construction works in connection with power, road, railways and other projects under implementation.

The operating income from EPC sector has increased by 25.91% from ₹ 859.10 Cr in FY 2019-20 to ₹ 1,081.69 Cr in FY 2020-21 mainly due to higher work completion in some projects nearing completion stage.

Operating income from Other Sectors

Income from other sector includes management services income, investment income and operating income of aviation and hotel businesses. During the FY 2021-21, other sector has contributed ₹ 222.97 Cr to the Operating Income as against ₹ 202.40 Cr in FY 2019-20.

Expenditure

Revenue share paid/payable to concessionaire grantors

The revenue share paid/payable to various concessionaires has decreased from ₹ 2,037.19 Crore in FY 2019-20 to ₹ 484.87 Crore in FY 2020-21 primarily on account of decrease in operating income airport sector due to concession fee waiver to AAI.

Cost of material consumed

The increase in cost of material consumed is mainly on account of higher material consumption at GIL EPC in FY 2020-21.

Purchase of Traded goods

Increase in purchase of traded goods in the FY 2020-21 is primarily due to increase in operating revenue from electrical energy.

Other expenses

Other expenses include:

- Consumption of stores and spares, electricity and water charges, manpower hire charges, technical consultancy fee, cost of variation works, insurance for plant and machinery, airport operator fee, lease rentals, repairs and maintenance to plant and machinery, travel, insurance, legal and other professional charges, provision for advances, losses on sale of fixed assets and investments, travelling and conveyance, communication, loss on foreign exchange and other miscellaneous expenses.

There is increase in other expenses in FY 2020-21 mainly due to foreign exchange fluctuation, Provision of advances to AAI set off by decrease in other expenses due to COVID pandemic.

Exceptional items

In FY 2020-21, there is loss of ₹ 880.57 Cr comprise of the impairment of investment in joint venture and associates, write off /provision of receivables and loss on sale of investment properties.

Tax expenses

Tax expense/ (credit) mainly comprises of current tax expense and deferred tax expense / (credit). There is increase in tax credit in FY 2020-21 compared to FY 2019-20 mainly due to lower current tax in airport entities due to lower creation of deferred tax income mainly in DIAL and GHIAL on account of current year losses.

Significant changes in key financial ratios, along with detailed explanations

Key Financial ratios on standalone basis including significant changes (more than 25%) are shown in the table below:

	FY 2020-21	FY 2019-20	Change
Debtor turnover (days)	313.76	413.62	24%*
Inventory turnover (days)	33.19	39.27	15%**
Interest coverage ratio	0.46	0.50	9%
Current ratio	0.53	1.57	(66%)***
Debt equity ratio	0.53	0.68	23%#
Operating profit margin %	(0.24)	(0.29)	18%
Net profit margin %	(0.34)	(0.40)	16%
Return on net worth	(0.13)	(0.12)	(7%)

* Debtor turnover ratio decreased due to increase in turnover from EPC Project.

** Decrease in Inventory turnover ratio was due to increase in Cost of Goods Sold (COGS) and reduction in inventory.

*** Decrease in current ratio was due to Asset held for sale in March 2020 was sold in FY 2020-21.

Decrease in the ratio due to decrease in the debt.

Corporate Social Responsibility

GMR Varalakshmi Foundation (GMRVF) is the corporate social responsibility arm of the GMR Group. The Group has been undertaking CSR activities on a significant scale since 1991. GMRVF supports the companies under the Group in implementing their CSR mandates. GMRVF's purpose is to work in the fields of Education, Health and Empowerment such that its activities directly benefit mainly the communities in the immediate neighborhood of the Group's projects. Currently, GMRVF is working with selected communities in 18 locations in India. The locations are spread across different states namely Andhra Pradesh, Delhi, Himachal Pradesh, Karnataka, Maharashtra, Goa, Odisha, Punjab, Tamil Nadu, Telangana, Uttar Pradesh and Uttarakhand. The detailed information on CSR activities of the Group is provided in Business Responsibility Report forming part of the Annual Report.

In the year 2020-21, considering the Covid pandemic situation, GMRVF supported its project communities through various interventions which include both immediate relief and long-term interventions.

- About 1,70,000 cooked meals have been distributed in different locations.
- Dry ration support was provided to over 6000 vulnerable families at different locations in association with local government departments and NGOs.
- Supported community kitchens in Delhi with 5252 kg dry rations that served 13600 people.
- 'Hands for Humanity' program was conducted in collaboration with 92.7 Big FM and Delhi Police at Delhi under which ration kits were provided to 1050 families in 10 days.
- 7 orphanage and destitute homes were also supported with dry ration benefiting about 500 people.
- Over 90,000 masks and 7,000 PPE kits have been made by about 150 women trained by GMRVF which were distributed to frontline workers in healthcare, police, security department etc.
- Number of awareness programs, door-to-door campaigns are being conducted in different locations to educate communities on Covid-19 which reached out to over 80,000 people.
- About 10,000 children were provided with learning opportunities through home visits by Vidya Volunteers, Whatsapp learning groups, Study circles, provision of workbooks etc. Technology interventions like Convegenius app, Learning navigator tool etc. were piloted.
- Mobile Medical Units and Medical clinics offered healthcare services to the needy people, especially during the lockdown period.
- Tele-health services were offered at Kakinada and Bajoli-Holi. Virtual health camps were conducted in few locations.
- Most of the vocational training centers run by GMRVF adopted quickly to the Covid situation and offered trainings in Blended learning model during the lockdown. About 2460 youth were trained before and during the lockdown in various skills and 1400 of them are settled in either wage or self-employment ventures.
- Foundation tried to understand the long-term impact on livelihoods and conducted a survey involving over 5,000 families across different locations. Based on the results, multiple livelihood interventions including agri. input support, micro-enterprises, backyard poultry, vegetable cultivation, floriculture etc. were taken up.

Risk Concerns and Threats

Identification, assessment, profiling, treatment and monitoring the risks

The Company has deployed risk management process that involves risk identification, its assessment and profiling, its treatment, monitoring and review actions. Over the years, Enterprise Risk Management (ERM) has continued to be integrated in business processes across all sectors and business units, helping them in aggregating and consolidating their risks. The Company prioritizes and manages the risks identified through its Risk Registers.

The ERM Framework is independently assessed by internal audit team, the Management Assurance Group (MAG). Their inputs and recommendations are taken into consideration for continuous improvement in business processes.

Linkages: Strong linkage with Corporate Strategy and Risk Management functions has been designed to help the Company focus on key strategic risks. Detailed risk analysis is carried out during the formulation of the Company's Strategic Plan and Annual Operating Plan. List of top risks are revised as part of the Strategic Planning exercise. ERM team also shares the results of its exercise with the MAG to enable it to draw plans for risk-based audit.

Business Resilience: For organization to quickly adapt to disruptions while maintaining continuous business operations and safeguarding people, assets and overall brand equity, the Company has put in place, detailed Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP) for key assets. These plans identify potential vulnerabilities and put in place appropriate processes and risk treatment plans to respond and minimize impact of disruptive events.

Reporting: The ERM teams of all businesses regularly presents their risk assessment and mitigation procedures adapted to assess the reliability of the risk management structure and efficiency of the process to the Risk Management / Audit Committee of the Board.

Based on the above process, the management has taken cognizance of risks in the recent times and for which appropriate plans and actions are being taken, as follows:

1. Continuing Impact of Covid-19 pandemic

The Covid-19 pandemic situation has affected global economy and all sectors of businesses that the Company is involved in, leading to unprecedented hardship. Our airport business in particular, has faced significant impact on operations and revenue. Road sector has also faced significant impact on revenues due to nation-wide lockdown for several months during the year.

To mitigate the adverse impact of pandemic on our businesses, each of our businesses have formed a war room of senior executives to track various initiatives along with strong support from corporate and functional teams. Our Company has worked with all stakeholders to strategize our response and plan our operations to reduce the impact of the pandemic and the related nation-wide lockdown during the year.

Our Business Continuity Plans have proved to be effective in faster recovery from the impact of the pandemic.

Key focus areas for our continuity plans have been:

- Employee Safety
- Operational continuity
- Financial sustainability – cash conservation and reduction of cost structure
- Organizational resilience

The impact of Covid-19 has continued into FY 2021-22 with the 2nd wave in India and restrictions continuing across the world. The risk of subsequent waves and further virus mutations continue to be an area of concern. Governments continue to be cautious about opening borders. Any third or subsequent wave may have impact of operating performance.

While vaccine solutions were developed in record timelines, the availability and logistics of rolling out the same to cover the entire population has been an important issue to be addressed. While India is well positioned to address these issues with a large manufacturing capacity, there are concerns about how countries such as Indonesia and Philippines address this issue. There are also concerns about the effectiveness of the vaccines against mutated strains and the need for booster shots as we go ahead. These issues continue to raise uncertainty about the impact of Covid-19, the response of various governments, and the potential impact on economies and sectors of the economy.

Our learnings from handling the Covid-19 response in FY2020-21 will help us address the issues as we go ahead.

2. Macroeconomic Risk factors:

The macroeconomic situation, which was already on a weak footing in FY 2019-20, worsened during FY 2020-21 with Covid-19 pandemic extending through the year. Impact on operating performance of the Group has been significant.

Our Airports sector has been hit significantly. Key segments being impacted include tourism travel, business travel and MICE. The overall recovery along with timelines for these segments may impact the overall performance of the Airport Business. Further, airlines are also significantly impacted. Their continued sustenance is important for our airports business. We have learnt from our experience of Kingfisher and Jet Airlines bankruptcies and our teams are prepared to face any potential impact in this regard.

International Traffic is a key driver for our Airport Business and the opening up of borders and relaxation of visa restrictions are likely to play an important role. Any significant delay on this account may impact our business adversely.

While the power sector was impacted in the initial phase of Covid, it has recovered significantly after the first few months.

The outstanding receivables continue to impact the power generators. While the Government is supporting the resolution of Discom Receivables issue, the Company continues to explore all regulatory and contractual options to address this issue.

The commodities are going through a positive phase which may expose our projects to an upside cost risk and a subsequent reversal may impact our coal business to downside price risk.

Our Bajoli-Holi project was significantly impacted from the lockdown and other restrictions imposed during the pandemic.

Transportation sector had also been significantly impacted from the economic slowdown during the year. However, we believe that the migration to FASTAG technology has been beneficial to our toll assets by plugging potential leakages.

Our freight corridor projects under DFCCIL were severely impacted by shortage of labour and unavailability of materials and services essential for the project.

As a mitigation, we engaged with the authorities and pressed for extension of time (EOT) for project completion and compensation for losses incurred during the lockdown.

On its part, to mitigate the impact of these macroeconomic risk factors, the Group relies on a diversified portfolio across different sub-sectors within the Infrastructure Sector along with revised strategies. Further, the Group has focused on financial sustainability by reducing expenditure, conserving cash and raising additional financing in many areas.

Our strategic transaction with ADP has partially addressed the liquidity requirements during this period. Further, timely fund-raising in airports sector has helped to partially insulate business from Covid-19 related risks.

3. Geopolitical risk:

During the year, the geopolitical risk landscape has remained a matter of concern as it could impact the macroeconomic environment and financial markets.

- Military buildup at the border with China has continued and the risk of another clash between armies remains.
- There can be unforeseen challenges to Indian interests from a planned military pullout by NATO from Afghanistan.

The Group relies on the government's proactive role in protecting the interests of Indian industries arising out of changing geopolitical landscape.

4. Political risks:

Given the nature of the concession business, change in governments may occasionally have consequences on concessions, typically at an early stage. Accordingly, local politics within the countries, including India, where we operate may affect our business.

To address these risks,

- Our Group implements its strategy of working closely with all relevant stakeholders to mitigate impact of the political risks.
- We partner with local players outside India to mitigate the same.
- Our transaction with ADP, which is owned and supported by the French Government, should strengthen our position in this regard.

5. Technology Risk:

Technology Risks are impacting businesses on various fronts.

- Business disruption emerged as new technologies offer a value proposition difficult to match by traditional industries. Emergence of new technologies for deployment at large-scale in areas of energy storage, green hydrogen, electric vehicles, etc. has put the traditional industries like power generation and oil & gas, under stress. Given the emerging alternate power generation technologies and lower prices, there is reluctance on the part of Discoms to sign long-term PPAs. The Group is focused on identifying new opportunities in the emerging sectors.
- Use of digital technologies such as Artificial Intelligence, Block chain, etc. are allowing even traditional companies an opportunity to provide a new range of products and services, which are redefining many industry segments. The Airport sector is witnessing a wide range of induction of digital technologies which is impacting the way business is being done in this sector.
- Digital Technologies are being introduced in many functional processes across businesses which impact speed, agility and cost structure of businesses, which in turn may impact the relative competitive position of players in an industry.

  In this regard,

- The Group is looking at technology disruptions as an area of opportunity and is exploring strategies to exploit the same.
- We are also continuously experimenting and upgrading to new technologies to meet both the regulatory requirements as well as operational efficiency. The pandemic has effectively accelerated the implementation of many of these technologies and the Group is working on strengthening its innovation capabilities in addressing opportunities and challenges that emerge.
- The Group is also working with an external consultant while restructuring its internal finance processes and adopting latest technologies with a view to enhance speed, agility and cost effectiveness of resources. The induction of technology is expected to be an ongoing process in the Group.

6. Competition risk:

Increasing competition in the past few years in most business streams that the Group operates in has been witnessed, particularly in airports sector. Due to a slowdown in economy and industrial activities during the year, the impact of competition on our core businesses has remained low.

As mitigation,

- The Group has continued to focus on building competitive advantage in its core business areas to ensure that we are competitively well-positioned in our businesses.
- Our rich experience in the Airports sector and our strategic partnership with Groupe ADP has strengthened our overall competitive position in the sector, both in India and overseas.

7. Regulatory Risk:

During the year, no significant regulatory changes that could affect Group's airports business were enacted. However, the Group's airports business remained exposed to regulatory changes that have impacted tariffs. While AERA's tariff determinations are trued up over the tariff period and have less impact on the long term sustainability, they do have short term impact on profitability and liquidity.

In the energy sector, changes and modifications in regulations related to tariffs and environmental protection continued to pose risks to the Group's energy business.

As mitigation measures, the Group actively pursues:

- During the year tariff for the 3rd control period for DIAL has been announced and the process for the same is being pursued at GHIAL. The final outcome will have a bearing on GHIAL financial performance.
- Tracking of all developments in the regulatory environment.
- Participation in sector-specific industry associations and chambers of commerce to work for resolution of issues that may impact our businesses.
- Identifying, monitoring and updating the management on regulatory developments and their impact.
- Where necessary, the Group has engaged in arbitration and/or litigation as appropriate, in order to protect its interest in this regard.

8. Ability to finance projects at competitive rates.

Given the nature of the infrastructure sector, the industry players carry relatively higher debt levels. While the country has witnessed strong interest from Sovereign and International Pension Funds in financing high quality secondary assets, Infrastructure financing in India faces certain issues which are inhibiting the smooth financing of the sector. These include:

- Lack of options beyond Bank Financing to finance green field projects. In addition, Indian banks have struggled to offer long term debt financing solutions on account of an asset liability mismatch at their end. Further, with the large number of non performing infrastructure assets the Indian banking sector has faced over the past few years, many institutions and banks are hesitating to provide further project financing in this regard.
- Lack of a well-developed bond market in India, which can encourage greater availability of funding for the Infrastructure sector.

Nevertheless, we are continuously exploring innovative means to finance/refinance our projects including refinancing through bond issue, takeout finance, ECB loans (where we have a natural hedge to reduce the forex exposure) etc., wherever possible at competitive rates.

Also, the government has announced setting up of Asset Reconstruction Company (ARC), Asset Management Company (AMC) & Development Financial Institution (DFI) to address Bad Assets issue in the infrastructure sector. With ₹ 20,000 Cr allocation for DFI, it aims to facilitate recapitalization of the lending institutions and rejuvenate the infrastructure sector.

9. Interest Rate Risk:

Globally, with the easy money policy being adopted by many Central Banks, interest rates have been kept low but inflation has been on the higher side. While the RBI has in recent times, prioritized growth over inflation, retail inflation has been at levels higher than its own defined upper limit of 6%. If retail inflation continues to be on the higher side, or if major economies reverse their policy on low interest rates, RBI may consider reversing its own approach, and start increasing interest rates.

Interest rates in developing economies such as India are typically volatile, and any increase in interest rate may adversely affect our profitability.

We are continuously exploring and implementing innovative means of financing/refinancing our existing loan with the aim of reducing our interest costs.

Also, with the divestments of some of our assets and capital raise exercises, we also aim to reduce our debt exposure and thereby the interest cost.

10. Credit Risk:

Our airport business continues to be exposed to credit risks of our airline customers and non-aero services customers. Collection of receivables from distressed airlines has continued to be a risk.

However,

- These exposures are relatively small compared to overall business and the Group has implemented the processes to mitigate the same like BGs, cash & carry wherever necessary in Airports.
- All receivables are being closely monitored and reviewed frequently by the top management.
- Under regulatory framework in airports, the Company has recovered defaulted amounts as opex.
- In the energy sector, the Company has been taking a number of advocacy steps as well as litigation to establish and recover dues from various discoms.

Our exposure to sale of electricity to DISCOMs may expose us to credit risk of counter parties.

11. Foreign Currency Exchange Rate Risk:

We have successfully raised foreign currency bonds for DIAL and GHIAL and while we have taken hedges to significant extent, in the event of high volatility we may be impacted.

Throughout the year, some of our businesses remained exposed to the vagaries of exchange rate risk, as we have some expenditure in foreign currencies for procurement of project equipment.

As mitigation,

- We have mechanism for regular review of our foreign exchange exposures including the sensitivity of our financials to exchange rate.
- We hedge our exposures and keep rolling them as part of a foreign exchange risk management policy.

12. Cyber Security Risk.

Although Group's businesses have not been affected by cyber-attacks yet, vulnerability to increasingly sophisticated hacking methods persists. Some recent reports on hacking highlights the vulnerability of businesses to attacks. Our airport operations may face this risk.

As mitigation, the Company has

- Instituted processes to assess its vulnerability to cyber security risks and initiated actions to mitigate emerging risks.
- Strengthened its network infrastructure with advanced technologies to address any exigencies of WFH for employees and related vulnerabilities.
- Deployed In-Tune Mobile Device Management (MDM) to monitor and control data leakage from Mobile devices.

13. Manpower risk:

The Covid-19 related lockdown that were imposed intermittently during the year to contain the spread of the infection, had adverse impact on manpower in construction industry. The Group's projects, like most other construction projects throughout the country, were halted due to unavailability of manpower. The fallout of that manpower shortage has affected project targets.

With increasing competition in the Group's core businesses, newer players have taken an aggressive approach to meet their critical manpower requirement by poaching on experienced personnel of the established companies.

Our company is also exposed to these methods by the new entrants in the industry.

For mitigating these risks,

- The Group has been building bench strength and is further taking adequate measures to ensure that the impact of such aggressive manpower hiring approach is mitigated for our businesses.
- Employees in critical positions are being incentivized with career development options.

14. Arbitration/ Litigation risk:

With the expansion of business, obstacles in the form of disputes are common. While the Group ethos is to attempt to address these disputes through amicable discussions, at times it is forced to adopt alternate means of resolution, including arbitrations and litigations.

The Group has a very robust in-house mechanism for dispute risk assessment, which provides the management with an early evaluation of the risks and costs associated with every potential arbitration / litigation, before the same is triggered.

The Group has ongoing disputes in its businesses across the sectors, which primarily relate to the interpretation of issues relating to various concession documentation or laws by respective Authorities or Grantors.

The Group would typically work with a combination of strong in-house counsel – both corporate and sectoral and specialist external counsel as per the specific requirements.

15. Socio-political risks:

Following passing of new laws related to agriculture sector during the year, large scale protests were held by farmers and traders that continue to this day. Our road assets like those in Ambala-Chandigarh have been affected in terms of revenue due to these protests.

The Group is monitoring these developments and relies on government's affirmative actions in resolving such issues.

Internal control systems and their adequacy

The Company's internal financial control framework has been established in accordance with the COSO framework to ensure adequacy of design and operating effectiveness of operational, financial and compliance controls. The effectiveness of the internal controls is regularly reviewed and monitored by the Management Assurance Group (MAG) during audits.

The Company has put adequate policies and procedures in place, which play a pivotal role in deployment and monitoring of the internal controls. These controls and processes have been embedded and integrated with SAP (or other ERP systems, as the case may be) and/or other allied IT applications, which have been implemented across all Group companies.

MAG continuously assesses opportunities for improvement in all business processes, policies, systems and controls, provides its recommendations, which add value, and improves overall organization's operations.

Deviations, if any, are addressed through systemic identification of controls and corrective actions, if required, are taken by the respective functions. Process owners take responsibility for implementation of preventive measures to mitigate risks. Proactive action is initiated to ensure compliance with upcoming regulations through deployment of cross-functional teams. As far as possible, emphasis is placed on automation of controls within the process to minimize deviations and exceptions.

Respective Business/Company CEOs are responsible to ensure compliance with the policies and procedures laid down by the management. It helps the organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

MAG is responsible for undertaking internal audits across the group and they are assisted by outsourced audit firms. The internal audit scope covers inter alia, all businesses and corporate functions, as per the annual audit plan reviewed and approved by the Audit Committee in the beginning of every financial year.

In every quarterly Audit Committee Meeting, new key audit issues along with action taken report on previous issues are being presented.

Group Head MAG issued an Annual Certificate for the financial year 2020-21 to Audit Committee, confirming compliance to prescribed processes as enumerated in MAG Manual while undertaking audits, reporting audit observations and their closure.

Developments in Human Resources and Organization Development at GMR Group

In FY 2020-21, GMR like many other counterparts in the industry faced the headwinds due to Covid-19 pandemic. With a primary interest in Airports & Travel Business, the Group was one of the severely impacted entities.

While the situation unfolded, GMR took charge of its people, their safety and wellbeing.

There have been several challenges during the year, but GMR responded to all of them with unprecedented agility & humility.

HR being one of the key strategy partners, contributed comprehensively to the Organizational Development over the years. Following are some of the initiatives taken up by HR in the year gone-by:

- **Office readiness & program management for COVID prevention:** Business Continuity & Employee wellbeing have been the primary focus areas for the management, HR / FMS teams since January 2020. With 24x7x365 monitoring of health & wellbeing of the employees, their family members and stakeholders, it has been a challenging year. Following are some highlights of the work done in 2020 and 2021:
    - o Implementation of Remote working Policy and Hybrid working model (dynamic and real time changes to work environment based on various guidelines issued by state & Central Government, contact tracing, etc.);
    - o Weekly RTPCR tests for larger safety and wellbeing;
    - o Vaccination for employee and their family members;
    - o Establishment of 100-bed medical facility for employees, their family members and stakeholder at IGIA, New Delhi;
    - o Procurement of Oxygen Cylinders and Concentrators within a very short period
    - o Special focus on mental wellbeing and power of prayers;
    - o Implementation of HVAC synchronized Air Purifiers;
    - o 24x7 operational Covid War Room;
    - o Regular / everyday connect with the infected employees by HR and FMS team members;
    - o Strict adherence and enforcement of Covid appropriate behaviour at workplace;
    - o Exclusive Training Sessions on Covid: about 15 training sessions were conducted for employees on adopting to Remote Working Environment and its impact. Separate sessions were conducted in-house on wellbeing, yoga and pranayama, etc.
- **Salary Deferral:** Special Variable Pay (SVP) introduced in the month of May 2020, to support liquidity and Business Operations. Deferred about ₹ 135 Cr till March 31, 2021. Decision to roll back SVP was taken by management in March 2021 and was implemented w.e.f. March 31, 2021.
- **Implementation of COE Model across GMR:** Optimized about ₹ 42 Cr by implementation of COE model at various businesses. Implementation is underway and HR stands firm to grab every opportunity of optimization.
- **Fresh Talent & Succession Pipeline:** While the Succession Planning and Talent Management has always been the key focus of HR, we continuously keep on improving our talent pipeline in the group. After a brief pause in 2020, we have onboarded the 8 Management Trainees from Premium B-Schools and ICAI and 55 GETs from GMRIT in the month of April 2021.
- **In-house acculturation of Expats including Compensation matters:** With the formalization of Groupe ADP deal and Several Open Positions at Senior level, HR started to look out for Global Talent at least possible expenses. With the intent of attaining higher savings, except the search fees and BGV, HR on-boarded and acculturated the expats with in-house expertise.
- **Launch of Automated Attendance Capturing:** With the adoption of technology and progressive approach, Automated Attendance Capturing is being implemented across the group. Phase 1 of project testing has successfully been completed. HR and IT together plan to launch the mobile application in Q2, 2021.
- **Hiring Freeze:** with the onset of Covid in early 2020, hiring freeze was enforced for all businesses. Fresh and External hiring are being done after critical scrutiny and due diligence only for critical positions. The process is centrally controlled by President HR and is overseen by the Chairman. The freeze on hiring will continue till September 2021 and decision on further extension will be taken based on Business Situation around the time.
- **VPP & Rewards:** Despite unfavorable business situation due to Pandemic, considering the economic inflation and employee wellbeing, GMR disbursed 50% of the accrued VPP of PMP20, with a financial impact of ₹ 34 Cr. The management also sanctioned to payout PMP incentives to the best performing asset during pandemic – MRO, having a financial impact of ₹ 2.84 Cr. In the month of March 2021 (after a pause of 1 year), it was also decided to reward the Consistent High Performers across the group to acknowledge & recognize the contribution of highly productive individuals in the group, having a financial impact of ₹ 1.59 Cr.
- **HR & Business Excellence teams collaborated to drive 5S and Kaizen across GMR:** >60 5S champions certified internally and >300 employees at various business units have been trained to drive and sustain the 5S initiative.
- **Learning & Development (including Spirituality):** apart from Covid wellbeing sessions, Corporate HR alone conducted about 500 sessions on unique themes during FY2021, which is a remarkable jump from previous years. Following are the L&D highlights:
    - o 6 sessions by Spiritual Leaders such as Gaur Gopal Das, Brahmakumari, etc.
    - o About 80 sessions on Yoga, Pranayama & Meditation.
    - o Blue Ocean Strategy.
    - o Business Strategy by IIM.
    - o Emotional Intelligence.
    - o Non-violent communications.
    - o Project Management.
    - o Job Evaluation Framework.

- o Series on Compensation and Benefits.
- o Basic and Intermediate Excel Skills.
- o Programming with Python.
- o Communication Skills by British Council.
- o Performance Management; having the right dialogue & goal / accountability setting.

Formalization of 4 verticals of L&D in GMR (Netritva for Leadership Trainings, Saksham for Managerial Trainings, Nipun for Functional / Technical Competency Development and Daksh for Foundation Work Skills) has helped us deliver the best in-industry training programs.

Apart from above, Corporate HR is in the final stages of launching open platform for self-paced learning for GMR employees. The LMS portal has been co-designed by EDx and is based on Massive Open Online Courses (MOOC's).

- **IJP fulfillments:** in FY2021, we achieved an impressive 43% replacements through IJPs, with about 81% people getting promotions & 19% people taking lateral movements. This by far exceeds all internal & external benchmarks in terms of internal employee movements.
- **Senior Leadership Hiring:** Following are some of the key Senior Leaders Hired across the group in last one year:

Name	Designation	Date of joining
Sudeep Lakhtakia	Head-Security & Vigilance	27-May-2020
VK Prasad	Chief Development Officer – GGIAL	20-Jul-2020
Nischint Pathania	Chief Passenger Experience Officer – GHIAL	03-Sep-2020
Sharad Malhotra	Head – Planning, Governance and Transformation	17-Nov-2020
Rama Iyer	Director-Innovation	04-Jan-2021
Sanjeev Kumar	CEO - EPC	16-Feb-2021
Ravi Kapoor	Head - APM	11-Mar-2021
Dharmendra Panwar	Group Head - MAG	22-Mar-2021