TAKING PRIDE IN NATION BUILDING

GMR INFRASTRUCTURE LIMITED

21st Annual Report 2016-17

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document contains statements about expected future events, financial and operating results of GMR Infrastructure Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer which is qualified in its entirety by the assumptions, and risk factors that are referred in the management's discussion and analysis of the GMR Infrastructure Limited Annual Report 2016-17.

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GENERAL INFORMATION

BOARD OF DIRECTORS

G.M. Rao
Executive Chairman

Grandhi Kiran Kumar
Managing Director

Srinivas Bommidala
Group Director

G.B.S. Raju
Group Director

B.V.N. Rao
Group Director

C.R. Muralidharan
Independent Director

N.C. Sarabeswaran
Independent Director

R.S.S.L.N. Bhaskarudu
Independent Director

S. Sandilya
Independent Director

S. Rajagopal
Independent Director

Vissa Siva Kameswari
Independent Director

COMPANY SECRETARY & COMPLIANCE OFFICER

Adi Seshavataram Cherukupalli

AUDIT COMMITTEE

N.C. Sarabeswaran – Chairman
R.S.S.L.N. Bhaskarudu – Member
S. Rajagopal – Member
Vissa Siva Kameswari – Member

STAKEHOLDERS' RELATIONSHIP COMMITTEE

R.S.S.L.N. Bhaskarudu – Chairman
B.V.N. Rao – Member
G.B.S. Raju – Member

NOMINATION AND REMUNERATION COMMITTEE

R.S.S.L.N. Bhaskarudu – Chairman
B.V.N. Rao – Member
N.C. Sarabeswaran – Member

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

R.S.S.L.N. Bhaskarudu – Chairman
B.V.N. Rao – Member
G.B.S. Raju – Member

STATUTORY AUDITORS

M/s. S.R. Batliboi & Associates LLP,
Chartered Accountants

BANKERS

Axis Bank Limited
Central Bank of India
ICICI Bank Limited
IDBI Bank Limited
United Bank of India
YES Bank Limited

REGISTERED OFFICE:

Naman Centre, 7th Floor, Opp. Dena Bank
Plot No. C–31, G Block, Bandra Kurla Complex
Bandra (East), Mumbai
Maharashtra, India – 400 051
T +91 22 4202 8000 F +91 22 4202 8004
www.gmrgroup.in

REGISTRAR AND SHARE TRANSFER AGENT:

Karvy Computershare Private Limited
Karvy Selenium Tower B, Plot 31–32, Gachibowli
Financial District, Nanakramguda
Hyderabad, Telangana, India – 500 032
T +91 40 67161500 F +91 40 23001153
einward.ris@karvy.com

OUR VISION

"GMR Group will be an institution in perpetuity that will build entrepreneurial organizations making a difference to society through creation of value."

VALUES & BELIEFS

Our commitment to building an institution for perpetuity is grounded on the following values and beliefs

Humility
We value intellectual modesty and dislike false pride and arrogance

Entrepreneurship
We seek opportunities - they are everywhere

Teamwork and relationships
Going beyond the individual, encouraging boundaryless behaviour

Deliver the promise
We value a deep sense of responsibility and self discipline, to meet and surpass commitments made

Learning & Inner Excellence
Nurturing active curiosity - to question, share and improve

Social responsibility
Anticipating and meeting relevant and emerging needs of society

Respect for individual
We will treat others with dignity, sensitivity and honour

CHAIRMAN'S MESSAGE

"A key focus area for the Group has been Excellence in all that we do. As part of the Mission of Nation Building we have taken on ourselves, we try and ensure that we keep a strong focus on excellence, not only in the construction of high quality assets but also in their continuing operations. We have achieved significant recognition for operating excellence across our areas of operation. As part of this quest for excellence, we also have a strong focus on sustainability and the environment."

GM Rao
Executive Chairman, GMR Group

Dear Fellow Stakeholder,

It gives me great pleasure to welcome you all to the 21st Annual General Meeting of the Company.

This past year has been an important one from the perspective of our journey of "Building an Institution in perpetuity", and we have emerged stronger at the end of it. It is my belief that we have made a significant progress in resolution of many challenges, and in particular our continued focus on debt reduction. We have during this period, worked very closely and with full sincerity with all stakeholders including our lenders and investors to work out resolutions which are balanced and acceptable to all.

While the global economy is improving, with global GDP growth projected to pick up from 3.1% in 2016 to around 3.5% in Financial Year (FY) 2017-18, it remains susceptible to geo-political and other macroeconomic risks. Potential rise in protectionism may also be a cause for concern and could impact the global economy. We believe Central Bank actions in major economies may impact global financial markets, currency flows, currency strength and interest rates.

Meanwhile, India is expected to become the world's fifth largest economy in 2017, surpassing UK and France. The Indian economy has the potential to become the world's third largest economy by the next decade, and one of the two largest economies by mid-century. The International Monetary Fund has described the Indian economy as the "bright spot" in the global landscape. As such, the Indian economy has been doing relatively well compared to others notwithstanding several short term events that increased uncertainty in the business environment. The Government has taken a number of structural reforms which are expected to have long term sustainable impact on the economy, including demonetization and the move towards a digital economy, the introduction of the Insolvency and Bankruptcy Code and the implementation of GST. The focus on fiscal discipline and the concerted attempt to reduce subsidies through a gradual reduction and better targeting through bank transfers are also likely to have a sustainable impact on the economy. However, while RBI has brought down interest rates significantly in line with inflation, the transmission of the same has not been effected and industry continues to struggle with the high cost of debt relative to international peers.

A key challenge facing the economy is the delay in pick-up of private investment, along with the stressed asset situation. The RBI has brought strong focus and momentum on the resolution of these issues in the past year, but the process may still take time. While the Government has attempted to step in with public spending on infrastructure, in particular Highways and Railways, to fill this gap, it will still need to facilitate private sector investment for the economy to achieve its true potential.

Global sovereign and pension funds are also keenly tracking the Indian market, and a number of investments have been announced in the past few years. Given the long term nature of these investments, this funding is particularly of interest to Infrastructure players. However, the appetite of such Investors is more suited for operating infrastructure assets, and less for assets which are under development. With the constrained capacity of many Indian private developers on account of stressed assets, and limited international strategic or financial interest in financing the early stage development of assets, the country needs to introspect on the changes in the framework required to facilitate fresh investment in infrastructure creation, which is critical for India at this juncture. The single biggest challenge that needs to be addressed in this regard is the stability and consistency of policy framework over the life of a project, which can allow developers, investors and lenders to generate predictable cash flow streams.

From an environment perspective, the other key factor impacting all industries is digitalization and technology disruptions. We are already seeing the impact of some of these changes in sectors across the world, as also in India. These changes are already impacting job creation and business models, and are only expected to accelerate over the medium term. This also throws up a number of business opportunities. The fact that India

has emerged as the fourth largest start-up hub in the world and is attracting significant global venture capital funding, is very positive in this context.

As I have already mentioned, FY 2016-17, has been a milestone year for the GMR Group, and we have made progress on various fronts.

With domestic air traffic growing at a fast pace, we have emerged as the fourth largest private airport operator in the world (by traffic). We have done so while ensuring that our Airports continue to dominate service rankings across the globe. Your Company won the prestigious BOT bid for Goa's second airport and has also successfully partnered with a Greek firm to win the bid to build a new airport at Crete, which is the most visited tourist destination in Greece. I am also happy to report that we were vindicated on our stance on the wrongful cancellation of concession agreement for Malé Airport by the Government of Maldives and were able to not only obtain a compensation award from the International Arbitration Tribunal, but were also able to receive the compensation. We continue to build strength in our Airports Business as a platform across India and other parts of the world.

We have also made good progress with our portfolio in the Energy sector, despite the ongoing stressful conditions due to unfavorable business environment, regulatory challenges and legacy issues plaguing the sector. Notwithstanding such adverse industry environment, GMR Group announced a strategic partnership with Malaysian utilities major Tenaga, who invested US$ 300 mn in GMR Energy Limited, demonstrating our inherent commitment to build a sustainable business.

The Thermal Power sector, including both gas and coal based plants, have been struggling with a variety of challenges. We have worked closely with all stakeholders in an attempt to address the issues, but challenges remain as the demand for power languishes, while renewable energy growth has been incentivized. We engaged closely with our lenders and were able to restructure debt through the Strategic Debt Restructuring (SDR) mechanism for two of our power plants i.e., Rajahmundry and Chhattisgarh Power Plants, whereby the banks have converted part of their debt into equity and now hold a controlling majority in these companies. We continue to dialogue with all stakeholders to address some of the issues which impact these plants, to enable a resolution of these issues. During this period, as part of our strategy for debt reduction, we also sold our transmission assets to a strategic investor and entered into a share purchase agreement to divest 100% of our shareholding in PT Barasentosa Lestari (PTBSL) to PT Golden Energy Mines (PTGEMS).

We have continued to exit some of our earlier investments in the Highways sector to create additional liquidity for the Group. In the Railways segment, we are executing works on the DFCC corridor projects which will provide us insights into this new domain.

We have also made good progress in the development of the Special Investment Region in Kakinada where we have entered into an MoU with a consortium of Hindustan Petroleum Corporation Ltd. (HPCL) and Gas Authority of India Ltd. (GAIL). The consortium plans to set up a Cracker and Petrochemical complex over a 2,000-acre area which could bring significant investment to the region. With the Government's strong focus on 'Make in India', and India emerging as the fastest growing market in the world, initial interest for industrial land is now visible, and we are positive about the opportunity to monetize land in our industrial regions.

As such, we are optimistic about the outlook for FY 2017-18 on the basis of an uptick in pent up consumer demand post demonetization, healthy monsoon projections, implementation of GST and increased public expenditure. Further, supportive oil prices, benign interest rate environment and continued efforts to make banking sector stronger should help the economy grow at a faster rate in FY 2017-18.

While we continue to remain upbeat on the momentum generated by the domestic economy, at the same time we recognize there could be some risks from global factors due to geo-political issues in various parts of the world, rising trend of protectionism, potential impact on global currency flows, etc. that may intermittently slow down the pace of global trade expansion, which in turn may have an impact on the Indian economy also.

As I have indicated, while the Company has made significant progress in terms of debt reduction, we believe that we need to continue to focus on resolution of some of the outstanding issues in the short to medium term. As we come to the end of our consolidation phase, we have also begun preparing for the future. We are building on our strengths on the Airport business to address emerging opportunities in that area. Our strategy for the Energy sector is being built jointly with our strategic partner in the sector, Tenaga. In addition, we continue to evaluate a range of other opportunities for growth.

GMR-ites are our most valuable assets. The Assessment Year 2016-17 has been remarkable from the perspective of our people processes. There were several initiatives taken to restart, revive, repair and recover, taking on new things like the formation of Group Corporate Services Integration Council, establishment of HR Strategic Advisory Council, initiation of several HR audits and preparing for transition towards Digital HR and FMS in the cloud. The HR team has also taken up Group-wide Talent Review process to create a robust succession plan and strong leadership pipeline for our impending business expansion. All our employees were covered by Hay Group re-grading exercise and the organization was made flatter with 4 less levels for greater organizational agility.

This was also an important year from the perspective of culture enhancement. GMR Values & Beliefs were reviewed after 15 years and the Value icons were made more contemporary. Inner Excellence was brought in, to ensure the mental and spiritual wellbeing of our employees in an increasingly stressful world. Employee Engagement Survey 'Pulse' was resumed to hear the voice of our fellow colleagues and make GMR a more vibrant place to work in.

I believe all these measures will establish a digital platform for end-to-end HR and FMS, address areas for improvement arising out of audits & assessments, provide opportunity to young leaders to take up higher responsibility, increase external orientation for learning and GMR employer brand enhancement.

Large scale initiatives are also being taken to increase digital awareness of employees for future readiness, as we are in the process to digitize the entire employee lifecycle, i.e., from Hire to Retire.

We have also continued on our efforts on frugality and the Anushista initiative we began in FY 2015-16. I am happy to report that our efforts have started delivering results. We will build on this momentum to create a more cost conscious culture necessary to compete effectively in the emerging environment.

Furthermore, as you are aware, we have completed transition of our Corporate office to Delhi during this period, and I want to take this opportunity to thank all our employees who have moved and worked selflessly during this difficult period and helped us make this transition smooth and successful while continuing to deliver excellence in performance.

A key focus area for the Group has been Excellence in all that we do. As part of the Mission of Nation Building we have taken on ourselves, we try and ensure that we keep a strong focus on excellence, not only in the construction of high quality assets but also in their continuing operations. We have achieved significant recognition for operating excellence across our areas of operation. As part of this quest for excellence, we also have a strong focus on sustainability and the environment. We have made great strides on this front, and our Airports, in particular, have emerged as leaders in this area.

Your Company has continued its tradition of caring for the communities and stakeholders as part of its Corporate Social Responsibility programme through GMR Varalakshmi Foundation (GMRVF), CSR arm of the GMR Group. The Foundation is currently working across 27 locations in India and supporting 2 locations in Nepal.

All the educational institutions under GMRVF have performed exceedingly well during the last year. There are over 10,000 students in these institutions. GMRIT (GMR Institute of Technology) continues to earn good ranking among engineering colleges in the

country including being among the top 65 engineering colleges in the country and top five private engineering colleges in Andhra Pradesh. GMRIT puts considerable emphasis on research and has received funding from the University Grants Commission and the Department of Science and Technology. The schools run by GMRVF has shown exceptional performance both in academics as well as extra-curricular activities. GMRVF partnered with around 350 government schools towards improving the quality of education, reaching out to over 38,000 students across India. GMRVF provides an opportunity for under-privileged meritorious children to access quality education in reputed schools through 'Gifted Children Scheme' and supported 175 children through this. GMR CARE Hospital served about 75,000 people from under-served areas with high quality care. GMRVF's 7 Mobile Medical Units provided free medical care to over 10,000 elderly monthly.

GMRVF helped the Group companies and several JVs to fulfil their CSR obligations through grass root development initiatives around the GMR businesses. Three new vocational training centres were inaugurated this year, enabling GMRVF to contribute more to the national mission of Skilling India through training around 6,000 unemployed youth in the year in its twelve vocational training centers. GMRVF's twenty-five public toilets in villages and slums served over 35,000 community members. GMRVF also supported close to 300 families in the construction of Individual Sanitary Lavatories during the year. GMRVF worked with over 300 Self Help Groups with a membership of over 3,500 women across India. Similarly, close to 3,500 farmers received various livelihood related support. GMRVF initiated CSR activities in Goa, Hosur and areas around its Dedicated Freight Corridor.

It would be noteworthy that all our above efforts, initiated many years ago are very much in tune with the current policy initiatives of the Government of India like the "Swachh Bharat Abhiyan", "Make in India", "Skill India" etc.

GMRVF has received many accolades in recent years as recognition for achievements in education, health care, community service, Skill India, Swachh Bharat, Empowering women, etc. Those in 2016-17 include:

- Golden Globe Tigers award 2017 for Excellence & Leadership in CSR in the category of 'Best CSR Practices'.
- Golden Peacock Award for Corporate Social Responsibility 2016.
- EPC World Media Award for Outstanding Contribution to CSR 2016.
- Viswakarma Award for Social Impact and Development 2016 from Construction Industry Development Council.
- Nav Bharat, popular Hindi Newspaper from Maharashtra honored GMRVF with CSR Leadership Award in the category of Best CSR Practices for Women Empowerment.
- "Excellence in Social Welfare Initiatives for Women Empowerment (Smt. Jamunadevi Tibrewala Award)" Award from Federation of Telangana and AP Chambers of Commerce.
- CSR Health Impact Award 2017 for the Nutrition Center initiative of GMRVF.

Finally, I would like to thank you for the unstinted support and unwavering confidence in the Company. I look forward to your continued and valuable support in taking the Company to greater and newer heights in the future.

Thank You

G M Rao
Executive Chairman, GMR Group

HIGHLIGHTS OF 2016-17

CONSOLIDATED FINANCIAL PERFORMANCE

(₹ in Crore)

Year End	Revenue from operations@	Revenue from operations (net)*	EBITDA**	PAT#	Cash Profits##	Cash & Cash Equivalent^
As per Ind AS financials						
FY 2017	9,768.63	7,005.70	3,219.97	(694.16)	1,101.83	5,319.05
FY 2016	8,260.96	5,848.67	2,757.69	(448.41)	797.19	5,718.82
As per IGAAP financials						
FY 2015	11,087.68	9,022.82	2,554.64	(2,959.22)	(1,118.37)	7,389.54
FY 2014	10,653.21	8,709.52	2,780.71	108.41	1,512.61	5,871.73
FY 2013	9,974.85	8,305.37	2,608.03	135.40	1,248.66	7,109.27
FY 2012	8,473.03	7,642.06	1,758.23	(1,058.84)	(72.06)	5,171.89

@ Revenue from operations as per Ind AS financials represents revenue from continuing operations only; IGAAP figures include revenue from discontinued operations also

* Revenue from operations(net) as per Ind AS financials is after deducting revenue share paid/payable to concessionairee from revenue; Ind AS numbers include revenue from continuing operations only

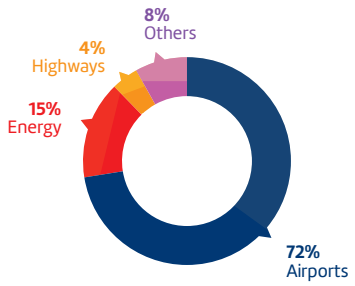
** EBITDA – Earnings before interest, other income, tax, depreciation, amortisation (including utilisation fees) and exceptional items; Ind AS numbers include EBITDA from continuing operations only

\# Profit after tax before minority interest and share of profits/(losses) of associates; Ind AS numbers include PAT from continuing operations only

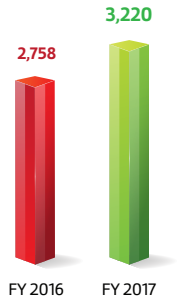
Profit after tax+Def tax+MAT credit+Depreciation+Exceptional items; Ind AS numbers include profits from continuing operations only

^ Cash+mutual funds+bonds+government securities+certificate of deposit+investments in quoted equity shares +Bank balances+Deposits (current) with Government Authorities; Ind AS numbers excludes cash / investments pertaining to assets held for sale

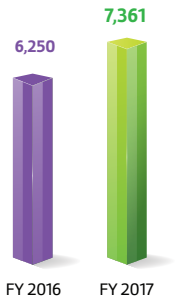
SECTOR WISE REVENUE FROM OPERATIONS



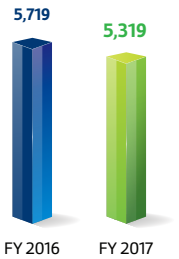
EBITDA
(in ₹ Crore)



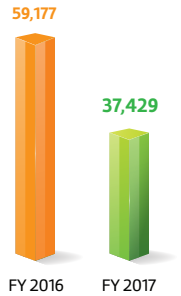
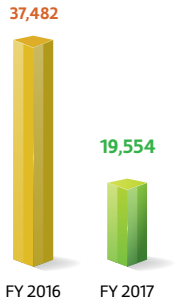
NET WORTH
(in ₹ Crore)



CASH & CASH EQUIVALENT
(in ₹ Crore)



TOTAL ASSETS
(in ₹ Crore)



BORROWINGS
(in ₹ Crore)