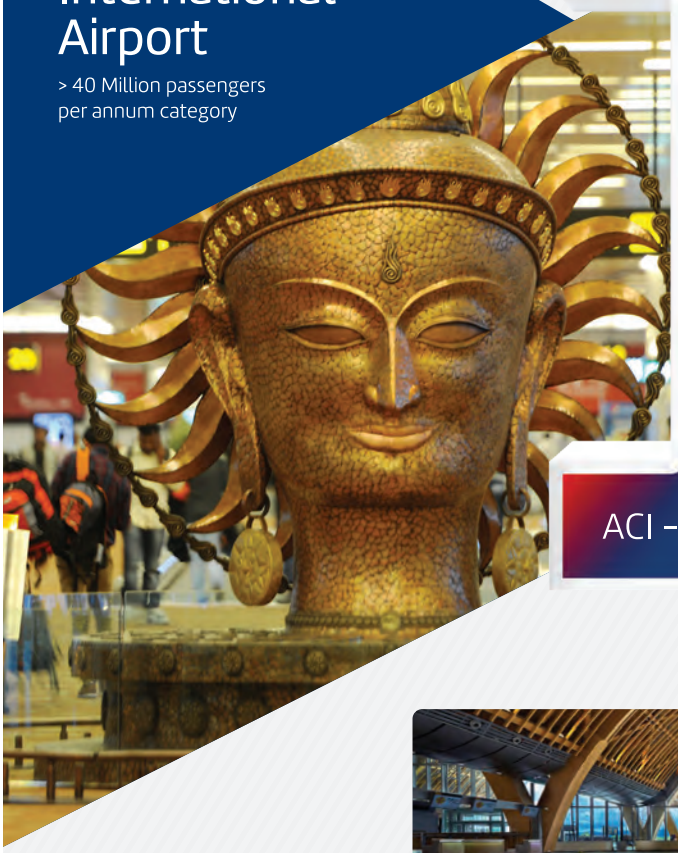
GMR INFRASTRUCTURE LIMITED

22nd Annual Report 2017-18

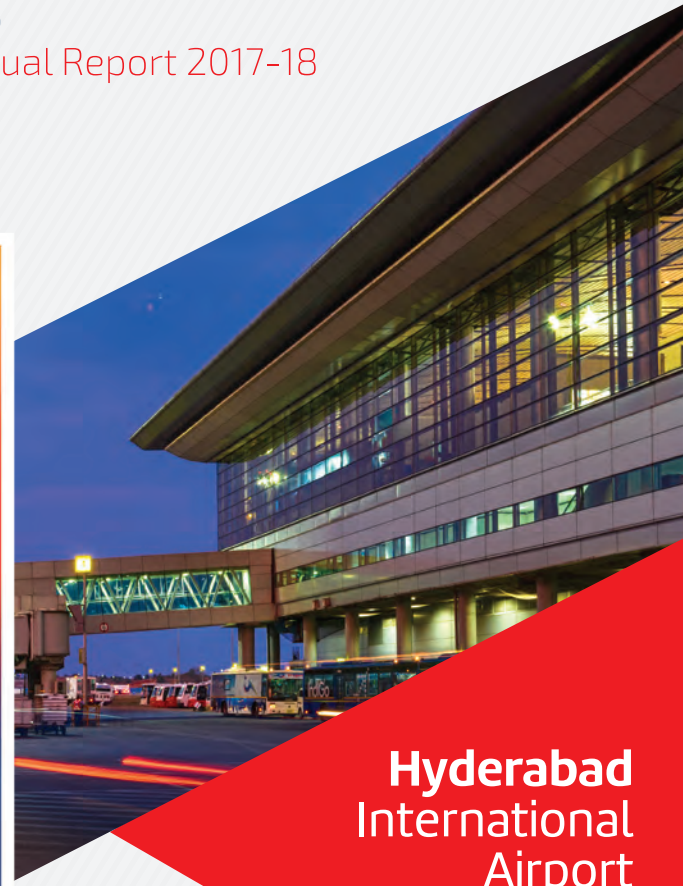


Delhi International Airport

> 40 Million passengers per annum category

1

ACI - ASQ Survey 2017



Hyderabad International Airport

5 to 15 Million passengers per annum category

Mactan Cebu International Airport, Philippines

THE BEST AIRPORTS IN THE WORLD

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 2017-18.

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GENERAL INFORMATION

BOARD OF DIRECTORS

G.M. Rao
Chairman

Grandhi Kiran Kumar
Managing Director & CEO

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

Vikas Deep Gupta
Director

COMPANY SECRETARY & COMPLIANCE OFFICER

T. Venkat Ramana

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

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

"With domestic air traffic consistently growing at higher double digits, India remained the world's fastest growing aviation market. Consequently, we have emerged as the 4th 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. Delhi International Airport was ranked #1 in the highest category of over 40 Mn passengers per annum of Airport Service Quality Awards, 2017, whereas Hyderabad International Airport has retained its #1 ranking in ASQ ratings in 2017 in (5-15) Mn passengers per annum for the fourth time in its 10-year long journey."

GM Rao
Chairman, GMR Group

Dear Fellow Stakeholder,

It gives me great pleasure to welcome you all to the 22nd Annual General Meeting of the Company.

I am happy to report that your Company made significant progress in Financial Year (FY) 2018 in the strategic initiatives started over the recent years to keep us on track in "Building an institution in perpetuity". Most of the challenges which have been hindering us for long are about to reach a stage of resolution. We believe that FY 2019 will be an important year in our journey.

As you are aware, the Global economy did quite well in the past year. Global GDP grew at a rate of 3.8% in 2017, higher than the 3.1% in 2016, and is expected to ride the momentum in 2018 as per the projections by various agencies such as IMF and World Bank. While the main drivers of the growth are robust consumption and investment, the growth, however remains susceptible to geo-political and other macroeconomic risks. Competitive protectionism and fallout from the trade wars between the US and China in particular are major concerns and could derail the growth. Recent sharp volatility in currencies of some of the emerging economies pose threat for the stability of global capital markets. Amidst this, we believe Central Bank actions in major economies may impact global financial markets, currency flows, currency strength and interest rates.

Back home, India overtook France as the sixth biggest economy in the World and is likely to surpass UK as the fifth largest economy by the end of 2018 and is projected by the International Monetary Fund to become the world's fourth-largest economy by 2022. Further, India jumped 30 spots to be in the top 100 countries in the ease of doing business ranking by the World Bank. As such, the Indian economy is doing well and seems to have put behind the challenges faced due to the implementation of demonetization and GST.

The government continues to take number of structural reforms which are expected to have long term sustainable positive impact on the economy. After the GST rollout in the previous year, significant progress was made in the implementation of the Insolvency and Bankruptcy Code and the resolution of NPA issues of the banks. 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.

On the other hand, rise in the crude oil prices and depreciating rupee will pose significant challenge to the economy. As India imports bulk of the crude it needs for the growing economy, high oil prices puts pressure on the fiscal health. Further, private investment is sluggish and has still not reached the previous levels. As such, risks to inflation remain and are likely to arise from factors such as fiscal slippage, higher crude and input costs and Minimum Support Prices (MSP) hikes. Apart from inflationary risks, rising input costs can prevent a stronger production rebound. Risks to growth are further accentuated by the financial sector volatility and brewing trade wars. With this combination of upside risks, continued issues around the NPAs and hardening bond yields, RBI can be expected to continue to tread the path of caution. Accordingly, RBI raised the Repo rates twice in quick succession recently after four years of downward trajectory. This is likely to increase the financing cost for companies going ahead. While the Government has attempted to step in with public spending on infrastructure, in particular Highways and Railways, to keep the investment activity ongoing, it will still need to facilitate private sector investment for the economy to achieve its true potential.

Economic Survey by the Government suggests that the country will need about USD 4.5 trillion investment in infrastructure over the next 25 years. This massive funding needs to be arranged through a combination of Public Private Partnership, global sovereign and pension funds, multilateral agencies apart from own resources of the Government. Taking note of the robust growth and huge potential for the aviation sector, the Government has been working on ways to simplify the regulatory framework and facilitate further private participation in the sector. For existing airport projects, further clarity is emerging through a combination of regulatory and legal clarifications and rulings. A new policy framework is being developed which will take into account pre-determined tariffs in order to provide regulatory clarity to potential investors. If implemented, this will address revenue volatility and uncertainty which currently bogs the sector and could potentially attract higher levels of investment.

In today's ever-changing and dynamic world of business, 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 and challenges towards transformation of mindset and the way we work.

As already mentioned, FY 2018 has been an important year in our journey of scaling new peaks and building an Institution in perpetuity. We have made significant progress on various fronts.

With domestic air traffic consistently growing at higher double digits, India remained the world's fastest growing aviation market. Consequently, we have emerged as the 4th 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. Delhi International Airport was ranked #1 in the highest category of over 40 Mn passengers per annum of Airport Service Quality Awards, 2017, whereas Hyderabad International Airport has retained its #1 ranking in ASQ ratings in 2017 in (5-15) Mn passengers per annum for the fourth time in its 10-year long journey. Delhi Airport also became the 7th busiest airport in Asia and among top 20 busiest airports across the world, surpassing Changi, Incheon and Bangkok airports.

You may recall, with effect from July 7, 2017, Delhi International Airport Limited (DIAL), on the basis of the judgment from Hon'ble Supreme Court implemented the tariff order which led to significant reduction in its revenue. Subsequently, TDSAT passed an order on April 23, 2018 which lays principles for tariff determination and provides much needed clarity on various pending issues. The Company expects the positive impact of the TDSAT order to reflect in the tariff determination by the regulator for the next tariff control period i.e. 2019 -2024. However, from an operating perspective, Delhi Airport has witnessed an impressive passenger growth of 13.8% handling 65.7 Mn passengers in FY 2018. DIAL has consistently handled more than 5 Mn passengers every month in FY 2018, with the highest being 6.04 Mn in March 2018. With a combination of underlying growth and greater focus on profitability, we expect to emerge stronger despite the regulatory challenges we have been facing.

Hyderabad Airport continued its stellar performance, with passenger growth at 20% to achieve a level of 18.3 Mn passengers in FY 2018. Following the successful issue of bonds by DIAL in the previous year, GHIAL too successfully raised USD-350 million bond from overseas investors at very attractive pricing during the year.

Despite various challenges, we were able to operationalize Terminal 2 at the Cebu Airport on time. The terminal building was inaugurated by the Hon'ble President of Philippines who said the Terminal 2 was the most beautiful airport in the world. This terminal will provide the platform for further growth at the Cebu Airport.

Rapidly rising traffic necessitates the capacity expansion at our airports. We are on track to implement Phase 3A expansion program at Delhi International Airport. T2 was also operationalized during the year to reduce the burden on T1 and make way for the expansion. At Hyderabad International Airport, several debottlenecking efforts have been undertaken and also expansion works for the capacity have already started and going on with full steam. At the Goa airport project which was won last year, EPC contractor has been appointed and the ground work has commenced. A few minor challenges from local groups at the ground level have emerged, but your Company is supporting the state government in early resolution of these issues. In line with our strategy for expansion, your Company, in partnership with Megawide Construction, won the EPC bid for Clark Airport Project in Philippines.

We continue to build strength in our Airports Business as a platform across India and other parts of the world. Our focus is on building the platform for Aero, Non-aero, Real Estate and Adjacent services in the airport eco-system. We have built significant expertise across the value chain and are now well prepared to tap the emerging opportunities in this area. Our Business Development team is tracking a number of opportunities in India and across the world to identify appropriate opportunities where we can leverage our expertise to create further value for our stakeholders.

With green shoots visible in the real estate sector and given its strategic locations, there are tremendous potential for the real estate available as part of the concessions for our airports. We intend to strategically 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. We intend to use a combination of lease and self-development models targeting developers and end-use customers respectively. We are witnessing increased interest in both our Delhi and Hyderabad Aerocities, and expect land monetization to pick up momentum in the current year.

In the Energy sector, our focus was on achieving operational excellence while taking initiatives to reduce debt burden. We stabilized our Kamalanga plant by getting coal under SHAKTI policy of the government. Despite the ongoing stressful conditions due to unfavorable business environment, regulatory challenges and legacy issues plaguing the sector, we made significant progress in reducing receivables and getting favorable verdicts by virtue of our diligent efforts and focus on generating cash. Our Indonesian coal mine in which we have minority stake have performed well last year on the back of robust international coal prices and high demand from China and India. We expect the same to continue in the near future. We believe O&M of power plants is one area going to have tremendous potential. In this regard, we formed an alliance with TNB Remaco, an associate of Malaysia's largest utility player Tenaga Nasional Berhad (TNB), which is a specialist in power plant repair and maintenance with a proven track record of over 30 years. Our Chattisgarh plant (GCEL) is currently operating a 500 MW PPA with GUVNL by tolling the coal allotted to GUVNL and saving transportation of coal over 1,500 km thereby making us the first and only IPP in the country to contribute towards Indian Government's goal of efficiency in coal transportation.

It is well known that the Power sector continues to face challenges on coal availability, receivables from DISCOMs and on regulatory front. We have worked closely with all

stakeholders in an attempt to address these challenges. As you would recall, 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 (GREL and GCEL), whereby the banks have converted part of their debt into equity and now hold a controlling majority in these companies. In view of the overall scenario in the power sector and the revised RBI framework for resolution of stressed Assets, we are working closely with our lenders in arriving at an appropriate resolution of stress in both our plants. We are optimistic about the amicable closure of these issues soon.

As you are aware, we have already divested a significant part of our Highways portfolio. We are working on resolution on some outstanding claims related to some of our balance projects, for which we expect a favorable outcome in FY 2019. We will continue to explore opportunities for monetizing some of our assets in this segment. In the Railways segment, we are executing works on the prestigious DFCC corridor projects which will provide us insights into this new domain. The DFCC project is part of critical infrastructure for the country and we are proud to play an important role in the execution of the project. Construction work is happening at a rapid pace and track laying work has also started at some stretches of the project.

We have also made good progress in the development of the Special Investment Regions in Kakinada and Krishnagiri. We have secured the contract to build a multipurpose all weather deep draft port at Kakinada SIR. The port is a huge positive for our SIR and should give a boost to the industrial development in the region. As for Krishnagiri SIR, significant progress has been achieved in getting clearances for the development. In the recent past, we have been witnessing significant interest from logistics and warehousing companies for setting up their units in this SIR, given its strategic location with close proximity to Bengaluru. With India emerging as the attractive destination for investment and favorable policies from the government, we are positive about the opportunity to monetize land in these industrial regions.

Looking ahead for FY 2019, we are very enthusiastic about the outlook for the economy and the Company. The positive impact from GST implementation have started to show up which should only improve going forward. The potential tax buoyancy and positive outcomes from the long term structural reforms coupled with government's determination to invest in building infrastructure bode well for the sector in the coming years.

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 high oil prices and global factors such as geo political issues in various parts of the world, rising trend of protectionism, exchange rate volatility that may intermittently slow down the pace of global trade expansion, which in turn may have a bearing on the Indian economy.

As I have indicated, while the Company has made significant progress in the areas of improving operations and cash generation, our priority continues to be reduction in debt and borrowing costs. With the bond issue by GHIAL, we have now considerably reduced the borrowing costs for both of our operational domestic airports. Given the robust growth aviation sector is witnessing, we are actively looking at different ways to unlock value in the airports business. The potential for the airport real estate assets and SIRs also needs to be realized, and we are optimistic that we will make significant progress on this front in FY 2019.

As we plan for the future, the key areas of focus for our group include the Digitalization of our businesses and building a strong talent and leadership pipeline for growth in a digital world. Our Airports have made pioneering efforts in introducing digital initiatives in India. We are also working towards making our organization more agile in preparing for a new world order, with continued focus on processes and more effective utilization of technology. Our Shared Services facility has been moved from Bengaluru to Hyderabad, and the plan is to strengthen the facility to improve further the servicing capability and value add to the organization. With airport construction being planned at three major airports in India, including at Delhi, Hyderabad and Goa, we have strengthened the leadership focus to ensure smoother and more cost effective build out.

Since inception, sustainability has remained at the core of Group's business strategy. Your Company has invested substantially and allocated resources to increase adherence to environmental standards and pollution control measures and enhance Environment Health Safety levels. Some of the initiatives in environmental focus include reduction of carbon footprints, conservation of resources, increased focus on clean and green energy, emission reduction, etc. The GMR Group has won many awards and accolades for Environmental, Safety and Health initiatives over the years. I am proud to share a few awards won in the past year in this regard:

- Delhi Airport has won Wings India Award for 'Most Sustainable and Green Airport' for 2018, organized by Ministry of Civil Aviation, Govt. of India and FICCI. Under 'ACI Asia-Pacific Green Airports Recognition 2018', Delhi Airport has won silver recognition for its sustainable waste management initiatives.
- Hyderabad Airport won ACI Asia-Pacific Green Airports Recognition under 'Gold' category in 2018. It is also 1st airport in Asia-Pacific region in size category to win ACI

Level 3+ 'Carbon Neutral' certification, now retained for the 2nd successive year.

- Warora power plant has won IMC Ramkrishna Bajaj National Quality Award-2017" in the service sector category. It also won 1st Prize in CII National Award for Excellence in Water Management 2017.
- Kamalanga power plant won Safety Innovation Award-2017, by Institute of Engineers, and Greentech Safety Excellence GOLD Award, Greentech Foundation.
- Dedicated Freight Corridor Construction (DFCC) project has won CIDC Vishwakarma Award 2018 - Achievement Award for Health, Safety & Environment.

Your Company has also continued its tradition of caring for the communities and stakeholders as part of its Corporate Social Responsibility program through GMR Varalakshmi Foundation (GMRVF), an associate of your Company. The Foundation is currently working across 25 locations in India and supporting 1 location in Nepal. GMRVF helped the Group companies and several JVs to fulfil their CSR obligations through grassroots development initiatives around the GMR businesses.

2017 was a momentous year for Foundation as it celebrated its Silver Jubilee year with a grand event in Delhi, along with celebrations of decade-long journey of DIAL CSR. During the year, 12 years of CSR around Hyderabad Airport was also marked. It is inspiring and humbling to look back on the 25 years of journey and see that several lakhs of lives have been touched and changed.

All the educational institutions under GMRVF performed exceedingly well during the last year. There are over 10,000 students in these institutions. GMRIT (GMR Institute of Technology) continues to earn top ranking among engineering colleges in the country both at the State and the national level. GMRIT has also been recognized formally by the All India Council of Technical Education as the second cleanest campus in India. The status of autonomy for GMRIT is further extended for 10 more years by University Grants Commission (UGC) which now stands valid till year 2028. GMRIT places considerable emphasis on research and has received funding from University Grants Commission and the Department of Science and Technology. SGCSR College with around 2,000 students on its rolls, is continuing to provide the best of the education with a focus on placements. All the four schools run by GMRVF has shown exceptional performance both in academics as well as extra-curricular activities. GMRVF partnered with around 300 government schools towards improving the quality of education, reaching out to over 55,000 students across India. Foundation provides an opportunity for under-privileged meritorious children to access quality education in reputed schools through 'Gifted Children Scheme' and supported about 230 children under this.

The number of both out-patient and in-patient foot-falls in GMR Varalakshmi Care Hospital have been consistently increasing year on year. There has been a 15% increase in the number of surgeries too. The hospital served about 87,000 people during the year from under-served areas with high quality care, taking the numbers served so far in the region to over 400,000. Apart from providing quality health care at affordable costs, the Hospital issued patient concessions to over 10,000 patients this year, through various concession schemes. GMRVF's 10 Mobile Medical Units provided free medical care to over 10,000 elderly, monthly. In line with the Government's Mission of Swachh Bharat, Foundation runs 20 community toilets and supported over 1,000 families for construction of Individual Sanitary Lavatories, apart from construction of several school toilets.

One new vocational training center was inaugurated this year, enabling GMRVF to contribute more to the national mission of Skilling India. Foundation trained over 6,000 unemployed youth in its 13 vocational training centers during the year. This year, GMRVF reached a landmark of 50,000 trainees since the inception of vocational training program. GMRVF worked with over 300 Self Help Group's with a membership of over 3,500 women across India. Similarly, close to 1,500 farmers received various livelihood related support.

During the year, GMR Group CSR received many accolades including:

- Golden Peacock Award for Corporate Social Responsibility 2017.
- CSR Health Impact Award.
- Indywood CSR Excellence Award.
- Recognition to GMRIT as the Second Most Clean Campus in India by All India Council for Technical Education.

I would like to conclude by thanking every one of you as well as GMRites, our customers, vendors and other stakeholders who have made it possible for the Group to continue to move in the right direction in the face of various challenges. I look forward to your continued support and encouragement in taking the Company to greater and newer heights in the future.

Thank You

G M Rao
Chairman, GMR Group

HIGHLIGHTS OF 2017-18

CONSOLIDATED FINANCIAL PERFORMANCE

(₹ in Crore)

Year end	Revenue from Operations@	Revenue from Operations (net)*	EBITDA **	PAT#	Cash Profits##	Cash & Cash Equivalent^
FY 2018	8,721.21	6,809.71	2,185.90	(1,082.65)	(226.92)	6,516.57
FY 2017	9,556.82	6,793.89	3,231.48	(631.84)	1,412.84	5,319.05
FY 2016	8,260.96	5,848.67	2,757.69	(448.41)	797.19	5,718.82

@ Revenue from operation financials represents revenue from continuing operations only

* Revenue from operations(net) is after deducting revenue share paid/payable to concessionairee from revenue

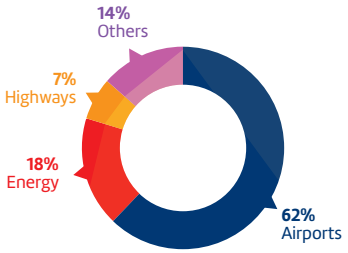
** EBITDA – Earnings before interest, other income, tax, depreciation, amortisation (including utilisation fees) and exceptional items; EBITDA from continuing operations only

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

Profit after tax+Defered tax+MAT credit+Depreciation

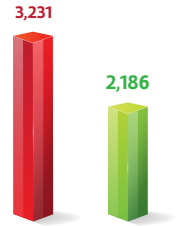
^ Cash + mutual funds + bonds + government securities + certificate of deposit + investments in quoted equity shares. It excludes cash / investments pertaining to assets held for sale

SECTOR WISE REVENUE FROM OPERATIONS



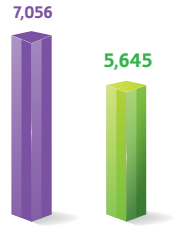
FY 2018

EBITDA
(in ₹ Crore)



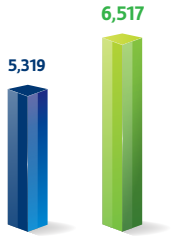
FY 2017 FY 2018

NET WORTH
(in ₹ Crore)



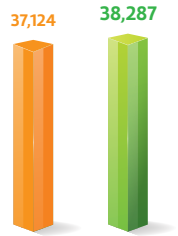
FY 2017 FY 2018

CASH & CASH EQUIVALENT
(in ₹ Crore)



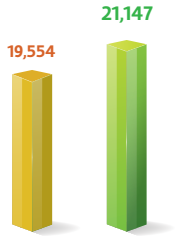
FY 2017 FY 2018

TOTAL ASSETS
(in ₹ Crore)



FY 2017 FY 2018

BORROWINGS
(in ₹ Crore)



FY 2017 FY 2018