

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF GMR POCHANPALLI EXPRESSWAYS LIMITED

#### Report on the Audit of the Standalone Financial Statements

#### Opinion

We have audited the accompanying Standalone financial statements of **GMR POCHANPALLI EXPRESSWAYS LIMITED** ("the Company"), which comprise the balance sheet as at March 31, 2020, the statement of Profit and Loss (including the Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended and Notes to the Standalone Financial Statements including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

#### Basis of Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the Standalone financial statements under the provisions of the Companies Act, 2013 and the Rules there-under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Standalone Financial Statements.

#### Emphasis of Matter

We draw attention to Note No.34 to the accompanying standalone financial statements, with regard to management's evaluation of impact of COVID-19 on the performance of the Company.

Our opinion is not modified in respect of this matter.

Contd...2



### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the standalone financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone financial statements.

#### **a. Provision for periodic major maintenance**

Provision for periodic major maintenance of project roads requires technical evaluations and critical accounting estimates and judgments.

We have obtained an assurance over the appropriateness of management's assumptions and methods applied in the calculating the provision for periodic major maintenance by carrying out the following procedures, amongst others:

- \* Obtained the management's calculation of the provision for periodic major maintenance of project roads which is made in accordance with technical evaluation and the Company's policy and checked the assumptions made by the management and its technical team.
- \* We have obtained agreement entered between the parties concerned and supporting documents for major maintenance.
- \* We have also considered the appropriateness of the provision based on the Company's historical experience by evaluating the managements' assumptions against provision for periodic major maintenance of project roads with reference to historical track record with the same customer.

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-3-

- \* Performed discussion with those charged with governance with regard to the significant management judgement that has been considered in assessing appropriateness and adequacy of the provision made in books in this regard;
- \* Ensured appropriateness of the disclosures in the standalone financial statements in accordance with the relevant requirements of Ind As.

**b. Loans and advances to the Group Companies including fellow subsidiaries and holding Companies**

The Company's loans and advances to the Group Companies amounting to Rs.29315.07 Lakhs, represents 39.78% of total assets. The evaluation of the recoverable amount of these assets requires significant estimates and key assumptions supporting the expected future cash flows from these assets. In this regard :

- \* We obtained an understanding of the process for identifying group company loans, performed a walkthrough and verified the related documentation;
- \* We have obtained the note on creditworthiness of the borrower companies and the financials of the Group Companies alongwith other supporting documents and discussed with company on their assertions that the loans are good and recoverable;
- \* We have considered the support letter from the Holding Company, GMR Infrastructure Limited to support the borrower companies to pay the outstanding loans and interests due to the Company for mitigating the credit risk for dues from the borrower companies.

**Information other than the standalone Financial Statements and Auditor's Report thereon**

The Company's Board of Directors is responsible for the preparation of other information. The other information comprises the information included in Board's Report including Annexures to Board's Report, but does not include the standalone financial statements and our auditor's report thereon. The report containing other information is expected to be made available to us after the date of this auditor's report.

Contd...4



-4-

Our opinion on the standalone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the Standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Standalone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the report containing other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

#### **Management's Responsibility for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the management of the Company is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management of the Company either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

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-5-

### **Auditor's Responsibilities for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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-6-

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the standalone financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

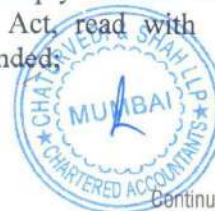
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the 'Annexure A', a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, based on our audit we report that:
  - a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c) the Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Changes in Equity, the statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account;
  - d) in our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015 as amended;

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-7-

- e) on the basis of the written representations received from the directors as on March 31, 2020 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;
- f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in 'Annexure B'; and
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

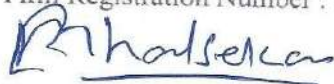
In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

- h) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
  - i. the Company has disclosed the impact of pending litigations on its financial position to the extent quantifiable in its standalone financial statements – Refer Note No. 31 to the standalone financial statements;
  - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses. Refer Note No. 35 to the standalone financial statements;
  - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for CHATURVEDI & SHAH LLP

Chartered Accountants

Firm Registration Number : 101720W / W100355



Lalit R Mhalsekar

Partner

Membership Number: 103418

UDIN: 20103418AAAAC01975

Place: Mumbai

Date: June 18, 2020



**ANNEXURE 'A' TO THE INDEPENDENT AUDITOR'S REPORT**

In terms of the Annexure referred to in our report to the members of **GMR POCHANPALLI EXPRESSWAYS LIMITED** ('the Company') on the standalone financial statements for the year ended March 31, 2020, we report that:

- i)
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipments (PPE).
  - b) According to the information and explanation given to us, the property plant and equipment (PPE) have not been physically verified by the Management during the year due to limitations imposed by the Covid-19 Pandemic, in terms of the managements planned programme of verifying PPE once in three years.
  - c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the company does not own any freehold immovable properties and the Company does not have any lease/sublease deed on leasehold land registered in the name of the company.
- ii) According to the information and explanation given to us, the inventory has been physically verified by the management at regular intervals and in our opinion, the frequency of such verification is reasonable. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii) As per the information and explanation given to us, the Company during earlier years and during the year has granted unsecured loans to its holding company listed in the register maintained under Section 189 of the Act.
  - a) In our opinion, the terms and conditions on which the loans had been granted were not, prima facie, prejudicial to the interest of the Company.
  - b) The schedule of repayment of principal and payment of interest has been stipulated. The borrowers have been regular in repayment of the principal as stipulated except in case of interest accrued.
  - c) There are no overdue amounts remaining outstanding at the yearend in terms of renewal agreements.
- iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 of the Act in respect of grant of loans, providing guarantees and securities, as applicable. Further, the Company is an infrastructure Company and accordingly section 186 of the Act is not applicable.

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-2-

- v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provision of paragraph 3(v) of the Order is not applicable to the Company. There are no orders from Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- vi) We have broadly reviewed the books of account maintained by the company, pursuant to the Rules made by the Central Government of India, the maintenance of cost records as prescribed under sub-section (1) of section 148 of the Act and we are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- vii) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, during the year the Company has generally been regular in depositing the amounts deducted / accrued in the books of account in respect of undisputed statutory dues including employee's state insurance, provident fund, income-tax, goods and service tax, service tax, sales tax, duty of customs, value added tax, cess and other material statutory dues applicable to it with the appropriate authorities. As explained to us, the Company did not have any dues on account of duty of excise.

According to the information and explanations given to us, no undisputed statutory dues were outstanding, at the year end, for a period of more than six months. Refer Note no. 36 for computation and payment of Minimum Alternate Tax (MAT) under Section 115JB of the Income Tax Act, 1961.

- b) According to the information and explanation given to us and records of the Company, there are no dues of goods and service tax, sales tax, service tax, duty of customs or value added tax or cess or other material statutory dues which have not been deposited on account of any dispute except the following.

Nature of the Statute	Nature of Dues	Year to which it pertains	Amount Demanded (Rs. in Lakhs)	Forum where dispute is pending
Income Tax Act, 1961	Tax on notional interest income	AY 2017-18	21.71*	Commissioner of Income Tax (Appeals), Bengaluru

\*-net of adjustment of refund amount of Rs.33.33 Lakhs

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-3-

- viii) According to the information and explanations given to us and records of the Company, the Company has not defaulted in repayment of debentures to a financial institutions and banks. Further, the Company has not taken any loan from banks and financial institutions during the year.
- ix) According to the information and explanations given to us and records of the Company, the Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. The Company during the year has not taken term loans from banks and financial institutions hence question of utilisation of term loans does not arise.
- x) During the course of our examination of books of account and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have not come across with any material fraud by Company or any fraud on Company by its officers or employees, noticed or reported during the year, nor have been informed of such case by the Management.
- xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid / provided for managerial remuneration in accordance with the adequate approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.
- xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company, during the year has not made any preferential allotment or private placement of shares or fully or partly convertible debentures. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

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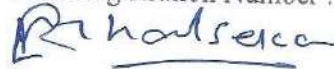
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- xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

**for CHATURVEDI & SHAH LLP**

Chartered Accountants

Firm Registration Number : 101720W / W100355



**Lalit R Mhalsekar**

Partner

Membership Number: 103418

UDIN: 20103418AAAAC01975

Place: Mumbai

Date: June 18, 2020



**ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT**

**Report on the Internal Financial Controls under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')**

We have audited the internal financial controls over financial reporting of **GMR POCHANPALLI EXPRESSWAYS LIMITED** ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Board of Directors of the Company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the 'Guidance Note') issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

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### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the standalone financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

### **for CHATURVEDI & SHAH LLP**

Chartered Accountants

Firm Registration Number : 101720W / W100355

*R. Mhalsekar*

**Lalit R Mhalsekar**

Partner

Membership Number: 103418

UDIN: 20103418AAAAC01975

Place: Mumbai

Date: June 18, 2020



# GMR Pochanpalli Expressways Limited

CIN = U45200KA2005PLC049377

Balance Sheet as at March 31, 2020

Particulars	Note	March 31, 2020	Rupees in Lakhs March 31, 2019
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment			
Financial Assets	2	53.10	62.26
Loans			
Other financial assets	4	0.31	14.59
Other non-current assets	5	17,499.54	24,661.74
Income tax assets (net)	6	0.47	1,509.32
<b>Total Non-Current Assets</b>	7	299.84	134.09
<b>Current Assets</b>		17,853.26	26,382.00
Inventories			
Financial Assets	8	20.28	8.79
Investments			
Cash and cash equivalents	3	1,620.92	4,016.01
Bank balances other than above	9	327.38	630.83
Loans	10	1,374.46	646.34
Other financial assets	4	29,315.20	25,066.59
Other current assets	5	11,410.02	7,306.63
<b>Total Current Assets</b>	6	11,771.10	9,412.44
<b>TOTAL ASSETS</b>		55,839.36	47,987.63
		73,692.62	74,369.63
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Equity share capital			
Other equity	11	13,800.00	13,800.00
<b>Total Equity</b>	12	9,223.16	8,044.04
		23,023.16	21,844.04
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Financial Liabilities			
Long term borrowings			
Provisions	13	30,735.32	35,220.96
Deferred tax liabilities (net)	14	59.08	57.93
<b>Total Non-current Liabilities</b>	18		
		30,794.40	35,278.89
<b>Current Liabilities</b>			
Financial Liabilities			
Trade payables			
a) Total outstanding dues of micro enterprises and small enterprises	15	20.42	2.07
b) Total outstanding dues of creditors other than (a) above	15	1,214.98	796.56
Other financial liabilities	16	6,228.93	5,742.05
Other current liabilities	17	1,051.89	923.49
Provisions	14	10,964.67	9,051.41
Current tax liabilities (net)	18	393.17	731.12
<b>Total Current Liabilities</b>		19,875.06	17,246.70
<b>TOTAL EQUITY AND LIABILITIES</b>		73,692.62	74,369.63

Significant accounting policies

The accompanying notes form an integral part of the Ind AS financial statements.

As per our report of even date attached

For Chaturvedi & Shah LLP

Chartered Accountants

Firm Registration Number : 101720W / W100355

*R. Mhalsekar*

Lalit R Mhalsekar

Partner

Membership No. : 103418



Date : June 18, 2020

Place : Mumbai

For and on behalf of

GMR Pochanpalli Expressways Limited

*Arjun Kumar Sharma*

Director

DIN: 02281905

*Amit Kumar*

Chief Financial Officer

Membership no. 500164

Date : June 18, 2020

Place : New Delhi

*Bajrang Lal Gupta*

Director

DIN: 07175777

*Paramjit Singh*

Company Secretary

Membership no. A18789





**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Statement of profit and loss for the year ended March 31, 2020**

Particulars	Note	Rupees in Lakhs	
		March 31, 2020	March 31, 2019
<b>INCOME</b>			
Revenue from operations			
Other income	19	5,776.85	5,636.82
<b>Total Income</b>	20	<b>3,158.86</b>	<b>2,850.53</b>
		<b>8,935.71</b>	<b>8,487.35</b>
<b>EXPENSES</b>			
Operating expenses			
Employee benefits expense	21	737.30	737.46
Finance costs	22	470.05	288.95
Depreciation and amortization expense	23	5,847.02	5,936.89
Other expenses	24	10.46	9.49
<b>Total Expenses</b>	25	<b>7,677.73</b>	<b>6,327.89</b>
		<b>7,832.56</b>	<b>7,605.68</b>
<b>Profit for the year before taxation</b>		<b>1,103.15</b>	<b>881.67</b>
Tax Expense:			
Current Tax [Refer note no.36]			
Deferred tax	18	297.17	322.98
Income tax for earlier years	18	-	-
	18	(375.30)	-
		(78.13)	322.98
<b>Profit for the year after tax</b>		<b>1,181.28</b>	<b>558.69</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement gains (losses) on defined benefit plans			
Income tax effect		(2.16)	17.28
<b>Other comprehensive income/(expenses) for the year, net of tax</b>	18	<b>-</b>	<b>-</b>
		<b>(2.16)</b>	<b>17.28</b>
<b>Total comprehensive income for the year</b>		<b>1,179.12</b>	<b>575.97</b>
<b>Earnings per equity share: (face value of equity shares of Rs.10 each)</b>			
Basic	26	0.86	0.40
Diluted	26	0.86	0.40

Significant accounting policies

The accompanying notes form an integral part of the Ind AS financial statements.

As per our report of even date attached

**For Chaturvedi & Shah LLP**

Chartered Accountants

Firm Registration Number: 101720W / W100355

*Lalit R. Mahasekar*

Lalit R. Mahasekar

Partner

Membership No.: 103418



Date : June 18, 2020

Place : Mumbai

For and on behalf of

**GMR Pochanpalli Expressways Limited**

*Arun Kumar Sharma*

Arun Kumar Sharma

Director

DIN: 02281905

*Amit Kumar*

Amit Kumar

Chief Financial Officer

Membership no.500164

Date : June 18, 2020

Place : New Delhi

*Bajrang Lal Gupta*

Bajrang Lal Gupta

Director

DIN: 07175777

*Paramjeet Singh*

Paramjeet Singh

Company Secretary

Membership no. A18789



**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Statement of changes in equity for the year ended March 31, 2020**

**A. Equity Share Capital**

Particulars	Note	March 31, 2020	Rupees in Lakhs March 31, 2019
Balance at the beginning of the year	11	13,800.00	13,800.00
Changes in equity share capital during the year	11	-	-
Balance at the end of the year	11	13,800.00	13,800.00

**B. Other Equity**

Particulars	Equity component of financial instruments - preference shares	Reserves and surplus Debt redemption reserve	Retained earnings	Rupees in Lakhs Total [Refer Note No.12]
<b>Changes in equity for the year ended March 31, 2019</b>				
Balance as at April 1, 2018	3,620.95	5,414.82	(1,012.83)	8,022.94
Ind AS 115 transitional adjustments			(554.87)	(554.87)
Profit for the year			558.69	558.69
Other comprehensive income				
Re-measurement gains/(loss) on defined benefit plans			17.28	17.28
Transferred to Debt Redemption Reserve from statement of profit and loss [Refer note no.12(a)]		3,844.62	(3,844.62)	
<b>Balance as at March 31, 2019</b>	<b>3,620.95</b>	<b>9,259.44</b>	<b>(4,836.35)</b>	<b>8,044.04</b>
<b>Changes in equity for the year ended March 31, 2020</b>				
Balance as at April 1, 2019	3,620.95	9,259.44	(4,836.35)	8,044.04
Profit for the year			1,181.28	1,181.28
Other comprehensive income				
Re-measurement gains/(loss) on defined benefit plans			(2.16)	(2.16)
<b>Balance as at March 31, 2020</b>	<b>3,620.95</b>	<b>9,259.44</b>	<b>(3,657.23)</b>	<b>9,223.16</b>

The accompanying notes form an integral part of the Ind AS financial statements.

As per our report of even date attached

**For Chaturvedi & Shah LLP**

Chartered Accountants

Firm Registration Number : 101720W / W100355

*R. Halsekar*

**Lalit R Halsekar**

Partner

Membership No.: 103418



Date : June 18, 2020

Place : Mumbai

For and on behalf of

**GMR Pochanpalli Expressways Limited**

*Arjun Kumar Sharma*

**Arun Kumar Sharma**

Director

DIN: 02281905

*Amit Kumar*

**Amit Kumar**

Chief Financial Officer

Membership no.500164

Date : June 18, 2020

Place : New Delhi

*Rajrang Lal Gupta*

**Rajrang Lal Gupta**

Director

DIN: 07175777

*Paragjeet Singh*

**Paragjeet Singh**

Company Secretary

Membership no.A18789





**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Statement of cash flows for the year ended March 31, 2020**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>A CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Profit for the year	1,103.15	881.67
Adjustments For :		
Depreciation and amortisation	10.46	9.49
Interest and finance charges	5,847.02	5,936.89
Major maintenance expenses	1,182.74	2,256.24
Profit on sale of Investment	(21.57)	(52.36)
Reameasurements of defined benefit plans	(2.16)	17.28
Interest income on bank deposit and others	(3,120.83)	(2,693.76)
Excess provision written back	(7.63)	(97.30)
	4,991.18	6,258.15
<b>Adjustments for Movement in Working Capital:</b>		
Decrease / (increase) in financial assets	270.38	(364.56)
Decrease / (increase) in other current/non-current assets	451.22	(888.83)
Decrease / (increase) in Inventories	(11.49)	9.75
Increase / (decrease) in trade payables	444.40	686.09
Increase / (decrease) in financial liabilities	(5.26)	71.52
Increase / (decrease) in other current/non-current liabilities	10.13	68.69
Increase / (decrease) in Provision	45.55	(158.66)
<b>Cash From/(used In) Operating activities</b>	6,196.11	5,682.15
Tax (paid)/refund	(425.57)	(457.07)
<b>Net Cash From/(used In) Operating activities</b>	5,770.54	5,225.08
<b>B CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment and intangible assets	(1.30)	(10.77)
Sale of investments in related parties	-	0.04
Decrease/(increase) in current Investments	2,416.66	(2,923.25)
Interest Income on bank deposit and others	695.97	2,918.52
Decrease/(increase) in Loan to Related Parties	(3,351.00)	(5,652.07)
Decrease/(increase) in Other Bank Balance	(728.12)	1,033.67
Annuity received net of payment under service concession agreement	2,445.92	2,942.95
<b>Cash From/(used In) Investing Activities</b>	1,478.13	(1,690.91)
<b>C CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Repayment of debentures	(4,059.00)	(3,689.00)
Interest and finance charges paid	(3,493.12)	(3,844.59)
<b>Cash From/(used In) Financing Activities</b>	(7,552.12)	(7,533.59)
<b>D Net Increase / decrease in Cash and Cash Equivalents [A+B+C]</b>	(303.45)	(3,999.42)
Cash and Cash Equivalents as at beginning of the year	630.83	4,630.25
<b>Cash and Cash Equivalents as at end of the year</b>	327.38	630.83

Contd..



# GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

## Statement of cash flows for the year ended March 31, 2020

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>Components of Cash and Cash Equivalents:</b>		
Cash in hand		
Balances with banks	0.53	0.32
- Current account		
- Fixed deposits	276.85	630.51
<b>Total</b>	<b>50.00</b>	<b>-</b>
	<b>327.38</b>	<b>630.83</b>

### Notes:

1 The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Ind AS-7 on Statement of Cash Flows as referred to in Section 133 of the Companies Act, 2013.

2 Changes in liabilities arising from financing activities

Particulars	Opening balance	Non-cash / accruals / fair value changes	Cash flows - repayments	Rupees in Lakhs	
				Closing balance	
<b>For the year ended March 31, 2020</b>					
Liability portion of preference shares	2,068.49	221.61	-	2,290.10	
Long-term external borrowings	37,191.03	20.44	(4,059.00)	33,152.47	
Interest accrued on long-term external borrowings	1,609.39	3,228.53	(3,404.08)	1,433.84	
<b>For the year ended March 31, 2019</b>					
Liability portion of preference shares	1,868.85	199.64	-	2,068.49	
Long-term external borrowings	40,857.29	22.74	(3,689.00)	37,191.03	
Interest accrued on long-term external borrowings	1,768.65	3,559.07	(3,758.33)	1,609.39	

3 The previous year figures have been regrouped and rearranged wherever necessary.

The accompanying notes form an integral part of the Ind AS financial statements.

As per our report of even date attached

**For Chaturvedi & Shah LLP**

Chartered Accountants

Firm Registration Number : 101720W / W100355

*R. Mahasekar*

Lalit R Mahasekar

Partner

Membership No.: 103418

For and on behalf of

**GMR Pochanpalli Expressways Limited**

*Arjun*

Arun Kumar Sharma

Director

DIN: 02281905

*Amit*

Amit Kumar

Chief Financial Officer

Membership no.500164

Date : June 18, 2020

Place : New Delhi

*Bajrang Lal Gupta*

Bajrang Lal Gupta

Director

DIN: 02175777

*Paramjeet Singh*

Paramjeet Singh

Company Secretary

Membership no.A18789

Date : June 18, 2020

Place : Mumbai





## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### 1 Company Overview and Significant Accounting Policies:

#### 1.1 Company Overview

GMR Pochanpalli Expressways Limited (the Company) is engaged in development of highways on build, operate and transfer model on annuity basis. This entity is a Special Purpose Vehicle which has entered into a Concession Agreement with National Highways Authority of India for carrying out the project of Design, Construction, Development, Improvement, Operation and Maintenance for rehabilitation and strengthening of existing 2-lane portion from km 367.000 (Adloor Yellareddy) to km 447.000 (Kalkallu), covering 80.745 kms, and Improvement, operation and maintenance of kms 447.000 (Kalkallu) 464.000 (Gundla Pochanpalli) covering 17.00 kms on NH-7 in the state of Andhra Pradesh, to 4 lanes under a concession on build, operate and transfer (BOT) through with private sector participation thereof.

The Company is public limited company incorporated and domiciled in India and has its registered office at 25/1, Skip House, Museum Road, Bangalore, Karnataka - 560025. The Company has principal place of business at Toopran, Andhra Pradesh. The Company's Holding Company is GMR Highways Limited while ultimate Holding Company is GMR Infrastructure Limited/GMR Enterprises Private Limited.

#### 1.2 Significant accounting policies

The significant accounting policies applied by the company in the preparation of its financial statements are listed below. Such accounting policies have been applied consistently to all the periods presented in these financial statements, unless otherwise indicated.

##### Basis of preparation

The financial statements are prepared in accordance with Indian Accounting Standards (Ind AS), under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values, the provisions of Companies Act, 2013 (the 'Act') (to the extent notified). The Ind AS are prescribed under section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The financial statements are presented in Indian Rupees (INR)/Rupees in Lakhs

##### Summary of significant accounting policies

###### a) Current versus non-current classification

Assets and Liabilities in the balance sheet have been classified as either current or non-current based upon the requirements of Schedule III notified under the Companies Act, 2013.

*An asset has been classified as current if*

- (a) it is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle; or
- (b) it is held primarily for the purpose of being traded; or
- (c) it is expected to be realized within twelve months after the reporting date; or
- (d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date. All other assets have been classified as non-current.

*A liability has been classified as current when*

- (a) it is expected to be settled in the Company's normal operating cycle; or
- (b) it is held primarily for the purpose of being traded; or
- (c) it is due to be settled within twelve months after the reporting date; or
- (d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. All other liabilities have been classified as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The company has identified twelve months as its operating cycle.

###### b) Foreign currency and derivative transactions

The Company's financial statements are presented in INR, which is company's functional currency.

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the respective transactions between the functional currency and the foreign currency.

Monetary foreign currency assets and liabilities remaining unsettled at the Balance Sheet date are translated at the rates of exchange prevailing on that date. Gains / losses arising on account of realisation / settlement of foreign currency transactions and on translation of foreign currency assets and liabilities are recognized in the Statement of Profit and Loss.



## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### 1 Company Overview and Significant Accounting Policies:

Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency, are reported using the exchange rates that existed when the values were determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(a) Any gains or losses arising due to differences in exchange rates at the time of translation or settlement are accounted for in the Statement of Profit & Loss either under the head foreign exchange fluctuation or interest cost, as the case may be, except those relating to long-term foreign currency monetary items.

(b) Exchange differences pertaining to long term foreign currency loans obtained or re-financed on or before 31 March 2016:

Exchange differences on long-term foreign currency monetary items relating to acquisition of depreciable assets are adjusted to the carrying cost of the assets and depreciated over the balance life of the assets. In other cases, exchange differences are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortized over the balance period of such long-term foreign currency monetary item by recognition as income or expense in each of such periods.

Exchange differences pertaining to long term foreign currency loans obtained or re-financed on or after 1 April 2016:

The exchange differences pertaining to long term foreign currency working capital loans obtained or re-financed on or after 1 April 2016 is charged off or credited to profit & loss account under Ind AS.

#### c) Fair value measurement

The Company measures financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- i) in the principal market for the asset or liability, or
- ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 — Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.





## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### 1 Company Overview and Significant Accounting Policies:

#### d) Revenue Recognition

##### Revenue from operations:

Finance income for concession arrangements under financial asset model is recognized using the effective interest method. Revenues from operations and maintenance services and overlay services are recognized concession arrangements in each period as and when services are rendered.

Effective from April 01, 2018, the Company has adopted Ind AS 115 "Revenue from Contracts with Customers" using the cumulative catch-up transition method, applied to the contracts that were not completed as of April 01, 2018. In accordance with the cumulative catch up transition method, the comparatives have not been retrospectively adjusted and continues to be reported as per Ind AS 18 "Revenue".

Revenue is measured based on the consideration that is specified in a contract with a customer or is expected to be received in exchange for the products or services and excludes amounts collected on behalf of third parties. Revenue is recognized upon transfer of control of promised products or services to customers. To recognize revenues, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied.

The revenue is recognised when (or as) the performance obligation is satisfied, which typically occurs when (or as) control over the products or services is transferred to a customer.

Contract modifications are accounted for when additions, deletions or changes are approved either to the contract scope or contract price. The accounting for modifications of contracts involves assessing whether the services added to an existing contract are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch-up basis, while those that are distinct are accounted for prospectively, either as a separate contract, if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

##### Revenue for the year ended March 31, 2020 and March 31, 2019:

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Operations and maintenance income [Refer note no.32 and 34]	2,153.59	1,699.06
Finance income on financial assets	3,623.26	3,937.76
<b>Total</b>	<b>5,776.85</b>	<b>5,636.82</b>

##### Disaggregate revenue information for the year ended March 31, 2020 and March 31, 2019:

The Company has presented disaggregated revenue from contracts with customers (under service concession arrangements) for the year ended March 31, 2020 by offerings and is of the opinion that, this disaggregation best depicts the nature, amount, timing of revenues and cash flows that are affected by the industry markets and other economic factors.

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Revenue by offering		
Operations and maintenance	2,153.59	1,699.06
Financial asset	3,623.26	3,937.76
<b>Total</b>	<b>5,776.85</b>	<b>5,636.82</b>

The Company has not identified any disaggregated revenues based on contract types.

##### Performance obligations:

Revenue from periodic major maintenance are recognised as per the service concession arrangements.

The performance obligation provides the aggregate amount of transaction price yet to be recognised as at end of the reporting period and an explanation as to when the Company expects to recognise these amounts in revenue. The Company however has applied the practical expedient as given in Ind AS 115 as the performance obligation on periodic major maintenance is part of a concession agreement that has an original expected duration of more than one year. The aggregate value of performance obligation that are unsatisfied as at March 31, 2020 is Rs.9,886.51 Lakhs. The company expects to recognise entire revenue within next one year.



## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### 1 Company Overview and Significant Accounting Policies:

The application of Ind AS 115 has impacted the Company's accounting of revenue from periodic major maintenance services by recognising the same on rendering of services. The Company accordingly has applied the modified retrospective approach and debited retained earnings as at April 1, 2018 by Rs.554.87 Lakhs. The revenue and expenses for the year ended March 31, 2020 is lower by Rs.1,301.02 Lakhs and Rs.1,182.74 Lakhs respectively, with corresponding figures for March 31, 2019 lowered by Rs.2,481.86 Lakhs and Rs.2,256.24 Lakhs respectively. The Company expects to recognise entire revenue and expenses within next one year.

#### Contract balances

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Receivable under service concession arrangements under Ind AS 115 [Note no.5]	20,834.18	26,130.15
Contract assets under Ind AS 115 [Note no.6]	9,886.51	8,585.49
Contract liabilities under Ind AS 115 [Note no.17]	(898.77)	(780.50)

Contract assets are initially recognised as revenue earned on account of service concession arrangements where revenue is recognised over the period of time as receipt of consideration is conditional on successful completion of performance obligations such as periodic major maintenance services under the service concession arrangements. Once the performance obligation is fulfilled, the contract assets are classified as receivable under service concession arrangements.

Contract liabilities represent amount received from customer as per the half yearly annuity stipulated under the service concession arrangements to recognise revenue once the periodic major maintenance services is completed and performance obligations are achieved.

#### Finance income and other income:

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is included in other income in the statement of profit and loss.

On disposal of current investments, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss. Such income is included under the head "other income" in the statement of profit and loss.

Dividend income is accounted for in the year in which the right to receive the same is established by the reporting date.

#### e) Property, Plant & Equipment

Property, Plant & Equipment are stated at acquisition cost less accumulated depreciation and cumulative impairment. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

##### Recognition:

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits associated with the item will flow to the entity; and
- (b) the cost of the item can be measured reliably.

When significant parts of plant and equipment are required to be replaced at intervals, Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer significant accounting judgements, estimates and assumptions and provisions for further information about the recorded decommissioning provision.

Gains or losses arising from de-recognition of tangible assets are measured as the difference between the net disposable proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognized.

Further, When each major inspection is performed, its cost is recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied.

Any remaining carrying amount of the cost of the previous inspection (as distinct from physical parts) is derecognised.





## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### 1 Company Overview and Significant Accounting Policies:

Machinery spares which are specific to a particular item of PPE and whose use is expected to be irregular are capitalized as fixed assets.

Spare parts are capitalized when they meet the definition of PPE, i.e., when the company intends to use these during more than a period of 12 months.

Depreciation on PPE is provided on straight line method, up to the cost of the asset (net of residual value), in accordance with the useful lives prescribed under Schedule II to the Companies Act, 2013 which are as below:

Plant and equipment	4-15 years
Office equipment	5 years
Furniture and fixtures	10 years
Vehicles	8-10 years
Computers	3 years

Depreciation on additions is being provided on a pro-rata basis from the date of such additions. Similarly, depreciation on assets sold/disposed off during the year is being provided up to the dates on which such assets are sold/disposed off. Modification or extension to an existing asset, which is of capital nature and which becomes an integral part thereof is depreciated prospectively over the remaining useful life of that asset.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in an amalgamation in the nature of purchase is their fair value as at the date of amalgamation. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Other Intangible assets are fully depreciated and carrying value is Rs. Nil.

#### g) Financial Assets - Receivable towards the concession arrangement from the grantor

When the arrangement has a contractual right to receive cash or other financial asset from the grantor specifically towards the concession arrangement (in the form of grants) during the construction period or otherwise, such a right, to the extent eligible, is recorded as financial asset in accordance with Ind AS 109 "Financial Instruments," at amortized cost.

#### h) Taxes

Tax expense comprises current and deferred tax.

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### 1 Company Overview and Significant Accounting Policies:

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled after tax holiday period, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### i) Borrowing costs

Borrowing Cost includes interest and amortization of ancillary costs incurred in connection with the arrangement of borrowings. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

#### j) Inventories

Raw materials, components, stores and spares are valued at lower of cost and net realizable value on First In First Out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

#### k) Lease

##### Finance Leases:

##### Where the Company is the lessee

##### Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

##### Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.





## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### 1 Company Overview and Significant Accounting Policies:

#### Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below Rs. 50,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of three to five years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Company included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Company has a policy of leasing motor vehicles for not more than five years and, hence, not exercising any renewal options.

#### Operating Leases:

##### Where the Company is the lessee

Leases for which the Company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

#### i) Impairment

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units' (CGUs) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the company's cash generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of profit and loss, except for previously revalued tangible fixed assets, where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognized in the revaluation reserve up to the amount of any previous revaluation.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.



## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### 1 Company Overview and Significant Accounting Policies:

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the assets recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and Loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

#### m) Provisions, contingent liabilities, contingent assets and capital commitments

##### Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements. Contingent assets are only disclosed when it is probable that the economic benefits will flow to the entity.

##### Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### n) Retirement and other Employee Benefits

Short term employee benefits and defined contribution plans.

All employee benefits payable/available within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages and bonus etc., are recognised in the statement of profit and loss in the period in which the employee renders the related service.

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund.

The Company recognizes contribution payable to the provident fund scheme as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the reporting date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

##### Compensated absences

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The company presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where company has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability.

##### Defined benefit plans

###### Gratuity

Gratuity is a defined benefit scheme. The cost of providing benefits under the scheme is determined on the basis of actuarial valuation under projected unit credit (PUC) method.





## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### 1 Company Overview and Significant Accounting Policies:

The company recognizes termination benefit as a liability and an expense when the company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the termination benefits fall due more than 12 months after the balance sheet date, they are measured at present value of future cash flows using the discount rate determined by reference to market yields at the balance sheet date on government bonds.

#### Remeasurements

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- > The date of the plan amendment or curtailment, and
- > The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

#### o) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### i) Financial assets

###### Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

###### Subsequent measurement

For purposes of subsequent measurement, financial assets are only classified as Debt instruments at amortised cost.

###### Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows,
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

###### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company's of similar financial assets) is primarily derecognised (i.e. removed from the balance sheet) when:

- > The rights to receive cash flows from the asset have expired, or
- > The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of the company's continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.



## **1 Company Overview and Significant Accounting Policies:**

### **Impairment of financial assets**

In accordance with Ind AS 109, the company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- b) Financial guarantee contracts which are not measured as at FVTPL

The company follows 'simplified approach' for recognition of impairment loss allowance on Trade receivables that do not contain a significant financing component.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- > All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument
- > Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). This amount is reflected under the head 'other expenses' in the P&L. The balance sheet presentation for various financial instruments is described below:

- > Financial assets measured as at amortised cost: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the company does not reduce impairment allowance from the gross carrying amount.

### **ii) Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings etc.

#### **Subsequent measurement**

##### **Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

This category generally applies to borrowings and security deposits received.

##### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.





## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### 1 Company Overview and Significant Accounting Policies:

#### p) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprises cash at bank and in hand and short term investments with an original maturity periods of three months or less.

#### q) Earnings per share

Basic Earnings Per Share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating Diluted Earnings Per Share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### 1.3 Key accounting judgements, estimates and assumptions

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimate and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected.

Significant judgements and the estimates relating to the carrying values of assets and liabilities, provision for employee benefits and others provisions, commitments and contingencies and fair value measurements of investments.

#### i) Critical Accounting Estimates and Assumptions :

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

#### a) Income tax

Significant management judgement is required to determine the amount of deferred tax that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies considering the tax holiday period available to infrastructure undertaking. [Refer note no.18].

#### b) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer note no.27 for further disclosures.

#### c) Contingencies

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Company, including legal and contractual claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events. [Refer note no.29]

#### d) Defined benefit plans (gratuity benefits)

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds.



## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### 1 Company Overview and Significant Accounting Policies:

The mortality rate is based on publicly available mortality tables for India. Those mortality tables tend to change only at the interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates in India.

Further details about gratuity obligations are given in note no.40

#### ii) Significant judgements :

##### a) Provision for periodic major maintenance (overlay activities)

As per the terms of concession agreement, the Company is required to carry out periodic major maintenance of project roads once in every five years which requires technical evaluation and critical assumptions, accounting estimates and judgements. The management has estimated the cost to be incurred on such periodic major maintenance to recognise the provision as per the requirements of IND AS 37. Further details are given in note no.14

##### b) Expected Credit Loss on Loans:

With respect to loans and deposits given to Group Companies, the Company has not provided for any expected credit loss, considering the assurances through support letters given by the Holding Company to pay the amount inspite of cases of delay in payments by the Group Companies other than those provided for based on its accounting policies. The Company has also assessed the credibility of the Group Companies and that of the Holding Company and is of the view that it does not expect any financial loss in respect of the said loans and deposits. Refer note no.4.

### 1.4 New and amended Ind AS effective as on April 1, 2019

#### a) Ind AS 116 Leases:

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 has replaced the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of Profit and Loss. The Standard also contains enhanced disclosure requirements for lessees.

Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17. The effective date for adoption of Ind AS 116 is annual periods beginning on or after April 1, 2019. The standard permits two possible methods of transition-

- > Full retrospective – Retrospectively to each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- > Modified retrospective – Retrospectively, with the cumulative effect of initially applying the Standard recognized at the date of initial application. Under modified retrospective approach, the lessee records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate and the right of use asset either as:
  - > Its carrying amount as if the standard had been applied since the commencement date, but discounted at lessee's incremental borrowing rate at the date of initial application or
  - > An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognized under Ind AS 17 immediately before the date of initial application. Certain practical expedients are available under both the methods.

There is no significant impact on account of adoption of this amendment. There is no significant right-of use assets and corresponding lease liability. There has no reclassification from Property Plant and Equipment to Right of use Assets and there is no impact in opening retained earnings on account of adoption of the new standard.

#### b) Ind AS 19 Employee Benefits - plan amendment, curtailment or settlement

On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements. The amendments require an entity:

- > to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- > to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. There is no plan amendments, curtailments and settlements during year and accordingly there is no impact on opening retained earnings on account of the amendment.





## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### 1 Company Overview and Significant Accounting Policies:

#### c) *Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments :*

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The standard permits two possible methods of transition –

- > Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and
- > Retrospectively with cumulative effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives.

There is no financial impact of the amendment on the opening retained earnings, financial position, results of operation and cash flow.

#### d) *Amendment to Ind AS 12 – Income taxes:*

On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes. The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. There is no financial impact of the amendment on the opening retained earnings, financial position, results of operation and cash flow.

#### e) *Prepayment Features with Negative Compensation, Amendments to Ind AS 109, Financial Instruments :*

This amendment enables entities to measure certain pre-payable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit and loss. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract'.

That is, when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

There is no financial impact of the amendment on the opening retained earnings, financial position, results of operation and cash flow.

#### f) *Annual Improvements to Ind AS :*

Ind AS 23, 'Borrowing Cost'- clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

Ind AS 103, 'Business Combination'- clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer should re-measure its previously held interest in the joint operation at fair value at the acquisition date.

Ind AS 111, 'Joint arrangements'- clarified that the party obtaining joint control of a business that is a joint operation should not measure its previously held interest in joint operation.

Ind AS 12, 'Income Taxes'- clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends.

Previously, it was unclear whether the income tax consequences of dividend should be recognised in profit or loss, or in equity, and the scope of the existing guidance was ambiguous.

There is no financial impact of the amendment on the opening retained earnings, financial position, results of operation and cash flow.

### 1.5 Introduction of new standards and amendments to existing standards issued but not effective

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.



**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements**
**2 Property, plant and equipment**

Particulars	Rupees in Lakhs					
	Plant and machinery	Electrical Fittings	Computers	Office Equipments	Vehicles	Furniture and Fixtures
<b>Gross block</b>						
As at April 1, 2018	55.36	2.41	-	2.79	29.23	1.00
Additions	-	-	1.26	2.99	6.52	-
Disposals / Adjustments	-	-	-	-	-	-
As at March 31, 2019	55.36	2.41	1.26	5.78	35.75	1.00
Additions	-	-	-	1.30	-	-
Disposals / Adjustments	-	-	-	-	-	-
As at March 31, 2020	55.36	2.41	1.26	7.08	35.75	1.00
<b>Depreciation</b>						
As at April 1, 2018	16.90	2.40	-	1.71	7.84	0.96
Charge for the year	5.64	-	0.01	0.69	3.14	0.01
Disposals / Adjustments	-	-	-	-	-	-
As at March 31, 2019	22.54	2.40	0.01	2.40	10.98	0.97
Charge for the year	5.64	0.01	0.41	0.98	3.42	-
Disposals / Adjustments	-	-	-	-	-	-
As at March 31, 2020	28.18	2.41	0.42	3.38	14.40	0.97
<b>Net block</b>						
As at March 31, 2019	32.82	0.01	1.25	3.38	24.77	0.03
As at March 31, 2020	27.18	-	0.84	3.70	21.35	0.03

**Notes:**

1 Deemed Cost: The Company during the Financial Year 2016-17, had first time adopted Indian Accounting Standards ('Ind AS') under section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter. The Company had elected to use its previous GAAP carrying value as at April 01, 2015 being the opening balance sheet date for the purpose of first time adoption of Indian Accounting Standards as per Para D7AA of Ind AS 101, 'First-time Adoption of Indian Accounting Standards'. Accordingly the value of gross block disclosed above includes carrying value of assets at the transition date (i.e., April 01, 2015) which is considered as deemed cost.

2 Assets are owned and are used for own use, unless otherwise mentioned.

3 For charges created on property, plant and equipments refer note no.13.

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**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements**
**3 Investments**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>Current Investments</b>		
<b>Other than trade investments, Unquoted</b>		
<b>Investments in Mutual Funds</b>		
<b>At fair value through profit and loss</b>		
ICICI Prudential Liquid Fund - Direct Plan - Growth	1,620.92	4,016.01
5,51,743.304 units, NAV of Rs.293.7816 (March 31, 2019 : Rs.14,58,148.836 units, NAV of Rs.275.4187)		
<b>Total</b>	<b>1,620.92</b>	<b>4,016.01</b>
Aggregate amount of unquoted non-current investments	-	-
Aggregate amount of impairment in the value of non-current Investments	-	-
Aggregate amount of unquoted current investments	-	-
Aggregate net asset value of unquoted current investments	1,620.92	4,016.01

**4 Loans**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>Non-current:</b>		
<b>Carried at amortised cost</b>		
Loan Receivables – considered good - secured	-	-
Loan Receivables – considered good - unsecured		
Security deposits		
with related parties [Refer note no.41]	-	14.28
with others	0.31	0.31
Loan Receivables which have significant increase in credit risk [Refer note no. (b) below]	-	-
Loan Receivables – credit impaired [Refer note no. (b) below]	-	-
<b>Total</b>	<b>0.31</b>	<b>14.59</b>
<b>Current:</b>		
<b>Carried at amortised cost</b>		
Loan Receivables – considered good - secured	-	-
Loan Receivables – considered good - unsecured		
Loans and advances to :		
Related parties [Refer note no.41 and note (a) below]	29,315.07	25,964.07
Security deposits		
with related parties	-	2.39
with others	0.13	0.13
Loan Receivables which have significant increase in credit risk [Refer note no. (b) below]	-	-
Loan Receivables – credit impaired [Refer note no. (b) below]	-	-
<b>Total</b>	<b>29,315.20</b>	<b>25,966.59</b>
<b>Total</b>	<b>29,315.51</b>	<b>25,981.18</b>



**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements**

Notes:

a) Details of loan given to related parties:

(i) An unsecured loan of Rs.10,969.00 Lakhs (March 31, 2019 : Rs.6,080.00 Lakhs) given to GMR Highways Ltd. shall be repayable within 1 year from date of renewed agreement.

(ii) An unsecured loan of Rs.7,267.00 Lakhs (March 31, 2019 : Rs.7,182.00 Lakhs) given to GMR Infrastructure Ltd and shall be repayable within 1 year from date of renewed agreement.

(iii) An unsecured loan of Rs.177.00 Lakhs (March 31, 2019 : Rs.2,000.00 Lakhs) which was earlier disclosed under non-current loans given to Dhruvi Securities Pvt Ltd and shall be repayable within 3 years new due for repayment as on balance sheet date.

(iv) An unsecured loan of Rs.861.00 Lakhs (March 31, 2019 : Rs.741.00 Lakhs) given to GMR Tambaram Tindivanam Expressways Limited and shall be repayable within 1 year from date of renewed agreement.

(v) An unsecured loan of Rs.574.00 Lakhs (March 31, 2019 : Rs.494.00 Lakhs) given to GMR Tuni Anakapalli Expressways Limited and shall be repayable within 1 year from date of renewed agreement.

(vi) An unsecured loan of Rs.7,500.00 Lakhs (March 31, 2019 : Rs.7,500.00 Lakhs) novated in favour of Kakinada SEZ Limited from Dhruvi Securities Pvt Ltd and shall be repayable within 1 year from date of renewed agreement.

(vii) An unsecured loan of Rs.1,967.07 Lakhs (March 31, 2019 : Rs.1,967.07 Lakhs) novated in favour of GMR SEZ and Port Holdings Private Limited from Dhruvi Securities Pvt Ltd and shall be repayable within 1 year from date of renewed agreement.

The Company has undertaken an assessment of these loans considering the creditworthiness of the borrower along with the support letter of holding company GMR Infrastructure Limited (GIL) to make good the amounts on defaults if any by the Group Companies. In view of such assessment and obtaining of the support letter received from GIL, the management is of the opinion that the loans are good and no credit impairment is foreseen which requires credit losses to be recognized other than those considered in the modification losses. GIL has ensured that they will be able to provide sufficient funds to these Group Companies to make payment of the loans / deposits along with interest accrued thereon and accordingly the loans / deposits given by the Company are considered good and no further loss are considered necessary in the accompanying financial statements.

b) There are no loans receivables which are credit impaired or which have a significant increase in credit risk based on the information available with the Company.

c) The fair value of Non current and current loans are not materially different from the carrying value presented.

**5 Other financial assets**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>Non-current:</b>		
<i>Carried at amortised cost</i>		
Unsecured, considered good		
Receivable under service concession arrangements	17,491.72	24,653.92
Deposit with government departments	7.82	7.82
<b>Total</b>	<b>17,499.54</b>	<b>24,661.74</b>
<b>Current:</b>		
<i>Carried at amortised cost</i>		
Unsecured, considered good		
Receivable under service concession arrangements	3,342.46	1,476.23
Receivable towards change of scope work and claims receivable	120.92	388.96
Interest accrued on loan to related parties (net of modification loss) [Refer note no.41]	5,407.13	4,344.23
Interest accrued on deposits with banks	9.87	12.38
Insurance claims receivable	20.54	6.21
Penalty paid under protest [Refer note no.31]	2,509.10	1,078.62
<b>Total</b>	<b>11,410.02</b>	<b>7,306.63</b>
<b>Total</b>	<b>28,909.56</b>	<b>31,968.37</b>





**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements****6 Other assets**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>Non-current:</b>		
Unsecured, considered good		
Advances recoverable in cash or kind		
Advance to suppliers of goods/services to related parties [Refer note no.41]	-	1,508.85
Balances with government departments	0.47	0.47
<b>Total</b>	<b>0.47</b>	<b>1,509.32</b>
<b>Current:</b>		
Unsecured, considered good		
Advances recoverable in cash or kind		
Advance to suppliers of goods/services to related parties [Refer note no.41]	1,496.78	-
to others	42.19	37.72
Advance to employees for expenses	0.55	6.57
Contract assets under service concession arrangements	9,886.51	8,585.49
Prepaid expenses	164.69	598.12
Balances with government departments	180.38	184.54
<b>Total</b>	<b>11,771.10</b>	<b>9,412.44</b>
<b>Total</b>	<b>11,771.57</b>	<b>10,921.76</b>

**7 Income tax assets (net)**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>Non-current:</b>		
Advance income tax and tax deducted at source (net) [refer note no.18.03]	299.84	134.09
<b>Total</b>	<b>299.84</b>	<b>134.09</b>

**8 Inventories**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Stores and spares [Refer note (b) below]	20.28	8.79
<b>Total</b>	<b>20.28</b>	<b>8.79</b>

**Notes:**

- a) Inventories are valued at lower of cost or net realizable value.  
b) For charges created on inventories refer note no.13.



**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements****9 Cash and cash equivalents**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Cash in hand	0.53	0.32
Balances with banks		
- Current account	276.85	630.51
- Fixed deposits	50.00	-
<b>Total</b>	<b>327.38</b>	<b>630.83</b>

Note:

a) For charges created on cash and bank balances refer note no.13.

**10 Other bank balances**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Fixed deposit with banks [Refer note (a) to (c) below]	1,374.46	646.34
<b>Total</b>	<b>1,374.46</b>	<b>646.34</b>

Note:

a) For charges created on cash and bank balances refer note no.13.

b) Includes margin deposit of Rs.330.69 Lakhs [March 31, 2019 : Rs.311.33 Lakhs] kept against bank guarantee

c) Includes debenture redemption investment of Rs.708.75 Lakhs [March 31, 2019 : Rs.335.01 Lakhs] deposited to the extent of 15% of debentures maturing during the year.

d) The fair value of other bank balances are not materially different from the carrying value presented.

**Break-up of financial assets**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>Financial assets carried at amortised cost</b>		
Loans to group companies	29,315.07	25,964.07
Security deposit	0.44	17.11
Receivable under service concession	20,834.18	26,130.15
Cash and cash equivalents	327.38	630.83
Fixed deposit with banks (including interest accrued)	1,384.33	658.72
Other financial assets	8,065.51	5,825.84
<b>Financial assets measured at fair value</b>		
Investments in mutual funds	1,620.92	4,016.01
<b>Total</b>	<b>61,547.83</b>	<b>63,242.73</b>

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# GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

## Notes to the financial statements

### 11 Equity share capital

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>Authorised</b>		
13,81,00,000 [March 31, 2019 : 13,81,00,000 equity shares of Rs.10 each]	13,810.00	13,810.00
45,90,000 [March 31, 2019 : 45,90,000 preference shares of Rs.100 each]	4,590.00	4,590.00
	<u>18,400.00</u>	<u>18,400.00</u>
<b>Issued, subscribed and fully paid-up</b>		
13,80,00,000 [March 31, 2019 : 13,80,00,000 equity shares of Rs.10 each]	13,800.00	13,800.00
<b>Total</b>	<b>13,800.00</b>	<b>13,800.00</b>

Notes:

#### a) Reconciliation of Shares Outstanding at the beginning and end of the reporting year

Equity shares of Rs. 10 each	Numbers	Rupees in Lakhs
<b>March 31, 2020</b>		
Balance at the beginning of the year	13,80,00,000	13,800.00
Shares issued during the year	-	-
Balance at the end of the year	13,80,00,000	13,800.00
<b>March 31, 2019</b>		
Balance at the beginning of the year	13,80,00,000	13,800.00
Shares issued during the year	-	-
Balance at the end of the year	13,80,00,000	13,800.00

#### b) Terms to Equity Shares

The Company has only one class of equity shares having a par value of Rs.10 per share. Each holder of equity is entitled to one vote per share. The Company declares and pay dividend in Indian rupees. The dividend proposed by the Board of director is subject to the approval of the shareholder in ensuing Annual General meeting.

In event of liquidation of the Company, the holders of equity shares would be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

#### c) Terms to Preference Shares

8% Redeemable, Non-cumulative and Non-Convertible preference shares of Rs.100 each. Preference Shares are redeemable at premium at the option of the Board of Directors of the Company on October 15, 2026, with one day prior notice to the preference shareholders. Refer note nos.12 and 13 for equity and liabilities portion of Preference Shares.

#### d) Details of the shareholders holding more than 5% shares of the Company

Name of Shareholder	Numbers	% of holding
<b>Equity shares of Rs. 10 each</b>		
<b>March 31, 2020</b>		
GMR Highways Limited, the immediate holding Company	13,59,29,996	98.50%
<b>March 31, 2019</b>		
GMR Highways Limited, the immediate holding Company	13,59,29,996	98.50%
<b>Preference shares of Rs.100 each</b>		
<b>March 31, 2020</b>		
GMR Infrastructure Limited, the ultimate holding Company	44,50,000	100.00%
<b>March 31, 2019</b>		
GMR Infrastructure Limited, the ultimate holding Company	44,50,000	100.00%



## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### Notes to the financial statements

#### e) Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates

Name of Shareholder	Numbers	Rupees in Lakhs
<b>Equity shares of Rs. 10 each</b>		
<b>March 31, 2020</b>		
GMR Highways Limited, the immediate holding Company	13,59,29,996	13,593.00
GMR Infrastructure Limited, the ultimate holding Company	13,80,000	138.00
GMR Energy Limited, a subsidiary of GIL and an associate company	6,90,000	69.00
<b>March 31, 2019</b>		
GMR Highways Limited, the immediate holding Company	13,59,29,996	13,593.00
GMR Infrastructure Limited, the ultimate holding Company	13,80,000	138.00
GMR Energy Limited, a subsidiary of GIL and an associate company	6,90,000	69.00
<b>Preference shares of Rs.100 each</b>		
<b>March 31, 2020</b>		
GMR Infrastructure Limited, the ultimate holding Company	44,50,000	4,450.00
<b>March 31, 2019</b>		
GMR Infrastructure Limited, the ultimate holding Company	44,50,000	4,450.00

f) As per records of the Company including its register of share holders/members and other declarations received from share holders regarding beneficial interest, the above share holding represents both legal and beneficial ownership of shares.

g) The Company has not issued shares for consideration other than cash, during the period of five years immediately preceding the reporting date.

### 12 Other equity

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>Equity component of Preference shares</b>		
Opening balance	3,620.95	3,620.95
Add: Adjustment for the year	-	-
Closing balance	3,620.95	3,620.95
<b>Debenture Redemption Reserve</b>		
Opening balance	9,259.44	5,414.82
Add: Transferred from the statement of profit and loss [Refer note (a) below]	-	3,844.62
Closing balance	9,259.44	9,259.44
<b>Surplus / (deficit) in the statement of Profit and Loss</b>		
Opening balance	(4,837.91)	(997.11)
Less: Ind AS 115 transitional adjustments [Refer note no.32]	-	(554.87)
Add: Profit for the year	1,181.28	558.69
Less: Transferred to Debenture redemption reserve during the year [Refer note (a) below]	-	(3,844.62)
Closing balance	(3,656.63)	(4,837.91)
<b>Other comprehensive income</b>		
Opening balance	1.56	(15.72)
Remeasurements gains/(loss) on defined benefit plans, net of tax effect	(2.16)	17.28
Closing balance	(0.60)	1.56
<b>Total</b>	<b>9,223.16</b>	<b>8,044.04</b>





**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements****Nature and purpose of reserve:****a) Debenture Redemption Reserve:**

The Company was required to create Debenture Redemption Reserve (DRR) as on March 31, 2019 to the extent of Rs.9,319.25 Lakhs (25% of outstanding non-convertible debentures) out of the profits of the company available for payment of dividend for the purpose of redemption of debentures in accordance with the provisions of the Companies Act, 2013 till its amendment dated August 16, 2019. Further, pursuant to amendment made vide MCA Notification no. GSR 574 (E) dated August 16, 2019 the company is not required to maintain DRR from FY 2019-20 and onwards.

**b) Retained Earnings**

Retained Earnings represents the amount that can be distributed by the Company as dividends considering the requirements of the Companies Act, 2013. No dividends are distributed by the Company during the year.

**c) Equity component of Preference shares**

Equity component of Preference shares represents the difference in carrying value and fair value of Preference Shares issued to its parent on initial recognition. Fair value is determined by discounting the estimating the cash flows expected over the term of the instrument using an applicable discount rate. The equity component of related party transactions are adjusted to the carrying amount on account of extinguishment of liability.

d) **Other Comprehensive Income** : represents Re-measurement gains (losses) on defined benefit plans and its income tax effects if any.

**13 Long term Borrowings**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>Long-term borrowings:</b>		
<b>Secured, at amortized cost</b>		
Non-convertible debenture [Refer note (a) below]	28,445.22	33,152.47
<b>Unsecured, at amortized cost</b>		
<b>Liability component of compound financial instruments</b>		
Non-cumulative non-convertible preference shares issued to the ultimate holding company [Refer Note (b) below]	2,290.10	2,068.49
<b>Total</b>	<b>30,735.32</b>	<b>35,220.96</b>

**Notes:****a) Secured non-convertible debenture:**

During the financial year 2009-2010, the Company has issued 9.38% 6,500 Rated, taxable, listed, redeemable, non-convertible Debentures (NCDs) of the face value of Rs.10,00,000 each which are listed on The National Stock Exchange of India. Debentures are repayable in 34 half yearly unequal instalments commencing from April 15, 2010 to October 15, 2026.

**i) Terms of Security**

The NCDs are secured by way of first charge on all the assets of the Company both movable (including future annuity receivable) and immovable properties, both present and future but excluding project assets (unless permitted by National Highways Authority of India (NHAI) under the Concession agreement).

**ii) Maturity profile of 9.38% redeemable non-convertible Debentures of face value of Rs.10,00,000/- each are given below:**

No. of Debentures	Date of redemption	Rupees in Lakhs	No. of Debentures	Date of redemption	Rupees in Lakhs
227.90	15/10/2026	2,279.00	221.00	15/04/2023	2,210.00
269.10	15/04/2026	2,691.00	214.40	15/10/2022	2,144.00
218.90	15/10/2025	2,189.00	219.40	15/04/2022	2,194.00
265.00	15/04/2025	2,650.00	212.40	15/10/2021	2,124.00
257.20	15/10/2024	2,572.00	266.00	15/04/2021	2,660.00
242.40	15/04/2024	2,424.00	256.60	15/10/2020	2,566.00
235.60	15/10/2023	2,356.00	215.90	15/04/2020	2,159.00

iii. Installments falling due within a year in respect of all the above NCDs (net of unamortised transaction cost) aggregating to Rs.4,707.25 Lakhs (March 31, 2019 : Rs.4,038.56 Lakhs) have been grouped under "Current maturities of long-term secured debt" (Refer Note no.16)



**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements****b) Non-cumulative non-convertible Preference shares:**

The Company had issued 44,50,000 8% Redeemable, Non-cumulative and Non-Convertible preference shares of Rs.100 each. Preference Shares are redeemable at premium at the option of the Board of Directors of the Company on October 15, 2026, with one day prior notice to the preference shareholders.

As these Preference share are non-cumulative and the Company is not under obligation to pay dividend, only fair value of redemption value has been considered as financial liability using a market rate for an equivalent instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on redemption. The remainder of the proceeds is recognised and included in Equity. Refer note no.12 for equity portion of Preference Shares.

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Opening balance	4,450.00	4,450.00
Add: Issued during the year	-	-
Closing balance	4,450.00	4,450.00
Equity component transferred to Other Equity	3,620.95	3,620.95
Financial liability portion of preference shares	829.05	829.05
Add: Notional Interest recognized up to date	1,461.05	1,239.44
<b>Liability portion of non convertible preference shares</b>	<b>2,290.10</b>	<b>2,068.49</b>

**14 Provisions**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>Non-current:</b>		
Provision for gratuity [Refer note no.40(b)]	7.11	14.97
Provision for leave encashment	51.97	42.96
<b>Total</b>	<b>59.08</b>	<b>57.93</b>
<b>Current:</b>		
Provision for variable performance pay	57.99	14.34
Provision for superannuation	0.95	0.95
Provision for leave encashment	5.73	4.98
Provision for periodic major maintenance [Refer note nos. (a) & (b) below]	10,900.00	9,031.14
<b>Total</b>	<b>10,964.67</b>	<b>9,051.41</b>
<b>Total</b>	<b>11,023.75</b>	<b>9,109.34</b>

**Note:****a) Provision for periodic major maintenance (overlay activities)**

The Company has contractual obligation to maintain, replace or restore infrastructure, except for any enhancement element. Cost of such obligation is measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date and recognized/spread over the periods unto the beginning of the year which the overlay is estimated to be carried out. The provisions accordingly for the second maintenance has been straight-lined unto the financial year ending March 31, 2020. First Major Overlay activities have been completed during the FY 2013-14 and next major overlay activities is expected to be carried out in the FY 2020-21 in terms of Arbitral Award, subject to pending litigation as detailed in Note no.31 below.

**b) Movement of provision for periodic major maintenance**

Particulars	Rupees in Lakhs			
	March 31, 2020		March 31, 2019	
	Non-current	Current	Non-current	Current
Opening Balance	-	9,031.14	6,122.34	-
Accretion during the year	-	1,868.86	-	2,908.80
Transferred from non-current to current	-	-	(6,122.34)	6,122.34
Utilised during the year	-	-	-	-
<b>Closing Balance</b>	<b>-</b>	<b>10,900.00</b>	<b>-</b>	<b>9,031.14</b>





**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements****15 Trade payables**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>Current:</b>		
<b>Carried at amortised cost:</b>		
Dues of micro enterprises and small enterprises [Refer Notes (a) to (c) below]	20.42	2.07
Dues of creditors other than micro enterprises and small enterprises		
Payable to related parties [Refer note no.41]	1,150.06	769.46
Dues to others	64.92	27.10
<b>Total</b>	<b>1,235.40</b>	<b>798.63</b>
<b>Notes:</b>		
a) Details of dues of micro enterprises and small enterprises		
Dues to related parties [Refer note no.41]	16.17	-
Dues to others	4.25	2.07
<b>Total</b>	<b>20.42</b>	<b>2.07</b>

b) The fair value of Trade payables is not materially different from the carrying value presented.

c) Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 60 days terms

d) The Management is in continuous process of obtaining confirmations from its vendors regarding their registrations under the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act). Under the MSMED Act, 2006 which came into force with effect from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. On the basis of information and records available with the company, the following disclosures are made for the amounts due to Micro, Small and Medium Enterprises. Further, in view of the management, the impact of interest, if any, that may be payable in accordance with the provision of the Act are not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
The principal amount due thereon remaining unpaid to any supplier as at the end of each accounting year	20.42	2.07
The interest amount due thereon remaining unpaid to any supplier as at the end of each accounting year	-	-
The amount of interest paid by the buyer under MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006)	0.33	0.35
The amount of interest accrued but not accounted and remaining unpaid at the end of accounting year; and	0.65	0.32
The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	-	0.04



**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements****16 Other financial liabilities**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>Current</b>		
<b>Other financial current liabilities at amortized cost</b>		
Current maturities of long-term secured debt [Refer note no.13(a)]	4,707.25	4,038.56
Interest accrued but not due on debt	1,433.84	1,609.39
Non-trade payables		
Payable to related parties [Refer note no.41]	68.02	22.05
Payable to others	20.82	72.05
<b>Total</b>	<b>6,229.93</b>	<b>5,742.05</b>

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>Break-up of financial liabilities</b>		
<b>Financial liabilities carried at amortised cost</b>		
Borrowings	33,152.47	37,191.03
Liability component of preference share capital	2,290.10	2,068.49
Trade payables	1,235.40	798.63
Interest accrued but not due on debt	1,433.84	1,609.39
Other financial liabilities	88.84	94.10
<b>Total</b>	<b>38,200.65</b>	<b>41,761.64</b>

**17 Other liabilities**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>Current:</b>		
Advance received from Customers *	52.03	14.92
Deferred contract revenue under service concession arrangement	898.77	780.50
Statutory dues	101.09	128.07
<b>Total</b>	<b>1,051.89</b>	<b>923.49</b>

\* - the Company is in the process of reconciling the outstanding balances with vendors and any changes in the balance upon reconciliation shall be given effect in the ensuing year and the management is of the opinion that there will not be any significant effect on such reconciliation.





# GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

## Notes to the financial statements

### 18 Income Tax

The major components of income tax expense for the years ended March 31, 2020 and March 31, 2019 are:

#### 18.01 Income tax expense in the statement of profit and loss comprises:

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>Profit or loss section</b>		
Current Tax [Refer note no.36 below]	297.17	322.98
Deferred Tax [Refer note no.18.04 below]	-	-
Income tax for earlier years	(375.30)	-
<b>Tax expense / (credit) to Statement of Profit and Loss</b>	<b>(78.13)</b>	<b>322.98</b>
<b>Other comprehensive income section (OCI)</b>		
Deferred tax related to items recognised in OCI during the year:		
Re-measurement gains (losses) on defined benefit plans	-	-
<b>Tax expense / (credit) to Other Comprehensive Income</b>	<b>-</b>	<b>-</b>
<b>Tax expense / (credit) to Total Comprehensive Income</b>	<b>(78.13)</b>	<b>322.98</b>

#### 18.02 Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2020 and March 31, 2019:

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Profit for the year before taxation (PBT)	1,103.15	881.67
Applicable tax rate	29.12%	26.00%
Tax effect of income / (loss) (a)	321.24	229.23
Adjustments:		
Tax effect on non-taxable income	-	-
Tax effect on non-deductible expenses	14.82	44.27
Effect of change in tax rates	-	32.82
Deduction under section 80IA [Refer note no.18.04(a) below]	(452.88)	-
(b)	(438.06)	77.09
(c)=(a+b)	(116.82)	306.32
Deferred tax asset /(liability) not recognised as the same will be reversed during section 80IA period [Refer note no.18.04 below]	(d)	(306.32)
Tax Recognised under Section 115JB of Income Tax Act, 1961 over and above regular tax (e)	297.17	322.98
<b>Tax expense / (credit) to Total Comprehensive Income for the year (f)=(c+d+e)</b>	<b>297.17</b>	<b>322.98</b>
<b>Effective tax rate considering tax computed under section 115JB (f)/PBT</b>	<b>26.94%</b>	<b>36.63%</b>

#### 18.03 Provision for Income tax / Non-current tax assets

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Opening balance - Provision for Income tax / (Non-current tax assets)	597.03	731.12
Add: Current tax payable for the year	297.17	322.98
Add: Earlier year tax reversed	(375.30)	-
Less: Current taxes paid	(425.57)	(457.07)
<b>Closing balance - Provision for Income tax / (Non-current tax assets) *</b>	<b>93.33</b>	<b>597.03</b>
* - refer note no.36		
<b>Break-up</b>		
Provision for Income tax (net)	393.17	731.12
Income tax assets (net)	(299.84)	(134.09)
<b>Total</b>	<b>93.33</b>	<b>597.03</b>



**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements**
**18 Income Tax**
**18.04 Major components of deferred tax assets and liabilities for the year ended March 31, 2020 and March 31, 2019**

Particulars	For the year ended		Rupees in Lakhs	
	March 31, 2020	March 31, 2019	As at March 31, 2020	As at March 31, 2019
<b>Deferred tax liability</b>				
Service concession assets	(312.22)	(442.58)	2,947.42	3,259.64
Borrowings	(5.96)	(6.62)	19.08	25.04
Equity Component of preference shares	-	-	1,054.42	1,054.42
Fair value of Investments	(1.19)	0.71	0.27	1.46
<b>Total (a)</b>	<b>(319.37)</b>	<b>(448.49)</b>	<b>4,021.19</b>	<b>4,340.56</b>
<b>Deferred tax asset</b>				
Property, plant and equipments and intangibles	(4.07)	(5.30)	24.70	28.77
Liability portion of preference shares	64.54	58.13	425.46	360.92
Interest accrued on Loan to related Parties	293.56	(9.37)	353.40	59.84
Provision for major maintenance	282.13	(42.16)	1,857.92	1,575.79
Provision for leave encashment	2.84	(22.95)	16.80	13.96
Provision for gratuity	(2.29)	(16.89)	2.07	4.36
Provision for bonus	12.71	(24.45)	16.89	4.18
Unused tax losses	(103.13)	(165.43)	-	103.13
Unabsorbed tax depreciation	(748.84)	(526.39)	-	748.84
<b>Total (b)</b>	<b>(202.55)</b>	<b>(754.81)</b>	<b>2,697.24</b>	<b>2,899.79</b>
<b>Net deferred tax (assets) / liability (c)=(a-b)</b>	<b>(116.82)</b>	<b>306.32</b>	<b>1,323.95</b>	<b>1,440.77</b>
Deferred tax asset/(liability) not recognised (Refer note (a) below) (d)	116.82	(306.32)	(1,323.95)	(1,440.77)
<b>Net deferred tax (assets) / liability (e)=(c+d)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Note:

a) The Company, being Infrastructure Company, enjoys the benefit of tax holiday period for 10 years out of first 20 years of operations. In initial years of operations, the Company has incurred losses and hence had not claimed the benefit of tax holiday period. The Management expects that all deferred tax liabilities originated as on balance sheet date pertains basically to infrastructure undertaking which is covered under section 80IA of the Income tax Act, 1961. As per the management projections these differences which are originated are getting reversed within the Section 80IA tax holiday period and resulting in insignificant deferred tax as at the end of the Section 80IA tax holiday period which incidentally is also the end of the project period. Accordingly, the company has not recognised the resulting deferred tax liability/asset that is expected to reverse during the tax holiday period.

**18.05 The unused business loss and allowances is allowable in future period against taxable profit as follows:**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Unused depreciation allowances available for future taxable profit for unlimited period	-	2,571.55
Unused business loss available for future taxable profit upto:		
Relating to Assessment year	Available upto Assessment year	
2015-16	2023-24	354.14

**18.06 The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.**




**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements****19 Revenue from operations**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Operations and maintenance income [Refer note no.32 and 34]	2,153.59	1,699.06
Finance income on financial assets	3,623.26	3,937.76
<b>Total</b>	<b>5,776.85</b>	<b>5,636.82</b>

**20 Other income**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Interest Income on Bank Deposit and others	52.92	92.42
Interest on loan to related parties	3,067.91	2,601.34
Profit on sale of Investments	21.57	52.36
[including fair value gain on financial instruments at fair value through profit or loss Rs.0.92 Lakhs, (March 31, 2019:Rs.5.01 Lakhs)]		
Excess provision written back	7.63	97.30
Scrap Sale	4.82	2.83
Other non-operating income	4.01	4.28
<b>Total</b>	<b>3,158.86</b>	<b>2,850.53</b>

**21 Operating expenses**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Sub-contracting expenses [Refer note no.32 and 34]	737.30	737.46
Concession fee [Re.1/-, (March 31, 2019 : Re.1/-)]	-	-
<b>Total</b>	<b>737.30</b>	<b>737.46</b>

**Details of sub-contracting expenses**

Highway Maintenance Expenses	652.42	648.05
Toll/Highway Management Services	84.88	89.41
<b>Total</b>	<b>737.30</b>	<b>737.46</b>



**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements****22 Employee benefit expenses**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Salaries, Perquisites & Allowance	432.65	245.89
Contribution to provident and other funds	27.51	20.77
Gratuity expense	3.42	15.50
Staff welfare expenses	6.47	6.79
<b>Total</b>	<b>470.05</b>	<b>288.95</b>

**23 Finance costs**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>Interest measured at amortised cost</b>		
Interest on debts and borrowings	3,228.53	3,599.07
Interest others	2,272.20	1,174.16
Other borrowing cost	346.29	1,163.66
<b>Total</b>	<b>5,847.02</b>	<b>5,936.89</b>

**Details of finance cost (Interest measured at amortised cost)****Interest on debts and borrowings**

Interest on debentures	3,228.53	3,599.07
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**Interest others**

Unwinding interest on liability portion of preference shares	221.60	199.64
Interest loss on modification of Loan to related parties	1,364.47	320.58
Unwinding Interest on major maintenance provision	686.12	653.88
Interest on delay in payment of statutory dues	0.01	0.06

**Other borrowing cost**

Modification charge on service concession asset	236.81	1,054.73
Bank and other finance charges	109.48	108.93

<b>Total</b>	<b>5,847.02</b>	<b>5,936.89</b>
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**24 Depreciation and amortization expense**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Depreciation of property, plant and equipment	10.46	9.49
<b>Total</b>	<b>10.46</b>	<b>9.49</b>

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**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements**
**25 Other expenses**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Consumption of Stores and Spares	18.99	14.29
Utility Expenses (including Electricity charges)	71.56	67.28
Rent	4.88	4.61
License fee and Trademark fee	19.41	-
Rates and taxes	4.36	4.53
Insurance	49.41	40.82
Repairs and maintenance		
- Plant and Machinery	3.00	10.09
- Others	20.21	22.31
Safety expense	6.39	0.86
Vehicle running expense	29.27	29.16
Travelling and conveyance	57.01	40.60
Communication costs	7.75	7.91
Printing and stationery	2.64	1.65
Legal and professional fees	380.96	305.74
Manpower outsourcing	35.74	14.60
Directors' sitting fees	3.01	3.54
Payment to auditors [Refer note no. (a) below]	8.79	5.24
Advertisement and business promotion	4.84	11.97
Staff recruitment and training cost	0.12	0.19
Bank charges	0.03	0.12
Books and Periodicals	-	0.06
Corporate Social responsibility Expenses (including donation ) [Refer note no. (b) below]	26.14	41.43
Meeting and seminar	0.50	0.56
General expenses	12.72	5.33
<b>Total</b>	<b>767.73</b>	<b>632.89</b>

**Notes:**
**a) Details of payment to auditors**

Statutory audit fee *	4.43	3.54
Tax audit fee	0.89	0.89
Certification charges **	3.47	0.81
<b>Total</b>	<b>8.79</b>	<b>5.24</b>

\* - Includes arrears of previous year Rs.0.89 Lakhs; (March 31, 2019 : includes audit fee of erstwhile auditor Rs.0.89 Lakhs)

\*\* - Includes certification charges of erstwhile auditor Rs. Nil; (March 31, 2019 : Rs.0.81 Lakhs)

**b) Details of Corporate Social responsibility Expenses**

Gross amount required to be spent by the company during the year	26.14	41.38
Amount spent in cash during the year on		
i) Construction / acquisition of any asset	-	-
ii) On purposes other than (i) above	26.14	41.38

The Company's social responsibility initiatives are implemented through GMR Varalakshmi Foundation (GMRVF), the CSR arm of the GMR Group. The activities cover awareness about Preventive Health Care & Sanitation and Promoting Education including Vocational Skills. The Company has spent CSR amount through GMRVF Rs.26.14 Lakhs (March 31, 2019 Rs.41.38 Lakhs). Balance amount spent directly Rs.Nil (March 31, 2019 Rs.7.00 Lakhs).

**26 Earning per share (EPS)**

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of Equity shares outstanding during the year. There is no dilutive potential ordinary shares as at March 31, 2020 and March 31, 2019. Thus, diluted EPS equals basic EPS.

The following reflects the income and share data used in the basic and diluted EPS computations:

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
a) Nominal value of Equity shares (in Rupees per share)	10.00	10.00
b) Weighted average number of Equity shares at the year end (in Nos)	13,80,00,000	13,80,00,000
c) Profit attributable to equity holders of the Company for basic earnings (Rupees in Lakhs)	1,181.28	558.69
d) Basic/Diluted Earning per share of Rs 10/- each (in Rs.) [(c)/(b)]	0.86	0.40



**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements****27 Disclosures on Financial Instruments**

This section gives an overview of the significance of financial instruments for the Company and provides additional information on balance sheet items that contain financial instruments.

The details of significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in Notes to the financial statements.

**27.01 Financial instruments by category**

Financial instruments comprise financial assets and financial liabilities.

The carrying value and fair value of financial instruments by categories are as follows

The carrying value and fair value of financial instruments by categories are as follows						Rupees in Lakhs	
Particulars	Refer note no.	As at March 31, 2020			As at March 31, 2019		
		Amortised cost	Fair value through profit or loss	Fair value through OCI	Amortised cost	Fair value through profit or loss	Fair value through OCI
<b>Financial assets:</b>							
<b>Investments:</b>							
in equity instruments	3	-	-	-	-	-	-
in Mutual Funds	3	-	1,620.92	-	-	4,016.01	-
Loans to group companies	4	29,315.07	-	-	25,964.07	-	-
Security deposit	4	0.44	-	-	17.11	-	-
Receivable under service concession	5	20,834.18	-	-	26,130.15	-	-
Cash and cash equivalents	9	327.38	-	-	630.83	-	-
Other bank balances (including interest accrued)	10	1,384.33	-	-	658.72	-	-
Other financial assets	5	8,065.51	-	-	5,825.84	-	-
<b>Total</b>		<b>59,926.91</b>	<b>1,620.92</b>	<b>-</b>	<b>59,226.72</b>	<b>4,016.01</b>	<b>-</b>
<b>Financial liabilities:</b>							
Borrowings (including interest accrued)	13	34,586.31	-	-	38,800.42	-	-
Liability component of preference share capital	13	2,290.10	-	-	2,068.49	-	-
Trade payables	15	1,235.40	-	-	798.63	-	-
Other financial liabilities	16	88.84	-	-	94.10	-	-
<b>Total</b>		<b>38,200.65</b>	<b>-</b>	<b>-</b>	<b>41,761.64</b>	<b>-</b>	<b>-</b>

**Fair values**

The following methods and assumptions were used to estimate the fair values:

- The fair values of the unquoted mutual funds are based on NAV available at the reporting date.

**27.02 Fair value hierarchy**

The Company held the following assets and liabilities measured at fair value. The Company uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.



**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements**

a) The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of March 31, 2020:

Particulars	Total	Level 1	Level 2	Rupees in Lakhs	
				Level 3	
Assets measured at fair value through profit or loss:					
Investments in mutual funds	1,620.92	1,620.92	-	-	
Liabilities measured at fair value through profit or loss:	-	-	-	-	

b) The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of March 31, 2019:

Particulars	Total	Level 1	Level 2	Rupees in Lakhs	
				Level 3	
Assets measured at fair value through profit or loss:					
Investments in mutual funds	4,016.01	4,016.01	-	-	
Liabilities measured at fair value through profit or loss:	-	-	-	-	

During the year ended March 31, 2020 and March 31, 2019 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair value of liquid mutual funds is based on net asset value quoted price.

The Board of Directors considers the fair value of all other financial assets and liabilities to approximate their carrying value at the balance sheet date.

In view of all financial assets and liabilities are carried at amortised cost, there are no financial assets and liabilities to be fair valued under fair value hierarchy.

**28 Financial risk management****Financial Risk Factors**

The Company's principal financial liabilities, comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets is Loan receivables, Receivable under SCA, Cash and Cash equivalents, Investment and other bank balance.

In the course of its business, the Company's exposed to market risk, credit risk and liquidity risk. The company's senior management oversees the management of these risks. The Company's senior management is supported by audit committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's senior management ensure that the company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the company's policies and risk objectives. The risk management policy is approved by the Board of Directors. The risk management frame work aims to :

- create a stable business planning environment by reducing the impact of currency and interest rate fluctuation on the Company's business plans.
- achieve greater predictability to earnings by determining the financial value of the expected earnings in advance.

**28.01 Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, and derivative financial instruments. The sensitivity analysis in the following sections relate to the position as at March 31, 2020 and March 31, 2019.

The analysis excludes the impact of movements in market variables on: the carrying values of gratuity and other post-retirement obligations, provisions.

The following assumptions have been made in calculating the sensitivity analysis.

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at March 31, 2020 and March 31, 2019.





## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### Notes to the financial statements

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have exposure to the risk of changes in market interest rates in view of the Company's long-term debt obligations with fixed interest rates. Borrowings at fixed rates expose the Company to fair value interest rate risk. In respect of deployment of funds by the company as loans/deposits to the related parties the interest rate risk has been considered by the company by fixing the terms for those loans for a period not exceeding one year which may be renewed with rates reflecting current market scenario.

The Company analyses its interest rate exposure on a dynamic basis. The Company's policy is to manage its interest cost using only interest free/ fixed rate debts from related parties.

#### Interest rate sensitivity:

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. 50 basis points represents management's assessment of reasonably possible change in interest rate. With all other variables held constant, the Company's profit/(loss) before tax is affected through the impact interest rate of borrowings is as follows:

Particulars	Type of currency	Increase/ decrease in basis points	Rupees in Lakhs			
			Effect on profit before tax		Effect on total equity	
			March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Increase of profit	INR	(+)50	149.39	182.20	149.39	182.20
Decrease of profit	INR	(-)50	(149.39)	(182.20)	(149.39)	(182.20)

#### 28.02 Commodity price risk

The Company is affected by the price volatility of certain commodities which is moderated by optimising the procurement for operating activities which require continuous procurement of road operation and maintenance materials. Therefore the Company monitors its purchases closely to optimise the price.

#### 28.03 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Financial instruments that are subject to credit risk and concentration thereof principally consist of receivables under concession agreement/other receivables, loans, investments, cash and cash equivalents provided by the Company. The carrying value of financial assets represents the maximum credit risk, which may be affected by the changes in the credit risk of the counter parties.

No credit limits were exceeded during the reporting period other than those under litigation, and management does not expect any losses from non-performance by these counterparties.

Credit risk from balances with bank and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Loans are non-derivative financial instruments which generate a fixed or variable interest income for the Company. The carrying value of loans may be affected by the changes in the credit risk of the counter parties. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

Credit risk on cash and cash equivalents is limited as the Company generally invest in deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies. Investments primarily include investment in liquid mutual fund units for a specified time period.

The carrying values of the financial assets approximate its fair values. The above financial assets are not impaired as at the reporting date. Other financial assets are neither past due nor impaired at reporting date. The cash and cash equivalents are maintained with reputed banks. Hence the Company believes no impairment is necessary in respect of the above financial instruments.



## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### Notes to the financial statements

#### 28.04 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they become due without incurring unacceptable losses or risking damage to the Company's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company's treasury department is responsible for liquidity, funding as well as settlement management.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow. This is generally carried out at by the Company in accordance with practice and limits set by the Company. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans. The Company also issues preference shares to the parent company/ group companies from time to time to ensure a liquidity balance.

The following are the contractual maturities of non-derivative financial liabilities, including the estimated interest payment on an undiscounted basis which therefore differs from both carrying value and fair value. Floating rate interest is estimated using the prevailing interest rate at the year end.

Particulars	Financial liabilities carrying value	Total amount payable	Repayable on demand	Due within 1 year	Rupees in Lakhs	
					Due between 1 to 5 years	Due after 5 years
As at March 31, 2020						
Borrowings	33,152.47	33,218.00	-	4,725.00	18,684.00	9,809.00
Interest accrued on debt	1,433.84	1,433.84	-	1,433.84	-	-
Preference shares	2,290.10	4,450.00	-	-	-	4,450.00
Trade payable	1,235.40	1,235.40	-	1,235.40	-	-
Other financial liabilities	88.84	88.84	-	88.84	-	-
Total	38,200.65	40,426.08	-	7,483.08	18,684.00	14,259.00
As at March 31, 2019						
Borrowings	37,191.03	37,277.00	-	4,059.00	18,413.00	14,805.00
Interest accrued on debt	1,609.39	1,609.39	-	1,609.39	-	-
Preference shares	2,068.49	4,450.00	-	-	-	4,450.00
Trade payable	798.63	798.63	-	798.63	-	-
Other financial liabilities	94.10	94.10	-	94.10	-	-
Total	41,761.64	44,229.12	-	6,561.12	18,413.00	19,255.00

#### Excessive risk concentration

The Company needs to assess the risks in relation to excessive risk concentration and the measures adopted by the Company to mitigate such risks.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the company to manage risk concentrations at both the relationship and industry levels.



## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### Notes to the financial statements

#### 28.05 Capital management

The Company's capital management is intended to create value for shareholders by facilitating the meeting of long term and short term goals of the Company.

For the purpose of the Company's capital management, capital includes issued equity capital, Preference Share and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company includes within net debt, borrowings, trade and other payables, less cash and cash equivalents.

The Company monitors capital using a gearing ratio, which is total debt divided by total capital plus total debt.

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Debt - External long term borrowings	(a) 34,586.31	38,800.42
<b>Capital Components</b>		
Equity Share Capital	13,800.00	13,800.00
Other equity	9,223.16	8,044.04
Liability component of preference share capital	2,290.10	2,068.49
Total Capital	(b) 25,313.26	23,912.53
Capital and debt	(a+b) 59,899.57	62,712.95
Gearing ratio (%)	(a)/(a+b) 57.74%	61.87%

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2020 and March 31, 2019.

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**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements****29 Contingent liabilities and commitments**

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
a. Contingent Liabilities (to the extent not provided for)		
i. Penalty levied by National Highways Authority of India (net of amount paid under protest) [Refer note no.31 below]	-	-
ii. Income tax demand Rs.21.71 Lakhs (net of adjustment of refund Rs.33.33 Lakhs) for the AY 2017-18 due to erroneous adjustment of notional interest income of Rs.149.45 Lakhs recognised as per IND-AS. The Company as filed an appeal before CIT(Appeals), Bengaluru against the demand and management is confident of getting favourable order.	55.04	-
iii. Defaults in Tax Deducted at Source during FY 2007-08, 2015-16 & 2018-19 as per TRACES login	-	6.35
iv. License fee and Trademark fee relating to financial years from 2012-13 to 2018-19 are not provided in the books as the management is in the process of negotiating with the related party and hopeful of getting a waiver for these charges. During the year 2019-20 the company has received waiver letter.	-	181.63
b. Capital Commitments	-	-

30 The Supreme Court (SC) had passed an order dated February 28, 2019 stating that for the purpose of contribution to be made under the Employees Provident Fund and Miscellaneous Provisions Act, 1956 ('EPF Act'), the definition of basic wages includes all emoluments paid in cash to the employees in accordance with the terms of their contract of employment. In view of the same, the Company is liable to make further contribution towards Provident Fund ('PF') on the entire salary paid by it to its employees other than certain emoluments based on performance and variable. However, there is no clarity on effective date from when the liability is required to be paid by the Company. As a matter of caution, the Company has accounted and paid the PF liability in terms of the SC order on a prospective basis from the date of the SC order i.e., April 1, 2019 onwards. The Company further will account and pay the differential PF liability if any, on receiving further clarity on the subject from the Provident Fund Authorities and the impact if any which in view of the Company is not expected to be material.

**31 Litigation**

The Company had received a penalty notice from National Highways Authority of India (NHAI) levying a penalty of Rs.1,031 Lakhs for delay in completion of First Periodic Major Maintenance of the Project which was subsequently enhanced by CAG to Rs. 2,300 Lakhs. The penalty levied by NHAI was disputed by the Company and same was referred to Independent Engineer for amicable resolution as per the provisions of the Concession Agreement.

NHAI had subsequently deducted 1,078.62 Lakhs as penalty and damages while releasing 18th Annuity in March 2018. NHAI has also during the year while remitting the amount of 22nd Annuity has wrongly deducted an amount of Rs. 1,430.48 Lakhs by stating that damages are towards delay in taking up periodical renewal of project highway.

The Company vide its letter dated December 7, 2017 had invoked Arbitration proceedings against NHAI in respect of the dispute on applicability of carrying out major maintenance of the road project once in every five years in the Concession Agreement. Both the Company and NHAI had appointed their Nominee Arbitrators and Indian Council of Arbitration has appointed the Chairman of the Arbitral Tribunal pursuant to the Order of the Hon'ble High Court of Delhi, New Delhi dated November 02, 2018. On 14th January, 2020, the Hon'ble Tribunal had pronounced the award wherein it had not agreed with the contention of the Company that overlay is to be carried out as and when the roughness index exceeds 2000 mm/km and had held that the Company has to carry out overlay irrespective of the condition of the road. In view of the finding, the Tribunal has directed the Company to commence overlay with effect from 1st April, 2020.

The Tribunal has directed NHAI to refund the amount of Rs.1,078.62 Lakhs which was wrongly deducted from the annuity along with interest @12% p.a. from the date of deduction. The Tribunal has also directed NHAI to pay Rs.30.00 Lakhs towards costs of litigation and the entire amount of fee paid to the Arbitrators by the Company on behalf of NHAI. The Company has in the absence of acceptance of claims by NHAI has not recognized the interest and the cost of litigation as recoverable in terms of its accounting policy.

Aggrieved by the findings of the Tribunal, to the limited issue of requirement of overlay upon every 5 years, the Company has filed an application under section 34 of the Arbitration Act, 1996 before Hon'ble High Court of Delhi which is yet to be listed. The management, based on its understanding of the Order, is of the opinion that there would be no material negative impact on the financial statements for the period considering that the provision for second major maintenance has already been provided for in the books and it would be initiating the same in terms of the arbitral order.



## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### Notes to the financial statements

The Company during the previous year had also received a notice from NHAI for the second major maintenance for the roads in respect of the tenth year of operation. The Company though had taken a stay on the said order was awaiting the arbitration order for the guidance on the same, however, under prudence has accounted for provision for second major maintenance in its books of account.

Subsequent to the Hon'ble Arbitral Tribunal Order, the NHAI withheld an amount of Rs.1,430.48 Lakhs from 22nd Annuity in March 2020 claiming damages towards delay in taking up periodic major maintenance and damages towards non-fulfilment of O&M Obligations and non-curing deficiencies by ignoring the directions of the Tribunal that the same is to be started w.e.f April 01, 2020. NHAI has also directed the company to start major maintenance work as per the Tribunal Order. In the absence of any response from NHAI for Company's request for release of the amount, as advised by legal counsel, the Company is in the process of issuing legal notice in this regard for recovering and further step will be taken after receiving the response from NHAI. The Company in view of the favorable order from Tribunal has considered Rs.2,509.10 Lakhs including the amount already withheld as a penalty during March 2018 as 'Paid under Protest' and disclosed under other current-financial assets.

32. Effective April 1, 2018, the Company adopted Ind AS 115 "Revenue from Contracts with Customers" using the cumulative catch-up transition method, applied to contracts that were not completed as of April 1, 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted.

In the Service Concession agreement the Company has applied the guidance in Ind AS 115, by applying the revenue recognition criteria for each distinct performance obligation. The arrangement with the grantor generally meets the criteria for considering regular maintenance and periodic major maintenance services as two distinct performance obligations. For allocating the transaction price, the Company has measured the revenue in respect of each performance obligation of the contract at its relative stand alone price using the expected cost plus margin approach. For Major Maintenance and related services, the performance obligations are satisfied only as and when the services are rendered since the customer generally obtains the control of the work as it progresses though the company accounts for the provision for major maintenance as a best estimate is recognised and measured over the period of time in terms of Ind AS 37.

The application of Ind AS 115 has impacted the Company's accounting of revenue from periodic major maintenance services by recognising the same on rendering of services. The Company accordingly has applied the modified retrospective approach and debited retained earnings as at April 1, 2018 by Rs.554.87 Lakhs. The revenue and expenses for the year ended March 31, 2020 is lower by Rs.1,301.02 Lakhs and Rs.1,182.74 Lakhs respectively, with corresponding figures for March 31, 2019 lowered by Rs.2,481.86 Lakhs and Rs.2,256.24 Lakhs respectively.

33. The Company at the end of every reporting year reviews its Major Maintenance Provision and adjusts the same to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the excess provision shall be reversed. Accordingly during the financial year, the company has revised the estimated cost of 2nd periodic major maintenance and revised the provision to Rs.10,900.00 Lakhs (from earlier estimation of Rs.12,500.00 Lakhs) to complete the performance obligation of periodic maintenance which in the opinion of the management and the technical team reflects the best current estimate. The Company has proposed to complete the 2nd Periodic Major maintenance by December 2020 in terms of Arbitral Tribunal Award as explained in note no.31 above subject to COVID-19 pandemic challenges. The reversal would not have any effect on the income or profitability of the enterprise during the year in view of recognition of income getting deferred to be recognized only on fulfillment of performance obligation in terms of Ind AS 115 in the ensuing year which would be recognized on completion of the service.

#### 34 Impact of Covid-19 pandemic

The outbreak of Coronavirus (Covid-19) pandemic globally and in India has caused significant disturbance and slowdown of economic activities in the country. The Company, however, believes strongly that its offerings to the customer falls in essential services and would not significantly impact its revenue.

The Company is engaged in development of highways on build, operate and transfer model for which the consideration is received on fixed half-yearly annuity from NHAI. The management hence is of the opinion that there is no impact on the cash inflows and consequently on revenue recognition. The Company proposes to claim compensation if any under Force Majeure to the extent it deems can be claimed when the exact period of the lock down and its impacts considering the lock down are ascertained.

The impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. However, management does not anticipate significant negative impact on operational activities of the Company post lockdown period.

The Company on the basis of their assessment believes that the probability of the occurrence of their forecasted transactions is not much impacted by COVID-19 pandemic. The Company has also considered the effect of changes, if any, in both counterparty credit risk and own credit risk.





## GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

### Notes to the financial statements

Further, the Company has also assessed its financial assets and financial liabilities as at March 31, 2020 and based on such assessment, does not expect:

- any impact on its receivables as all receivables are recoverable and don't foresee any bad debts
- any impact on inter - company loans and deposits receivable from related party as the amounts of principal recovery and interest receivables are backed by Support letter from holding companies.
- any breach of debt covenants as the Company has enough cash balance and inflows to meet its liabilities towards interest and principal obligation, if any.
- any large-scale contraction in demand which could result in significant down-sizing of its employee base rendering the physical infrastructure redundant. The leases that the Company has entered with lessors towards properties and no changes in terms of those leases are expected.
- any impact on its regular maintenance activities including major maintenance which would be done with the guidance of NHAI.

Due to the nature of the pandemic and non-availability of necessary vaccine / treatment for its eradication, the Company will continue to be vigilant on various developments / impacts in the future so as to insulate itself from any material adverse impact.

35 The Management of the Company is of the opinion that no provision is required to be made in its books of account other than those already provided if any, with respect to any material foreseeable losses under the applicable laws, accounting standards or long term contracts. The Company does not have any derivative contracts.

36 Non-consideration of Service Concession Agreement adjustment for the purpose of computing Income under section 115JB of the Income Tax Act, 1961:

The Company had entered into concession agreement with National Highways Authority of India for rehabilitation and strengthening of existing 2-lane portion from km 367.000 (Adloor Yellareddy) to km 447.000 (Kalkallu), covering 80.745 kms, and Improvement, operation and maintenance of kms 447.000 (Kalkallu) – 464.000 (Gundla Pochanpalli) covering 17.00 kms on NH-7 in the state of Andhra Pradesh, to 4 lanes under a concession on build, operate and transfer (BOT).

Indian Accounting Standards (Ind AS) was made applicable to the Company from financial year (FY) 2016-17. Under Ind AS the company being an operator under Service Concession Agreement (SCA) entitled to fixed annuity has classified Carriageways as financial assets. The company in terms of the same is apportioning proportionate amount of Annuity received by it every year to the financial assets so that at the end of concession period the assets becomes NIL and the balance towards financing income and service revenue towards operations. The company accordingly is not charging any depreciation on carriageways as was done under IGAAP. Accordingly the proportionate amount of annuity charges to carriageways is not shown as income / revenue in the profit and loss account and similarly depreciation is not claimed as expenses as was done under IGAAP.

As per the provision of section 4 and 5 of the Income Tax Act, the above amount of Annuity which is not included in the profit and loss account is chargeable to tax under normal provision of Income Tax Act. Similarly, the company is eligible to claim expenses of Major maintenance and income tax depreciation under the normal provision of Act.

The Company while Computing Book Profit in terms of Section 115 JB of Income Tax Act 1961 has offered the above amount of annuity for tax and corresponding depreciation on carriageways (original cost of project road) and expenses towards major maintenance has been claimed while computing book profit under section 115JB of the Act as against the book profit arrived at in the financials based on the financial model in terms of applicable Indian Accounting Standards.

In this regard, the company had placed reliance on the rationale of introducing the MAT provisions (by way of section 80VVA of the Act), that actual income of the company without allowing deduction under any of the listed provision has to be taxable. The management is of the opinion that adjustment made towards SCA results in recognition of notional financial income ignoring annuity income, actual depreciation and will lead to taxability of notional income and expenses which will defeat the purpose of introduction of the provision of MAT. As such while computing the book profit under 115JB of the Act, the company has removed the notional adjustment as required for SCA model under IND-AS scenario and offered actual profit under MAT computed in lines with the IGAAP which it hitherto was following prior to introduction of Ind-As in FY 2016-17 in its income tax returns. The Company has been advised that the said treatment has not been challenged by the income tax department in the assessment proceedings held during the year for the accounts of first year of adoption of Ind As and the returns have been accepted.

The Company for the purposes of preparation of Ind-AS financial statements for the current year and previous year has provided for the current tax expense considering profits arrived under audited Ind-AS financial statements as the most likely amount of tax liability for the year under prudence. The provisions would be crystallized on the finalization of the income tax assessment proceedings and necessary entries would be passed.





**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements**

37 The Company is engaged primarily in the business of Construction, Operation & Maintenance of Highways. As per the requirements of Ind AS 108, "Operating Segments", the principal revenue generating activities of the Company is from Operation & Maintenance of Highways which is regularly reviewed by the National Highways Authority of India (NHAI). Accordingly, the management is of the view the Company has a single reportable segment and the requirements of reporting on operating segments and related disclosures as envisaged in Indian Accounting Standard 108 is not applicable to the present activities of the Company.

The Company's only segment being Operation & Maintenance of Highways comprises of one customer which has contributed 100% of the revenue during the year.

38 The Company has initiated the process of Balance confirmations and is yet to receive balance confirmations in respect of certain financial assets and financial liabilities. The Management however does not expect any material difference affecting the current year's financial statements due to the same.

**39 Operating Lease**

The Company has entered into certain cancellable operating lease agreements. Under these agreements refundable interest-free deposits have been given. The details of lease rentals paid are given below:

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Lease rentals under cancellable lease [Refer note no.34]	4.88	4.61

**40 Employee Benefits****a) Defined Contribution Plans :**

The Company's Contribution to Provident and Pension Fund and Superannuation Fund charged to Statement of Profit and Loss are as follows :

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
Contribution to provident fund and other funds	16.72	12.55
Contribution to Superannuation fund	10.75	8.13
<b>Total</b>	<b>27.47</b>	<b>20.68</b>

**b) The disclosures required as per the revised Ind AS 19 are as under:**

The following tables set out the funded status of the gratuity plans and the amounts recognised in the Company's financial statements as at March 31, 2020 and March 31, 2019:

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>i. Change in defined benefit obligation</b>		
Defined benefit at the beginning	33.52	90.18
Current Service Cost	3.02	9.97
Interest expenses	2.22	6.70
Acquisition Cost/(Credit)	5.91	(55.77)
Remeasurements - Actuarial loss / (gain)	2.15	(13.49)
Benefits paid	(8.57)	(4.07)
<b>Defined benefit at the end</b>	<b>38.25</b>	<b>33.52</b>
<b>ii. Change in fair value of plan assets:</b>		
Fair value of Plan Assets at the beginning	18.55	17.20
Expected return on plan assets	1.82	1.17
Acquisition Adjustment	5.91	0.12
Actuarial gains/ (losses)	(0.01)	3.78
Contributions by employer	13.44	0.35
Benefits paid	(8.57)	(4.07)
<b>Fair value of plan assets at the end</b>	<b>31.14</b>	<b>18.55</b>
<b>iii. Amount Recognized in the Balance Sheet</b>		
Present Value of Obligation as at year end	38.25	33.52
Fair Value of plan assets at year end	(31.14)	(18.55)
<b>Net (asset) / liability recognised</b>	<b>7.11</b>	<b>14.97</b>



# GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

## Notes to the financial statements

Particulars	Rupees in Lakhs	
	March 31, 2020	March 31, 2019
<b>iv. Amount recognized in the Statement of Profit and Loss under employee benefit expenses.</b>		
Current Service Cost	3.02	9.97
Past Service Cost	-	-
Service cost	3.02	9.97
Net interest on net defined benefit liability / (asset)	0.40	5.53
<b>Total expense</b>	<b>3.42</b>	<b>15.50</b>
<b>v. Recognised in other comprehensive income for the year</b>		
Remeasurement of actuarial gains/(losses) arising from		
- changes in experience adjustments	(0.37)	(13.50)
- changes in financial assumption	2.52	-
- changes in demographic assumptions	-	-
Actuarial (gains)/ losses	2.15	(13.50)
- return on plan assets excluding interest income	0.01	(3.78)
<b>Actuarial (Gain) or Loss recognized in other comprehensive income</b>	<b>2.16</b>	<b>(17.28)</b>
<b>vi. Maturity profile of defined benefit obligation</b>		
Within the next 12 months (next annual reporting period)	2.72	2.55
1-2 year	2.92	2.76
2-3 year	3.01	2.86
3-4 year	3.27	2.99
4-5 year	3.62	3.23
5-10 year	28.57	21.46
<b>vii. Quantitative sensitivity analysis for significant assumptions is as below:</b>		
<b>Increase / decrease on present value of defined benefit obligation as at year end</b>		
(i) one percentage point increase in discount rate	(3.11)	(2.77)
(ii) one percentage point decrease in discount rate	3.56	3.18
(iii) one percentage point increase in salary escalation rate	1.95	1.89
(iv) one percentage point decrease in salary escalation rate	(1.80)	(1.76)
(v) one percentage point increase in employee turnover rate	0.94	1.02
(vi) one percentage point decrease in employee turnover rate	(1.05)	(1.14)

### Sensitivity Analysis Method

Sensitivity for significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of the defined benefit obligation by percentage, keeping all the other actuarial assumptions constant.

### Risk Faced by Company:

The Gratuity scheme is a final salary Defined Benefit Plan that provides for a lump sum payment made on exit either by way of retirement, death, disability or voluntary withdrawal. The benefits are defined on the basis of final salary and the period of service and paid as lump sum at exit. The Plan design means the risks commonly affecting the liabilities and the financial results are expected to be:

**Interest rate risk :** The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase

**Salary Inflation risk :** Higher than expected increases in salary will increase the defined benefit obligation

**Demographic risk :** This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

### viii. The major category of plan assets as a percentage of the fair value of total plan assets are as follows:

	March 31, 2020	March 31, 2019
Investment with Insurer managed funds - conventional products	100%	100%

The Company contributes all ascertained liabilities towards gratuity to the Life Insurance Corporation of India (LIC). As of March 31, 2020 and March 31, 2019, the plan assets have been invested in insurer managed funds.



**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements**

- ix. The weighted average assumptions used to determine net periodic benefit cost for the year ended March 31, 2020 and March 31, 2019 are set out below:

	March 31, 2020	March 31, 2019
Discount rate (p.a.)	6.80%	7.60%
Salary escalation Rate	6.00%	6.00%
Attrition rate	5.00%	5.00%
Retirement age	60 years	60 years
Mortality Table	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)

The estimates of future salary increases considered in the actuarial valuation take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

The Company expects to contribute Rs.13.44 Lakhs to the gratuity fund during FY 2020-21.

c) **Leave Encashment**

Liability towards Leave Encashment based on Actuarial valuation amounts to Rs. 57.70 Lakhs as at March 31, 2020 [March 31, 2019: Rs. 47.93 Lakhs].

**41 List of Related Parties with whom transactions have taken place during the year:**

a) **Names of the related parties and description of relationship**

Relationship	Name of the related parties
Holding Company	GMR Highways Limited (GHWL)
Enterprises having control over the Company	GMR Enterprises Private Limited [GEPL], (formerly known as GMR Holdings Private Limited) GMR Infrastructure Limited [GIL]
Fellow Subsidiary	GMR Energy Ltd (GEL) GMR Ambala Chandigarh Expressways Private Limited (GACEPL) GMR Tambaram Tindivanam Expressways Limited (GTTEL) GMR Tuni Anakapalli Expressways Limited (GTTEL) GMR Hyderabad Vijayawada Expressways Private Ltd ( GHVEPL) Raxa Security Services Limited (RSSL) Dhruvi Securities Private Limited ( DSPL) Kakinada SEZ Limited [KSL] GMR SEZ & Port Holdings Limited [GSPHL] Delhi International Airports Limited [DIAL]
Other entities - Enterprise where Key Management Personnel and their relatives exercise significant influence	GMR Varalakshmi Foundation ( GVF) GMR Projects Private Limited, (GPPL)
Key Management Personnel	Mrs. Ragini Kiran Grandhi, Whole time director (from May 1, 2016) Mr. O Bangaru Raju, President Mr. Bajrang Lal Gupta, Independent Director (from September 1, 2016) Mr. Arun Kumar Sharma, Director (from April 11, 2014) Mr. K.A.Somayajulu, Independent Director (from March 31, 2015) Mr. Mohan Rao M, Director (from October 16, 2015)
Chief Financial Officer	Mr. Amit Kumar, CFO
Company Secretary	Mr. Paramjeet Singh, Company Secretary
Manager	Mr. Janagani Pothalaiah (Manager, upto January 28, 2019) Mr. Paranthaman Adimoolam (Manager, w.e.f. February 23, 2019)





**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements**
**b) Details of the transactions with related parties are as follows \* :**

Particulars		Relationship	March 31, 2020	Rupees in Lakhs March 31, 2019
A. Items relating to statement of profit and loss				
a.	Interest Income on Inter Corporate Deposit/Unsecured Loan given			
	GHWL	Holding Company	926.86	755.78
	GEPL	Enterprises having control over the Company	-	85.69
	GIL	Enterprises having control over the Company	785.72	519.17
	DSPL	Fellow Subsidiary	170.04	1,105.75
	KSL	Fellow Subsidiary	850.43	36.72
	GSPHL	Fellow Subsidiary	193.81	8.38
	GTTEL	Fellow Subsidiary	84.50	52.83
	GTAEL	Fellow Subsidiary	56.55	37.01
b.	Modification Loss on Loan given to related parties			
	GHWL	Holding Company	681.00	130.28
	GEPL	Enterprises having control over the Company	-	15.69
	GIL	Enterprises having control over the Company	200.19	31.93
	DSPL	Fellow Subsidiary	8.46	31.47
	KSL	Fellow Subsidiary	429.29	111.21
	GSPHL	Fellow Subsidiary	22.28	-
	GTTEL	Fellow Subsidiary	15.25	-
	GTAEL	Fellow Subsidiary	8.00	-
c.	Interest on Liability portion of Preference Shares			
	GIL	Enterprises having control over the Company	221.60	199.64
d.	Share of Corporate Common expense			
	GIL	Enterprises having control over the Company	30.33	14.43
e.	Monthly Maintenance of Highways			
	GHWL	Holding Company	406.55	551.12
f.	Periodic major maintenance of Highways expenses recognised			
	GHWL	Holding Company	-	-
	Periodic major maintenance of Highways cost not recognised as expenses as per Ind AS 115			
	GHWL	Holding Company	1,182.74	2,256.24
g.	Charges for Security & Toll management services			
	RSSL	Fellow Subsidiary	84.88	89.41
h.	Unwinding Interest on Periodic Major Maintenance			
	GHWL	Holding Company	686.12	653.88
i.	Corporate Social Responsibility Expenses			
	GVF	Other Entities	26.14	34.38
j.	Travelling and conveyance			
	DIAL	Fellow Subsidiary	1.85	3.14
k.	Trademark & Logo fees			
	GEPL	Enterprises having control over the Company	19.41	-



**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements**

Particulars		Relationship	March 31, 2020	Rupees in Lakhs March 31, 2019
B. Items relating to balance sheet				
a.	Equity shares outstanding			
	GHWL	Holding Company	13,593.00	13,593.00
	GIL	Enterprises having control over the Company	138.00	138.00
	GEL	Fellow Subsidiary	69.00	69.00
b.	Equity component of preference shares			
	GHWL	Holding Company	3,620.95	3,620.95
c.	Liability portion of preference shares			
	GHWL	Holding Company	2,290.10	2,068.49
d.	Unsecured Loan / inter corporate deposits given			
	GIL	Enterprises having control over the Company		
	Opening balance		7,182.00	3,732.00
	Add: Loan given during the year		85.00	3,450.00
	Less: Recovered during the year		-	-
	Closing Balance		7,267.00	7,182.00
	GHWL	Holding Company		
	Opening balance		6,080.00	6,080.00
	Add: Loan given during the year		4,889.00	-
	Less: Recovered during the year		-	-
	Closing Balance		10,969.00	6,080.00
	DSPL	Fellow Subsidiary		
	Opening balance		2,000.00	9,500.00
	Add: Loan given during the year		-	-
	Less: Recovered during the year		(1,823.00)	(7,500.00)
	Closing Balance		177.00	2,000.00
	GPPL	Other entities		
	Opening balance		-	100.00
	Add: Loan given during the year		-	-
	Less: Recovered during the year		-	(100.00)
	Closing Balance		-	-
	GTTEL	Fellow Subsidiary		
	Opening balance		741.00	-
	Add: Loan given during the year		120.00	1,005.00
	Less: Recovered during the year		-	(264.00)
	Closing Balance		861.00	741.00
	GTAEI	Fellow Subsidiary		
	Opening balance		494.00	-
	Add: Loan given during the year		80.00	682.00
	Less: Recovered during the year		-	(188.00)
	Closing Balance		574.00	494.00
e.	Unsecured Loan / inter corporate deposits given			
	KSL	Fellow Subsidiary		
	Opening balance		7,500.00	-
	Add: Loan given during the year		-	7,500.00
	Less: Recovered during the year		-	-
	Closing Balance		7,500.00	7,500.00
	GSPHL	Fellow Subsidiary		
	Opening balance		1,967.07	-
	Add: Loan given during the year		-	1,967.07
	Less: Recovered during the year		-	-
	Closing Balance		1,967.07	1,967.07



**GMR Pochanpalli Expressways Limited**

CIN - U45200KA2005PLC049327

**Notes to the financial statements**

Particulars	Relationship	Rupees in Lakhs	
		March 31, 2020	March 31, 2019
f. Advance to supplier of goods / services			
GHWL	Holding Company		
Opening balance		1,508.85	1,182.56
Add: Advance given during the year		-	326.29
Less: Utilised during the year		(12.07)	-
Closing Balance		1,496.78	1,508.85
g. Interest Receivable on Loan given (net of modification loss)			
GIL	Enterprises having control over the Company	1,173.71	627.25
GHWL	Holding Company	2,132.57	1,918.17
DSPL	Fellow Subsidiary	40.19	354.84
GTTEL	Fellow Subsidiary	114.73	47.55
GTAEL	Fellow Subsidiary	65.47	33.31
KSL	Fellow Subsidiary	1,705.26	1,355.57
GSPHL	Fellow Subsidiary	175.20	7.54
h. Trade and Other Payables			
GIL	Enterprises having control over the Company	48.53	18.96
GHWL	Holding Company	1,150.06	762.16
DIAL	Fellow Subsidiary	1.81	3.14
RSSL	Fellow Subsidiary	16.17	7.30
GEPL	Enterprises having control over the Company	17.67	-
i. Security/Other Deposit Recoverable			
RSSL	Fellow Subsidiary	-	16.67
j. Provision for major maintenance			
GHWL	Holding Company		
Opening balance		9,031.14	6,122.34
Add: Provision made during the year		1,868.85	2,910.12
Less: Provision utilised during the year		0.00	(1.32)
Closing Balance		10,900.00	9,031.14
k. Receivable - other reimbursement			
GHVEPL	Fellow Subsidiary	0.29	-
GTAEL	Fellow Subsidiary	-	0.01
Mrs. Ragini Kiran Grandhi	KMP	-	0.33

\* Reimbursement of expenses are not considered in the above statement.

**Notes:**

- Related Party Transactions given above are as identified by the Management.
- Commitments with related parties: As at year end March 31, 2020, there is no commitment outstanding with any of the related parties.
- Terms and conditions of transactions with related parties  
The transaction from related parties are made on terms equivalent to those that prevail in arm's length transactions as approved by the Audit Committee. Outstanding balances at the year-end are unsecured and settlements occurs in cash. There have been no guarantees provided or received for any related party receivables or payables other than loans to related parties and support letter received for such loans granted from GMR Infrastructure Limited. For the year ended March 31, 2020, the Company has assessed the credit risk of dues receivable from related parties in respect of loans outstanding and the management is of the view that there are no impairment/credit loss allowance to be considered other than those already provided under modification loss with regard to loss allowance and delay in repayment of interest. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.
- For terms and condition related to Preference Share please refer Note no13.





# GMR Pochanpalli Expressways Limited

CIN - U45200KA2005PLC049327

## Notes to the financial statements

c. Compensation of key management personnel of the company			Rupees in Lakhs
Particulars	March 31, 2020	March 31, 2019	
a. Short-term employee benefits	178.93	98.48	
b. Post-employment benefits (provident fund and superannuation fund)	15.25	7.92	
c. Termination benefits	-	-	
d. Any other payment/benefit given to KMPs	3.01	3.54	
Total	197.19	109.94	

d. Transaction with Key Management Personnel							Rupees in Lakhs
Particulars	Short-term employee benefits	Post-employment benefits	Other long-term employee	Termination benefits	Sitting Fee	Others	Outstanding loans/advances receivables
Mr. Bajrang Lal Gupta	-	-	-	-	1.48	-	-
	-	-	-	-	(1.71)	-	-
Mr. K.A. Somayajulu	-	-	-	-	1.53	-	-
	-	-	-	-	(1.83)	-	-
Mrs. Ragini Kiran Grandhi	59.93	4.80	-	-	-	-	-
	(63.99)	(4.15)	-	-	-	-	-
Mr. O Bangaru Raju	103.96	9.18	-	-	-	-	-
	(13.83)	(1.75)	-	-	-	-	-
Mr. Janagani Pothalaiah	-	-	-	-	-	-	-
	(18.67)	(1.90)	-	-	-	-	-
Mr. Paranthaman Adimoolam	15.04	1.27	-	-	-	-	-
	(1.99)	(0.12)	-	-	-	-	-

Previous year are in brackets

### Note:

Key Managerial Personnel are entitled to post-employment benefits and other long term employee benefits recognised as per Ind AS 19 'Employee Benefits' in the financial statements. As these employee benefits are lump sum amounts provided on the basis of actuarial valuation, the same is not included above.

### 42 Salient aspects of Service Concession Arrangement

National Highways Authority of India (NHAI) has granted the exclusive right and authority during the concession period for designing, engineering, financing, procurement, construction, completion, operation and maintenance of the Project Highway. It shall include Improvement, Operation and Maintenance of NH-7 in the state of Andhra Pradesh.

The Concession period is 20 year commencing from the commencement date .i.e. September 27, 2006

NHAI has further granted the exclusive right and authority during the concession period in accordance with terms and condition of the agreement to:

- to develop, design, engineer, finance, procure, construct, operate and maintain the Project Highway during the Concession Period.
- upon Completion of the Project Highway and during the Operation Period to manage, operate & maintain the Project Highway and regulate the use thereof by third parties.
- to allow NHAI to levy, demand, collect and appropriate the Fees from vehicles and persons liable to payment of Fees for using the Project Highway or any part thereof.
- perform and fulfil all of the obligations under this agreement.
- bear and pay all expenses, costs and charges incurred in the fulfilment of all the obligations under this Agreement.
- not assign or create any lien or Encumbrance on the Concession hereby granted on the whole or any part of the Project Highway nor transfer, lease or part possession therewith save and except as expressly permitted by this Agreement or the Substitution Agreement.

### Annuity

Subject to the provisions of the Concession Agreement and in consideration of the Company accepting the Concession and undertaking to perform and discharge its obligations in accordance with the terms, conditions and covenants set forth in this agreement, NHAI agrees and undertake to pay to the Concessionaire, on each Annuity Payment Date, the sum of Rs. 5418 Lakhs.



## GMR Pochanpalli Expressways Limited

CIN: U45200KA200591C049327

### Notes to the financial statements

The Company should not levy, demand or collect from or in respect of any vehicle or Person, for the use of Project Facilities, any sum whatsoever in the nature of a toll or fee.

The Company should not permit or allow any advertisement/hoarding or other commercial activity and should not be entitled to charge, collect or receive any sums on account of any such activity. The Company agrees that unless otherwise provided in this Agreement, the project revenue shall consist of Arduity only.

#### Concession Fee

In consideration of the grant of Concession under this Agreement, the Concession fee payable by the Company to the NHAI is Rs. 1 per year during the terms of the concession agreement.

#### Operation and Maintenance

The Company shall operate and maintain the Project Highway by itself or through Operations and Maintenance (O&M) Contractor and if required, modify, repair or otherwise make improvement to the Project Highway to comply with Specifications and Standards, and other requirements set forth in this Agreement, Good Industry Practice, Applicable laws and Applicable Permits and manufacturer's guidelines and instructions with respect to toll systems and more specifically:

- i. permitting safe, smooth and uninterrupted flow of traffic during normal operating conditions.
- ii. to allow NHAI to levy, demand, collect and appropriate the Fees from vehicles and persons liable to payment of Fees for using the Project Highway or any part thereof as per Article VII of the Concession Agreement.
- iii. minimizing disruption to traffic in the event of accidents or other incidents affecting the safety and use of the Project Highway by providing a rapid and effective response and maintaining liaison procedures with emergency services.
- iv. undertaking routine maintenance including prompt repairs of potholes, cracks, Concrete joints, drains, line marking, lighting and signage.
- v. undertaking major maintenance such as resurfacing of pavements, repairs to structures and hardware and other equipment.
- vi. carrying out periodic preventive maintenance to Project Highway.
- vii. preventing with the assistance of concerned law enforcement agencies unauthorised entry to and exit from the Project Highway.
- viii. preventing with the assistance of the concerned law enforcement agencies encroachments on the Project Highway including site and preserve the right of way of the Project Highway.
- ix. maintaining a public relations unit to interface with and attend to suggestions from users of the Project Highway, the media, Government Agencies, and other external agencies.
- x. adherence to the safety standards.

#### Monitoring and Supervision during Operation

The Company is required to undertake periodic inspection of the Project Highway to determine the condition of the Project Highway including its compliance or otherwise with the Maintenance Manual, the Maintenance Programme, Specifications and Standards and the maintenance required and shall submit report of such inspection ("Maintenance Report") to NHAI and the Independent Consultant.

43 Figures of the previous year wherever necessary, have been regrouped and rearranged to conform with those of the current year.

As per our report of even date attached

For Chaturvedi & Shah LLP

Chartered Accountants

Firm Registration Number : 101720W / W100355

*Lalit R Mhalsekar*

Lalit R Mhalsekar

Partner

Membership No.: 103418

Date : June 18, 2020

Place : Mumbai



For and on behalf of

GMR Pochanpalli Expressways Limited

*Arun Kumar Sharma*

Arun Kumar Sharma

Director

DIN: 02281905

*Amit Kumar*

Amit Kumar

Chief Financial Officer

Membership no. 500164

Date : June 18, 2020

Place : New Delhi

*Bajrang Lal Gupta*

Bajrang Lal Gupta

Director

DIN: 02175777

*Paramjeet Singh*

Paramjeet Singh

Company Secretary

Membership no. A18789

