

**INDEPENDENT AUDITOR'S REPORT**

To the Members of GMR Aerospace Engineering Limited

**Report on the Ind AS Financial Statements**

We have audited the accompanying Ind AS financial statements of GMR Aerospace Engineering Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies (collectively known as the 'Ind AS Financial Statements') and other explanatory information.

**Management's Responsibility for the Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind As) specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility 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 the 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Ind AS financial statements.



## Basis for Qualified Opinion

As more fully described in Note No. 36 to the Ind AS financial statements, we report that as at March 31, 2017, the Company has investment, loans and trade receivables amounting to Rs. 2,551,612,388, Rs. 1,174,933,774 and Rs. 532,769,118 respectively in its wholly owned subsidiary GMR Aero Technic Limited, whose accumulated losses have fully eroded its net worth. Based on the future business plan and projections approved by the Board of Directors of the Company and valuation assessment done by the Management, the Management is of the view that there is no impairment in the value of such investment, loans and trade receivables. However, in view of the current financial position of the wholly owned subsidiary and in the absence of sufficient and appropriate audit evidence to support the key assumptions made by the management in the business plan, we are unable to comment on the carrying value of such investment, loans and trade receivables including adjustments, if any, that may be required to be made to such carrying amounts of investment, loans and trade receivables.

## Qualified opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2017, of its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

## 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 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143(3) of the Act, 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 purpose of our audit;
  - (b) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive income, Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
  - (d) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Indian Accounting Standards) Rules, 2015, as amended;
  - (e) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company;
  - (g) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of section 164 (2) of the Companies Act, 2013;

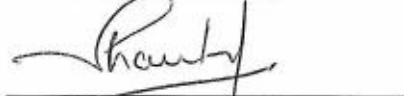


# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

- (h) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above;
- (i) 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 2" to this report; and
- (j) 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 from time to time in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company does not have any pending litigations which would impact its financial position;
  - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 5(C) and 15 to the Ind AS financial statements;
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and
  - iv. As per books of accounts of the Company and as represented by the management of the Company, the Company did not have cash balance as on November 8, 2016 and December 30, 2016 and has no cash dealings during this period.

For S.R. BATLIBOI & ASSOCIATES LLP  
ICAI Firm Registration Number: 101049W/E300004  
Chartered Accountants



per Shankar Srinivasan  
Partner

Membership Number: 213271



Place: Hyderabad  
Date: May 03, 2017



## Annexure 1 referred to in our report of even date

Re: GMR Aerospace Engineering Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.
  - (b) All Property, Plant and Equipment have not been physically verified by the management during the year, but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
  - (c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under clause 3(ii) of the Order are not applicable to the Company.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) 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 provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under section 148(1) of the Companies Act, 2013 for the services of the Company.
- (vii)(a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues applicable to it.
  - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues applicable to it were outstanding, at the year end, for a period of more than six months from the date they became payable.
  - (c) According to the information and explanations given to us, there are no dues of income tax, sales tax, service tax, duty of custom, duty of excise, value added tax and cess which have not been deposited on account of any dispute.



# S.R. BATLIBOI & ASSOCIATES LLP

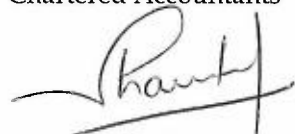
Chartered Accountants

- viii) In our opinion and according to information and explanations given by the management, the Company has not defaulted in repayment of dues to banks. The Company did not have any outstanding dues to financial institutions, government, and has not issued any debentures.
- (ix) In our opinion and according to the information and explanations given by the management, the company has utilised the term loans for the purpose which they were raised. The company has not raised money by way of initial public offer or debt instruments.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the Ind AS financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act are not applicable to the company and hence reporting under clause 3(xi) are not applicable and hence not commented upon.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the Ind AS financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence reporting requirements under clause 3(xiv) are not applicable to the Company and not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. BATLIBOI & ASSOCIATES LLP

ICAI Firm Registration Number: 101049W/E300004

Chartered Accountants



per Shankar Srinivasan  
Partner

Membership Number: 213271



Place: Hyderabad

Date: May 03, 2017

**ANNEXURE 2 To the Independent Auditor's Report of even date on the Ind AS Financial Statements of GMR Aerospace Engineering Limited**

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

To the Members of GMR Aerospace Engineering Limited

We have audited the internal financial controls over financial reporting of GMR Aerospace Engineering Limited ("the Company") as of March 31, 2017, in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

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

The Company's Management 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 the 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 Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting 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") and the Standards on Auditing, as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. 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 Ind AS 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 qualified opinion on the internal financial controls system over financial reporting.

**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 Ind AS 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 Ind AS 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 Ind AS 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.

## **Qualified Opinion**

According to the information and explanations given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at March 31, 2017:

The Company has designed internal financial controls over estimation of impairment in value of investments, loans and trade receivables, however, in case of such assessment with respect to a wholly owned subsidiary company, as more fully explained in the note 36 to the Ind AS financial statements as at March 31, 2017, in the absence of sufficient appropriate audit evidence to support the key assumptions made by the management in the business plan, could potentially result in the Company not providing for adjustments, if any, that may be required to be made to such carrying amount of investments, loans and trade receivables.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim Ind AS financial statements will not be prevented or detected on a timely basis

In our opinion, the Company has, in all material respects, maintained adequate internal financial controls over financial reporting as of March 31, 2017, 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, and except for the possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company's internal financial controls over financial reporting were operating effectively as of March 31, 2017.



# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

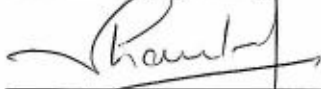
## **Explanatory paragraph**

We also have audited, in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act, the Ind AS financial statements of GMR Aerospace Engineering Limited, which comprise the Balance Sheet as at March 31, 2017, and the related Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2017 Ind AS financial statements of the Company and this report affects our report dated May 03, 2017, which expressed a qualified opinion on those Ind AS financial statements.

For S.R. BATLIBOI & ASSOCIATES LLP

ICAI Firm Registration Number: 101049W/E300004

Chartered Accountants



per Shankar Srinivasan

Partner

Membership Number: 213271



Place: Hyderabad

Date: May 03, 2017



GMR Aerospace Engineering Limited  
CIN: U45201TG2008PLC067141  
Balance sheet as at March 31, 2017  
(All amounts in Indian Rupees except otherwise stated)

	Notes	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	3	375,532,988	423,176,376	477,753,781
Investment property	4	1,040,341,533	1,106,548,654	1,172,882,069
Investments	5A	2,551,612,388	2,017,949,173	1,929,148,069
<b>Financial assets</b>				
Loans	5B	1,144,933,774	1,062,333,555	986,381,263
Other non-current financial assets	5D	52,984,492	794,896	713,083
Deferred tax asset (net)	6	-	-	-
Non current tax asset		3,940,278	3,822,335	3,681,935
Other non current assets	7	53,053,955	101,074,435	119,755,053
		<b>5,222,399,408</b>	<b>4,715,699,424</b>	<b>4,690,315,253</b>
<b>Current assets</b>				
<b>Financial assets</b>				
Loans	5B	30,000,000	7,600,000	-
Trade receivables	8	532,769,118	475,624,984	242,270,667
Derivative instruments	5C	136,089,662	166,595,622	-
Cash and cash equivalents	9	841,990	3,757,147	199,503
Other current assets	7	45,912,175	18,642,916	5,804,751
		<b>745,612,945</b>	<b>672,220,669</b>	<b>248,274,921</b>
<b>Total assets</b>		<b>5,968,012,353</b>	<b>5,387,920,093</b>	<b>4,938,590,174</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Equity share capital	10	2,929,000,000	2,439,000,000	2,379,000,000
Other equity	11			
Retained earnings		(74,834,087)	(45,401,311)	(136,625,206)
Share application money pending allotment		120,000,000	-	-
<b>Total equity</b>		<b>2,974,165,913</b>	<b>2,393,598,689</b>	<b>2,242,374,794</b>
<b>Financial liabilities</b>				
Borrowings	12	2,656,410,863	2,781,549,367	2,572,575,931
Long term provisions	13	140,576	64,533	3,829
		<b>2,656,551,439</b>	<b>2,781,613,900</b>	<b>2,572,579,760</b>
<b>Current liabilities</b>				
<b>Financial liabilities</b>				
Borrowings	12	123,600,000	33,600,000	-
Trade payables	14A	203,401,611	152,349,060	104,120,652
Other payables	14B	8,010,848	8,330,186	17,552,245
Other current financial liabilities	15	825,000	17,049,106	822,746
Other current liabilities	16	860,154	905,224	761,299
Short term provisions	13	597,388	473,928	378,678
<b>Total liabilities</b>		<b>337,295,001</b>	<b>212,707,504</b>	<b>123,635,620</b>
<b>Total equity and liabilities</b>		<b>5,968,012,353</b>	<b>5,387,920,093</b>	<b>4,938,590,174</b>
<b>Summary of significant accounting policies</b>	2.2			

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

per Shankar Srinivasan  
Partner  
Membership No : 213271



For and on behalf of the Board of Directors  
GMR Aerospace Engineering Limited

Rajesh Kumar Arora  
Director  
DIN : 03174536

SGK Kishore  
Director  
DIN : 02916539

K Venkata Ramana  
Chief Financial Officer

Lalit Kumar Tiwari  
Company Secretary

Place : Hyderabad  
Date : May 03, 2017

Place : Hyderabad  
Date : May 03, 2017

GMR Aerospace Engineering Limited

CIN: U45201TG2008PLC067141

Statement of profit and loss for the year ended March 31, 2017

(All amounts in Indian Rupees except otherwise stated)

	Notes	For the year ended March 31, 2017	For the year ended March 31, 2016
<b>Income</b>			
Revenue from operations	17	298,964,015	304,012,216
Other income	18	4,235,435	150,847,547
Finance income	19	195,097,169	116,041,007
<b>Total income (i)</b>		<b>498,296,619</b>	<b>570,900,770</b>
<b>Expenses</b>			
Employee benefits expense	20	5,070,489	4,408,406
Other expenses	21	99,133,105	63,750,096
<b>Total expenses (ii)</b>		<b>104,203,594</b>	<b>68,158,502</b>
<b>Earnings before interest, tax, depreciation and amortization (EBITDA) [(i) - (ii)]</b>		<b>394,093,025</b>	<b>502,742,268</b>
Depreciation and amortization expenses	22	113,850,509	120,910,820
Finance costs	23	309,637,089	290,600,535
<b>(Loss)/Profit before tax</b>		<b>(29,394,573)</b>	<b>91,230,913</b>
<b>Other comprehensive income for the year</b>			
Other comprehensive income not to be reclassified to profit or loss in subsequent years:			
Re-measurement losses on defined benefit plans		(38,203)	(7,018)
<b>Other comprehensive loss for the year, net of tax</b>		<b>(38,203)</b>	<b>(7,018)</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(29,432,776)</b>	<b>91,223,895</b>
<b>Earnings per share [nominal value of share Rs. 10 (March 31, 2016: Rs. 10)]</b>			
Basic and diluted	24	(0.11)	0.38
<b>Summary of significant accounting policies</b>	<b>2.2</b>		

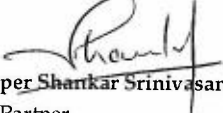
The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S. R. BATLIBOI & ASSOCIATES LLP

ICAI Firm registration number: : 101049W/E300004

Chartered Accountants

  
per Shankar Srinivasan  
Partner

Membership No : 213271




For and on behalf of the Board of Directors

GMR Aerospace Engineering Limited

  
Rajesh Kumar Arora  
Director  
DIN : 03174536

  
SGK Kishore  
Director  
DIN : 02916539

  
K Venkata Ramana  
Chief Financial Officer

  
Lalit Kumar Tiwari  
Company Secretary

Place : Hyderabad

Date : May 03, 2017

Place : Hyderabad

Date : May 03, 2017



GMR Aerospace Engineering Limited  
CIN: U45201TG2008PLC067141  
Statement of Changes in Equity for the year ended March 31, 2017  
(All amounts in Indian Rupees except otherwise stated)

a. Equity Share Capital:

Equity shares of Rs. 10 each issued, subscribed and fully paid  
As at April 1, 2015  
Issue of shares  
As at March 31, 2016  
Issue of shares  
As at March 31, 2017

No.	Rs.
237,900,000	2,379,000,000
6,000,000	60,000,000
243,900,000	2,439,000,000
49,000,000	490,000,000
292,900,000	2,929,000,000

b. Other Equity

(i) Retained earnings

As at April 1, 2016/ April 1, 2015  
Loss for the year  
Other comprehensive income / (loss) for the year  
Total comprehensive income  
As at March 31, 2017/ March 31, 2016

March 31, 2017	March 31, 2016
(45,401,311)	(136,625,206)
(29,394,573)	91,230,913
(38,203)	(7,018)
(29,432,776)	91,223,895
(74,834,087)	(45,401,311)
120,000,000	-

(ii) Share application money pending allotment

The accompanying notes are an integral part of the financial statements.  
As per our report of even date.

For S. R. BATLIBOI & ASSOCIATES LLP  
ICAI Firm Registration Number: 101049W/E300004  
Chartered Accountants  
per Shankar Srinivasan  
Partner  
Membership No : 213271



Place : Hyderabad  
Date : May 03, 2017

For and on behalf of the Board of Directors  
GMR Aerospace Engineering Limited

Rajesh Kumar Arora  
Director  
DIN : 03174536

SGK Kishore  
Director  
DIN : 02916539

K Venkata Ramana  
Chief Financial Officer

Lalit Kumar Tiwari  
Company Secretary

Place : Hyderabad  
Date : May 03, 2017



## GMR Aerospace Engineering Limited

CIN: U45201TG2008PLC067141

Cash flow statement for the year ended March 31, 2017

(All amounts in Indian Rupees except otherwise stated)

	For the year ended March 31, 2017	For the year ended March 31, 2016
<b>Cash flow from operating activities</b>		
(Loss)/profit before tax	(29,394,573)	91,230,913
Adjustment to reconcile loss before tax to net cash flows:		
Depreciation on property, plant and equipment	47,643,388	54,577,405
Depreciation of investment properties	66,207,121	66,333,415
Liabilities no longer required, written back	(4,235,435)	(476,031)
Interest on bank deposit	(2,331,845)	-
Unrealised foreign exchange loss	13,738,600	4,228,048
Fair value loss/ (gain) on the financials instruments at fair value through profit or loss	14,281,854	(150,371,516)
Finance income (including fair value change in financial instruments)	(195,097,169)	(116,041,007)
Finance costs (including fair value change in financial instruments)	307,950,263	289,947,877
<b>Operating profit before working capital changes</b>	<b>218,762,204</b>	<b>239,429,104</b>
Working capital adjustments		
Increase in trade payables	51,052,551	48,704,439
(Decrease)/Increase in other current liabilities	(45,070)	143,925
Increase in provisions	161,300	148,936
Increase in trade receivables	(70,882,732)	(234,559,627)
Decrease/(increase) in other financial assets	(90,936)	(81,813)
Decrease in other assets	20,751,221	27,298
<b>Cash generated from operations</b>	<b>219,708,538</b>	<b>53,812,262</b>
Direct taxes paid (net of refund)	(117,944)	(140,399)
<b>Net cash flow from operating activities (A)</b>	<b>219,590,594</b>	<b>53,671,863</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(998,743)	(8,899,769)
Investment in bank deposits	(50,000,000)	-
Interest received	155,566,920	3,689,866
Loan given to subsidiary (net of repayment)	(598,900,001)	(60,000,000)
<b>Net cash used in investing activities (B)</b>	<b>(494,331,824)</b>	<b>(65,209,903)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	610,000,000	60,000,000
Repayment of long-term borrowings	(35,999,946)	-
Interest paid	(302,173,981)	(44,904,316)
<b>Net cash flow from financing activities (C)</b>	<b>271,826,073</b>	<b>15,095,684</b>
<b>Net increase/(decrease) in cash and cash equivalents (A + B + C)</b>	<b>(2,915,157)</b>	<b>3,557,644</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>3,757,147</b>	<b>199,503</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>841,990</b>	<b>3,757,147</b>



GMR Aerospace Engineering Limited  
 CIN: U45201TG2008PLC067141  
 Cash flow statement for the year ended March 31, 2017  
 (All amounts in Indian Rupees except otherwise stated)

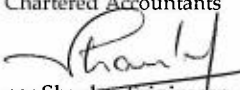
	For the year ended March 31, 2017	For the year ended March 31, 2016
<b>Components of cash and cash equivalents</b>		
With banks- on current account	841,990	3,757,147
<b>Total cash and cash equivalents (Note 9)</b>	<b>841,990</b>	<b>3,757,147</b>
<b>Summary of significant accounting policies</b>	<b>2.2</b>	

**Note :**


Interest accrued on Indian rupee term loan from banks (secured) has been converted into Funded Interest Term Loan as per the terms of agreement. The said transaction is considered as a non-cash transaction for the purpose of cash flow statement.

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S. R. BATLIBOI & ASSOCIATES LLP  
 ICAI Firm registration number: : 101049W/E300004  
 Chartered Accountants  
  
 per Shankar Srinivasan  
 Partner  
 Membership No : 213271



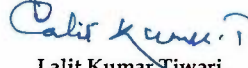
For and on behalf of the Board of Directors  
**GMR Aerospace Engineering Limited**  
  
 Rajesh Kumar Arora  
 Director  
 DIN : 03174536

  
 SGK Kishore  
 Director  
 DIN : 02916539

Place: Hyderabad  
 Date : May 03, 2017



  
 K. Venkata Ramana  
 Chief Financial Officer  
 Place: Hyderabad  
 Date : May 03, 2017

  
 Lalit Kumar Tiwari  
 Company Secretary

GMR Aerospace Engineering Limited

CIN: U45201TG2008PLC067141

Notes to financial statements for the year ended March 31, 2017

(All amounts in Indian Rupees except otherwise stated)

## 1 Corporate information

GMR Aerospace Engineering Limited ("the Company") was incorporated on February 29, 2008 to carry out the business of Investment and development of infrastructure for Maintenance, Repair and Overhaul facility (MRO) of Aircrafts at Rajiv Gandhi International Airport at Shamshabad. The Company had commenced its operations w.e.f. November 1, 2011.

The financial statements were authorised for issue in accordance with a resolution of the directors passed in the Board Meeting held on May 03, 2017.

## 2 Significant accounting policies

### 2.1 Basis of preparation

#### (i) Statement of compliance

In accordance with the notification issued by Ministry of Corporate Affairs, the Company is required to prepare its financial statements under Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2016 with effect from April 1, 2016. Accordingly, the Company's management has now prepared Ind AS financial statements which comprise the Balance Sheets as at March 31, 2017 and March 31, 2016, the Opening Balance Sheet as at April 1, 2015 (transition date), the Statements of Profit and Loss, the Statements of Cash Flow and the Statements of Changes in Equity for the year ended March 31, 2017 and for the year ended March 31, 2016, and a summary of the significant accounting policies and other explanatory information (together hereinafter referred to as "Ind AS Financial Statements").

For all periods up to and including the year ended March 31, 2016, the Company prepared its financial statements in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements for the year ended March 31, 2017 are the first, the Company has prepared in accordance with Ind AS. Refer to note 35 for information on how the Company adopted Ind AS.

#### (ii) Historical cost convention

The financial statements have been prepared on a historical cost basis and on an accrual basis, except for derivative instruments and certain financial assets and liabilities which have been measured at fair value as required by relevant Ind AS (refer accounting policy regarding financial instruments).

### 2.2 Summary of significant accounting policies

#### a. Use of estimates

The preparation of financial statements in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods. 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.

#### b. Investments in subsidiary

The Company has accounted for its investments in subsidiary at cost.

#### c. Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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.

#### d. Foreign currencies

##### Functional and presentation currency

The financial statements are presented in INR (Indian rupees), which is the functional currency of the Company and the currency of the primary economic environment in which the Company operates.

##### Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates at the date of transaction. However, for practical reasons, the Company uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is 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).





**e. Fair value measurement**

The Company measures financial instruments, such as, derivatives 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:

- In the principal market for the asset or liability, or
- 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 (unadjusted) market 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
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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.

External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities, such as contingent consideration.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**f. Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Rental income:

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Interest income:

For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

Dividend income:

Revenue is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

**g. Taxes**

Current income tax:

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 in the countries where the Company operates and generates taxable income.

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 Aerospace Engineering Limited**

CIN: U45201TG2008PLC067141

Notes to financial statements for the year ended March 31, 2017

Deferred tax :

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 liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 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, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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 items are recognised in correlation to the underlying transaction either in OCI or directly 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.

**Sales/ value added taxes paid on acquisition of assets or on incurring expenses:**

Expenses and assets are recognised net of the amount of sales/ value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

**h. Property, plant and equipment**

Property, plant and equipment's are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate assets are derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at April 1, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Particulars	2016-17 (Years)
Plant and equipments	15
Office equipments	5
Computer equipment and IT systems	3 to 6
Furniture and fixtures	10
Vehicles	8

The Company, based on technical assessment made by technical expert and management estimate, depreciates the certain items of plant and equipment over estimated useful lives which coincide with the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. The identified components are depreciated separately over their useful lives; the remaining components are depreciated over the life of the principal asset. Individual assets costing less than Rs. 5,000 are fully depreciated in the year of acquisition.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

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.

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

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



**i. Investment property**

Investment property comprises of buildings on lease hold land that is held for long-term rental yields and/or for capital appreciation. Investment property is initially recognized at cost, including transaction costs. Subsequently investment property comprising of building is carried at cost less accumulated depreciation and accumulated impairment losses, if any. The cost includes the cost of replacing parts and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the investment property are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognized in statement of profit and loss as incurred.

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its investment property recognised as at April 1, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the investment property.

The company depreciates the building on lease hold land on straight line basis over the period of lease, i.e., 27 years.

Though the Company measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of profit and loss in the period of derecognition.

**j. Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

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 year. Cost relating to software licenses, which are acquired, are capitalized and amortized on a straight - line basis over their useful life not exceeding six years.

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.

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.

**k. Borrowing costs**

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 capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

**l. Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to April 1, 2015, the company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

Company as a lessee :

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Company as a lessor:

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.





**m. Impairment of non-financial assets**

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 unit's (CGU) 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 groups 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.

Impairment losses, are recognised in the statement of profit and loss. An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. 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 recognised for the asset in prior periods/ years. Such reversal is recognised in the statement of profit or loss.

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

**n. Provisions, contingent liabilities and commitments**

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.

Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will not be required to settle the obligation
- A present obligation arising from past events, when no reliable estimate is possible
- A possible obligation arising from past events, unless the probability of outflow of resources is remote

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets. Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting date.

**o. Contingent assets**

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are recognized when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate. Contingent assets are reviewed at each reporting date. A contingent asset is disclosed where an inflow of economic benefits is probable.

**p. Retirement and other employee benefits**

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 an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet 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.

Retirement benefit in the form of Superannuation Fund and Employee State Insurance are defined contribution schemes and the contributions are charged to the statement of profit and loss of the year when the contributions to the respective funds are due. The Company has no obligation, other than the contribution payable to the respective funds.

The Company operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined based on actuarial valuation using projected unit credit method.

Re-measurements, 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. Re-measurements are not reclassified to statement of 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 Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

Accumulated leave 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. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.



**q. 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.

**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. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

**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, and
- 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.

This category is the most relevant to the Company. 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.

**Debt instrument at FVTOCI**

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

**Debt instrument at FVTPL**

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL. In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

**Equity investments**

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to statement of profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss. The Company has accounted for its investments in subsidiaries at cost.

**Derecognition**

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



**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 assets that are debt instruments and are measured as at FVTOCI
- c) Lease receivables under Ind AS 17
- d) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18
- e) Loan commitments which are not measured as at FVTPL
- f) Financial guarantee contracts which are not measured as at FVTPL

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables or contract revenue receivables; and all lease receivables resulting from transactions within the scope of Ind AS 17. 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

As a practical expedient, the Company evaluates individual balances to determine impairment loss allowance on its trade receivables. The evaluation is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. 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 statement of profit and loss. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost and contractual revenue receivables: 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.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

**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, or as derivatives designated as hedging instruments in an effective hedge, 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 including bank overdrafts, financial guarantee contracts and derivative financial instruments.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

**r. Derivative financial instruments**

**Initial recognition and subsequent measurement**

The Company uses Interest Rate Swap derivative (IRS) to hedge its interest rate risks. The IRS is initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently re-measured at fair value. It is carried as financial asset when the fair value is positive and as financial liability when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivative is taken directly to profit or loss statement.





#### Loans and borrowings

This is the category most relevant to the Company. 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.

#### Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

#### 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.

#### Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract - with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

#### s. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

#### t. 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.

#### u. Segment reporting policies

The Company has only one reportable business segment, which is operation of airport and providing allied services and operates in a single business segment. Accordingly, the amounts appearing in the financial statements relate to the Company's single business segment.

#### v. Measurement of Earnings before interest, tax, depreciation and amortisation (EBITDA)

The company presents EBITDA as a separate line item on the face of statement of Profit and Loss, but including other income as separate line item on the face of statement of profit and loss.



3 Property, plant and equipment

	Plant and equipments	Office equipments	Computer equipment and IT systems	Furniture and fixtures	Vehicles	Total
<b>Cost</b>						
Deemed cost as at April 1, 2015	454,236,120	17,215,762	415,888	4,854,004	1,032,007	477,753,781
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
As at March 31, 2016	454,236,120	17,215,762	415,888	4,854,004	1,032,007	477,753,781
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
As at March 31, 2017	454,236,120	17,215,762	415,888	4,854,004	1,032,007	477,753,781
<b>Depreciation</b>						
Depreciation charge for the year	41,957,849	11,005,849	196,917	1,191,019	225,771	54,577,405
Disposals	-	-	-	-	-	-
As at March 31, 2016	41,957,849	11,005,849	196,917	1,191,019	225,771	54,577,405
Depreciation charge for the year	40,363,885	6,209,913	196,379	648,057	225,154	47,643,388
Disposals	-	-	-	-	-	-
At March 31, 2017	82,321,734	17,215,762	393,296	1,839,076	450,925	102,220,793
<b>Net block value</b>						
As at March 31, 2017	371,914,386	-	22,592	3,014,928	581,082	375,532,988
As at March 31, 2016	412,278,271	6,209,913	218,971	3,662,985	806,236	423,176,376
Deemed cost as at April 1, 2015	454,236,120	17,215,762	415,888	4,854,004	1,032,007	477,753,781

Note:

- a) All the above tangible assets are given on operating lease to its subsidiary GMR Aero Technic Limited.  
b) Ind AS 101 Exemption: The Company has availed the exemption available under Ind AS 101, wherein the carrying value of Property, plant and equipment has been carried forward at the amount as determined under the previous GAAP. Information regarding gross block of assets, accumulated depreciation has been disclosed by the Company separately as follows:

Block of assets

	Gross Block	Accumulated Depreciation	Net previous GAAP Value
Plant and equipments	568,701,416	114,465,296	454,236,120
Office equipments	32,818,020	15,602,258	17,215,762
equipment	2,515,073	2,099,185	415,888
Furniture and fixtures	6,696,784	1,842,780	4,854,004
Vehicles	1,631,518	599,511	1,032,007
Total	612,362,811	134,609,030	477,753,781

4 Investment property

	Buildings on leasehold land #
Deemed cost as at April 1, 2015	1,172,882,069
Additions	-
Closing balance as at March 31, 2016	1,172,882,069
Additions	-
Closing balance as at March 31, 2017	1,172,882,069
<b>Depreciation</b>	
Depreciation	66,333,415
Closing balance as at March 31, 2016	66,333,415
Depreciation	66,207,121
Closing balance as at March 31, 2017	132,540,536
<b>Net block</b>	
As at April 1, 2015	1,172,882,069
As at March 31, 2016	1,106,548,654
As at March 31, 2017	1,040,341,533

# Building is constructed on lease hold land taken from GMR Hyderabad Aviation SEZ Limited (GHASL) who has obtained the same from GMR Hyderabad International Airport Limited (GHIAL) (holding company). GHIAL has obtained such land under the land lease agreement with the Government of Telangana.

Ind AS 101 Exemption: The Company has availed the exemption available under Ind AS 101, wherein the carrying value of Investment property has been carried forward at the amount as determined under the previous GAAP. Information regarding gross block of assets, accumulated depreciation has been disclosed by the Company separately as follows:

Block of asset

	Gross Block	Accumulated Depreciation	Net previous GAAP Value
Land and Buildings	1,345,764,337	172,882,268	1,172,882,069
Total	1,345,764,337	172,882,268	1,172,882,069



Information regarding income and expenditure of Investment property

	For the year ended March 31, 2017	For the year ended March 31, 2016
Rental income derived from investment properties	230,853,501	233,995,567
Direct operating expenses (including repairs and maintenance) generating rental income	52,645,221	45,707,050
Profits arising from investment properties before depreciation and indirect expenses	178,208,280	188,288,517
Less: Depreciation	66,207,121	66,333,415
Profits arising from investment properties before indirect expenses	112,001,159	121,955,102

The Company's investment property consists of MRO (maintenance, repair and overhaul) hangers facility, designed to perform base maintenance checks. These hangers are supported by the workshops that are necessary for airframe heavy maintenance. As at March 31, 2017 and March 31, 2016, the fair values of the property are INR 1,272,830,000 and INR 1,414,255,000 respectively. These valuations are based on valuations performed by H. Jayasurya & Associates, an accredited independent valuer. H. Jayasurya & Associates is a specialist in valuing these types of investment properties. Fair value hierarchy disclosures for investment properties have been provided in Note 33.

Reconciliation of fair value

	Investment property
Opening balance as at April 1, 2015	1,550,570,000
Fair value difference	(136,315,000)
Additions	-
Closing balance as at April 1, 2016	1,414,255,000
Fair value difference	(141,425,000)
Additions	-
Closing balance as at March 31, 2017	1,272,830,000

Description of valuation techniques used and key inputs to valuation on investment property:

The fair value of investment property has been computed using Market Approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (ie similar) assets, liabilities or a group of assets and liabilities, such as a business. The fair value has been arrived at using a market value of INR 5,000 per square feet reduced by average depreciation for the year.

5A. Investments

	Non-current		
	March 31, 2017	March 31, 2016	April 1, 2015
Investment equity instruments (fully paid-up)			
Unquoted investment in subsidiaries			
25,000,000 (March 31, 2016; 25,000,000, April 1, 2015; 25,000,000) Equity shares of Rs. 10 each fully paid up in GMR Aero Technic Limited.	250,000,000	250,000,000	250,000,000
Add: Investment on account of fair value of interest free loans	2,301,612,388	1,767,949,173	1,679,148,069
Total investments	2,551,612,388	2,017,949,173	1,929,148,069

Financial assets

5B. Loans

	Non-current			Current		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Loan and advances to related party (refer note 29)						
Secured, considered good						
Loan	712,400,000	742,400,000	750,000,000	30,000,000	7,600,000	-
Funded interest term loan ( FITL)	111,380,730	103,206,394	48,209,537	-	-	-
Unsecured, considered good						
Loan	321,153,044	216,727,161	188,171,706	-	-	-
Total	1,144,933,774	1,062,333,555	986,381,263	30,000,000	7,600,000	-

5C. Derivative instruments

	Current		
	March 31, 2017	March 31, 2016	April 1, 2015
Derivative instruments at fair value through profit or loss			
Derivatives not designated as hedges			
Interest rate swaps	86,446,287	-	-
Embedded derivative	49,643,375	166,595,622	-
Total	136,089,662	166,595,622	-



5D. Other financial assets

	Non-current		
	March 31, 2017	March 31, 2016	April 1, 2015
Security deposit, unsecured, considered good	885,832	794,896	713,083
Non-current bank balances	50,000,000	-	-
Interest accrued on fixed deposits	2,098,660	-	-
<b>Total</b>	<b>52,984,492</b>	<b>794,896</b>	<b>713,083</b>

6 Deferred tax asset (net)

	March 31, 2017	March 31, 2016	April 1, 2015
Deferred tax liability (DTL) relating to Accelerated depreciation for tax purposes	(31,538,029)	(27,326,635)	(20,025,495)
(A)	<u>(31,538,029)</u>	<u>(27,326,635)</u>	<u>(20,025,495)</u>
Deferred tax asset(DTA) relating to Unused tax losses/depreciation	31,538,029	27,326,635	20,025,495
(B)	<u>31,538,029</u>	<u>27,326,635</u>	<u>20,025,495</u>
<b>Deferred tax asset (net)</b>	<b>(A+B)</b>	<b>-</b>	<b>-</b>

For the year ended March 31, 2017:

	Opening Balance	Recognised in statement of profit and loss	Closing balance
DTL Accelerated depreciation for tax purposes	(27,326,635)	(4,211,394)	(31,538,029)
DTA Unused tax losses/depreciation	27,326,635	4,211,394	31,538,029
	-	-	-

For the year ended March 31, 2016:

	Opening Balance	Recognised in statement of profit & loss	Closing balance
DTL Accelerated depreciation for tax purposes	(20,025,495)	(7,301,140)	(27,326,635)
DTA Unused tax losses/depreciation	20,025,495	7,301,140	27,326,635
	-	-	-

Note:

The Company is entitled to claim tax holiday for any 10 consecutive years out of 15 years, from the year of commencement of commercial operations in 2011-12 under Section 80-IAB of the Income Tax Act, 1961. The Company has recognised deferred tax asset on unabsorbed depreciation and carried forward losses only to the extent the company has sufficient taxable temporary differences.





## GMR Aerospace Engineering Limited

CIN: U45201TG2008PLC067141

Notes to the financial statements for the year ended March 31, 2017

(All amounts in Indian Rupees except otherwise stated)

## 7 Other assets

	Non-current			Current		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
	36,311,996	83,826,079	101,300,000	45,598,151	18,328,892	3,000,000
Unbilled Revenue - Straight lining of lease rentals						
Advances recoverable in cash or kind						20,602
Prepaid expenses	6,277,042	6,591,067	6,905,951	314,024	314,024	314,024
Balances with Statutory / Government authorities	10,464,917	10,657,289	11,549,102			
Ancillary cost of arranging the borrowings						2,470,125
<b>Total</b>	<b>53,053,955</b>	<b>101,074,435</b>	<b>119,755,053</b>	<b>45,912,175</b>	<b>18,642,916</b>	<b>5,804,751</b>

## 8 Trade receivables

	Current		
	March 31, 2017	March 31, 2016	April 1, 2015
Unsecured, considered good			
Receivables from other related party (refer note 29)	532,769,118	475,624,984	242,270,667
<b>Total</b>	<b>532,769,118</b>	<b>475,624,984</b>	<b>242,270,667</b>

The entire trade receivables represent the amount receivable from its wholly owned subsidiary GMR Aero Technic Limited. Trade receivables are non-interest bearing and are generally on terms of 30 days to 60 days.

## 9 Cash and cash equivalents

	Non-current			Current		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Cash and cash equivalents						
Balances with banks on current accounts				841,990	3,757,147	199,503
Other bank balances				841,990	3,757,147	199,503
- Deposits with original maturity of more than 12 months	50,000,000					
Amount disclosed under other Financial Assets (Note 5D)	(50,000,000)					
				841,990	3,757,147	199,503

During the year, the Company had no specified bank notes or other denomination notes as defined in the MCA notification G.S.R. 308(E) dated March 31, 2017, held and transacted during the period from November 8, 2016 to December 30, 2016.

Cash and banks does not earn interest. The Company has pledged Margin money deposits to fulfill collateral requirements. Refer note 30 for further details.



10 Equity share capital

Authorized share capital

	No.s	Rs.
As at April 1, 2015	250,000,000	2,500,000,000
Increase during the year	-	-
As at March 31, 2016	250,000,000	2,500,000,000
Increase during the year	55,000,000	550,000,000
As at March 31, 2017	305,000,000	3,050,000,000

During the year ended March 31, 2017, the authorised share capital was increased by Rs. 550,000,000 i.e. 55,000,000 equity shares of Rs. 10 each.

Terms/ rights attached 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 shares is entitled to one vote per share. In the 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 the preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Issued equity capital

Equity shares of Rs. 10 each issued, subscribed and fully paid

	No.s	Rs.
As at April 1, 2015	237,900,000	2,379,000,000
Changes during the year	6,000,000	60,000,000
As at March 31, 2016	243,900,000	2,439,000,000
Changes during the year	49,000,000	490,000,000
As at March 31, 2017	292,900,000	2,929,000,000

Shares held by Holding Company

Out of equity shares issued by the Company, shares held by its holding company are as below :

	March 31, 2017	March 31, 2016
GMR Hyderabad International Airport Limited and its nominees 292,900,000 (March 31, 2016 : 243,900,000) equity shares of Rs. 10 each fully paid up	2,929,000,000	2,379,000,000

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

	March 31, 2017		March 31, 2016	
	No.s	% holding	No.s	% holding
Equity shares of Rs.10 each fully paid				
GMR Hyderabad International Airport Limited and its nominees	292,900,000	100%	243,900,000	100%

As per records of the Company, including its Register of shareholders/ members the above shareholding represent legal and beneficial ownership of shares.

No shares have been issued by the Company for consideration other than cash during the period of five years immediately preceding the reporting date.

No shares are reserved for issue under options.

11 Other equity

	March 31, 2017	March 31, 2016	April 1, 2015
Retained earnings			
Opening balance	(45,401,311)	(136,625,206)	(136,625,206)
Add:- (Loss)/profit for the year	(29,394,573)	91,230,913	-
Items recognised directly in Other comprehensive income			
Remeasurement of post-employment obligation	(38,203)	(7,018)	-
Closing balance	(74,834,087)	(45,401,311)	(136,625,206)
Share application money pending allotment	120,000,000	-	-
	45,165,913	(45,401,311)	(136,625,206)



## 12 Borrowings

	Non-current			Current		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Indian rupee term loan from banks (secured)	2,175,653,727	2,268,100,000	2,291,000,000	92,000,000	22,900,000	-
Indian rupee Funded Interest Term Loan from banks (secured)	480,757,136	513,449,367	281,575,931	31,600,000	10,700,000	-
	<u>2,656,410,863</u>	<u>2,781,549,367</u>	<u>2,572,575,931</u>	<u>123,600,000</u>	<u>33,600,000</u>	<u>-</u>

(i) Indian rupee term loan from banks (secured) carry interest rate at base rate plus agreed spread, which is subject to reset at the end of agreed interval. The effective interest rate is 11% p.a. In the earlier year, the Indian rupee term loan from banks (secured) were restructured with a moratorium period of two years in repayment of loan beginning from May 2014 post repayment of first instalment of February 2014. The Loans are repayable in 40 quarterly unequal instalments beginning from June 2016 as against the earlier repayment term of 40 quarterly unequal instalments beginning from February 2014. Further, the interest for a period of 25 months commencing from March 2014 had been converted into Funded Interest Term Loan (FITL). FITL is repayable in 28 quarterly unequal instalments beginning from June 2016 and carry interest at base rate plus agreed spread, which is subject to reset at the end of agreed interval. The effective interest rate is 11% p.a.

(ii) The Indian rupee term loans from banks are secured by:

(a) First pari-passu charge by way of equitable mortgage of leasehold rights of land (of the Company and the subsidiary, GMR Aero Technic Limited) to the extent of 16.46 acres on which MRO facilities are constructed with all the buildings, structures etc. on such land.

(b) First charge (pari-passu) by way of hypothecation of all the movable assets of the Company and the subsidiary, GMR Aero Technic Limited including, but not limited to plant & machinery, machinery spares, tools & accessories, current assets.

(c) First charge (pari-passu) on book debts, operating cash flows, receivables, commissions, revenue of whatsoever nature and wherever arising, present and future of the Company and the subsidiary, GMR Aero Technic Limited.

Indian rupee term loans from banks and FITL, post restructuring, are further secured by:

(a) First charge (pari-passu) on all rights, title, interests, benefits, claims and demands whatsoever of the Company and the subsidiary, GMR Aero Technic Limited with respect to the insurance contracts.

(b) First charge (pari-passu) on all the bank accounts of the Company and the subsidiary, GMR Aero Technic Limited.

(c) Pledge of 51% of paid up share capital (i.e. 149,379,000 shares) (March 31, 2016: 124,389,000, April 1, 2015: 121,329,000) of the Company held by Holding Company, GMR Hyderabad International Airport Limited. Out of which, the Company has pledged 135,864,000 shares as at March 31, 2017 (March 31, 2016 : Pledge of 121,329,000, April 1, 2015 : Pledge of 110,619,000 shares) and is in the process of getting the balance shares, i.e. 13,515,000 shares (March 31, 2016 : 3,060,000 which were issued on March 31, 2016, April 1, 2015 : 10,710,000 which were issued on March 27, 2015) pledged, which were issued on November 23, 2016, January 21, 2017 and March 28, 2017.

(d) Un-conditional and irrevocable Corporate Guarantee of GMR Hyderabad International Airport Ltd (GHIAL) pari passu among the Lenders for their respective Term Loans and Funded Interest Term Loans.

(iii) The Company has entered into an agreement with a bank to obtain Loan Equivalent Risk (LER) facility for the cross currency arrangement referred to in point (e) above, which is secured by a second charge over the fixed and current assets of the Company, both present and future.

i. Rs. 618,300,000 (March 31, 2016 : Rs. 641,200,000) of term loan of the Company has been swapped by way of cross currency arrangement with a Bank effective from March 10, 2016 pursuant to which the principal of Rs. 618,300,000 (March 31, 2016 : Rs. 641,200,000) has been swapped for an equivalent USD 9,176,994.43 (March 31, 2016 : USD 9,516,883.12) and interest on such loan from 11.00 % p.a. to 5.215 % p.a. on the applicable USD amount.

ii. Rs. 225,800,000 (March 31, 2016 : Rs. 236,500,000) Funded Interest Term Loan (FITL) of the Company has been swapped by way of cross currency arrangement with a Bank effective from March 10, 2016 pursuant to which the principal of Rs. 225,800,000 (March 31, 2016 : Rs. 236,500,000) has been swapped for an equivalent USD 3,351,391.47 (March 31, 2016 : USD. 3,510,204.08) and interest on such loan from 11.00 % p.a. to 5.215 % p.a. on the applicable USD amount.

iii. for Rs. 1,649,800,000 (March 31, 2016 : Rs. 1,649,800,000) term loan other than (i) above, the interest on such loan of the Company has been swapped by way of cross currency arrangement with a Bank effective from March 10, 2016 pursuant to which the interest of 11.00 % p.a. has been swapped to 9.78% p.a. on the applicable equivalent USD 24,486,827.46 (March 31, 2016 : USD 24,486,827.46) on such effective date.

iv. for Rs. 256,324,000 (March 31, 2016 : Rs. 256,324,000) Funded Interest Term Loan (FITL) other than (ii) above, the interest on such loan of the Company has been swapped by way of cross currency arrangement with a Bank effective from March 10, 2016 pursuant to which the interest of 11.00 % p.a. has been swapped to 9.78% p.a. on the applicable equivalent USD 3,804,437.85 (March 31, 2016 : USD 3,804,437.85) on such effective date.

## 13 Provisions

	Long-term			Short-term		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Gratuity	140,576	64,533	3,829	-	-	-
Leave benefits	-	-	-	597,388	473,928	378,678
	<u>140,576</u>	<u>64,533</u>	<u>3,829</u>	<u>597,388</u>	<u>473,928</u>	<u>378,678</u>

## 14A Trade payables

	Current		
	March 31, 2017	March 31, 2016	April 1, 2015
Trade payables	1,425,475	1,101,943	587,577
Trade payables to related parties	201,976,136	151,247,117	103,533,075
	<u>203,401,611</u>	<u>152,349,060</u>	<u>104,120,652</u>

The Company has not dealt with any party as defined under the provisions of Micro, Small and Medium Enterprises Development Act, 2006 during the year.

Terms and conditions of the above financial liabilities:

For the transactions and balances with related parties refer Note 29. Trade payable are non-interest bearing and are normally settled on 60 days term.

Other payables are non interest bearing and have an average term of six months.

For explanations on the Company's credit risk management processes, refer to Note 30.



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14B Other payables

Capital creditors  
 Interest accrued but not due  
 Retention money

	Current		
	March 31, 2017	March 31, 2016	April 1, 2015
Capital creditors	443,511	5,677,689	14,629,120
Interest accrued but not due	4,914,840	-	-
Retention money	2,652,497	2,652,497	2,923,125
	<u>8,010,848</u>	<u>8,330,186</u>	<u>17,552,245</u>

15 Other current financial liabilities

Financial liabilities at fair value through profit or loss  
 Derivatives not designated as hedges  
 Interest rate swaps  
 Total financial liabilities at fair value through profit or loss

	March 31, 2017	March 31, 2016	April 1, 2015
Financial liabilities at fair value through profit or loss			
Derivatives not designated as hedges			
Interest rate swaps	-	16,224,106	-
Total financial liabilities at fair value through profit or loss	<u>-</u>	<u>16,224,106</u>	<u>-</u>

Financial guarantee contracts  
 Total other financial liabilities

Financial guarantee contracts	825,000	825,000	822,746
Total other financial liabilities	<u>825,000</u>	<u>17,049,106</u>	<u>822,746</u>

16 Other current liabilities

Statutory liabilities

	March 31, 2017	March 31, 2016	April 1, 2015
Statutory liabilities	860,154	905,224	761,299
	<u>860,154</u>	<u>905,224</u>	<u>761,299</u>





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17 Revenue from operations

Income from Services

Lease Rentals

	For the year ended March 31, 2017	For the year ended March 31, 2016
	298,964,015	304,012,216
	<b>298,964,015</b>	<b>304,012,216</b>

18 Other income

Fair value gain on financial instruments at fair value through profit or loss

Liabilities no longer required, written back

	For the year ended March 31, 2017	For the year ended March 31, 2016
	-	150,371,516
	4,235,435	476,031
	<b>4,235,435</b>	<b>150,847,547</b>

19 Finance income

Interest income on a loan to a subsidiary (refer note 29-III)

Interest on interest rate swap arrangement

Interest on bank deposits

Finance income (including fair value change in financial instruments)

	For the year ended March 31, 2017	For the year ended March 31, 2016
	121,125,793	111,528,395
	70,702,247	3,608,054
	2,331,845	-
	937,284	904,558
	<b>195,097,169</b>	<b>116,041,007</b>

20 Employee benefits expenses

Salaries, wages and bonus

Contribution to provident and other funds

Gratuity expense

	For the year ended March 31, 2017	For the year ended March 31, 2016
	4,739,012	4,103,863
	267,719	235,704
	63,758	68,839
	<b>5,070,489</b>	<b>4,408,406</b>

21 Other expenses

Land lease rentals

Fair value loss on financial instruments at fair value through profit or loss (Note 33)

Rates and taxes

Printing and stationery

Sitting Fees

Communication costs

Repairs and maintenance - Others

Legal and professional fees

Payment to auditors

Office maintenance

Loss on account of foreign exchange fluctuation (net)

	For the year ended March 31, 2017	For the year ended March 31, 2016
	51,479,962	49,512,898
	14,281,854	-
	4,934,274	73,994
	-	4,850
	240,000	405,000
	10,304	22,498
	12,893,515	7,597,402
	254,556	824,758
	797,543	655,330
	-	7,354
	14,221,097	4,646,012
	<b>99,133,105</b>	<b>63,750,096</b>

Payment to auditors (exclusive of service tax)

As auditor:

Statutory audit fee

Other services:

Reimbursement of expenses

	For the year ended March 31, 2017	For the year ended March 31, 2016
	760,000	600,000
	37,543	55,330
	<b>797,543</b>	<b>655,330</b>

22 Depreciation and amortization expenses

Depreciation of tangible assets (Note 3)

Depreciation on investment property (Note 4)

	For the year ended March 31, 2017	For the year ended March 31, 2016
	47,643,388	54,577,405
	66,207,121	66,333,415
	<b>113,850,509</b>	<b>120,910,820</b>

23 Finance costs

Interest on debt and borrowings

Bank charges

	For the year ended March 31, 2017	For the year ended March 31, 2016
	307,950,263	289,947,877
	1,686,826	652,658
	<b>309,637,089</b>	<b>290,600,535</b>



24 Earning per share (EPS)

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

	For the year ended March 31, 2017	For the year ended March 31, 2016
(Loss)/profit attributable to equity share holders	(29,394,573)	91,230,913
Weighted average number of equity shares in calculating basic and diluted EPS	261,846,575	237,916,438

25 Gratuity and other post-employment benefit plans

a. Defined benefit plans:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days last drawn salary for each completed year of service.

The following table summarises the components of net benefit expense recognized in the Statement of profit and loss and the funded status and amounts recognized in the balance sheet for the gratuity plan.

Statement of profit and loss

Net employee benefit expense (recognized in the employee cost)

	For the year ended March 31, 2017	For the year ended March 31, 2016
Current service cost	59,735	53,387
Interest cost on benefit obligation	4,023	15,452
Net benefit expense	63,758	68,839

Balance sheet

Details of provision for gratuity

	March 31, 2017	March 31, 2016	April 1, 2015
Present value of defined benefit obligation	(375,704)	(277,062)	(198,097)
Fair value of plan assets	235,128	212,529	194,268
Plan liability	(140,576)	(64,533)	(3,829)

Changes in the present value of defined benefit obligation are as follows:

	March 31, 2017	March 31, 2016	April 1, 2015
Opening defined benefit obligation	277,062	198,097	144,403
Current service cost	59,735	53,387	52,548
Interest cost	21,611	15,452	13,357
Actuarial losses/(gains) on obligation	17,296	10,126	(12,211)
Closing defined benefit obligation	375,704	277,062	198,097

Changes in the fair value of plan assets are as follows:

	March 31, 2017	March 31, 2016	April 1, 2015
Opening fair value of plan assets	212,529	194,268	137,911
Expected return	17,588	18,261	16,345
Contributions by employer	25,918	-	87,390
Actuarial gains/(losses)	(20,907)	-	(47,378)
Closing fair value of plan assets	235,128	212,529	194,268

The Company expects to contribute Rs. Nil (March, 31 2015 Rs. 87,390) towards gratuity in the next year.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	March 31, 2017	March 31, 2016	April 1, 2015
Investments with insurer	100%	100%	100%

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

	March 31, 2017	March 31, 2016	April 1, 2015
Discount rate	7.10%	7.80%	7.80%
Expected rate of return on assets	9.40%	9.40%	9.00%
Salary escalation rate	6.00%	6.00%	6.00%
Withdrawal rate	5.00%	5.00%	5.00%

The significant actuarial assumptions for the determination of the defined benefit obligations are discount rate and expected salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate increases (decreases) by 1%, the defined benefit obligations would decrease by INR 20,377 (increase by INR 22,087) as of March 31, 2017 decrease by INR 15,797 (increase by INR 17,072) as of March 31, 2016.

If the expected salary growth increases (decreases) by 1%, the defined benefit obligations would increase by INR 21,713 (decrease by INR 20,416) as of March 31, 2017, increase by INR 16,895 (decrease by INR 15,928) as of March 31, 2016.



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The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

**Note:**

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

ii) The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risk of asset management, historical results of the return on plan assets and the Company's policy for plan asset management.

**b. Defined contribution plan**

Contribution to provident and other funds under employee benefit expenses are as under:

	March 31, 2017	March 31, 2016	April 1, 2015
Contribution to provident fund	172,118	134,559	147,585
Contribution to superannuation fund	95,601	89,703	82,137
	<b>267,719</b>	<b>224,262</b>	<b>229,722</b>

c. Leave benefit liabilities provided based on actuarial valuation amounts to Rs. 597,388 (March 31, 2016: Rs. 473,928, April 1, 2015: Rs. 378,678) as at March 31, 2017.

**26 Commitments and contingencies****a. Financial Guarantee**

Corporate guarantee amounting to Rs.210,484,044 ( March 31, 2016: Rs.234,155,106, March 31, 2015: Rs.224,079,264).

In terms of the restructuring agreement, the lenders have a right of recompense at their discretion, in respect of sacrifice undertaken by them on account of reduction/restructuring in the interest rate based on mutual agreement at the end of repayment of dues, subject to improvement in financial position of the Company.

**b. Capital commitment**

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances)

	31 March, 2017	31 March, 2016	1 April, 2015
	24,933,010	-	-
	<b>24,933,010</b>	<b>-</b>	<b>-</b>

**c. Other commitments**

(i) The Company has committed to provide such financial support as necessary, to enable its subsidiary (GMR Aero Technic Limited) to meet the operational requirements as they arise and to meet its liabilities as and when they fall due.

(ii) The Company has commitment to pay monthly lease rentals of Rs. 5 per s.f.t (with an escalation clause of 4% every year from the date of commencement of operations) on the land taken from GMR Hyderabad Aviation SEZ limited of 16.46 acres (1 acre = 43,560 sft) for the period up to March 2038.

(iii) The Company has a commitment to build cash margin to the extent of 10% of the Loan Equivalent Risk (LER) Facility obtained from a bank over the period of one year from the date of first disbursement/contract under the facility.

**27 Segment Information**

The Company is engaged in development of infrastructure for Maintenance, Repair and Overhaul facility (MRO) at Rajiv Gandhi International Airport at Shamshabad and operating the same and related activities, which in the context of Ind AS 108- Segment reporting, notified under Section 133 of the Companies Act, 2013 is considered as single business segment. Accordingly, the amounts appearing in the financial statements relate to the Company's single business segment.

**28 Leases****Operating lease commitments - Company as lessor**

The Company has entered into operating lease on its entire fixed assets of the Company. This lease is entered initially for a non-cancellable period of seven years from the date of commencement of operations with renewal option.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	March 31, 2017	March 31, 2016	April 1, 2015
Within one year	333,809,937	313,137,477	303,270,000
After one year but not more than five years	204,653,339	550,839,616	892,260,000
	<b>538,463,276</b>	<b>863,977,093</b>	<b>1,195,530,000</b>





29 Related party disclosures

(I) Names of related parties and description of relationship

Relationship	Name of related party
Holding company	GMR Hyderabad International Airport Limited (GHIAL)
Subsidiary Company	GMR Aero Technic Limited (GATL)
GHIAL's holding company	GMR Airports Limited (GAL)
GAL's holding company	GMR Infrastructures Limited(GIL)
Ultimate holding company	GMR Enterprises Private Limited
Fellow Subsidiaries (Where transactions have taken place during the year).	GMR Hyderabad Aviation SEZ Limited Delhi International Airport Limited
Key Managerial personnel	Mr. Srinivas Bommidala -Director
	Mr. SGK Kishore -Director
	Mr. P. S. Nair -Director
	Mr.Rajesh Arora -Director
	Mr. Rajsekhar Reddy -Independent Director
	Mr. Ramamurti Akella -Independent Director
	Mrs. Kavitha Gudapati- -Independent Director
	Mr.P.Vijay Bhaskar- -Independent Director
	Mrs.Meena Lochani Raghunathan -Independent Director. (Resigned on October 05,2016)
	Mr. K.A.Somayajulu- Independent Director (Resigned on September 20,2016)
	Mr.K VenkataRamana -KMP(CFO)
	Mr.Uday Naidu -KMP(CEO)
Mr. Lalit Kumar Tiwari (w.e.f. October 22, 2016)- KMP (Company Secretary)	

II Transactions with key managerial personnel

a) Details relating to Key Managerial Personnel

Details of Key Managerial Personnel

March 31, 2017

Mr. Ramamurti Akella  
 Mrs. Kavitha Gudapati  
 Mr.P.Vijay Bhaskar  
 Mr. K.A.Somayajulu (Resigned on September 20,2016)  
 Mr. Lalit Kumar Tiwari (w.e.f. October 22, 2016)

March 31, 2016

Mr. Rajsekhar Reddy  
 Mr. K.A.Somayajulu (Resigned on September 20,2016)

	Remuneration	
	Short-term employee benefits	Sitting Fees
	-	60,000
	-	30,000
	-	80,000
	-	70,000
	377,387	-
	<b>377,387</b>	<b>240,000</b>
	-	180,000
	-	225,000
	-	<b>405,000</b>



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III Summary of transactions with related parties is as follows:

	March 31, 2017	March 31, 2016
<b>(a) GMR Aero Technic Limited</b>		
Facility Lease rental Income	298,964,015	302,608,217
Loans and advances -Given (transaction amount March 31,2017 Rs. 610,000,000, March 31,2016 Rs. 60,000,000)	77,161,785	7,028,612
Investments in subsidiary on account of amortisation of loan given	532,838,215	52,971,388
	825,000	822,746
Investments in subsidiary on account of fair value of financial guarantee		
Loans and advances -Repaid	76,000,000	-
Loans and advances -Given (Transaction amount March 31,2017 Rs. Nil, March 31,2016 Rs. 82,500,000)	-	47,495,285
Interest on Funded Interest Term Loan - Repaid	3,500,000	-
Interest on Loans	82,187,359	82,500,000
Interest on account of amortisation of interest free loan	38,938,433	29,028,395
Corporate guarantee given to the bankers on behalf of its subsidiary	-	10,075,842
Reimbursement of expenses	12,980,512	8,003,469
<b>(b) GMR Hyderabad International Airport Limited</b>		
Allotment of share capital	490,000,000	60,000,000
Receipt of Share application money -Pending Allotment	120,000,000	-
Corporate guarantee given to the bankers on behalf of Company	-	244,548,307
Pledge of equity shares with bankers against the loan taken by the Company	145,350,000	107,100,000
Reimbursement of Expenses	648,436	-
<b>(c) GMR Hyderabad Aviation SEZ Limited</b>		
Lease rental	51,479,962	49,512,898
Finance income from debt instrument through FVTPL	90,936	81,813
<b>(d) GMR Airports Limited</b>		
Corporate guarantee given to bank on behalf of Company	-	900,000,000

Note: The Company has received certain corporate group support services from its holding company, which are free of charge.



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**IV Balances outstanding debit / (credit):**

	Non-Current			Current		
	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2017	March 31, 2016	March 31, 2015
<b>(a) GMR Aero Technic Limited</b>						
Investments in Equity share capital	250,000,000	250,000,000	250,000,000	-	-	-
Investments in subsidiary on account of amortisation of	2,301,612,388	1,767,949,173	1,679,148,069	-	-	-
Trade receivables	-	-	-	532,769,118	475,624,984	242,270,667
Lease Rentals (Straight lining impact)	36,311,996	83,826,079	101,300,000	45,598,151	18,328,892	3,000,000
Loans and advances ( including FITL)	1,144,933,774	1,062,333,555	986,381,263	30,000,000	7,600,000	-
Corporate guarantee given to banks on behalf of its subsidiary (GATL)	-	-	-	210,484,044	234,155,106	224,079,264
Financial guarantee contracts	-	-	-	825,000	825,000	822,746
<b>(b) GMR Hyderabad International Airport Limited</b>						
Trade Payables	-	-	-	(694,087)	-	-
Pledge of equity shares with bankers against the loan taken by the Company	-	-	-	1,358,640,000	1,213,290,000	1,106,190,000
Corporate guarantee given to the bankers on behalf of Company	-	-	-	2,783,870,872	2,819,870,817	2,575,322,510
<b>(c) GMR Hyderabad Aviation Sez Limited</b>						
Security Deposit	885,832	794,896	713,083	-	-	-
Prepaid expenses	6,277,042	6,591,067	6,905,951	314,024	314,024	314,024
Trade Payables	-	-	-	(201,282,049)	(150,116,112)	(101,902,070)
<b>(d) Delhi International Airport Private Limited</b>						
Capital creditors	-	(1,131,005)	(1,631,005)	-	-	-
<b>(e) GMR Airports Limited</b>						
Corporate guarantee given to bank on behalf of Company	-	-	-	900,000,000	900,000,000	-





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### 30 Financial risk management objectives and policies

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade, other payables and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations. The Company has entered into derivative transactions.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. 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. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

#### 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 other price risk, such as equity price and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2017 and 31 March 2016.

The sensitivity analysis have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of hedge designations in place at 31 March 2017.

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity; provisions.

The following assumption have been made in calculating the sensitivity analyses:

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 31 March 2017 and 31 March 2016.

#### 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's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with fixed interest rates. The Company does not have any long-term debt with floating interest rates. Refer Note 12 for fixed interest rate.

The exposure of the Company's borrowing to fixed interest rate is mentioned below:-

Particulars	31-Mar-17	31-Mar-16	01-Apr-15
Indian rupee term loan from banks (secured)	2,267,653,727	2,291,000,000	2,291,000,000
Indian rupee Funded Interest Term Loan from banks (secured)	512,357,136	524,149,367	281,575,931
	<u>2,780,010,863</u>	<u>2,815,149,367</u>	<u>2,572,575,931</u>

#### 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. With all other variables held constant, the Company's profit before tax is affected through the impact on fixed rate borrowings, as follows:

	Increase/decrease in Interest rate	Effect on profit before tax
<b>31-Mar-17</b>		
Indian rupee term loan from banks (secured)	± 0.50%	11,388,962
Indian rupee Funded Interest Term Loan from banks (secured)	± 0.50%	2,569,621
<b>31-Mar-16</b>		
Indian rupee term loan from banks (secured)	± 0.50%	11,246,345
Indian rupee Funded Interest Term Loan from banks (secured)	± 0.50%	1,910,352

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency). The Company's also has exposure to the risk of changes in foreign exchange rates relating to the foreign currency borrowings taken from banks (Refer note 12).

The Company exposure to foreign currency risk at the end of reporting period expressed in INR are as follows:

	31-Mar-17	31-Mar-16	31-Mar-15
<b>Currency Exposure (Foreign currency)</b>			
<b>Financial Asset</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
Trade Receivable	355,268,150	50,296,789	-
<b>Net exposure to foreign currency assets</b>	<b>355,268,150</b>	<b>50,296,789</b>	<b>-</b>
<b>Financial Liabilities</b>			
Capital creditors	-	1,227,714	1,158,454
<b>Net exposure to foreign currency liabilities</b>	<b>-</b>	<b>1,227,714</b>	<b>1,158,454</b>



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**Foreign currency sensitivity**

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The impact on the Company's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges. The Company's exposure to foreign currency changes for all other currencies is not material.

**Foreign currency sensitivity**

	March 31, 2017	March 31, 2016
	Impact on profit after tax	Impact on profit after tax
<b>USD Sensitivity</b>		
INR/USD- Increase by 5% (31st March, 2016 : 5%)	17,763,408	2,453,454
INR/USD- decrease by 5% (31st March, 2016: 5%)	(17,763,408)	(2,453,454)

**Liquidity risk**

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans. Approximately 5% of the Company's debt will mature in less than one year at March 31, 2017 March 31, 2016: 2%, 1 April 2015: Nil) based on the carrying value of borrowings reflected in the financial statements. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
<b>Year ended</b>						
<b>31-Mar-17</b>						
Borrowings	-	30,900,000	92,700,000	1,075,800,000	1,585,200,000	2,784,600,000
Trade payables	196,920,363	6,481,247	-	-	-	203,401,610
Other financial liabilities	8,835,848	-	-	-	-	8,835,848
Financial guarantee contracts*	825,000	-	-	-	-	825,000
<b>Year ended</b>						
<b>31-Mar-16</b>						
Borrowings	-	8,400,000	25,200,000	847,400,000	1,937,200,000	2,818,200,000
Trade payables	146,108,086	6,240,972	-	-	-	152,349,058
Other financial liabilities	24,554,292	-	-	-	-	24,554,292
Financial guarantee contracts*	825,000	-	-	-	-	825,000
<b>As at</b>						
<b>01-Apr-15</b>						
Borrowings	-	-	-	589,800,000	2,228,400,000	2,818,200,000
Trade payables	98,088,545	6,032,108	-	-	-	104,120,653
Other financial liabilities	17,552,245	-	-	-	-	17,552,245
Financial guarantee contracts*	822,746	-	-	-	-	822,746

\* Based on the maximum amount that can be called under the financial guarantee contract.

**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. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

**Trade receivables**

The Company has constructed the airframe MRO (Maintenance, Repair and Overhaul) facility and has given the entire facility to GMR Aerotechnic Limited(GATL), wholly owned subsidiary of the company on lease for rent. The company entered into lease agreement with GATL for 7 years which will be renewable. The company bills GATL as per the lease rentals as per the lease agreement. GATL has entered into long term contracts with all the top airline operators and pays the rent to the company in order to meet the interest obligations, repayment of Term Loan Instalments. At 31 March 2017, the receivables outstanding from GATL are Rs. 532,769,118 (31 March 2016: Rs. 475,624,984).

**Collateral**

The company has pledged part of its margin money deposits in order to fulfil the collateral requirements for the derivatives contracts. At 31 March 2016, 31 March 2015 and 1 April 2014, the fair values of the short-term deposits pledged were rs. 50,000,000, Rs. nil and Rs. nil, respectively. There are no other significant terms and conditions associated with the use of collateral.



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Notes to the financial statements for the year ended March 31, 2017

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**31 Capital management**

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 issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 40% and 60%.

	<u>March 31, 2017</u>	<u>March 31, 2016</u>	<u>April 1, 2015</u>
Borrowings	2,780,010,863	2,815,149,367	2,572,575,931
<b>Total debt</b>	<b>2,780,010,863</b>	<b>2,815,149,367</b>	<b>2,572,575,931</b>
<b>Capital Components</b>			
Share capital	2,929,000,000	2,439,000,000	2,379,000,000
Share application pending allotment	120,000,000	-	-
Reserves and surplus	(74,834,087)	(45,401,311)	(136,625,206)
<b>Total capital</b>	<b>2,974,165,913</b>	<b>2,393,598,689</b>	<b>2,242,374,794</b>
<b>Capital and net debt</b>	<b>5,754,176,776</b>	<b>5,208,748,056</b>	<b>4,814,950,725</b>

**Gearing ratio (%)** 48% 54% 53%

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 year.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2017 and March 31, 2016.





**32 Fair values**

The carrying amount of all financial assets and liabilities (except for those instruments carried at fair value) appearing in the financial statements is reasonable approximation of fair values.

	Carrying value			Fair value		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
<b>Financial assets</b>						
<b>Valued at cost</b>						
Investments	2,551,612,388	2,017,949,173	1,929,148,069	2,551,612,388	2,017,949,173	1,929,148,069
<b>Valued at fair value though profit or loss</b>						
Interest rate swaps	86,446,287	-	-	86,446,287	-	-
Embedded derivatives	49,643,375	166,595,622	-	49,643,375	166,595,622	-
<b>Valued at amortised cost</b>						
Loans	1,174,933,774	1,069,933,555	986,381,263	1,174,933,774	1,069,933,555	986,381,263
Trade receivable	532,769,118	475,624,984	242,270,667	532,769,118	475,624,984	242,270,667
Other financial assets	52,984,492	794,896	713,083	52,984,492	794,896	713,083
Cash and cash equivalent	841,990	3,757,147	199,503	841,990	3,757,147	199,503
<b>Total</b>	<b>4,449,231,424</b>	<b>3,734,655,377</b>	<b>3,158,712,585</b>	<b>4,449,231,424</b>	<b>3,734,655,377</b>	<b>3,158,712,585</b>
<b>Financial liabilities</b>						
<b>Valued at amortised cost</b>						
Borrowings	2,780,010,863	2,815,149,367	2,572,575,931	2,780,010,863	2,815,149,367	2,572,575,931
Trade payables	203,401,611	152,349,060	104,120,652	203,401,610	152,349,058	104,120,653
Other payables	8,010,848	8,330,186	17,552,245	443,511	5,677,689	14,629,120
Other financial liabilities	825,000	825,000	822,746	825,000	825,000	822,746
<b>Valued at fair value though profit or loss</b>						
Interest rate swaps	-	16,224,106	-	-	16,224,106	-
<b>Total</b>	<b>2,992,248,322</b>	<b>2,992,877,719</b>	<b>2,695,071,574</b>	<b>2,984,680,984</b>	<b>2,990,225,220</b>	<b>2,692,148,450</b>

The management assessed the cash and cash equivalent, trade receivables trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

**Assumption used in estimating the fair values**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- (i) **Interest rate swaps**:-The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observables yield curve.
- (ii) **Embedded Derivative**:-The Company receives payment in USD towards a rent payment obligation fixed in Indian Rupee converted at a fixed rate as per the agreement. The rent equivalent shall be calculated in Indian rupees as a string of dollar payment at the fixed conversion rate discounted at borrowing rate. Dollar receivable outstanding on the agreement shall be value at forward rate obtained from the market on the valuation date and discount it appropriately at borrowing cost. Net rent value Indian rupee and the dollar payment leg shall be the present value of embedded lease agreement.

**33 Fair value hierarchy**

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 March 2017:

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
<b>Assets measured at fair value</b>					
Investment property	31-Mar-17	127,283,000	-	127,283,000	-
<b>Derivative not designated as hedge</b>					
Interest rate swaps	31-Mar-17	86,446,287	-	86,446,287	-
Embedded derivatives	31-Mar-17	49,643,375	-	49,643,375	-

There have been no transfers between Level 1, Level 2 and Level 3 during the year.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 March 2016:

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
<b>Assets measured at fair value</b>					
Investment property	31-Mar-16	1,414,255,000	-	1,414,255,000	-
<b>Derivative not designated as hedge</b>					
Embedded derivatives	31-Mar-16	166,595,622	-	166,595,622	-
<b>Liabilities measured at fair value</b>					
<b>Derivative not designated as hedge</b>					
Interest rate swap	31-Mar-16	16,224,106	-	16,224,106	-

There have been no transfers between Level 1, Level 2 and Level 3 during the year.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at April 01,2015:

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
<b>Assets measured at fair value</b>					
Investment property	31-Mar-15	1,550,570,000	-	1,550,570,000	-



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Notes to the financial statements for the year ended March 31, 2017

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#### 34 Significant 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. 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.

##### (A) Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

##### (B) Operating lease commitments - Company as lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

##### (C) 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.

##### (D) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the company has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

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

The cost of the defined benefit gratuity plan and other post-employment medical benefits 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 in currencies consistent with the currencies of the post-employment benefit obligation.

##### (F) 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.

##### (G) Impairment of Financial asset

The impairment provisions for financial assets are based on the assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting year.

##### (H) Discounting rate

The Company has considered incremental borrowing rate of Airport sector at 11.44% per annum as at transition date for measuring deposits, being financial assets and financial liabilities, at amortised cost.



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### 35 First Time Adoption of Ind AS

These financial statements, for the year ended March 31, 2017, are the first, the company has prepared in accordance with Ind AS. For periods up to and including the year ended March 31, 2016, the company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP).

Accordingly, the company has prepared financial statements which comply with Ind AS applicable for periods ending on March 31, 2017, together with the comparative period data as at and for the year ended March 31, 2016, as described in the summary of significant accounting policies. In preparing these financial statements, the company's opening balance sheet was prepared as at April 1, 2015, the company's date of transition to Ind AS. This note explains the principal adjustments made by the company in restating its Indian GAAP financial statements, including the balance sheet as at April 1, 2015 and the financial statements as at and for the year ended March 31, 2016.

#### Exemptions applied

##### Mandatory exemptions

##### Impairment of financial assets (Trade receivables and other financial assets)

At the date of transition to Ind AS, the Company has determined that there significant increase in credit risk since the initial recognition of a financial instrument would require undue cost or effort, the Company has recognised a loss allowance at an amount equal to lifetime expected credit losses at each reporting date until that financial instrument is derecognised (unless that financial instrument is low credit risk at a reporting date).

##### Derecognition of financial assets and financial liabilities

The company has elected to apply the derecognition requirements for financial assets and financial liabilities in Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS.

##### Classification and measurement of financial assets

The company has classified the financial assets in accordance with Ind AS 109 on the basis of facts and circumstances that exist at the date of transition to Ind AS.

##### Optional exemptions:

##### Deemed cost-Previous GAAP carrying value: (PPE)

Since there is no change in the functional currency, the Company has elected to continue with the carrying value for all of its PPE as recognised in its Indian GAAP financial as deemed cost at the transition date.

##### Deemed cost-Previous GAAP carrying value: (Investment property)

Since there is no change in the functional currency, the Company has elected to continue with the carrying value of land which has been classified under PPE in its Indian GAAP financial as deemed cost for investment property at the transition date.

##### Investment in subsidiary

The Company has elected to apply previous GAAP carrying amount of its investment in subsidiary as deemed cost as on date of transition to Ind AS.



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a. Reconciliation of equity as at April 1, 2015 (date of transition to Ind AS)

	IGAAP	Adjustments	Ind AS
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	477,753,781	-	477,753,781
Investment property	1,172,882,069	-	1,172,882,069
<b>Financial assets</b>			
Investments	250,000,000	1,679,148,069	1,929,148,069
Loans	2,629,606,200	(1,643,224,937)	986,381,263
Other non-current financial assets	8,603,971	(7,890,888)	713,083
Deferred tax asset (net)	-	-	-
Non current tax asset	3,681,935	-	3,681,935
Other non current assets	112,849,102	6,905,951	119,755,053
	<b>4,655,377,058</b>	<b>34,938,195</b>	<b>4,690,315,253</b>
<b>Current assets</b>			
<b>Financial assets</b>			
Trade receivables	242,270,667	-	242,270,667
Cash and cash equivalents	199,503	-	199,503
Other current assets	3,020,602	2,784,149	5,804,751
	<b>245,490,772</b>	<b>2,784,149</b>	<b>248,274,921</b>
<b>Total assets</b>	<b>4,900,867,830</b>	<b>37,722,344</b>	<b>4,938,590,174</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	2,379,000,000	-	2,379,000,000
Other equity			
Retained earnings	(176,271,383)	39,646,177	(136,625,206)
<b>Total equity</b>	<b>2,202,728,617</b>	<b>39,646,177</b>	<b>2,242,374,794</b>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	2,575,322,510	(2,746,579)	2,572,575,931
Long term provisions	3,829	-	3,829
	<b>2,575,326,339</b>	<b>(2,746,579)</b>	<b>2,572,579,760</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
	-	-	-
Trade payables	104,120,652	-	104,120,652
Other payables	17,552,245	-	17,552,245
Other current financial liabilities	-	822,746	822,746
Other current liabilities	761,299	-	761,299
Short term provisions	378,678	-	378,678
<b>Total liabilities</b>	<b>122,812,874</b>	<b>822,746</b>	<b>123,635,620</b>
<b>Total equity and liabilities</b>	<b>4,900,867,830</b>	<b>37,722,344</b>	<b>4,938,590,174</b>





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**b. Reconciliation of equity as at March 31, 2016 (date of transition to Ind AS)**

	IGAAP	Adjustments	Ind AS
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	423,176,376	-	423,176,376
Investment property	1,106,548,654	-	1,106,548,654
<b>Financial assets</b>			
Investments	250,000,000	1,767,949,173	2,017,949,173
Loans	2,761,006,201	(1,698,672,646)	1,062,333,555
Other non-current financial assets	8,603,971	(7,809,075)	794,896
Deferred tax asset (net)	-	-	-
Non current tax asset	3,822,335	-	3,822,335
Other non current assets	94,483,369	6,591,066	101,074,435
	<u>4,647,640,906</u>	<u>68,058,518</u>	<u>4,715,699,424</u>
<b>Current assets</b>			
<b>Financial Assets</b>			
Loans	11,100,000	(3,500,000)	7,600,000
Trade receivables	475,624,984	-	475,624,984
Derivative instruments	-	166,595,622	166,595,622
Cash and cash equivalents	3,757,147	-	3,757,147
Other current assets	18,328,892	314,024	18,642,916
	<u>508,811,023</u>	<u>163,409,646</u>	<u>672,220,669</u>
<b>Total assets</b>	<u>5,156,451,929</u>	<u>231,468,164</u>	<u>5,387,920,093</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	2,439,000,000	-	2,439,000,000
Other equity			
Retained earnings	(280,765,924)	235,364,613	(45,401,311)
<b>Total equity</b>	<u>2,158,234,076</u>	<u>235,364,613</u>	<u>2,393,598,689</u>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	2,786,270,816	(4,721,449)	2,781,549,367
Long term provisions	64,533	-	64,533
	<u>2,786,335,349</u>	<u>(4,721,449)</u>	<u>2,781,613,900</u>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	33,600,000	-	33,600,000
Trade payables	152,349,060	-	152,349,060
Other payables	8,330,186	-	8,330,186
Other current financial liabilities	16,224,106	825,000	17,049,106
Other current liabilities	905,224	-	905,224
Short term provisions	473,928	-	473,928
<b>Total liabilities</b>	<u>211,882,504</u>	<u>825,000</u>	<u>212,707,504</u>
<b>Total equity and liabilities</b>	<u>5,156,451,929</u>	<u>231,468,164</u>	<u>5,387,920,093</u>



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Notes to the financial statements for the year ended March 31, 2017

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**c. Reconciliation of profit or loss for the year ended March 31, 2016**

	<u>IGAAP</u>	<u>Adjustments</u>	<u>Ind AS</u>
Revenue from operations	304,012,216	-	304,012,216
Other income	476,031	150,371,516	150,847,547
Finance Income	82,500,000	33,541,007	116,041,007
<b>Total income (i)</b>	<b>386,988,247</b>	<b>183,912,523</b>	<b>570,900,770</b>
<b>Expenses</b>			
Employee benefits expense	4,415,424	(7,018)	4,408,406
Other expenses	79,659,317	(15,909,221)	63,750,096
<b>Total expenses (ii)</b>	<b>84,074,741</b>	<b>(15,916,239)</b>	<b>68,158,502</b>
<b>Earnings before interest, tax, depreciation and amortization (EBITDA) [(i) - (ii)]</b>	<b>302,913,506</b>	<b>199,828,762</b>	<b>502,742,268</b>
Depreciation and amortization expenses	120,910,820	-	120,910,820
Finance costs	286,497,227	4,103,308	290,600,535
<b>Profit before tax</b>	<b>(104,494,541)</b>	<b>195,725,454</b>	<b>91,230,913</b>
<b>Other comprehensive income for the year</b>			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains/ (losses) on defined benefit plans	-	(7,018)	(7,018)
<b>Other comprehensive income for the year, net of tax</b>	<b>(104,494,541)</b>	<b>195,718,436</b>	<b>91,223,895</b>
<b>Total comprehensive income for the year</b>	<b>(104,494,541)</b>	<b>195,718,436</b>	<b>91,223,895</b>



GMR Aerospace Engineering Limited

CIN: U45201TG2008PLC067141

Notes to the financial statements for the year ended March 31, 2017

(All amounts in Indian Rupees except otherwise stated)

Footnotes to the reconciliation of equity as at April 1, 2015 and March 31, 2016 and total comprehensive income for the year ended March 31, 2016

#### 1. Recognition of Investment property

The Company has constructed building on the leasehold land taken from GMR Hyderabad Aviation SEZ Limited (GHASL) who has obtained the same from GMR Hyderabad International Airport Limited (GHIAL) (holding company). GHIAL has obtained such land under the land lease agreement with the Government of Telangana which has been classified as Investment property under Ind AS as the same has been given for earning rental income.

#### 2. Loan to related parties

Under previous GAAP, loans to related parties were recognised at their face values. The Company has given loans to its subsidiary companies in earlier years the outstanding amount of which on transition date was Rs. 2,629,606,201. Considering that the loans given were interest free, they have been fair valued and the differential amount of the carrying value and fair value has been recognised as equity component (Investment in subsidiary) as per guidance of Ind AS 32. The Company has recognised Rs. 1,643,224,938 as additional investment in subsidiary as on the date of transition. Interest income of Rs. 35,098,132 upto the date of transition has been recognised in retained earnings. Notional interest income of Rs. 29,028,395 has been recognised in the statement of profit and loss during the period ended March 31, 2016.

#### 3. Security deposit

Under the previous GAAP, interest free lease security deposits (that are refundable in cash on completion of lease term) are recorded at their transaction value. Under Ind AS, all financial assets are required to be recognised at fair value. Accordingly, the Company has fair valued these security deposits under Ind AS. Difference between the fair value and transaction value of the security deposit has been recognised as prepaid rent. Consequent to this change, the amount of security deposit has been decreased by Rs. 7,809,075 as at March 31, 2016 ( April 1, 2015, Rs. 7,890,888). The prepaid rent increased by Rs. 6,905,091 as at March 31, 2016 (April 1, 2015- Rs. 7,219,975). Total equity decreased by Rs. 670,913 as on April 1, 2015. The profit for the year ended March 31, 2016 decreased by Rs. 233,072 due to amortisation of the prepaid rent of Rs. 314,885 and interest income of Rs. 81,813 recognised on security deposits.

#### 4. Financial guarantee

The company has provided financial guarantee to bank against cash credit limit availed by GMR Aerotechnic limited (GATL). Under previous GAAP, the corporate guarantee were disclosed in notes to account under the head contingent liability. Under Ind AS, financial guarantee provided to bank on behalf of GATL has been fair valued and recognised as an Investment in subsidiary of Rs. 825,000 with a corresponding credit to Financial guarantee obligation of Rs. 825,000. The profit for the year and total equity as at March 31, 2016 increased by Rs. 825,000 crores due to amortisation of financial guarantee liability.

#### 5. Embedded derivative

Under Ind AS, derivatives which are not designated as hedging instruments are fair valued with resulting changes being recognised in statement of profit or loss. The fair value of swap resulted in gain of Rs. 166,595,622 as at March 31, 2016 (April 1, 2015 Rs. Nil).

#### 6. Re-measurements of post-employment benefit plans

Under Ind AS, re-measurements i.e. actuarial gain and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these measurements were forming part of the profit or loss for the year.

#### 7. Other comprehensive income

Under Indian GAAP, the Company has not presented other comprehensive income (OCI) separately. Hence, it has reconciled Indian GAAP profit or loss to Ind AS profit or loss. Further, Indian GAAP profit or loss is reconciled to total comprehensive income as per Ind

#### 8. Statement of cash flows

The transition from Indian GAAP to Ind AS has not had a material impact on the statement of cash flows.



GMR Aerospace Engineering Limited  
CIN: U45201TG2008PLC067141

Notes to the financial statements for the year ended March 31, 2017  
(All amounts in Indian Rupees except otherwise stated)

**36 Impairment of investments, loans and trade receivables from subsidiary**


As at March 31, 2017, the Company has investment, loans and trade receivables amounting to Rs. 2,551,612,388, Rs. 1,174,933,774 and Rs. 532,769,118 respectively in its wholly owned subsidiary GMR Aero Technic Limited, whose accumulated losses have fully eroded its net worth. Based on the future business plan and projections approved by the Board of Directors of the Company and valuation assessment done by the Management, the Management is of the view that there is no impairment, in the value of such investment, loans and trade receivables. However, in view of the current financial position of the wholly owned subsidiary and in the absence of sufficient and appropriate audit evidence to support the key assumptions made by the management in the business plan, we are unable to comment on the carrying value of such investment, loans and trade receivables including adjustments, if any, that may be required to be made to such carrying amounts of investment, loans and trade receivables.

As per our report of even date.

For S. R. BATLIBOI & ASSOCIATES LLP

ICAI Firm registration number: : 101049W/E300004

Chartered Accountants


  
per Shankar Srinivasan  
Partner  
Membership No : 213271




Place: Hyderabad  
Date : May 03, 2017

For and on behalf of the Board of Directors

GMR Aerospace Engineering Limited

  
Rajesh Kumar Arora  
Director  
DIN : 03174536

  
S.K. Kishore  
Director  
DIN : 02916539

  
K. Venkata Ramana  
Chief Financial Officer

  
Lalit Kumar Tiwari  
Company Secretary

Place: Hyderabad  
Date : May 03, 2017