# 12th Annual Report
# GMR Aerospace Engineering Limited
# 2018-19

# Contents

# GENERAL INFORMATION

**GMR Aerospace Engineering Limited**
**CIN: U45201TG2008PLC067141**

**Board of Directors**

**Mr. GBS Raju**
Chairman

**Mr. Puthalath Sukumaran Nair**
Director

**Mr. S.G.K. Kishore**
Director

**Mr. Rajesh Arora**
Director

**Dr. Kavitha Gudapati**
Woman and Independent Director

**Mr. Abdul Rahman Harith Saif Al Busaidi**
Independent Director

**Key Managerial Personnel**
Mr. Ashok Gopinath, Chief Executive Officer
Mr. Venkata Ramana Kenguva, Chief Financial Officer
Ms. Apeksha Naidu, Company Secretary

**Registered Office**
Plot No.1, GMR Hyderabad Aviation SEZ Limited
Rajiv Gandhi International Airport,
Shamshabad, Hyderabad -500108, Telangana

**Audit Committee**
Mr. Rajesh Arora - Chairman
Dr. Kavitha Gudapati - Member
Mr. Abdul Rahman Harith Saif Al Busaidi – Member

**Nomination and Remuneration Committee**
Dr. Kavitha Gudapati – Chairperson
Mr. Rajesh Arora – Member
Mr. Abdul Rahman Harith Saif Al Busaidi – Member

**Statutory Auditors**
**M/s. Deloitte Haskins & Sells LLP,**
Chartered Accountants
[Firm Reg. No. 117366W/W-100018]
KRB Towers, Plot No.1 to 4&4A
1st,2nd & 3rd Floor, Jubilee Enclave,
Madhapur, Hyderabad - 500081

**Secretarial Auditors**
**M/s. KBG Associates**
Flat #101,Sri Sai Krishna Residency
#1-2-234/13,Aravind Nagar
Domalaguda , Hyderabad - 500 029

**Bankers**
Andhra Bank
Axis Bank Limited

**Registrar and Share Transfer Agent**
**Karvy Fintech Private Limited**
Karvy Selenium Tower B, Plot 31-32,
Gachibowli, Financial District,
Nanakramguda, Hyderabad – 500 032

**Debenture Trustee**
Axis Trustee Services Limited
**Corporate Office Address**
The Ruby, 2nd Floor, SW,
29, Senapati Bapat Marg,
Dadar West, Mumbai- 400 028

**Non-Convertible Debentures Committee**
Mr. S.G.K. Kishore - Member
Mr. Rajesh Arora - Member

# GMR Aerospace Engineering Limited

(CIN: U45201TG2008PLC067141)
Regd. Office: Plot No. 1, GMR Hyderabad Aviation SEZ Limited,
Rajiv Gandhi International Airport, Shamshabad, Hyderabad-500 108

**NOTICE**

Notice is hereby given that the **Twelfth (12th) Annual General Meeting** of the Members of **GMR Aerospace Engineering Limited** will be held at shorter notice on Friday, September 27, 2019 at 12:00 Noon, at Plot No. 1, GMR Hyderabad Aviation SEZ Limited, Rajiv Gandhi International Airport, Shamshabad, Hyderabad - 500108, to transact the following business:

**ORDINARY BUSINESS**

1. To consider and adopt the standalone audited financial statements of the Company for the financial year ended March 31, 2019 together with the reports of the Board of Directors and Auditors thereon.

2. To consider and adopt the consolidated audited financial statements of the company for the financial year ended March 31, 2019 and Auditor's Report thereon.

3. To appoint a Director in place of Mr. Puthalath Sukumaran Nair (DIN: 00063118), who retires by rotation, and being eligible, offers himself for re-appointment.

By Order of the Board of Directors
For, **GMR Aerospace Engineering Limited**

Sd/-
**Apeksha Naidu**
**Company Secretary**

Place: Hyderabad
Date: July 26, 2019

**Notes:-**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE (ON A POLL ONLY) INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

2. All the documents referred to in the AGM Notice in respect of special business, Annual Report as well as Annual Accounts of the subsidiary companies and Register of Directors' Shareholding are kept open for inspection by the Members of the Company, during 11.00 A.M. to 5.00 P.M. on all working days at the Registered Office of the Company.

3. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.

4. In terms of the requirements of the Secretarial Standard-2, a Route Map for venue of the meeting is also annexed.

5. The requirement to place the matter relating to appointment of the Statutory Auditors of the Company for ratification by members at every Annual General Meeting is done away with vide notification dated May 7, 2018 issued by the Ministry of Corporate Affairs, New Delhi. Accordingly, no resolution is proposed for ratification of appointment of the Statutory Auditors of the Company, who were appointed in the 10$^{th}$ Annual General Meeting held on August 21, 2017.

**GMR Aerospace Engineering Limited**
**CIN: U45201TG2008PLC067141**

Registered Office: Plot No.1, GMR Hyderabad Aviation SEZ Limited, Rajiv Gandhi International Airport, Shamshabad, Hyderabad - 500 108, Telangana State

## Attendance Slip

Annual General Meeting to be held on Friday, the 27th September, 2019, at 12:00 Noon, at Plot No.1, GMR Hyderabad Aviation SEZ Limited, Rajiv Gandhi International Airport, Shamshabad, Hyderabad – 500108

Regd. Folio No. / DP ID & Client ID ………………………..……………..

I certify that I am a Registered Shareholder / Proxy for the Registered Shareholder of the Company.

I hereby record my presence at the Annual General Meeting of the Company held on Friday, the 27th Day of September, 2019, at 12:00 Noon at Plot No.1, GMR Hyderabad Aviation SEZ Limited, Rajiv Gandhi International Airport, Shamshabad, Hyderabad - 500108

Member's / Proxy name in BLOCK letters                    Member's / Proxy's Signature

**FORM NO MGT-11**
**PROXY FORM**

(Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014)

CIN : U45201TG2008PLC067141
Name of the Company : GMR Aerospace Engineering Limited
Registered Office : Plot no.1, GMR Hyderabad Aviation SEZ Limited, Rajiv Gandhi International, Airport, Shamshabad Hyderabad 500 108

| | |
|---|---|
| Name of the Member(s) : | |
| Registered Address | |
| E mail Id : | |
| Folio No / Client Id | |
| DP ID : | |

I/We, being the member(s) of shares of the above named company, hereby appoint:

(1) Mr. …………………………………………… r/o ………………………………
Having email ID ………………………………….. failing him;
(2) Mr. …………………………………………… r/o ……………………………..
Having email ID ………………………………….. failing him;

as my / our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Friday, the 27th September, 2019, at 12:00 Noon at Plot No.1, GMR Hyderabad Aviation SEZ Limited, Rajiv Gandhi International, Airport, Shamshabad, Hyderabad 500 108, Telangana State and at any adjournment thereof in respect of such resolutions as are indicated below:

| **Resolution No.** | **Resolutions** | **Vote** | |
|---|---|---|---|
| **Ordinary Business** | | **Vote for** | **Against** |
| 1. | Adoption of Audited Financial Statements (including audited consolidated financial statements) along with the Report of the Board of Directors and Auditors for the financial year ended March 31, 2019. | | |
| 2 | Appoint a Director in place of Mr. Puthalath Sukumaran Nair (DIN: 00063118), who retires by rotation and being eligible, offers himself for reappointment. | | |
| | | | |

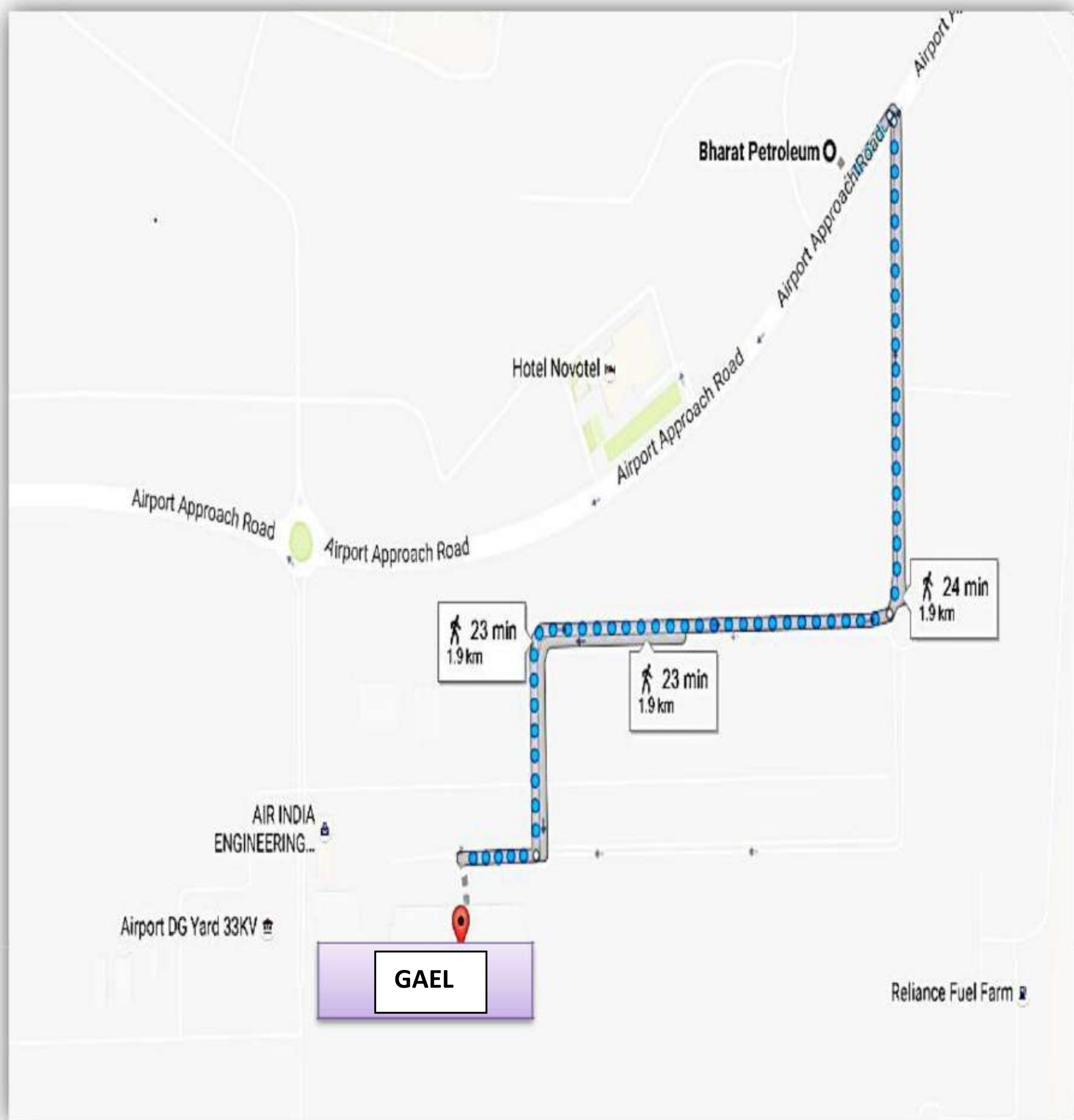
Signed this__________ day of ………………., 2019

Signature of the Shareholder

Affix
Revenue
Stamp

## ROUTE MAP FOR THE VENUE OF THE 12TH ANNUAL GENERAL MEETING

**Venue: 12th Annual General Meeting to be held on Friday, the 27th day of September, 2019 at 12:00 Noon at GMR Aerospace Engineering Limited, Plot No. 1, GMR Hyderabad Aviation SEZ limited, Rajiv Gandhi International Airport, Shamshabad, Hyderabad – 500 108, Telangana State.**



# GMR Aerospace Engineering Limited

**BOARD'S REPORT FOR THE YEAR ENDED MARCH 31, 2019**

**Dear Shareholders,**

Your Directors have pleasure in presenting the 12th (Twelfth) Annual Report on the business and operations of the GMR Aerospace Engineering Limited (GAEL) and the audited accounts for the year ended March 31, 2019, together with the auditor's report thereon.

**STATE OF COMPANY'S AFFAIRS :**

**(Rs. In lakhs)**

| **Particulars** | **2018-19** | **2017-18** |
|---|---|---|
| **Revenue** | | |
| Turnover | 2,027.05 | 2,862.23 |
| Other Income | 568.04 | 2,219.78 |
| **Total Income (i)** | **2,595.09** | **5,082.01** |
| **Expenses** | | |
| Employee benefits expense | 5.48 | 39.64 |
| Other expenses | 710.52 | 1,866.13 |
| **Total expenses (ii)** | **716.00** | **1,905.77** |
| **Earnings before interest, tax, depreciation and amortization (i) – (ii)** | **1879.09** | **3,176.24** |
| Depreciation and amortization expenses | 1,068.44 | 1,063.53 |
| Finance costs | 860.83 | 2,712.77 |
| **Loss before tax** | **(50.18)** | **(600.06)** |
| Deferred tax income | -- | -- |
| Loss for the year – (iii) | **(50.18)** | **(600.06)** |
| **Other comprehensive income for the year** | | |
| Re-measurement gains on defined benefit plans | -- | -- |
| Other comprehensive income for the year – (iv) | **--** | **--** |
| **Total comprehensive loss for the year (iii)+(iv)** | **(50.18)** | **(600.06)** |

For the year ended 31st March, 2019, your company earned a total income of Rs.2,595.09 lakhs, as against the previous year's total income of Rs. 5082.01 lakhs. The operations of the company during the year under review resulted in a net loss of Rs. 50.18 lakhs as compared to a net loss of Rs. 600.06 lakhs in the previous year.

**CHANGE IN THE NATURE OF BUSINESS, IF ANY:**

There were no changes in the nature of the company's business during the period under review.

**DIVIDEND**

In view of losses incurred your directors do not recommend payment of any dividend for the year under review.

**APPROPRIATIONS TO RESERVES**

Due to losses, no amount has been transferred to reserves.

## EVENTS SUBSEQUENT TO FINANCIAL STATEMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

1) The Company has increased its Authorised Share Capital from Rs. 355,00,00,000 (Rupees Three Hundred and Fifty Five Crores Only) divided into 35,50,00,000 (Thirty Five Crores and Fifty Lakhs) equity shares of Rs. 10/- (Rupees Ten) each to Rs. 380,00,00,000 (Rupees Three Hundred and Eighty Crores Only) divided into 38,00,00,000 (Thirty Eight Crores) equity shares of Rs. 10/- (Rupees Ten) each, by creation of additional 2,50,00,000 (Two Crore Fifty Lakhs) equity shares of Rs. 10/- (Rupees Ten) each ranking pari passu in all respect with the existing Equity Shares of the Company in the Extra-Ordinary General Meeting of the Company held on 02nd day of May, 2019.

2) The Company has allotted 1,00,00,000 (One Crore) equity shares of Rs.10/- each and 30,00,000 (Thirty Lakhs) equity shares of Rs. 10 (Rupees Ten) each to its holding company GMR Hyderabad International Airport Limited(GHIAL) as rights issue on April 24, 2019 and June 18, 2019 respectively.

## RATING

The Company has obtained credit rating from two Credit Rating Agencies; both ICRA Limited and India Ratings and Research Private Limited rated the debt instrument of the Company as [ICRA] AA (SO) (Stable) and as IND AA(SO)/Stable respectively.

## MAJOR EVENTS AND ACHIEVEMENTS

During the year under review, the Company has filed the Composite Scheme of Arrangement ("Scheme") with the National Company Law Tribunal ("NCLT"), Hyderabad Bench. The Scheme provides for the merger of GMR Hyderabad Air Cargo And Logistics Private Limited (GHACLPL) with GMR Aerospace Engineering Limited (GAEL) and demerger of the MRO (Maintenance, Repair and Overhauling) Business of GMR Aero Technic Limited (GATL) into GAEL, on a going concern basis, pursuant to Sections 230 to 232 and the rules made thereunder, and other applicable provisions of the Companies Act, 2013. This Scheme also provides for various other matters consequential or otherwise integrally connected therewith.

GHACLPL is engaged in the business of development, operation and maintenance of the Air Cargo Terminal at Rajiv Gandhi International Airport, Hyderabad, Telangana.

It is envisaged that the said merger and demerger proposal would be in the larger interest of the shareholders, creditors, and employees of all the three Companies and the implementation of the Scheme would help to achieve effective growth and maximisation of shareholders wealth while protecting the interests of all stakeholders of the three Companies.

The composite scheme is at the final stages of approval before of the Honorable NCLT.

## DIRECTORS AND KEY MANANGERIAL PERSONNEL

There is no change in composition of Board of Directors during the year. The Board of Directors and Key Managerial Persons of your company presently comprise of the following:

## Board of Directors

| Sl. No. | Name | Designation |
|---|---|---|
| 1 | Mr. G B S Raju | Chairman |
| 2 | Mr. Gopalakrishna Kishore Surey | Director |
| 3 | Mr. Rajesh Kumar Arora | Director |
| 4 | Mr. Puthalath Sukumaran Nair | Director |
| 5 | Dr. Kavitha Gudapati | Independent and Woman Director |
| 6 | Mr. Abdul Rahman Harith Saif Al Busaidi | Independent Director |

## Key Managerial Person

| Sl. No. | Name | Designation |
|---|---|---|
| 1 | Mr. Ashok Gopinath | Chief Executive Officer |
| 2 | Mr. K. Venkata Ramana | Chief Financial Officer |
| 3 | Ms. Apeksha Naidu | Company Secretary |

**COMMITTEES OF BOARD**

In accordance with the Companies Act, 2013, there are currently three Committees of the Board; Following is the composition of the Committees:

| Sl. No. | Name of the Committee | Composition |
|---|---|---|
| 1. | Audit Committee | (i) Mr. Rajesh Kumar Arora, Chairman |
| | | (ii) Dr. Kavitha Gudapati, Member |
| | | (iii) Mr. Abdul Rahman Harith Saif Al Busaidi, Member |
| 2. | Nomination and Remuneration Committee | (i) Dr. Kavitha Gudapati, Chairperson |
| | | (ii) Mr. Rajesh Kumar Arora, Member |
| | | (iii) Mr. Abdul Rahman Harith Saif Al Busaidi, Member |
| 3. | Non-Convertible Debentures(NCDs) Committee | (i) Mr. SGK Kishore |
| | | (ii)Mr. Rajesh Arora |

**BOARD MEETINGS:**

The Board of Directors of the company met 6 (Six) times during financial year under review. The meetings were held on April 30, 2018, August 10, 2018, October 29, 2018, December 10, 2018, January 28, 2019 and January 31, 2019. The intervening gap between the Meetings was within the period prescribed under the Section 173(1) of the Act.

**NUMBER OF MEETINGS OF THE BOARD**

Number of Board Meetings held during financial year 2018-19 and details of attendance of Directors (Attended-Yes; Leave of Absence-LOA; Not Applicable - NA). The intervening gap between the Meetings was within the period prescribed under the Section 173(1) of the Act.

| S. No. | Name of the Director | 30-04-18 | 10-08-18 | 29-10-18 | 10-12-18 | 28-01-19 | 31-01-19 |
|---|---|---|---|---|---|---|---|
| 1 | Mr. GBS Raju | LOA | LOA | LOA | LOA | LOA | Yes |
| 2 | Mr. Gopala Krishna Kishore Surey | Yes | Yes | Yes | LOA | Yes | Yes |
| 3. | Mr. Puthalath Sukumaran Nair | Yes | Yes | Yes | LOA | LOA | LOA |
| 4. | Mr. Rajesh Kumar Arora | Yes | Yes | Yes | Yes | Yes | Yes |
| 5. | Dr. Kavitha Gudapati | Yes | LOA | LOA | Yes | Yes | LOA |
| 6. | Mr. Abdul Rahman Harith Saif Al Busaidi | LOA | Yes | Yes | LOA | LOA | LOA |

**NUMBER OF COMMITTEE MEETINGS**

Number of Committee Meetings held during financial year 2018-19 and details of attendance of Members (Attended-Yes; Leave of Absence-LOA; Not Applicable - NA)

**Audit Committee Meetings**

| S. No. | Name of the Member | 30-04-18 | 26-07-18 | 29-10-18 | 10-12-18 | 28-01-19 |
|---|---|---|---|---|---|---|
| 1 | Mr. Rajesh Kumar Arora | Yes | Yes | Yes | Yes | Yes |
| 2 | Dr. Kavitha Gudapati | Yes | Yes | LOA | Yes | Yes |
| 3 | Mr. Abdul Rahman Harith Saif A l Busaidi | LOA | LOA | Yes | LOA | Yes |

**Nomination & Remuneration Committee:-**

| S. No. | Name of the Member | 30-04-2018 | 26-07-2018 |
|---|---|---|---|
| 1. | Dr. Kavitha Gudapati | Yes | Yes |
| 2. | Mr. Rajesh Kumar Arora | Yes | Yes |
| 3. | Mr. Abdul Rahman Harith Saif Al Busaidi | LOA | LOA |

**SECRETARIAL STANDARDS**

The applicable Secretarial Standards, i.e. SS-1 and SS-2, relating to 'Meetings of the Board of Directors' and 'General Meetings', respectively, have been duly followed by the Company.

**DIRECTORS' RESPONSIBILITY STATEMENT**

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors confirm the following statements in terms of Section 134(5) of the Companies Act, 2013:

a. that in the preparation of the annual financial statements for the year ended March 31, 2019, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

b. the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2019 and of the loss of the Company for the year ended on that date;

c. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d. the directors had prepared the annual financial statements on a going concern basis;

e. the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

f. the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**STATEMENT ON DECLARATION OF INDEPENDENT DIRECTORS**

Based on the confirmation / disclosures received from the Independent Directors and on evaluation of the relationships disclosed, the following Directors are Independent in terms of Section 149(6) of the Companies Act, 2013 :-

- Dr. Kavitha Gudapati
- Mr. Abdul Rahman Harith Saif Al Busaidi

During the year under review, the Company has received all the declarations and disclosures as required under the Companies Act, 2013 from the above Independent Directors.

**BOARD EVALUATION**

Pursuant to section 134(3)(p) of the Companies Act, 2013, the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Audit Committee, and Nomination and Remuneration Committee.

Structured and separate Questionnaires were prepared for Board Evaluation; Directors Self-Evaluation; Directors Peer Evaluation and the Chairman Evaluation after taking into consideration various aspects of the management and governance issues.

Directors carried out evaluation of the entire Board and it's functioning such as adequacy of the composition of the Board and its Committees, Board Strategies, Board Meetings and procedures, Board and Management Relations, Succession and training and other governance matters. The Independent Directors also carried out evaluation of the Chairman covering his contribution in managing relations and the board meetings and leadership.

The performance evaluation of the Chairman and the Board peer audit was carried out by the Directors. The self-assessment by Individual Directors was carried out on parameters such as knowledge; expertise; contribution and competence of each Director. The Directors expressed their satisfaction with the evaluation process.

**COMPANY'S POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION**

The Nomination and Remuneration Policy of the Company covering Director's appointment, remuneration, criteria for determining qualifications, positive attributes, independence of a Director and other matters provided under sub-section (3) of section 178 is placed on the website of the Company www.gmraerotech.in..

Sitting fees paid to the Independent Directors during the financial year 2018-19:

| Sl. No. | Name of the Independent Directors | Sitting fees paid (Amount in Rs.) |
|---|---|---|
| 1 | Dr. Kavitha Gudapati | 1,15,000 |
| 2 | Mr. Abdul Rahman Harith Saif Al Busaidi | 1,19,000 |
| **Total** | | **2,34,000** |

Other than the aforesaid payment of the sitting fees during the Financial Year 2018-19, there were no other pecuniary relationships or transactions between the Non-Executive Directors and the Company.

**PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013**

The following loans were given by the Company during the financial year 2018-19:

| Sl No | Name of the entity | Relation | Amount (Rs.) | Particulars |
|---|---|---|---|---|
| 1 | GMR Aero Technic Limited | Wholly Owned Subsidiary | 31,27,0000 | Loans were given in tranches during the financial year. |

The Company has provided loan to its wholly owned subsidiary company which is exempted under section 186 of the Companies Act, 2013. There is no investment made by the Company during the financial year ended 31st March, 2019.

**PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES REFERRED TO IN SECTION 188(1) OF THE COMPANIES ACT, 2013**

All related party transactions that were entered into during the financial year were on arm's length basis and in the ordinary course of the business and the same were reviewed and approved by the Audit Committee at regular intervals. None of the transactions with related parties falls under the scope of Section 188(1) of the Act.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Since the Company does not own any manufacturing facility, the particulars relating to technology absorption stipulated in the Companies (Accounts) Rules, 2014 are not applicable.

During the year ended 31st March, 2019, the particulars regarding foreign exchange earnings and outgo are as given below:

**(Rs. In Lakhs)**

| Particulars | For the year ended 31.03.2019 (Rs.) | For the year ended 31.03.2018 (Rs.) |
|---|---|---|
| Foreign Exchange earnings | Nil | 2862.23 |
| Foreign outgo (expenditure) | 1.19 | Nil |

**RISK MANAGEMENT**

The Company has established Enterprise Risk Management (ERM) framework to identify, assess, monitor and mitigate various risks that may affect the organization. As per ERM framework, the risks are identified considering the internal and external environment. While there were no risks perceived that threatens the existence of the company, the only key risk identified is, delay in payment of Lease rental by GMR Aero Technic Limited, the subsidiary company. This risk is being monitored at regular intervals along with mitigating measures.

**INTERNAL CONTROL SYSTEM**

The Company's internal control systems are commensurate with the nature of its business and the size and complexity of its operations.

The Company's internal control procedures ensure compliance with various policies, practices and statutes in keeping with the organization's pace of growth and increasing complexity of operations. The Management Assurance Group, internal audit team, of the Company, carries out extensive audits throughout the year, across all functional areas and submits its reports to the Audit Committee.

**INTERNAL FINANCIAL CONTROLS AND ITS ADEQUACY:**

Your Company has adopted policies and procedures including 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 fraud and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial disclosures under the Companies Act, 2013.

During the year under review, such controls were reviewed and tested by the Internal Auditors and found to be adequate.

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

The Company is not required to constitute Corporate Social Responsibility Committee as the Company is not fulfilling the conditions specified in section 135 of the Companies Act, 2013

**SHARE CAPITAL**

The paid up equity capital as on March 31, 2019 is INR 33840,000,00. During the year under review, the Company has allotted 1,35,00,000 (One Crore Thirty Five Lakhs) new equity shares of Rs.10/- (ten) each aggregating to Rupees 13,50,00,000 (Thirteen Crores and Fifty Lakhs Only)and the segregation is as follows: 50,00,000 (Fifty Lakhs) shares of Rs.10/- (ten) each aggregating to Rupees 5,00,00,000 (Five Crores Only) , 25,00,000(Twenty Five Lakhs) new equity shares of Rs.10/- (ten) each aggregating to Rupees 2,50,00,000 (Two Crores Fifty Lakhs Only) and 60,00,000 (Sixty Lakhs) new equity shares of Rs.10/- (ten) each aggregating to Rupees 6,00,00,000 (Six Crores Only) to GMR Hyderabad International Airport Limited on 17th May, 2018, 25th September, 2018 and 17th November, 2018 respectively.

**SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES**

The Company has one wholly owned subsidiary called GMR Aero Technic Limited.

**STATEMENT UNDER SECTION 129(3) OF THE COMPANIES ACT, 2013**

GMR Aerospace Engineering Limited has one wholly owned subsidiary, GMR Aero Technic Limited ("GATL") and there has been no change in the number of subsidiaries and the nature of business of the subsidiary.

GATL is aggressively working on Line Maintenance business. During the year under review, the total turnover of GATL has improved significantly from Rs. 104.56 Crore in the FY 2017-18 to Rs.153.65 Crores in the FY 2018-19 (YoY up by 32%).

The Consolidated Financial Statements for the year ended March 31, 2019 form the part of annual report and a statement containing salient features of the financial statements of the Company's subsidiaries in Form AOC-1 is attached as **Annexure-1.**

There are no associate and joint venture companies as on March 31, 2019.

**AUDITORS**

**STATUTORY AUDITORS**

The present statutory auditors of the Company Deloitte Haskins and Sells, LLP, Chartered Accountants, (Firm Registration No: 117366W/W-100018), hold the office from the conclusion of the 10th Annual General Meeting till the conclusion of 15th Annual General Meeting of the Company to be held in the year 2022.

**Statutory Auditors Qualified Opinion**

Attention is invited to Note 34 of the standalone financial statements regarding the Company's investments in its wholly owned subsidiary, GMR Aero Technic Limited amounting to Rs. 22,786.36 lakhs, loans given and trade receivables from this subsidiary amounting to Rs. 3,895.16 lakhs and Rs.7,315.33 lakhs, respectively, as at March 31, 2019. The subsidiary has been incurring continuing losses and its accumulated losses have fully eroded its net-worth as at March 31, 2019. Based on the future business plan, projections and for reasons more fully described in the aforesaid Note, the Management is of the view that no impairment is considered necessary in respect of aforesaid investment, loans and trade receivables as at March 31, 2019.

In the absence of sufficient appropriate evidence and information to support the key assumptions made by the Management to assess impairment, we are unable to comment on the carrying amounts of such investments, loans given and trade receivables from such subsidiary, including adjustments, if any that may be required to be made to such carrying amounts.

**Directors Comments:** Management has undertaken several initiatives to improve its income from operations and establish profitable operations and is further committed to provide such financial support as necessary towards its operational requirement. 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 permanent diminution in the value of such investment, loans and trade receivables. As such, no provision for diminution in the value of the same has been made.

The Statutory Auditors have not reported any incident of fraud to the Audit Committee of the Company in the financial year under review.

**SECRETARIAL AUDITOR**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and rules made thereunder, the Board had reappointed M/s. KBG Associates, a firm of Company Secretaries in Practice (CP No. 6262) represented by its Partner Mr. Srikrishna Chintalapati, to conduct the Secretarial Audit of the Company for the financial year 2018-19. The Secretarial Audit Report dated 6$^{th}$ July, 2019 is appended to this Report as **Annexure - 2**.

There are no qualifications, reservations or adverse remarks in the secretarial audit report for financial year 2018-19.

**MAINTENANCE OF COST RECORDS**

The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Companies Act, 2013 for the products of the Company, as per Cost Accounting Records Rules, 2014.

**EXTRACT OF ANNUAL RETURN:**

The extract of the annual return as on March 31, 2019 in the format provided under sub-section (3) of section 92 of the Companies Act, 2013 is annexed to this Report as **Annexure-3**.

**FIXED DEPOSITS**

During the year under review, your Company has neither invited nor accepted any fixed deposits from the public and, as such, no amount of principal or interest was outstanding as of the Balance Sheet date as per the provisions of Companies Act 2013.

**DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

The Company has in place an Anti-harassment policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaint Committee is set up to redress complaints received regularly. All employees (permanent, contractual, temporary trainees) are covered under the policy.

During the financial year, the Company has not received any complaints pertaining to sexual harassment.

**VIGIL MECHANISM**

The Company has established a vigil mechanism for Directors, regular employees and consultants of the Company, including advisors, in-house consultants, Whole-time Directors and employees on contract. This Policy shall also apply to third parties with any commercial dealings with the Company, including vendors, service providers, partners, joint venture employees and customers. Any Whistle Blower making a complaint under this Policy may make a Disclosure to the Ombudsperson – Mr. HJ Dora of the Company, through the following modes.

(a) Oral Complaints through teleconference or by personally meeting the Ombudsperson, or by calling 1800-1020-467 or such other number as is set out on the Company's website at www.gmraerotech.in

(b) Complaints filed through Electronic Means to gmr@ethicshelpline.in to raise a concern under the Policy.

The Policy provides for maintaining confidentiality and protection to the Whistle Blower against any victimization.

**PARTICULARS OF REMUNERATION**

The information required under Rule 5(2) and (3) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including amendments thereof), is provided in the **Annexure-4** forming part of this Report. In terms of the first proviso to Section 136 of the Companies Act, 2013 the Report and Accounts are being sent to the members excluding the aforesaid Annexure. Any member interested in obtaining the same may write to the Company Secretary at the Registered Office of the Company. None of the employees listed in the said Annexure is related to any Director of the Company.

**DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS/COURTS/TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND THE COMPANY'S OPERATIONS IN FUTURE**

No significant material orders have been passed by the regulators or courts or tribunals which would impact the going concern status of the Company and its future operations.

**DEBENTURE TRUSTEE DETAILS**

As the Company's debenture are listed on Bombay stock Exchange (BSE) and National stock Exchange (NSE) since October, 2017 by way of issue and allotment of Rated, senior, listed, secured, redeemable, Non–Convertible Debentures **["NCDs"]** for a nominal value of INR 10.00 lakh aggregating to not more than INR 100.00 Crores on private placement basis @ 8.55% per annum and hence the details of the Debenture Trustee are provided below.

**Name of Debenture Trustee:** Axis Trustee Services Limited

| Corporate Office Address | Registered Office Address |
|---|---|
| Axis Trustee Services Limited<br>The Ruby, 2nd Floor, SW,<br>29, Senapati Bapat Marg,<br>Dadar West, Mumbai- 400 028<br>Tel : 022-6230 0451<br>Email: debenturetrustee@axistrustee.com | Axis Trustee Services Limited<br>Axis House, Bombay Dyeing Mills Compound,<br>Pandurang Budhkar Marg, Worli, Mumbai - 400 025<br>Email: debenturetrustee@axistrustee.com |

**ACKNOWLEDGEMENT**

Your Directors take this opportunity to express their sincere thanks and gratitude to GMR Aero Space Engineering Limited, Various Government and Semi Government Agencies and all the employees who have extended their co-operation and support in achieving the goals that the company is established for.

**By Order of the Board of Directors**
*For* **GMR Aerospace Engineering Limited**

| | | |
|---|---|---|
| | **Sd/-** | **Sd/-** |
| **Place: Hyderabad** | **Rajesh Arora** | **S G K Kishore** |
| **Date: July 26, 2019** | **Director** | **Director** |
| | **DIN: 03174536** | **DIN: 02916539** |

**Form AOC-1**

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

**Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures**

**Part "A": Subsidiaries**

(Information in respect of each subsidiary to be presented with amounts in Rs.)

| Sl. No. | Particulars | Details |
|---|---|---|
| 1. | Name of the subsidiary | GMR Aero Technic Limited |
| 2. | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | March 31, 2019 |
| 3. | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | Not Applicable |
| 4. | Share capital | 25,00,00,000 |
| 5. | Reserves & surplus | (270,56,55,000) |
| 6. | Total assets | 122,49,96,000 |
| 7. | Total Liabilities | 368,06,51,000 |
| 8. | Investments | Nil |
| 9. | Turnover | 11,61,000 |
| 10. | Loss before taxation | (1,147,16,000) |
| 11. | Provision for taxation | (6,25,18,000) |
| 12. | Loss after taxation | (5,21,98.000) |
| 13. | Proposed Dividend | NIL |
| 14. | % of shareholding | 100% |

1. Names of subsidiaries which are yet to commence operations: Nil
2. Names of subsidiaries which have been liquidated or sold during the year: Nil

**By Order of the Board of Directors**
**For GMR Aerospace Engineering Limited**

**Place: Hyderabad**
**Date: July 26, 2019**

| | |
|---|---|
| **Sd/-** | **Sd/-** |
| **Rajesh Arora** | **S G K Kishore** |
| **Director** | **Director** |
| **DIN: 03174536** | **DIN: 02916539** |
| **Sd/-** | **Sd/-** |
| **Ashok Gopinath** | **K V. Ramana** |
| **Chief Executive Officer** | **Chief Financial Officer** |

**Sd/-**
**Apeksha Naidu**
**Company Secretary**
**ACS:42119**

# KBG Associates
## Company Secretaries

**Form No. MR-3**
**Secretarial Audit Report**
[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members
**GMR Aerospace Engineering Limited**
Plot No. 1, GMR Hyderabad Aviation SEZ Limited
Rajiv Gandhi International Airport, Shamshabad
Hyderabad, Telangana
India-500108

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **GMR Aerospace Engineering Limited** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by its officers, agents and authorized representatives during the conduct of Secretarial Audit; we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2019,complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter :

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2019 according to the provisions of:

| Sl | Particulars |
|---|---|
| 1. | The Companies Act, 2013 (the Act) and the Rules made thereunder; |
| 2. | The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; |
| 3. | The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act')<br>(a) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;<br>(b) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;<br>(c) The Securities and Exchange Board of India (Listing Obligation and Disclosure Requirement) Regulations, 2015<br>(d) The Company has complied with the provisions of the Securities and Exchange Board of India (Debenture Trustee) (Amendment) Regulations 2017 |

KBG ASSOCIATES Hyderabad

1st Floor, 1-9-309/A, Above Kancheepuram Lavanya Silks, Near Red Cross Blood Bank
Atchuta Reddy Marg, Vidya Nagar, Hyderabad, Telangana, India - 500 044.
Ph : +91 80084 02731, Email : secretarial.consulting@gmail.com

| Sl | | Particulars |
|---|---|---|
| **4.** | | We have also examined compliance with the applicable clauses of the following:<br>Secretarial Standards issued by The Institute of Company Secretaries of India. |
| **1.** | | **Under the Companies Act, 2013** |
| A. | | That based on our examination and verification of the records produced to us and according to the information and explanations given to us by the Company that the Company has, in our opinion, complied with the provisions of the Companies Act. 2013 ("the Act") and the rules made under the Act and Memorandum, and Articles of Association of the Company, inter alia with regard to : |
| | a. | Maintenance of various statutory registers and documents and making necessary entries therein; |
| | b. | Forms, returns, documents and resolutions required to be filed with the Register of Companies and the Central Government; |
| | c. | Service of documents by the company on its members and Registrar of Companies. |
| | d. | Notices, Agenda and Minutes of proceedings of General Meetings and of the Board and its Committee meetings including Circular Resolution; |
| | e. | The meetings of Board of Directors held on<br>(i) 30-04-2018, 10-08-2018, 29-10-2018, 10-12-2018, 28-01-2019 and 31-01-2019.<br>(ii) Audit Committees of Members held on 30-04-2018, 26-07-2018, 29-10-2018, 10-12-2018 and 28-01-2019<br>(iii) Nomination & remuneration Committee held on 30-04-2018 and 26-07-2018. |
| | f. | The Annual General Meeting held on 27-09-2018 and Extra Ordinary General Meetings held on 26-05-2018; |
| | g. | Approvals of the Members, the Board of Directors, the Committees of Directors wherever required; |
| | h. | Constitution of the Board of Directors / Committee(s) of Directors, appointment, retirement and reappointment of Directors. |
| | i. | Payment of remuneration to Directors. |
| | j. | Appointment and remuneration of Auditors; |
| | k. | Transfer and transmission of Company's shares and issue and dispatch of duplicate share certificates. There were Four transfers and no transmission of shares during the financial year. |
| | l. | Declaration and distribution of dividends (The Company has not declared any dividend during the financial year under review.) |

KBG ASSOCIATES Hyderabad

1st Floor, 1-9-309/A, Above Kancheepuram Lavanya Silks, Red Cross Blood Bank Road,
Spencer's Vidyanagar Super Market, Atchuta Reddy Marg, Vidya Nagar,
Hyderabad, Telangana, India – 500 044

| Sl | | Particulars |
|---|---|---|
| | m | Transfer of Unpaid and Unclaimed dividend to the Investor Education and Protection Fund. (Not applicable as the Company does not have any unpaid and unclaimed dividend). |
| | n. | Borrowings and registration, modification and satisfaction of charges wherever applicable; |
| | o. | Investment of the Company's funds including investments and loans to Wholly Owned Subsidiary.; |
| | p. | Form of balance sheet as prescribed under Part I, form of statement of profit and loss as prescribed under Part II and General Instructions for preparation of the same as prescribed in Schedule III to the Act; |
| | q. | Directors' Report; |
| | r. | Contracts, common seal, registered office and publication of name of the Company. |
| **B.** | **Under the Companies Act, 2013, we further report that** | |
| i. | The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.<br><br>**We further report that** Mr. Abdul Rahman Harith Saif Al Busaidi was appointed as additional director in the category of independent director on 18th April, 2018 by the board. Due to the existing constitution of NRC, the matter has been referred to Board of Directors and the item was approved vide circular resolution by Board of Directors. | |
| ii. | Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. | |
| iii. | All decisions at Board Meetings and Committee Meetings are carried out on requisite majority and recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be. | |
| iv. | There was no prosecution initiated and no fines or penalties were imposed during the year under review under the Act, Depositories Act, Rules, Regulations and Guidelines framed under these Acts against / on the Company, its Directors and Officers. | |
| v. | The Directors (including Independent Directors) have complied with the disclosure requirements in respect of their eligibility of appointment, initial and annual disclosures / declarations. | |

KBG ASSOCIATES Hyderabad

| Sl | Particulars |
|---|---|
| **2.** | **Under the Depositories Act, 1996, we report that** |
| | The Company has complied with the provisions of the Depositories Act, 1996 and the Byelaws framed thereunder by the Depositories with regard to dematerialization / rematerialisation of securities and reconciliation of records of dematerialized securities with all securities issued by the Company. |
| **3.** | **Under FEMA, 1999, we report that** |
| | As per the declarations issued by the Quarterly Compliance Certificate issued by CEO of the Company (and submitted to the Board of Directors at the Board Meetings held during the financial year 2018-2019 (for all 4 quarters), we are of opinion that the Company has complied with the provisions of the FEMA, 1999 and the Rules and Regulations made under that Act to the extent applicable. |
| **4.** | **Under the SEBI Act, We report that** |
| a. | We have been informed by the management that the Company has listed its non–convertible debentures on BSE and NSE in October, 2017 and since then Company has complied with the requirements under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. |
| b. | The Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 with regard to maintenance of records required under the Regulations. |
| c. | The Company has complied with the provisions of the Securities and Exchange Board of India (Debenture Trustee) (Amendment) Regulations 2017. |
| **5.** | **Under other Applicable laws, we report that** |
| | Based on the Quarterly Compliance Certificate issued by CEO of the Company (and submitted to the Board of Directors at the Board Meetings held during the financial year 2018-2019 (for all 4 quarters), we are of opinion there has been due compliance of all the Laws to the extent applicable. |
| **6.** | **We further report that** there are adequate systems and processes in the company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines. |

KBG ASSOCIATES * Hyderabad

1st Floor, 1-9-309/A, Above Kancheepuram Lavanya Silks, Red Cross Blood Bank Road,
Spencer's Vidyanagar Super Market, Atchuta Reddy Marg, Vidya Nagar,
Hyderabad, Telangana, India – 500 044

| Sl | Particulars |
|---|---|
| 7. | **We further report that** the board at its meeting held on 10th December, 2018 passed a resolution approving the of draft Composite Scheme of Arrangement ("Scheme") between GMR Hyderabad Air Cargo And Logistics Private Limited ("GHACLPL"), being the Transferor Company, GMR Aero Technic Limited ("GATL"), being the Demerged Company and GMR Aerospace Engineering Limited ("GAEL"), being the Transferee / Resulting Company and their respective shareholders and creditors, providing for the merger of GHACLPL with GAEL and<br>the demerger of the MRO business undertaking of GATL into GAEL. The said scheme was filed with NCLT for its approval.<br><br>**We further report that** during the year the Company has amended its Articles of Association by replacing the existing clause 87 with the new clause 87 through approval of shareholders by way of special resolution at Extra Ordinary General Meeting held on 26th May, 2018. |
| 8. | **We further report that** during the year under review the company has amended its memorandum of association by including new clause 23 (enabling the company to merger/amalgamate/purchase or takeover) to the existing objects incidental or ancillary to main objects through approval of shareholders by way of special resolution at Annual General Meeting held on 25th September, 2018.<br><br>There are no other specific events/actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards taken place. |

**For KBG Associates**
**Company Secretaries**

KBG ASSOCIATES Hyderabad Company Secretaries

**(Srikrishna S Chintalapati)**
**Partner**
**CP # 6262.**

**Place:** Hyderabad
**Date:** 6th July, 2019

**'ANNEXURE-A'**

To,
The Members
**GMR Aerospace Engineering Limited**
Plot No. 1, GMR Hyderabad Aviation SEZ Limited
Rajiv Gandhi International Airport, Shamshabad
Hyderabad, Telangana
India-500108

Our report for the even date to be read with the following Letter;

| Sl.No. | Particulars |
|---|---|
| 1. | Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility isto express an opinion on these secretarial records based on our audit. |
| 2. | We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion. |
| 3. | We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company. |
| 4. | Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc. |
| 5. | The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis. |
| 6. | The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company. |
| 7. | Though the audit scope includes such other Acts (not involving Companies Act, all Securities related Acts and FEMA); due to time, legal verification, transaction validation, expert knowledge (at certain peak levels) limitations and resulting in consequent omission of even random checking on various Acts (such as Labour Laws, Pollution and Environment related Laws, Laws governing Aircraft and Airport Authorities of India Act,1994, all connected State and Central such other applicable Acts); we had to rely upon the undertaking, declaration and written representation from the management only and had to be certified thereon. |

For **KBG Associates**
**Company Secretaries**

KBG ASSOCIATES Hyderabad Company Secretaries

**(Srikrishna S Chintalapati)**
**Partner**
**CP # 6262**

**Place:** Hyderabad
**Date:** 6th July, 2019

**Annexure-3**

# Form No. MGT-9
## EXTRACT OF ANNUAL RETURN
## As on the financial year ended on 31.03.2019

[Pursuant to section 92(3) *of the Companies Act, 2013* and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

| **I. REGISTRATION AND OTHER DETAILS:** | | |
|---|---|---|
| i | CIN | U45201TG2008PLC067141 |
| ii | Registration Date | 29th February, 2008 |
| iii | Name of the Company | **GMR AEROSPACE ENGINEERING LIMITED** |
| iv | Category / Sub-Category of the Company | Public Company/ Company Limited by shares |
| v | Address of the Registered office and contact details | Plot No.1, C/o GMR Hyderabad Aviation SEZ Limited, Rajiv Gandhi International Airport, Shamshabad, Hyderabad – 500108<br>Ph: 040 – 67251115<br>Email: apeksha.naidu@gmraerotech.in<br>Website: www.gmraerotech.in |
| vi | Whether listed company | Yes (Debt Listed) |
| vii | Name, Address and Contact details of Registrar and Transfer Agent, if any | Karvy Fintech Private Limited<br>Karvy Selenium Tower – B, Plot no. 31 & 32, Financial District, Hyderabad – 500082. |

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

| **Sl. No.** | **Name and Description of main products / services** | **NIC Code of theProduct/ service** | **% to total turnover of the company** |
|---|---|---|---|
| 1 | Other Business activities. | 74999 | 100 % |

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

| Sl.No | Name and address of the Company | CIN/GLN | HOLDING/SUBSIDIARY/ ASSOCIATE | % of shares held | Applicable Section |
|---|---|---|---|---|---|
| 1 | GMR Aero Technic Limited (GATL)<br>Plot No.1, GMR Hyderabad Aviation SEZ Limited, Rajiv Gandhi International Airport, Shamshabad, Hyderabad-500108 | U35122TG2010PLC070489 | **Subsidiary Company** | 100 | 2(6) |
| 2 | GMR Hyderabad International Airport Limited (GHIAL)<br>GMR Aero Towers, Rajiv Gandhi International Airport, Shamshabad, Hyderabad -500108 | U62100TG2002PLC040118 | **Holding Company** | 100 | 2(46) |

**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity):**

**i) Category-wise Share Holding:**

| Category of Shareholders | No. of Shares held at the beginning of the year 01st April, 2018 | | | | No. of Shares held at the end of the year 31st March, 2019 | | | | % Change During the year |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| **A. Promoters** | | | | | | | | | |
| (1) **Indian** | | | | | | | | | |
| Body Corporates (70 shares held by individuals and Body Corporates as Beneficiary for and on behalf of GMR Hyderabad International Airport Limited which holds 100% Shares capital of the Company) | 324900000 | 0 | 324900000 | 100 | 338400000 | 0 | 338400000 | 100 | 4.15 |
| **Sub-total (A) (1):-** | **324900000** | **0** | **324900000** | **0** | **338400000** | **0** | **338400000** | **100** | **3.98** |
| (2) **Foreign** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Sub-total (A) (2):-** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total shareholding of Promoter (A)=(A)(1)+(A)(2)** | **324900000** | **0** | **324900000** | **0** | **338400000** | **0** | **338400000** | **100** | **3.98** |
| **B. Public Shareholding** | | | | | | | | | **NIL** |
| **Grand Total (A+B)** | **324900000** | **0** | **324900000** | **100** | **338400000** | **0** | **338400000** | **100** | **3.98** |

### (ii) Shareholding of Promoters

| Sl. No | Shareholder'sName | Shareholding at the beginning of the year 01st April, 2018 | | | Share holding at the end of the year 31st March, 2019 | | | % change in share Holding during The year |
|---|---|---|---|---|---|---|---|---|
| | | No. of Shares | % of total Shares of the company | % of Shares Pledged / encumbered to total shares | No. of Shares | % of total Shares of the company | % of Shares Pledged / encumbered to total shares | |
| 1 | GMR Hyderabad International Airport Limited | 324899930 | 100% | 0 | 338399930 | 100% | 0 | |
| 2 | GMR Corporate Affairs Private Limited | 10* | - | - | 10* | - | - | |
| 3 | GMR Aerostructure Services Limited | 10* | - | - | 10* | - | - | |
| 4 | GMR Business Process and Services Private Limited | 10* | - | - | 10* | - | - | |
| 5 | Dhruvi Securities Private Limited | 10* | - | - | 10* | - | - | |
| 6 | Atul Kumar | 20* | - | - | 20* | - | - | |
| 7 | Rajesh Kumar Arora | 10* | - | - | 10* | - | - | |
| **Total** | | **324900000** | **100%** | **0** | **338400000** | **100%** | **0** | **0** |

*** Holding as nominee for and on behalf of GMR Hyderabad International Airport Limited**

**(iii) Change in Promoters' Shareholding (please specify, if there is no change):**

| Sl.No. | | Shareholding at the beginning of the year | | Cumulative Shareholding during the Year | |
|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| **A.** | **At the beginning of the year (01.04.2018) Date wise Increase in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):** | **324900000** | **100%** | **324900000** | **100%** |
| 1 | 17/05/2018 - Right Issue Allotment | 5000000 | 100% | 329900000 | 100% |
| 2. | 25/09/2018 - Right Issue Allotment | 2500000 | 100% | 332400000 | 100% |
| 3. | 17/11/2018 - Right Issue Allotment | 6000000 | 100% | 338400000 | 100% |
| **B.** | **At the End of the year** | **338400000** | **100%** | **338400000** | **100%** |

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs): Nil***

| Sl. No. | | Shareholding at the beginning of the year | | Cumulative Shareholding during the Year | |
|---|---|---|---|---|---|
| | For Each of the Top 10 Shareholders | No. of shares | % of totalshares of thecompany | No. of shares | % of total shares ofthe company |
| A | At the beginning of the year | NIL | | | |
| B | At the End of the year | | | | |

***As all the shares are held by the holding Company GMR Hyderabad International Airport Limited**

### (v) Shareholding of Directors and Key Managerial Personnel:

| Sl. No. | | Shareholding at the beginning ofthe year | | Cumulative Shareholding during theYear | |
|---|---|---|---|---|---|
| | **For Each of the Directors and KMP** | **No. of shares** | **% of totalshares of the company** | **No. of shares** | **% of total Shares ofthe company** |
| **1** | **Mr. Rajesh Kumar Arora** | | | | |
| | At the Beginning of the Year (Shares are held as nominee of GHIAL) | 10 | 0.00 | 10 | 0.00 |
| | Date wise Increase/Decrease in Shareholding during the years specifying the reasons for Increase/Decrease. | NIL | | | |
| | At the end of the Year (Shares are held as nominee of GHIAL) | 10 | 0.00 | 10 | 0.00 |

### V. INDEBTEDNESS:

**Indebtedness of the Company including interest outstanding/accrued but not due for payment:**

**(Rs. In Lakhs)**

| | Secured Loans Excluding Deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|---|---|---|---|
| **Indebtedness at the beginning of the financial year** | | | | |
| i) Principal Amount | 9962.74 | -- | -- | 12858.09 |
| ii) Interest due but not paid | -- | -- | -- | -- |
| iii) Interest accrued but not due | 2.34 | -- | -- | 2.34 |
| **Total (i+ii+iii)** | **9965.08** | -- | | **12860.43** |
| **Change in Indebtedness during the financial year** | | -- | | |
| • Addition | 5.71 | -- | -- | -- |
| • Reduction | -- | -- | -- | -- |
| **Indebtedness at the end of the financial year** | | -- | | |

| | | | | |
|---|---|---|---|---|
| i) Principal Amount | 9968.45 | -- | | 13863.61 |
| ii) Interest due but not paid | -- | -- | -- | -- |
| iii) Interest accrued but not due | 2.34 | -- | -- | -- |
| **Total (i+ii+iii)** | **9970.79** | -- | -- | **13865.95** |

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:**

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: **Nil**

| **Sl. No.** | **Particulars of Remuneration** | **Name of MD/WTD/Manager** | | | **Total Amount** |
|---|---|---|---|---|---|
| 1 | Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961<br>(b) Value of perquisites u/s 17(2) Income-tax Act, 1961<br>(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | 0 | 0 | 0 | 0 |
| 2 | Stock Option | 0 | 0 | 0 | 0 |
| 3 | Sweat Equity | 0 | 0 | 0 | 0 |
| 4 | Commission<br>- as % of profit<br>- others, specify… | 0 | 0 | 0 | 0 |
| 5 | Others, please specify | 0 | 0 | 0 | 0 |
| | Total (A) | 0 | 0 | 0 | 0 |
| | Ceiling as per the Act | 0 | 0 | 0 | 0 |

**B. Remuneration to other directors:**

| Sl. No. | Particulars of Remuneration | Name of the Directors | | Total Amount (Rs.) |
|---|---|---|---|---|
| | | Dr. Kavitha Gudapati | Mr. Abdul Rahman Harith Saif Al Busaidi | |
| | Independent Directors<br>• Fee for attending board / committee meetings<br>• Commission<br>• Others, please specify | 1,15,000 | 1,19,000 | 2,34,000 |
| | **Total (1)** | | | |
| | Other Non-Executive Directors<br>• Fee for attending board / committee meetings<br>• Commission<br>• Others, please specify | -- | -- | -- |
| | Total (2) | -- | -- | -- |
| | Total (B)=(1+2) | **1,15,000** | **1,19,000** | **2,34,000** |
| | Total Managerial Remuneration | -- | -- | -- |
| | Overall Ceiling as per the Act | -- | -- | -- |

**C. Remuneration to key managerial personnel other than MD/Manager/WTD:**

| Sl. No. | Particulars ofRemuneration | Key Managerial Personnel | | | |
|---|---|---|---|---|---|
| | | **CEO** | **CompanySecretary** | **CFO** | **Total (Rs.)** |
| | | | **Apeksha Naidu (Rs.)** | | |
| 1. | Gross salary<br>(a) Salary as per provisionscontained in section 17(1) ofthe Income-tax Act, 1961<br>(b) Value of perquisites u/s17(2) Income-tax Act, 1961<br>(c) Profits in lieu of salaryunder section 17(3) Income TaxAct, 1961 | Nil | 6,00,000 | Nil | 6,00,000 |
| 2. | Stock Option | Nil | Nil | Nil | Nil |
| 3. | Sweat Equity | Nil | Nil | Nil | Nil |
| 4. | Commission - as % of profit- others, specify… | | | | |
| 5. | Others, pleasespecify | | | | |
| | **Total** | **Nil** | **6,00,000** | **Nil** | **6,00,000** |

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL**

**On behalf of the Board of Directors**
**For GMR Aerospace Engineering Limited**

**Place: Hyderabad**
**Date: July 26, 2019**

**Rajesh Arora**
**Director**
**DIN: 03174536**

**P.S. Nair**
**Director**
**DIN: 00063118**

Deloitte
Haskins & Sells LLP

Chartered Accountants
KRB Towers, Plot No.1 to 4 & 4A
1st, 2nd & 3rd Floor
Jubilee Enclave, Madhapur
Hyderabad - 500 081
Telangana, India

Tel: +91 40 7125 3600
Fax: +91 40 7125 3601

# INDEPENDENT AUDITOR'S REPORT
## To The Members of GMR Aerospace Engineering Limited
## Report on the Audit of the Standalone Financial Statements

### Qualified Opinion

We have audited the accompanying standalone financial statements of GMR Aerospace Engineering Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2019, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 section below, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and its loss, total comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

### Basis for Qualified Opinion

Attention is invited to Note 34 of the standalone financial statements regarding the Company's investments in its wholly owned subsidiary, GMR Aero Technic Limited amounting to ₹ 22,786.36 lakhs, loans given and trade receivables from this subsidiary amounting to ₹ 3,895.16 lakhs and ₹ 7,315.33 lakhs, respectively, as at March 31, 2019 The subsidiary has been incurring continuing losses and its accumulated losses have fully eroded its net-worth as at March 31, 2019. Based on the future business plan, projections and for reasons more fully described in the aforesaid Note, the Management is of the view that no impairment is considered necessary in respect of aforesaid investment, loans and trade receivables as at March 31, 2019.

In the absence of sufficient appropriate evidence and information to support the key assumptions made by the Management to assess impairment, we are unable to comment on the carrying amounts of such investments, loans given and trade receivables from such subsidiary, including adjustments, if any that may be required to be made to such carrying amounts.

This matter was also qualified in the audit report on the standalone Ind AS financial statements for the year ended March 31, 2018.

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

Regd. Office: Indiabulls Finance Centre, Tower 3, 27th - 32nd Floor, Senapati Bapat Marg, Elphinstone Road (W), Mumbai - 400 013, India.
(LLP Identification No. AAB-8737)

### Material uncertainty related to Going Concern

We draw attention to Note 34 and 35 of the standalone financial statements, which indicates that as at March 31, 2019 the accumulated losses amounting to ₹ 1,398.13 lakhs and the possible effects of the matter described in Basis for Qualified Opinion paragraph above indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. This standalone financial statements has been prepared on a going concern basis for the reasons stated in the said notes.

Our opinion is not modified in respect of this matter.

### Emphasis of Matter

We draw attention to Note 36 of the standalone financial statements, which indicates that the Board of Directors in their meeting held on December 10, 2018 has approved, subject to the required approvals, the Composite Scheme of Arrangement amongst GMR Hyderabad Air Cargo and Logistics Private Limited ("GHACLPL"/"Transferor Company") and GMR Aero Technic Limited ("GATL"/"Demerged Company") and GMR Aerospace Engineering Limited ("GAEL"/"Transferee"/ "Resulting Company") and their respective Shareholders and Creditors ("Scheme"), wherein GHACLPL will merge with GAEL and GATL will demerge the MRO Business undertaking into GAEL with an Appointed Date of April 01, 2018. The Company is in the process of obtaining requisite approvals (including from the National Company Law Tribunal (NCLT)), under applicable laws/regulations to give effect to the above Scheme, pending aforesaid approvals no impact of the Scheme has been considered in the standalone financial statements.

### Key Audit Matters

We have determined that there are no other key audit matters to communicate in our report beyond matter addressed in the Basis for Qualified Opinion section and Material Uncertainty Related to Going Concern section of our report.

### Information Other than the Financial Statements and Auditor's Report Thereon

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

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

- In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

- When we read the Board's Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'.

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

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

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

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

**Auditor's Responsibility for the Audit of the Standalone Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, based on our audit we report that:

   a) We have sought and except for the matter described in the Basis for Qualified Opinion section above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b) Except for the possible effects of the matter described in the Basis for Qualified Opinion section above, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive income, the Statement of Cash Flows 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 matters described in the Basis for Qualified Opinion section above, in our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act.

e) The matters described in the Basis for Qualified Opinion section above and Material uncertainty related to Going Concern section above, in our opinion, may have an adverse effect on the functioning of the Company.

f) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion section above.

h) 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 A". Our report expresses qualified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting for the reasons stated therein.

i) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended,

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

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 in our opinion and to the best of our information and according to the explanations given to us:
   i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements.
   ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
   iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For Deloitte Haskins & Sells LLP
*Chartered Accountants*
(F.R.N. 117366W/W-100018)

Sumit Trivedi

Sumit Trivedi
(Partner)
(Membership No. 209354)

Place: Hyderabad
Date : April 26, 2019

SP

VK

## ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT
**(Referred to in paragraph 1 (h) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)**

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

We have audited the internal financial controls over financial reporting of GMR Aerospace Engineering Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The 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 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 internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

**Basis for Qualified Opinion**

According to the information and explanations given to us and based on our audit, the following material weaknesses has been identified in the Company's internal financial controls over financial reporting as at March 31, 2019:

The Company did not have adequate controls over estimation of impairment in value of investments , loans given and trade receivables from a wholly owned subsidiary company, as more fully explained in the Note 34 to the standalone financial statements as at March 31, 2019, in particularly those related to key assumptions made by the Management in business plan, which could potentially result in the Company not providing for adjustments, if any, that may be required to be made to such carrying amount of investment, 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 financial statements will not be prevented or detected on a timely basis.

**Qualified Opinion**

In our opinion, to the best of our information and according to the explanations given to us, except for the possible effects of the material weaknesses described in Basis for Qualified Opinion paragraph above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2019, 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.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company for the year ended March 31, 2019, and these material weaknesses have affected our opinion on the said standalone financial statements of the Company and we have issued a qualified opinion on the Standalone financial statements of the Company.

For Deloitte Haskins & Sells LLP
*Chartered Accountants*
(F.R.N.117366W/W-100018)

Sumit Trivedi

Sumit Trivedi
(Partner)
(Membership No. 209354)

Place: Hyderabad
Date : April 26, 2019

**ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT**
(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a program of verification of fixed assets once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, fixed assets were physically verified during the year and the management is in the process of reconciling the assets physically verified with asset register. Discrepancies arising on such reconciliation would be dealt with on completion of such reconciliation.

(c) In respect of immovable properties of buildings constructed on leasehold land and disclosed as fixed asset in the financial statements, the lease agreement (for land) is in the name of the Company, where the Company is the lessee.

(ii) The Company does not have any inventory and hence reporting under clause (ii) of the Order is not applicable.

(iii) According to the information and explanations given to us, the Company has granted loans to Company covered in the register maintained under section 189 of the Companies Act, 2013, in respect of which:

(a) The terms and conditions of the grant of such loans are, in our opinion, prima facie, not prejudicial to the Company's interest.

(b) The schedule of repayment of principal and payment of interest has been stipulated and repayments or receipts of principal amounts and interest have been regular as per stipulations.

(c) There is no overdue amount remaining outstanding as at the balance sheet date.

Also refer our comments as described in the "Basis for Qualified Opinion" paragraph in the Auditor's Report.

(iv) The Company has not granted any loans, made investments or provided guarantees and hence reporting under clause (iv) of the Order is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year falling within the purview of the provisions of Section 73 to 76 of the Companies Act, 2013. There are no unclaimed deposits.

(vi) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues in arrears as at March 31, 2019 for a period of more than six months from the date they became payable.

(c) There are no dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Value Added Tax which have not been deposited as on March 31, 2019 on account of disputes.

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks and dues to debenture holders.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 Order is not applicable.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has paid managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding, subsidiary, or associate Company or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.

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

For Deloitte Haskins & Sells LLP
*Chartered Accountants*
(F.R.N. 117366W/W-100018)

Sumit Trivedi

Sumit Trivedi
(Partner)
(Membership No. 209354)

Place: Hyderabad
Date: April 26, 2019

Annexure I

Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along-with Annual Audited Standalone Financial Results – (Standalone separately)

(₹. in Lakhs)

**Statement on Impact of Audit Qualifications for the Financial Year ended March 31,2019 (See Regulation 52 of the SEBI (LODR) (Amendment) Regulations, 2016**

| | S No | Particulars | Audited Figures (as reported before adjusting for qualifications) | Audited Figures (as reported after adjusting for qualifications) |
|---|---|---|---|---|
| I. | 1. | Turnover/Total Income | 2,595.09 | 2,595.09 |
| | 2. | Total Expenditure | 2,645.27 | Refer Note below |
| | 3. | Net Profit/(Loss) | (50.18) | Refer Note below |
| | 4. | Earnings Per Share | (0.01) | Refer Note below |
| | 5. | Total Assets | 46,485.47 | Refer Note below |
| | 6. | Total Liabilities | 13,044.05 | 13,044.05 |
| | 7. | Net Worth | 32,441.42 | Refer Note below |
| | 8. | Any other financial item(s) - Share Application Money | 1,000.00 | 1,000.00 |
| Note: | Qualification is not quantifiable for the reasons mentioned below | | | |

II. **Audit Qualification:**

**a. Details of Audit Qualification:** Attention is invited to Note 2(a) of the Statement regarding the Company's investments in its wholly owned subsidiary, GMR Aero Technic Limited, amounting to ₹ 22,786.36 Lakhs, loans given and, trade receivables from this subsidiary, amounting to ₹ 3,895.16 lakhs and ₹ 7,315.33 lakhs, respectively, as at March 31, 2019. The subsidiary has been incurring continuing losses and its accumulated losses have fully eroded its net-worth as at March 31, 2019. Based on the future business plan, projections and for reasons more fully described in the aforesaid Note, the Management is of the view that no impairment is considered necessary in respect of aforesaid investment, loans and trade receivables as at March 31, 2019.

In the absence of sufficient appropriate evidence and information to support the key assumptions made by the Management to assess impairment, we are unable to comment on the carrying amounts of such investments, loans given and trade receivables from such subsidiary, including adjustments, if any that may be required to be made to such carrying amounts.

**b. Type of Audit Qualification:** Qualified Opinion

**c. Frequency of qualification:** repetitive, from FY 2013-14 onwards

**d. For Audit Qualification where the impact is quantified by the auditor, management's views:** Not Applicable

**e. For Audit Qualification where the impact is not quantified by the auditor:**

| | |
|---|---|
| (i) Management's estimation on the impact of audit qualification:<br><br>(ii) If Manangement is unable to estimate the impact, reason for the same: | Management has undertaken several initiatives to improve its income from operations and establish profitable operations and it alongwith GMR Hyderabad International Airport Limited ("GHIAL") further committed to provide such financial support as necessary towards the operational requirements of the Company. Based on the future business plans 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. As such, no provision, for impairment in the value of the same has been made. |

(iii) Auditor's Comments on (i) or (ii) above: In absence of Sufficient appropriate evidence and information to support the key assumptions made by the Management to assess impairment, we are unable to comment on the carrying amounts of such investments, loans given and trade receivables from such subsidiary, including adjustments, if any that may be required to be made to such carrying amounts.

III. **Signatories:**

| | |
|---|---|
| • CEO/Managing Director | |
| • CFO | |
| • Audit Committee Chairman | |
| • Statutory Auditor | Sumit Trivedi |

Place: Hyderabad

Date: April 26, 2019

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

o/c

**GMR Aerospace Engineering Limited**
**CIN: U45201TG2008PLC067141**
**Balance Sheet as at March 31, 2019**
(All amounts are in ₹ lakhs, unless otherwise stated)

| | Notes | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 3,002.01 | 3,415.98 |
| Investment property | 4 | 9,296.64 | 9,951.11 |
| Financial assets | | | |
| Investments | 5A | 22,786.36 | 20,308.84 |
| Loans | 5B | 3,895.16 | 2,895.35 |
| Other financial assets | 5D | 11.00 | 9.87 |
| Deferred tax assets (net) | 6 | - | - |
| Non-current tax asset | | 11.35 | 41.37 |
| Other non-current assets | 7 | 159.41 | 162.55 |
| | | **39,161.93** | **36,785.07** |
| **Current assets** | | | |
| Financial assets | | | |
| Trade receivables | 8 | 7,315.33 | 6,912.91 |
| Cash and cash equivalents | 9 | 5.07 | 94.53 |
| Derivative instruments | 5C | - | 81.69 |
| Other current assets | 7 | 3.14 | 366.66 |
| | | **7,323.54** | **7,455.79** |
| **Total assets** | | **46,485.47** | **44,240.86** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Equity share capital | 10 | 33,840.00 | 32,490.00 |
| Other equity | 11 | (398.58) | (848.40) |
| **Total equity** | | **33,441.42** | **31,641.60** |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| Borrowings | 12 | 9,968.45 | 9,962.74 |
| | | **9,968.45** | **9,962.74** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| Trade payables | 13 | | |
| (i) total outstanding dues of micro enterprises and small enterprises; | | - | - |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | | 3,071.54 | 2,550.35 |
| Other financial liabilities | 14 | 2.34 | 84.22 |
| Other current liabilities | 15 | 1.72 | 1.95 |
| | | **3,075.60** | **2,636.52** |
| **Total equity and liabilities** | | **46,485.47** | **44,240.86** |

| Corporate information and Significant accounting policies | 1 & 2 |
|---|---|

The accompanying notes are an integral part of the Standalone Financial Statements.

In terms of our report attached

**For Deloitte Haskins & Sells LLP**
*Chartered Accountants*

**Sumit Trivedi**
Partner

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

Place : Hyderabad
Date: April 26, 2019

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

**Rajesh Kumar Arora**
Director
DIN : 03174536

**SGK Kishore**
Director
DIN : 02916539

**Ashok Gopinath**
Chief Executive Officer

**K Venkata Ramana**
Chief Financial Officer

**Apeksha Naidu**
Company Secretary
M.No.ACS 42119

Place : Hyderabad
Date: April 26, 2019

GMR Aerospace Engineering Ltd. Hyderabad

GMR Aerospace Engineering Limited
CIN: U45201TG2008PLC067141
**Statement of Profit and Loss for the year ended March 31, 2019**
(All amounts are in ₹ lakhs, unless otherwise stated)

| | Notes | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 16 | 2,027.05 | 2,862.23 |
| Other income | 17 | 568.04 | 2,219.78 |
| **Total income (i)** | | **2,595.09** | **5,082.01** |
| **Expenses** | | | |
| Employee benefits expense | 18 | 5.48 | 39.64 |
| Finance cost | 19 | 860.83 | 2,712.77 |
| Depreciation and amortization expense | 20 | 1,068.44 | 1,063.53 |
| Other expenses | 21 | 710.52 | 1,866.13 |
| **Total expenses (ii)** | | **2,645.27** | **5,682.07** |
| **Loss before tax (i-ii)** | | **(50.18)** | **(600.06)** |
| **Tax expense** | | | |
| Current Tax | | - | - |
| Deferred Tax | | - | - |
| **Loss for the year** | | **(50.18)** | **(600.06)** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit and loss* | | | |
| Remeasurement gains/(losses) on defined benefit plans | | - | - |
| **Other comprehensive income** | | - | - |
| **Total Comprehensive Loss** | | **(50.18)** | **(600.06)** |
| **Earnings per equity share of ₹ 10 each** | | | |
| Basic and diluted (₹ per share) | 22 | (0.01) | (0.19) |

| | |
|---|---|
| Corporate information and Significant accounting policies | 1 & 2 |

The accompanying notes are an integral part of the Standalone Financial Statements.

In terms of our report attached
**For Deloitte Haskins & Sells LLP**
*Chartered Accountants*

Sumit Trivedi

**Sumit Trivedi**
Partner

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

Place : Hyderabad
Date: April 26, 2019

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

**Rajesh Kumar Arora**
Director
DIN : 03174536

**SGK Kishore**
Director
DIN : 02916539

**Ashok Gopinath**
Chief Executive Officer

**K Venkata Ramana**
Chief Financial Officer

**Apeksha Naidu**
Company Secretary
M.No.ACS 42119

Place : Hyderabad
Date: April 26, 2019

GMR Aerospace Engineering Ltd. ★ Hyderabad

GMR Aerospace Engineering Limited
CIN: U45201TG2008PLC067141
Statement of Cash flows for the year ended March 31, 2019
(All amounts are in ₹ lakhs, unless otherwise stated)

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Loss before tax | (50.18) | (600.06) |
| Adjustment for | | |
| Depreciation on property, plant and equipment | 413.97 | 409.57 |
| Depreciation of investment properties | 654.47 | 653.96 |
| Liabilities no longer required, written back | (0.76) | (35.64) |
| Fair value gain on financial instruments at fair value through profit or loss | 81.69 | 1,279.21 |
| Unrealised foreign exchange (Gain)/Loss | (93.60) | 41.04 |
| Interest income | (360.98) | (823.11) |
| Finance income on cross currency swap arrangement and fair value change in financial instruments | 2.01 | (1,360.68) |
| Trade Receivable written off | 43.78 | - |
| Finance costs | 860.83 | 2,712.77 |
| **Operating profit before working capital changes** | **1,551.23** | **2,277.06** |
| *Changes in working capital* | | |
| Increase in trade payables | 521.95 | 551.97 |
| (Decrease) in other liabilities | (0.23) | (6.65) |
| (Decrease) in provisions | - | (7.37) |
| (Increase) in trade receivables | (374.48) | (1,817.63) |
| Decrease in other financial assets | - | 20.98 |
| Decrease in other assets | 363.52 | 461.83 |
| **Cash from operations** | **2,061.99** | **1,480.19** |
| Direct taxes refund/(paid) | 30.02 | (1.97) |
| **Net cash flow from operating activities (A)** | **2,092.01** | **1,478.22** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment and investment property | (60.00) | (30.96) |
| Interest income received | 10.65 | 436.12 |
| Bank balance not considered as cash and cash equivalents - Matured/(Placed) | - | 500.00 |
| Loans realised from subsidiary | - | 17,701.50 |
| Loan given to subsidiary | (3,127.00) | (3,255.00) |
| **Net cash (used in)/from investing activities (B)** | **(3,176.35)** | **15,351.66** |
| **Cash flows from financing activities** | | |
| Proceeds from issue of share capital (including share application money) | 1,850.00 | 3,650.00 |
| Refund of share application money | - | (1,150.00) |
| Proceeds from long-term borrowings - Non-Convertible Debentures | - | 10,000.00 |
| Repayment of long-term borrowings | - | (27,838.71) |
| Interest paid (net off settlement of cross currency swap arrangement) | (855.12) | (1,405.06) |
| **Net cash flow from/(used in) financing activities (C)** | **994.88** | **(16,743.77)** |
| **Net Increase/(decrease) in cash and cash equivalents (A + B + C)** | (89.46) | 86.11 |
| **Cash and cash equivalents at the beginning of the year** | 94.53 | 8.42 |
| **Cash and cash equivalents at the end of the year (see note below)** | **5.07** | **94.53** |
| **Components of cash and cash equivalents** | | |
| With banks - on current accounts | 4.07 | 92.19 |
| With banks - on escrow accounts | 1.00 | 2.34 |
| **Total cash and cash equivalents** | **5.07** | **94.53** |

**Reconciliation of liabilities from financing activities:**

| Particulars | As at March 31, 2018 | Proceeds | Fair Value Changes | As at March 31, 2019 |
|---|---|---|---|---|
| Borrowings | 9,962.74 | - | 5.71 | 9,968.45 |
| Total | **9,962.74** | - | **5.71** | **9,968.45** |

The accompanying notes are an integral part of the Standalone Financial Statements.

In terms of our report attached
**For Deloitte Haskins & Sells LLP**
*Chartered Accountants*

Sumit Trivedi
Partner

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

Place : Hyderabad
Date: April 26, 2019

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

Rajesh Kumar Arora
Director
DIN : 03174536

SGK Kishore
Director
DIN : 02916539

Ashok Gopinath
Chief Executive Officer

K Venkata Ramana
Chief Financial Officer

Apeksha Naidu
Company Secretary
M.No.ACS 42119

Place : Hyderabad
Date: April 26, 2019

GMR Aerospace Engineering Ltd. Hyderabad

GMR Aerospace Engineering Limited
CIN: U45201TG2008PLC067141
Statement of Changes in Equity for the year ended March 31, 2019
(All amounts are in ₹ lakhs, unless otherwise stated)

**A. Equity Share Capital:**

| | No. of shares | ₹ in lakhs |
|---|---|---|
| **Equity shares of ₹ 10 each issued, subscribed and fully paid** | | |
| **As at April 1, 2017** | 292,900,000 | 29,290.00 |
| Issue of shares during the year | 32,000,000 | 3,200.00 |
| **As at March 31, 2018** | **324,900,000** | **32,490.00** |
| Issue of shares during the year | 13,500,000 | 1,350.00 |
| **As at March 31, 2019** | **338,400,000** | **33,840.00** |

**B. Other Equity**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **(i) Retained earnings** | | |
| As at April 01, 2018 / April 01, 2017 | (1,348.40) | (748.34) |
| Loss for the year | (50.18) | (600.06) |
| Remeasurement gains/(losses) on defined benefit plans | - | - |
| Closing Balance | (1,398.58) | (1,348.40) |
| **(ii) Share application money pending allotment** | 1,000.00 | 500.00 |
| **Total Other Equity** | (398.58) | (848.40) |

The accompanying notes are an integral part of the Standalone Financial Statements.

In terms of our report attached
**For Deloitte Haskins & Sells LLP**
*Chartered Accountants*

**Sumit Trivedi**
Partner

HASKINS & SELLS LLP DELOITTE CHARTERED ACCOUNTANTS

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

Rajesh Kumar Arora
Director
DIN : 03174536

SGK Kishore
Director
DIN : 02916539

Ashok Gopinath
Chief Exeecutive Officer

K Venkata Ramana
Chief Financial Officer

Apeksha Naidu
Company Secretary
M.No.ACS 42119

Place : Hyderabad
Date: April 26, 2019

Place : Hyderabad
Date: April 26, 2019

GMR Aerospace Engineering Ltd. Hyderabad

GMR Aerospace Engineering Limited

CIN: U45201TG2008PLC067141

**Notes to the Standalone Financial Statements for the year ended March 31, 2019**

**(All amounts are in ₹ lakhs, unless 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. (also Refer Note 36).

The Standalone financial statements for the year ended March 31, 2019 were adopted by the Board of Directors and authorized for issue in accordance with a resolution on April 26, 2019.

## 2. Significant Accounting Policies

### 2.1 Basis of preparation and presentation:

**(a) Statement of Compliance:**

The Standalone Financial Statements are prepared in accordance with Indian Accounting Standards ("Ind AS"), notified under the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

**(b) Basis of measurement:**

The Standalone Financial Statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of reporting period. (as explained in accounting policy regarding financial instruments).

### 2.2 Summary of Significant Accounting Policies

**a) Use of estimates**

The preparation of Standalone 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 period. 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 Company based its assumptions and estimates on parameters available when the Standalone 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) Investment in Subsidiary**

The Company has accounted for its investment 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:

i) It is expected to be realised or intended to be sold or consumed in normal operating cycle,
ii) It is held primarily for the purpose of trading,
iii) It is expected to be realised within twelve months after the reporting period, or
iv) 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.

HASKINS & SELLS LLP DELOITTE CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

A liability is current when:
i) It is expected to be settled in normal operating cycle,
ii) It is held primarily for the purpose of trading,
iii) It is due to be settled within twelve months after the reporting period, or
iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.
All other liabilities are classified as non-current.

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

**d) Foreign currencies**

**Functional and presentation currency**

The Standalone 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. The date of transaction for the purpose of determining the exchange rate on initial recognition of the related asset, expense or income (part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

**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 Standalone 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:

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

Aerospace Engineering Ltd. GMR Hyderabad

- 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 recognized in the Standalone 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 upon transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is reduced for estimated customer returns, rebates and other similar allowances, taxes or duties collected on behalf of the government. An entity shall recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when the customer obtains control of that asset.

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 over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

**Interest income:**

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

**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) Income Tax**

Income tax comprises current and deferred tax. Income tax expense is recognized in the statement of profit and loss except to the extent it relates to items directly recognized in equity or in other comprehensive income.

**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.

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

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.

Deferred tax:

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. 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 assets to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

Deferred tax assets include Minimum Alternate Tax ("MAT") paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognized as deferred tax asset in the Balance sheet when the asset can be measured reliably and it is probable that the future economic benefits associated with the asset will be realized.

**h) Property, plant and equipment**

Property, plant and equipment 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.

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

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

| Particulars | Useful Life (years) |
|---|---|
| Plant and equipment | 10 – 15 |
| Office equipment | 5 |
| Computer equipment and IT systems | 3 – 6 |
| Furniture and fixtures | 10 |
| Vehicles | 8 |

The Company, based on 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 ₹ 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 Property, plant and equipment and whose use is expected to be irregular are capitalized as fixed assets.

Spare parts are capitalized when they meet the definition of Property, plant and equipment 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 leasehold 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.

The Company depreciates the building on leasehold land on straight line basis over the period of lease, i.e.27 years.
For certain categories of buildings, accelerated depreciation has been provided over the life of 10-27 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

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

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 are carried at cost, net of accumulated amortisation and impairment losses, if any. Cost of an intangible asset comprises of purchase price and attributable expenditure on making the asset ready for its intended use.

Intangible Assets are amortized on a straight – line basis over their useful life not exceeding six years.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognized.

k) **Borrowing cost**
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 fulfillment 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 01, 2015, the company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

<u>Company as a lessee:</u>
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.

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

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.

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 fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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.

**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.

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

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) 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 Employees 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.

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

p) **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:**

The classification of financial instruments depends on the objective of the Company's business model for which it is held and on the substance of the contractual terms/arrangements. Management determines the classification of its financial instruments at initial recognition.

For the purpose of subsequent measurement, financial instruments of the Company are classified into categories as explained below:
- 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.

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd.
Hyderabad

**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 AS 103 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 recognised in the statement of profit and loss. 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 balance sheet) when:
a. The rights to receive cash flows from the asset have expired, or
b. 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

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

Aerospace Engineering Ltd. GMR ★ Hyderabad

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 115.
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, the Company is required to consider:

a. 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
b. 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 analyzed.

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:

a. 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 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.

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

SP

GMR Aerospace Engineering Ltd. Hyderabad

**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 cash credit, 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.

**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 recognized 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.

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd.
Hyderabad

Financial guarantee contracts are recognized 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 recognized 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 recognized in the statement of profit or loss.

**q) 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 are taken directly to profit or loss statement.

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 though 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.

**r) 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.

**s) 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

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

**t) Indian Accounting Standards (Ind AS) issued but not yet effective**

On March 30, 2019, the Ministry of Corporate Affairs (MCA) issued the Companies (Indian Accounting Standards) Amendment Rules, 2019 which notified Ind AS 116, Leases. The amendment rules are effective from reporting periods beginning on or after April 1, 2019. This standard replaces current guidance in Ind AS 17 and is a far reaching change in accounting by lessees in particular.

Ind AS 116 sets out the principles for recognition, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to accounting for finance leases under Ind AS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Ind AS 116 requires lessees to recognize a 'right-of-use asset' and a 'lease liability' for almost all leasing arrangements. Lessor accounting under Ind AS 116 is substantially unchanged from today's accounting under Ind AS 17. The lessor still has to classify leases as either finance or operating.

Ind AS 116 is effective for the Group in the first quarter of fiscal year 2019 using either one of two methods:

(a) retrospectively to each prior reporting period presented in accordance with Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors, with the option to elect certain practical expedients as defined within Ind AS 116 (the full retrospective method); or

(b) retrospectively with the cumulative effect of initially applying Ind AS 116 recognized at the date of initial application (April 01, 2019) and providing certain additional disclosures as defined in Ind AS 116 (the modified retrospective method).

The Company continues to evaluate the available transition methods and its contractual arrangements. The ultimate impact on leases resulting from the application of Ind AS 116 will be subject to assessments that are dependent on many variables, including, but not limited to, the terms of the contractual arrangements and the mix of business. The Company's considerations also include, but are not limited to, the comparability of its financial statements and the comparability within its industry from application of the new standard to its contractual arrangements. The Company has established an implementation team to implement Ind AS 116 related to leases and it continues to evaluate the changes to accounting system and processes, and additional disclosure requirements that may be necessary.

A reliable estimate of the quantitative impact of Ind AS 116 on the financial statements will only be possible once the implementation project has been completed.

**(u) Amendments to Indian Accounting Standards (Ind AS) issued but not yet effective**

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

On March 30, 2019, the Ministry of Corporate Affairs (MCA) issued the Companies (Indian Accounting Standards) Second Amendment Rules, 2019 amending the following standards:

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

Appendix C, Uncertainty over Income Tax Treatments to Ind AS 12, 'Income taxes'

The appendix corresponds to IFRIC 23, Uncertainty over Income Tax Treatments issued by the IFRS Interpretations Committee.

This amendment clarifies how the recognition and measurement requirements of Ind AS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. The amendment applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The interpretation is effective for annual periods beginning on or after April 1, 2019.

The company is evaluating the impact of the amendment on the financial position, results of operation and cash flow.

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

(All amounts are in ₹ lakhs, unless otherwise stated)

3 Property, plant and equipment

| | Plant and equipments | Office equipments | Computer equipment and IT systems | Furniture and fixtures | Vehicles | Total |
|---|---|---|---|---|---|---|
| Cost or deemed cost | | | | | | |
| As at April 01, 2017 | 4,542.36 | 172.16 | 4.16 | 48.54 | 10.32 | 4,777.54 |
| Additions | 70.22 | - | - | - | - | 70.22 |
| As at March 31, 2018 | 4,612.58 | 172.16 | 4.16 | 48.54 | 10.32 | 4,847.76 |
| Additions | - | - | - | - | - | - |
| As at March 31, 2019 | 4,612.58 | 172.16 | 4.16 | 48.54 | 10.32 | 4,847.76 |
| Accumulated Depreciation | | | | | | |
| As at April 01, 2017 | 823.22 | 172.16 | 3.93 | 18.39 | 4.51 | 1,022.21 |
| Depreciation charge for the year | 400.50 | - | 0.23 | 6.59 | 2.25 | 409.57 |
| As at March 31, 2018 | 1,223.72 | 172.16 | 4.16 | 24.98 | 6.76 | 1,431.78 |
| Depreciation charge for the year | 405.12 | - | - | 6.60 | 2.25 | 413.97 |
| As at March 31, 2019 | 1,628.84 | 172.16 | 4.16 | 31.58 | 9.01 | 1,845.75 |
| Net block value | | | | | | |
| As at March 31, 2019 | 2,983.74 | - | - | 16.96 | 1.31 | 3,002.01 |
| As at March 31, 2018 | 3,388.86 | - | - | 23.56 | 3.56 | 3,415.98 |

Note:
All the above Property, plant and equipment are given on operating lease by the company to its subsidiary GMR Aero Technic Limited.

4 Investment property

| | Buildings on leasehold land # |
|---|---|
| Cost or deemed cost | |
| As at April 01, 2017 | 11,728.83 |
| Additions | 201.65 |
| As at March 31, 2018 | 11,930.48 |
| Additions | - |
| As at March 31, 2019 | 11,930.48 |
| Accumulated Depreciation | |
| As at April 01, 2017 | 1,325.41 |
| Depreciation charge for the year | 653.96 |
| As at March 31, 2018 | 1,979.37 |
| Depreciation charge for the year | 654.47 |
| As at March 31, 2019 | 2,633.84 |
| Net block | |
| As at March 31, 2019 | 9,296.64 |
| As at March 31, 2018 | 9,951.11 |

# 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.

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

SP

GMR Aerospace Engineering Ltd. Hyderabad

Information regarding income and expenditure of Investment property

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Rental income derived from investment properties | 1,532.25 | 2,130.64 |
| Direct operating expenses (including repairs and maintenance) generating rental income | 420.70 | 398.45 |
| Profits arising from investment properties before depreciation and indirect expenses | 1,111.55 | 1,732.19 |
| Less: Depreciation | 654.47 | 653.96 |
| Profits arising from investment properties before indirect expenses | 457.08 | 1,078.23 |

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, 2019 and March 31, 2018, the fair values of the property are Rs. 12,630.00 lakhs and Rs. 13,318.00 lakhs respectively. These valuations are based on valuations performed by an accredited independent valuer who are specialists in valuing these types of investment properties. Fair value hierarchy disclosures for investment properties have been provided in Note 3D.

Reconciliation of fair value

| | Investment property |
|---|---|
| Opening balance as at April 01,2017 | 12,728.30 |
| Fair value difference | 589.70 |
| Additions | - |
| Closing balance as at March 31,2018 | 13,318.00 |
| Fair value difference | (688.00) |
| Additions | - |
| Closing balance as at March 31,2019 | 12,630.00 |

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 (i.e. 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 Rs. 3,490 per square feet reduced by average depreciation for the year.

5A. Investments

| | Non-current | |
|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 |
| Investment equity instruments (fully paid-up) | | |
| Unquoted investment in subsidiaries | | |
| 25,000,000 (March 31, 2018: 25,000,000) Equity shares of Rs. 10 each fully paid up in GMR Aero Technic Limited | 2,500.00 | 2,500.00 |
| Add: Investment on account of fair value of interest free loans and financial guarantee | 20,286.36 | 17,808.84 |
| Total investments | 22,786.36 | 20,308.84 |

5B. Loans

| | Non-current | |
|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 |
| Loan and advances | | |
| - Considered good- Secured | - | - |
| - Considered good-Un Secured * | 3,895.16 | 2,895.35 |
| - Have significant increase in Credit Risk | - | - |
| - Credit impaired | - | - |
| | 3,895.16 | 2,895.35 |

Note:
* The unsecured loan is interest free and receivable in twenty equal half yearly instalments beginning from September 30, 2031.

5C. Derivative instruments

| | Current | |
|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 |
| Derivative instruments at fair value through profit or loss | | |
| Derivatives not designated as hedges | | |
| Embedded derivative (Refer Note 25) | - | 81.69 |
| Total | - | 81.69 |

5D. Other financial assets

| | Non-current | |
|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 |
| Security deposit, unsecured, considered good (Refer Note 25) | 11.00 | 9.87 |
| Total | 11.00 | 9.87 |

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS
SP

GMR Aerospace Engineering Ltd. Hyderabad

(All amounts are in ₹ lakhs, unless otherwise stated)

6 Deferred tax assets (net)

| | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| Deferred tax liability (DTL) relating to | | | |
| Accelerated depreciation for tax purposes | | (295.95) | (295.95) |
| | (A) | (295.95) | (295.95) |
| Deferred tax assets (DTA) relating to | | | |
| Unused tax losses/depreciation | | 295.95 | 295.95 |
| | (B) | 295.95 | 295.95 |
| Deferred tax assets (net) | (A+B) | - | - |

For the year ended March 31, 2019:

| | Opening Balance | Recognised in statement of profit and loss | Closing balance |
|---|---|---|---|
| DTL Accelerated depreciation for tax purposes | (295.95) | - | (295.95) |
| DTA Unused tax losses/depreciation | 295.95 | - | 295.95 |
| | - | - | - |

For the year ended March 31, 2018:

| | Opening Balance | Recognised in statement of profit and loss | Closing balance |
|---|---|---|---|
| DTL Accelerated depreciation for tax purposes | (315.38) | 19.43 | (295.95) |
| DTA Unused tax losses/depreciation | 315.38 | (19.43) | 295.95 |
| | - | - | - |

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.

6.1 Unrecognised deductible temporary differences, unused tax losses and unused tax credits

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following: | | |
| - unused tax losses | (6,337.38) | (1,650.82) |
| | (6,337.38) | (1,650.82) |

6.2 Reconciliation of tax expenses to accounting profits is as follows:

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Accounting profit/(loss) before Tax | (50.18) | (600.06) |
| Applicable Tax Rate in India (%) | 26.00% | 30.90% |
| Expected Income tax expense | - | - |
| Tax expense reported in statement of profit and loss | - | - |

7 Other assets

| | Non-current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 | As at March 31, 2018 |
| Unbilled Revenue - Straight lining of lease rentals (Refer Note 33) | - | - | - | 363.52 |
| Prepaid expenses | 56.49 | 59.63 | 3.14 | 3.14 |
| Balances with Government authorities | 102.92 | 102.92 | - | - |
| Total | 159.41 | 162.55 | 3.14 | 366.66 |

HASKINS & SELLS LLP DELOITTE CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

8 Trade receivables

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Unsecured, considered good | | |
| - Considered good- Secured | - | - |
| - Considered good-Un Secured * | 7,315.33 | 6,912.91 |
| - Have significant increase in Credit Risk | - | - |
| - Credit impaired | - | - |
| Less: Provision for Trade receivables- credit impaired | - | - |
| | 7,315.33 | 6,912.91 |

*The entire trade receivables represent the amount receivable from its wholly owned subsidiary GMR Aero Technic Limited. Trade receivables are non-interest bearing.

9 Cash and cash equivalents

| | Current | |
|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 |
| Balances with banks : | | |
| - On current accounts | 4.07 | 92.19 |
| - On escrow accounts | 1.00 | 2.34 |
| | 5.07 | 94.53 |

10 Equity share capital

Authorized share capital

| | No. of shares | ₹ in lakhs |
|---|---|---|
| As at April 1, 2017 | 305,000,000 | 30,500.00 |
| Increase during the year | 50,000,000 | 5,000.00 |
| As at March 31, 2018 | 355,000,000 | 35,500.00 |
| Increase during the year | - | - |
| As at March 31, 2019 | 355,000,000 | 35,500.00 |

| Issued, subscribed and fully paid share capital | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| 338,400,000 fully paid equity shares of ₹ 10 each (March 31, 2018: 324,900,000) | 33,840.00 | 32,490.00 |
| | 33,840.00 | 32,490.00 |

(a) Reconciliation of number of equity shares and amount outstanding at the beginning and at end of the year

| | No. of shares | ₹ in lakhs |
|---|---|---|
| As at April 1, 2017 | 292,900,000 | 29,290.00 |
| Issue of shares during the year | 32,000,000 | 3,200.00 |
| As at March 31, 2018 | 324,900,000 | 32,490.00 |
| Issue of shares during the year | 13,500,000 | 1,350.00 |
| As at March 31, 2019 | 338,400,000 | 33,840.00 |

(b) Terms/ rights attached to equity shares
The Company has only one class of equity shares having a par value of ₹ 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.

(c) Shares held by Holding Company
Out of equity shares issued by the Company, shares held by its holding company are as below :

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| GMR Hyderabad International Airport Limited and its nominees | | |
| 338,400,000 (March 31, 2018 : 324,900,000) equity shares of ₹ 10 each fully paid up | 33,840.00 | 32,490.00 |

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

| | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| | No. of shares | % holding | No. of shares | % holding |
| Equity shares of Rs.10 each fully paid | | | | |
| GMR Hyderabad International Airport Limited and its nominees | 338,400,000 | 100% | 324,900,000 | 100% |

11 Other equity

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Retained earnings | | |
| Opening balance | (1,348.40) | (748.34) |
| Add: Loss for the year | (50.18) | (600.06) |
| Remeasurement gains/(losses) on the net defined benefit plans | - | - |
| Closing balance | (1,398.58) | (1,348.40) |
| Share application money pending allotment | 1,000.00 | 500.00 |
| Total Other Equity | (398.58) | (848.40) |

Note: In the absence of adequate profits, the Company has not created Debenture Redemption Reserve as per the provisions of the Companies Act, 2013.

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

SP

GMR Aerospace Engineering Ltd. Hyderabad

## 12 Borrowings

| | Non-current | |
|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 |
| Secured | | |
| Redeemable Non Convertible Debentures (Refer Note below) | 9,968.45 | 9,962.74 |
| | 9,968.45 | 9,962.74 |

Note:

(i) During the year ended March 31, 2018 the Company has issued 1,000 Senior, Rated, Listed, Secured, Redeemable, Non-Convertible Debentures ("NCDs") of face value of Rs. 1,000,000 each and fixed interest of 8.55% per annum payable semi-annually and the interest rate shall be reset at the end of 4 years from the allotment as per the terms of Debenture Trust Deed. Tenure of Non Convertible Debentures (NCDs) is 7 years from the date of allotment and is due for payment at the end of 7th year from the date of allotment.

The Debentures are secured by:

(a) First pari-passu charge by way of equitable mortgage of leasehold rights of the land to the extent of 16.46 acres on which MRO facilities are constructed along with the buildings, structures, etc. on the land.

(b) First ranking pari-passu charge on all movable assets of the company, including but not limited to movable plant and machinery, spares, tools and accessories, furniture, fixtures, vehicles and all other movable assets, present and future, intangible, goodwill, intellectual property, uncalled capital, present and future.

(c) First ranking pari-passu charge on the Transaction Accounts and all book debts, operating cash flows, current assets, receivables, commissions, revenues of whatsoever nature and wherever arising, present and future of the Company.

(d) First ranking pari-passu charge and assignment on all the rights, title, interest, benefits, claims and demands whatsoever of company in the Project Documents and operation and maintenance related agreements, Clearances Approvals pertaining to their operations, both present and future and letter of credit, guarantee, performance bond, corporate guarantee, bank guarantee provided by any party to the Project Documents and the insurance Proceeds received by Company.

(e) Unconditional and irrevocable corporate guarantee given by GMR Hyderabad International Airport Limited as per Deed of guarantee dated October 04, 2017.

(f) As per the Debenture Trust Deed dated October 04, 2017, Debenture Trustee (acting on the instruction of Majority Resolution) may permit the Company to create a charge on the Security in favour of lenders advancing Loan Equivalent Risk Facility("LER Facility") to the Company. The Security Interest created over the Security for securing the LER Facility shall be second charge and shall rank subservient to the charge of the Debenture Holders.

(g) Redeemable Non-Convertible debentures includes an adjustment of unamortised upfront fee paid of ₹ 31.55 lakhs as at March 31, 2019 (As at March 31, 2018: ₹ 37.26 lakhs ).

## 13 Trade payables

| | Current | |
|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 |
| Trade Payables other than acceptances: | | |
| (i) total outstanding dues of micro enterprises and small enterprises (Refer Note (i) below); | - | - |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | | |
| (a) Related parties (Refer Note 25) | 3,062.83 | 2,542.26 |
| (b) Others | 8.71 | 8.09 |
| | 3,071.54 | 2,550.35 |

Notes :

(i) The Company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the period end together with interest paid/payable as required under the said Act, have not been given.

## 14 Other current financial liabilities

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Payables for purchase of property, plant and equipment (Refer Note 25) | - | 81.88 |
| Interest accrued but not due on borrowings | 2.34 | 2.34 |
| **Total other financial liabilities** | 2.34 | 84.22 |

## 15 Other current liabilities

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Statutory liabilities | 1.72 | 1.95 |
| | 1.72 | 1.95 |

HASKINS & SELLS LLP DELOITTE CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

**16 Revenue from operations**

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Income from Services | | |
| Lease Rentals (Refer Note 25 and Note 33) | 2,027.05 | 2,862.23 |
| | **2,027.05** | **2,862.23** |

**17 Other income** (Refer Note 37)

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Interest income on loan to a subsidiary (Refer Note 25) | 350.33 | 807.50 |
| Interest on bank deposits | - | 15.61 |
| Interest on income tax refund | 10.65 | 0.35 |
| Liabilities no longer required, written back | 0.76 | 35.64 |
| Gain on account of foreign exchange fluctuation (net) | 205.17 | - |
| Finance income on: | | - |
| - cross currency swap arrangement | - | 1,353.18 |
| - fair value change in financial instruments (Refer Note 25) | 1.13 | 7.50 |
| | **568.04** | **2,219.78** |

**18 Employee benefits expense**

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Salaries, wages and bonus | 5.26 | 36.38 |
| Contribution to provident and other funds | 0.22 | 2.54 |
| Gratuity expense | - | 0.72 |
| | **5.48** | **39.64** |

**19 Finance cost**

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Interest on debt and borrowings | - | 2,217.69 |
| Interest on Redeemable Non-Convertible Debentures | 860.71 | 417.35 |
| Interest others | 0.01 | 0.23 |
| Bank and Finance charges | 0.11 | 77.50 |
| | **860.83** | **2,712.77** |

**20 Depreciation and amortization expenses**

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Depreciation of property, plant and equipment (Refer Note 3) | 413.97 | 409.57 |
| Depreciation on investment property (Refer Note 4) | 654.47 | 653.96 |
| | **1,068.44** | **1,063.53** |

**21 Other expenses**

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Land lease rentals (Refer Note 25) | 556.55 | 535.27 |
| Fair value loss on financial instruments at fair value through profit or loss | 81.69 | 1,279.21 |
| Rates and taxes | 1.48 | 57.85 |
| Travelling and conveyance | 0.04 | 0.06 |
| Sitting Fees | 2.33 | 1.60 |
| Communication costs | 0.03 | 0.10 |
| Repairs and maintenance - Others | 0.96 | - |
| Legal and professional fees | 10.11 | 25.75 |
| Payment to auditors (Refer Note below)* | 11.09 | 8.73 |
| Loss on account of foreign exchange fluctuation (net) | - | (42.44) |
| Trade receivable write off | 43.78 | - |
| Miscellaneous expenses | 2.46 | - |
| | **710.52** | **1,866.13** |

**Note: Payment to auditors**

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **As auditor:** | | |
| Statutory audit fee including Limited Review | 6.60 | 6.60 |
| Other services | 4.25 | 1.00 |
| Reimbursement of expenses | 0.24 | 1.13 |
| | **11.09** | **8.73** |

*net of reimbursement, aggregating ₹ 37.13 Lakhs

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

(All amounts are in ₹ lakhs, unless otherwise stated)

**22. Earnings per Share (EPS)**

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

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Loss for the year | (50.18) | (600.06) |
| Weighted Average number of equity shares used for computing Earning Per Share (Basic and diluted) | 334,935,616 | 316,779,452 |
| Earnings Per Share (Basic and diluted) ₹ | (0.01) | (0.19) |

**23. 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 Standalone Financial Statements relate to the Company's single business segment.

**24. Leases**

**Operating lease: Company as lessor**

The Company has entered into operating lease on its entire fixed assets of the Company. This lease is for a period of seven years lock-in period with further renewal option included in the contract . There are no restrictions placed upon the company by entering into this lease.

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

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Within one year | 2,412.72 | 2,053.21 |
| After one year but not more than five years | 9,890.62 | - |
| More than 5 Years | 2,537.42 | - |
| **Total** | **14,840.76** | **2,053.21** |

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

SP

GMR Aerospace Engineering Ltd. Hyderabad

GMR Aerospace Engineering Limited

CIN: U45201TG2008PLC067141

**Notes to the Standalone Financial Statements for the year ended March 31, 2019**
**(All amounts are in ₹ lakhs, unless otherwise stated)**

**25. Related Party Disclosures:**

**A. Names of related parties and description of relationship:**

| Sl. No | Relationship | Name of related party |
|---|---|---|
| (i) | Holding Company | GMR Hyderabad International Airport Limited (GHIAL) |
| (ii) | Subsidiary Company | GMR Aero Technic Limited (GATL) |
| (iii) | GHIAL's holding Company | GMR Airports Limited (GAL) |
| (iv) | GAL's holding Company | GMR Infrastructure Limited(GIL) |
| (v) | Ultimate holding Company | GMR Enterprises Private Limited (formerly known as GMR Holdings Private Limited) |
| (vi) | Fellow Subsidiaries (Where transactions have taken place during the year). | GMR Hyderabad Aviation SEZ Limited (GHASL) |
| (vii) | Key Managerial Personnel (KMP) | Mr. Srinivas Bommidala -Director (Resigned w.e.f. March 31, 2018) |
| | | Mr. SGK Kishore -Director |
| | | Mr. P. S. Nair -Director |
| | | Mr. Rajesh Kumar Arora -Director |
| | | Mr. Buchisanyasi Raju Grandhi- Director (w.e.f. April 30, 2018) |
| | | Mr. P.Vijay Bhaskar- -Independent Director (Resigned w.e.f. September 18, 2017) |
| | | Mr. Ramamurti Akella -Independent Director (Resigned w.e.f. September 18, 2017) |
| | | Dr. Kavitha Gudapati- -Independent Director |
| | | Mr.Abdul Rahman Harith Saif Al Busaidi-Independent Director (w.e.f. April 18, 2018) |
| | | Mr. Uday Naidu – Chief Executive Officer (Retired on July 31, 2017) |
| | | Mr. Ashok Gopinath – Chief Executive Officer (w.e.f from August 01 2017) |
| | | Mr. K Venkata Ramana – Chief Financial Officer |
| | | Mr. Lalit Kumar Tiwari – Company Secretary (Resigned w.e.f. March 24, 2018) |
| | | Ms. Apeksha Naidu- Company Secretary (w.e.f. May 02, 2018) |

**B. Transactions with Key Managerial Personnel for the year ended:**

| Details of Key Managerial Personnel | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | Remuneration | Sitting Fees | Remuneration | Sitting Fees |
| Mr. Ramamurthi Akella | - | - | - | 0.60 |
| Mr. P. Vijay Bhaskar | - | - | - | 0.65 |
| Ms. Kavita Gudapati | - | 1.15 | - | 0.35 |
| Mr. Abdul Rahman Harith Saif Al Busaidi | - | 1.19 | - | - |
| Mr. Lalit Kumar Tiwari | - | - | 5.69 | - |
| Ms. Apeksha Naidu | 5.48 | - | - | - |
| **Total** | **5.48** | **2.34** | **5.69** | **1.60** |

CHARTERED ACCOUNTANTS
DELOITTE HASKINS & SELLS LLP

GMR Aerospace Engineering Ltd. Hyderabad

GMR Aerospace Engineering Limited
CIN: U45201TG2008PLC067141
Notes to the Standalone Financial Statements for the year ended March 31, 2019
(All amounts are in ₹ lakhs, unless otherwise stated)

C. Summary of Transactions with related parties for the year ended:

| | Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|---|
| (a) | **GMR Aero Technic Limited** | | |
| | Facility Lease rental Income | 2,027.05 | 2,862.23 |
| | Loans and advances given | 3,127.00 | 3,255.00 |
| | Investments in subsidiary on account of amortization of loan given | 2,477.52 | 2,705.39 |
| | Investments in subsidiary on account of fair value of financial guarantee | - | 6.49 |
| | Loans and advances (RTL) -Secured - Repaid/prepaid | - | 7,424.00 |
| | Loans and advances (RTL) -Un Secured - Repaid/prepaid | | 8,592.43 |
| | Loans and advances (FITL) -Unsecured - Prepaid | - | 1,685.07 |
| | Investments in subsidiary on account of amortisation on repayment/prepayment of loan | | (7,910.92) |
| | Interest on Loans | - | 420.50 |
| | Interest on account of amortisation of interest free loan | 350.33 | 386.99 |
| | Fair Value loss on financial instruments at FVTPL - Embedded Derivative | - | 414.74 |
| | Purchase of Fixed Assets | | 271.87 |
| (b) | **GMR Hyderabad International Airport Limited** | | |
| | Allotment of share capital | 1,350.00 | 3,200.00 |
| | Receipt of share application money | 1,850.00 | 3,650.00 |
| | Refund of share application money | - | (1,150.00) |
| | Corporate guarantee given in relation to NCDs | 10,000.00 | 10,000.00 |
| (c) | **GMR Hyderabad Aviation SEZ Limited** | | |
| | Lease rental | 553.41 | 532.13 |
| | Lease rental- amortization of prepaid expenses | 3.14 | 3.14 |
| | Finance income from debt instrument through FVTPL | 1.13 | 1.01 |
| (d) | **GMR Airports Limited** | | |
| | Reimbursement of Expenses | 37.13 | - |

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

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd.
Hyderabad

GMR Aerospace Engineering Limited

CIN: U45201TG2008PLC067141

**Notes to the Standalone Financial Statements for the year ended March 31, 2019**

**(All amounts are in ₹ lakhs, unless otherwise stated)**

D. Outstanding balances at the end of the year:

| | Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| (a) | **GMR Aero Technic Limited** | | |
| | Investments in Equity share capital | 2,500.00 | 2,500.00 |
| | Investments in subsidiary on account of amortization of loan given and fair value of financial guarantee | 20,286.36 | 17,808.84 |
| | Trade receivables | 7,315.33 | 6,912.91 |
| | Lease Rentals (Straight lining impact) | - | 363.52 |
| | Loans and advances ( Including FITL) | 3,895.16 | 2,895.35 |
| | Derivative instruments at FVTPL - Embedded Derivative | - | 81.69 |
| | Payables for purchase of fixed assets | - | (81.88) |
| (b) | **GMR Hyderabad International Airport Limited** | | |
| | Share application money pending allotment | (1000.00) | (500.00) |
| | Pledge of equity shares with bankers against the loan taken by the Company (Refer Note below) | - | 13,586.40 |
| | Corporate guarantee given in relation to Redeemable Non-Convertible Debentures | 10,000.00 | 10,000.00 |
| (c) | **GMR Hyderabad Aviation SEZ Limited** | | |
| | Security Deposit | 11.00 | 9.87 |
| | Prepaid Expenses | 59.63 | 62.77 |
| | Trade Payables | (3,062.83) | (2,542.26) |

**Note:** During the year ended March 31, 2018, the Company repaid term loans availed from consortium of banks and received no objection certificate from the lead bank evidencing the repayment of term loans. The shares pledged with the banks got released subsequently.

## 26. Commitments and Contingencies

**a) Financial Guarantee**

Corporate guarantee amounting to ₹ Nil. (March 31, 2018: ₹ Nil)

**b) Capital commitments**

The estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ Nil (March 31, 2018: ₹ Nil).

**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 ₹ 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.

**d) Contingent Liabilities**

The Company has filed an appeal with Customs, Excise and Service Tax Appellate Tribunal (CESTAT) against the order of Commissioner of Service Tax for the rejection of service tax refund claim amounting to ₹ 102.92 lakhs

HASKINS & SELLS LLP DELOITTE CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

(All amounts are in ₹ lakhs, unless otherwise stated)

**27. Financial risk management objectives and policies**

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade, other payables. 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 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, equity risk, commodity risk and demand 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 March 31, 2019 and March 31, 2018.

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 March 31, 2019.
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 March 31, 2019 and March 31, 2018.

**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 | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Redeemable Non-Convertible Debentures | 10,000.00 | 10,000.00 |
| | **10,000.00** | **10,000.00** |

**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 floating rate borrowings, as follows:

| | Increase/decrease in Interest rate | Effect on profit before tax |
|---|---|---|
| **March 31, 2019/ March 31,2018** | | |
| There are no borrowings with floating rate of interest | | |

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

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

| Currencies Exposure | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| | Amount in Foreign currency (US$) | ₹ in Lakhs | Amount in Foreign currency (US$) | ₹ in Lakhs |
| Trade receivables | - | - | 10,628,028 | 6,912.91 |
| Unbilled Revenue | - | - | 558,884 | 363.52 |

**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. 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 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

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| | Impact on profit after tax | Impact on profit after tax |
| **USD Sensitivity** | | |
| INR/USD- Increase by 5% | - | 363.82 |
| INR/USD- Decrease by 5% | - | (363.82) |

**Liquidity risk**

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Also parent company will provide support in order to meet financial obligations of the Company.

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

| Year ended March 31, 2019 | Upto 1 year | 1 - 5 year | More than 5 year | Total Contracted cash flows |
|---|---|---|---|---|
| Borrowings and interest thereon | 855.00 | 3,422.34 | 10,440.38 | 14,717.72 |
| Trade payables | 3071.54 | - | - | 3071.54 |
| Other financial liabilities | 2.34 | - | - | 2.34 |

| Year ended March 31, 2018 | Upto 1 year | 1 - 5 year | More than 5 year | Total Contracted cash flows |
|---|---|---|---|---|
| Borrowings and interest thereon | 855.00 | 3,422.34 | 11,295.29 | 15,572.63 |
| Trade payables | 2,550.35 | - | - | 2,550.35 |
| Other financial liabilities | 84.22 | - | - | 84.22 |

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

**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 Aero Technic 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 Installments. As at March 31, 2019, the receivables outstanding from GATL are ₹. 7,315.33 lakhs

**28. Fair values:**

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

| | Carrying value | | Fair value | |
|---|---|---|---|---|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| **Financial assets** | | | | |
| **Valued at cost** | | | | |
| Investments | 22,786.36 | 20,308.84 | 22,786.36 | 20,308.84 |
| | | | | |
| **Valued at fair value though profit or loss** | | | | |
| Embedded derivatives | - | 81.69 | - | 81.69 |
| | | | | |
| **Valued at amortised cost** | | | | |
| Loans | 3,895.16 | 2,895.35 | 3,895.16 | 2,895.35 |
| Trade receivable | 7,315.33 | 6,912.91 | 7,315.33 | 6,912.91 |
| Other financial assets | 11.00 | 9.87 | 11.00 | 9.87 |
| Cash and cash equivalent | 5.07 | 94.53 | 5.07 | 94.53 |
| **Total Financial Assets** | **34,012.92** | **30,303.19** | **34,012.92** | **30,303.19** |
| **Financial liabilities** | | | | |
| **Valued at amortised cost** | | | | |
| Borrowings | 9,968.45 | 9,962.74 | 9,968.45 | 9,962.74 |
| Trade payables | 3,071.54 | 2,550.35 | 3,071.54 | 2,550.35 |
| Other financial liabilities | 2.34 | 84.22 | 2.34 | 84.22 |
| **Total Financial Liabilities** | **13,042.33** | **12,597.31** | **13,042.33** | **12,597.31** |

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.

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

Aerospace Engineering Ltd. GMR
Hyderabad

(All amounts are in ₹ lakhs, unless otherwise stated)

**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:-** During the previous year, 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.

## 29. Capital management

The Company's capital management objective is to maximise the total shareholder return by optimising cost of capital through flexible capital structure that supports growth. Further, the Company ensures optimal credit risk profile to maintain/enhance credit rating.

The Company determines the amount of capital required on the basis of annual operating plan and long-term strategic plans. The funding requirements are met through internal accruals and long-term/short-term borrowings. The Company monitors the capital structure on the basis of Net debt to equity ratio and maturity profile of the overall debt portfolio of the Company.

For the purpose of capital management, equity includes issued equity share capital and other equity. Net debt includes all long and short-term borrowings as reduced by cash and cash equivalents.

The following table summarises the capital of the Company:

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Borrowings | 9,968.45 | 9,962.74 |
| Cash and cash equivalents | (5.07 ) | (94.53) |
| **Net debt** | **9,963.38** | **9,868.21** |
| **Equity** | **33,441.42** | **31,641.60** |
| **Net debt to capital ratio** | **0.30** | **0.31** |

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 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 loans and borrowing in the current year.

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

HASKINS & SELLS LLP DELOITTE CHARTERED ACCOUNTANTS

Aerospace Engineering Ltd. GMR Hyderabad

(All amounts are in ₹ lakhs, unless otherwise stated)

**30. Fair Value Hierarchy:**

**Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at March 31, 2019:**

| | Date of valuation | Total | Fair value measurement using | | |
|---|---|---|---|---|---|
| | | | Quoted prices in active markets | Significant observable inputs | Significant unobservable inputs |
| | | | Level 1 | Level 2 | Level 3 |
| **Assets measured at fair value** | | | | | |
| Investment property | March 31, 2019 | 12,630.00 | - | 12,630.00 | - |

**Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at March 31, 2018:**

| | Date of valuation | Total | Fair value measurement using | | |
|---|---|---|---|---|---|
| | | | Quoted prices in active markets | Significant observable inputs | Significant unobservable inputs |
| | | | Level 1 | Level 2 | Level 3 |
| **Assets measured at fair value** | | | | | |
| Investment property | March 31, 2018 | 13,318.00 | - | 13,318.00 | - |
| Embedded derivatives | March 31, 2018 | 81.69 | - | 81.69 | - |

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

**31. Use of estimates and judgement**

In the application of the Company's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Impairment of investments in subsidiaries**

The Company reviews its carrying value of investments in subsidiaries at cost, annually, or more frequently when there is an indication for impairment. For the purpose of impairment testing, 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 risks specific to the asset / CGU for assessing the value in use. The recoverable amount of an asset / CGU is the greater of its value-in-use and its fair value less costs to sell.

**Income tax**

Significant judgements are required in determining the provision for income taxes, including the amount expected to be paid/recovered for uncertain tax provisions.

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

**Useful lives of property, plant and equipment**

The Company reviews the useful life of property, plant and equipment and Intangible assets at the end of each reporting period. This assessment may result in change in the depreciation / amortization expense in future periods.

**Provision for doubtful receivables**

The Company makes provision for doubtful receivables based on a provision matrix which takes into account historical credit loss experience and adjusted for current estimates.

**Other estimates**

The preparation of Standalone Financial Statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of Standalone Financial Statements and the reported amount of revenues and expenses for the reporting period.

**32. Employee benefits plan**

There is one employee on the rolls of the Company as at March 31, 2019 and hence disclosure in regards to employee benefits plan has not been provided.

**33.** Lease Rentals includes reversal of opening balance of straight lining of lease rentals for year ended March 31, 2019 of ₹ 363.52 lakhs on account of modification of terms of lease w.e.f April 01, 2018.

**34. Investments, Loans and Trade receivables related to the Subsidiary:**

As at March 31, 2019, the Company has investment, loans and trade receivables aggregating to ₹ 22,786.36 Lakhs, ₹ 3,895.16 Lakhs and ₹ 7,315.33 Lakhs, respectively (As at March 31, 2018: ₹ 20,308.84 Lakhs, ₹ 2,895.35 Lakhs and ₹ 6,912.91 Lakhs, respectively) in its wholly owned subsidiary GMR Aero Technic Limited (GATL). The subsidiary has been incurring continuing losses and its accumulated losses have fully eroded its net-worth as at March 31, 2019. Management has undertaken several initiatives to improve its income from operations and establish profitable operations including proposed scheme of arrangement as stated in note 36 below. Based on the future business plan, projections approved by the Board of Directors of the Company, valuation assessment done by the Management and other management initiatives (Refer Note 36), the Management is of the view that there is no impairment, in the value of such investment, loans and trade receivables. As such, no provision, for impairment in the value of the same has been made.

**35.** The Company has accumulated losses amounting to ₹ 1,398.13 Lakhs as at March 31, 2019, and as explained in Note 34, given the significant erosion in net-worth of the wholly owned subsidiary and management initiatives as stated in note 36 there will be significant increase in operations of Maintenance, Repair, Overhauling (MRO) business of Subsidiary Company. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

GMR Hyderabad International Airport Limited ("Holding Company") has confirmed its continuous financial support to the Company to meet its operational requirements as they arise and to meet its liabilities as and when they fall due.

Accordingly, these Standalone Financial Statements have been prepared on a Going Concern basis and do not include any adjustments relating to the recoverability of assets or the amounts of liabilities that may be necessary if the entity is unable to continue as a going concern.

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

**36.** (a) The Board of Directors in their meeting held on December 10, 2018 has approved, subject to the required approvals, the Composite Scheme of Arrangement amongst GMR Hyderabad Air Cargo and Logistics Private Limited ("GHACLPL"/"Transferor Company") and GMR Aero Technic Limited ("GATL"/"Demerged company") and GMR Aerospace Engineering Limited ("GAEL"/"Transferee"/ "Resulting Company") and their respective Shareholders and Creditors ("Scheme"), wherein GHACLPL will merge with GAEL and GATL will demerge the MRO Business undertaking into GAEL with an Appointed Date of April 01, 2018. The Company is in the process of obtaining requisite approvals (including from the National Company Law Tribunal (NCLT)), under applicable laws/regulations to give effect to the above Scheme, pending aforesaid approvals no impact of the scheme has been considered in the Standalone Financial Statements.

(b) Pursuant to the Scheme, with effect from the Appointed Date and upon the Scheme becoming effective:
i) MRO business/demerged undertaking of the GATL shall be transferred on a going concern basis to the Resulting Company. Pursuant to the Scheme, no shares will be issued in relation to the Demerger since the Demerged Company is a wholly owned subsidiary of the GAEL. The shares of the Demerged Company, to the extent of 24,900,000 equity shares of ₹ 10 each, which reflect the MRO business/Demerged Undertaking being demerged to GAEL shall stand cancelled and shares to the extent of 100,000 equity shares of ₹ 10 each which represent the Residual Business shall continue in the books of the demerged company.

ii) Undertakings of the transferor Company/GHACLPL shall be transferred on a going concern basis to the Transferee Company. Pursuant to the Scheme, a total of 91,912,200 equity shares of face value ₹ 10/- (Rupees Ten Only) each of the Transferee Company to be issued to the equity shareholder of the Transferor Company holding 1,020,000 equity shares of face value of ₹ 10/- (Rupees Ten Only) each therein, as on the Record Date in the Share Exchange Ratio of 90.11:1, a total of 18,000, 11.97% Series A Compulsorily Convertible Cumulative Preference Shares ("CCCPS") of ₹ 10,000/- (Rupees Ten Thousand Only) each of the Transferee Company to be issued to the 11.97% Series A CCCPS holder of the Transferor Company holding 18,000, 11.97% Series A CCCPS of ₹ 10,000/- (Rupees Ten Thousand Only) each therein as on the Record Date (as per the existing terms) in the Share Exchange Ratio of 1:1, a total of 18,735, 11.97% Series B Compulsorily Convertible Cumulative Preference Shares ("CCCPS") of ₹ 10/- (Rupees Ten Only) each of the Transferee Company to be issued to the 11.97% Series B CCCPS holder of the Transferor Company holding 18,735, 11.97% Series B CCCPS of ₹ 10/- (Rupees Ten Only) each as on the Record Date (as per the existing terms) in the Share Exchange Ratio of 1:1

**37.** Other income includes reversal of exchange gain on lease rentals for year ended March 31, 2019 ₹ 481.07 Lakhs (year ended March 31, 2018: ₹ Nil) on account of modification of terms of lease w.e.f. March 01, 2019.

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

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

SF

| | |
|---|---|
| **Rajesh Kumar Arora**<br>Director<br>DIN : 03174536 | **SGK Kishore**<br>Director<br>DIN : 02916539 |
| **Ashok Gopinath**<br>Chief Executive Officer | **K Venkata Ramana**<br>Chief Financial Officer |
| **Apeksha Naidu**<br>Company Secretary<br>M No. ACS 42119 | |

Date: April 26, 2019
Place: Hyderabad

GMR Aerospace Engineering Ltd. Hyderabad

**Deloitte Haskins & Sells LLP**

Chartered Accountants
KRB Towers, Plot No.1 to 4 & 4A
1st, 2nd & 3rd Floor
Jubilee Enclave, Madhapur
Hyderabad - 500 081
Telangana, India

Tel: +91 40 7125 3600
Fax: +91 40 7125 3601

**INDEPENDENT AUDITOR'S REPORT**
**To The Members of GMR AEROSPACE ENGINEERING LIMITED**
**Report on the Audit of the Consolidated Financial Statements**

## Opinion

We have audited the accompanying consolidated financial statements of **GMR Aerospace Engineering Limited** ( "the Holding Company") and its subsidiary, (Holding Company and its subsidiary together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2019, and the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ('Ind AS'), and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2019, and their consolidated loss, their consolidated total comprehensive loss, their consolidated cash flows and their consolidated changes in equity for the year ended on that date

## Basis for opinion:

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

## Material uncertainty related to Going Concern

We draw attention to Note 35 of the consolidated financial statements, which indicates that as at March 31, 2019 the accumulated losses amounting to ₹ 48,697.62 lakhs have completely eroded the net-worth, and the current liabilities exceeds the current assets as on that date. These conditions including dependence on continuous support from its holding company GMR Hyderabad International Airport Limited ("GHIAL"), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. This consolidated financial statements has been prepared on a going concern basis for the reasons stated in the said note.

Our opinion is not modified in respect of this matter.

**Emphasis of Matter**

We draw attention to Note 36 of the consolidated financial statements, which indicates that the Board of Directors in their meeting held on December 10, 2018 has approved, subject to the required approvals, the Composite Scheme of Arrangement amongst GMR Hyderabad Air Cargo and Logistics Private Limited ("GHACLPL"/"Transferor Company") and GMR Aero Technic Limited ("GATL"/"Demerged Company") and GMR Aerospace Engineering Limited ("GAEL"/"Transferee"/ "Resulting Company") and their respective Shareholders and Creditors ("Scheme"), wherein GHACLPL will merge with GAEL and GATL will demerge the MRO Business undertaking into GAEL with an Appointed Date of April 01, 2018. The Group is in the process of obtaining requisite approvals (including from the National Company Law Tribunal (NCLT)), under applicable laws/regulations to give effect to the above Scheme, pending aforesaid approvals no impact of the Scheme has been considered in the consolidated financial statements.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

| Sr. No. | Key Audit Matter | Auditor's Response |
|---|---|---|
| 1 | **Impairment loss on Trade Receivables:**<br><br>We identified the impairment loss on trade receivables as a key audit matter due to the significance of Trade receivables to the consolidated financial statements and the significant degree of management judgement involved in assessing if any trade receivable is impaired.<br><br>The carrying amount of trade receivables amounted to ₹ 4,138.70 Lakhs, net of impairment loss as at March 31, 2019. Refer to the note 10 in the consolidated financial statements with regard to management estimates involved in respect of the same. | Our procedures in relation to assessing the sufficiency of the impairment loss on trade receivables estimated by the management included:<br>• Reviewing the ageing of trade receivables for identifying overdue receivables including testing the ageing and the underlying balances. Comparing the overdue receivables with the customer payment terms by reading the related agreements.<br>• We have circulated balances for direct confirmations and have performed alternate procedures on non-receipt of confirmations. We have also evaluated the subsequent realisations of dues.<br>• Identifying receivables where there was a significant increase in credit risk, and making relevant disclosures in the consolidated financial statements.<br>• Making enquiries of the Management, including the (Chief Financial Officer (CFO) and the Board of Directors, in respect of recoverability of such over dues and the steps taken by the Management to recover such dues. |

SP

| Sr. No. | Key Audit Matter | Auditor's Response |
|---|---|---|
| | | • We have read the relevant correspondence with the customers for follow-up. Evaluating the Management's action plan, and enquired about Management's action plan. We have compared this with Management's past experience on overdue receivables.<br>• The Company evaluates receivables for more than six months and those specific debts where the credit risk is being impaired, which takes into account historical credit loss experience and adjusted for current estimates. |

**Information Other than the Financial Statements and Auditor's Report Thereon**

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

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

- In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

- When we read the Board's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'.

**Management's Responsibility for the Consolidated Financial Statements**

The Holding Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate or cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

**Auditor's Responsibility for the Audit of the Consolidated Financial Statements**

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

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

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

SP
VK

- Obtain sufficient appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors.

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

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

**Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, based on our audit, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

   b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.

   c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Loss, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

   d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act.

e) The matter described in the Material uncertainty related to Going Concern section above, in our opinion, may have an adverse effect on the functioning of the Group.

f) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2019 taken on record by the Board of Directors of the Company and the report of the statutory auditors of the subsidiary company, none of the directors of the Group company incorporated in India is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

g) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" which is based on the auditors' reports of the Holding company and subsidiary company. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of those companies, for the reasons stated therein.

h) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended,

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

i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.

ii) The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.

iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its subsidiary company.

For Deloitte Haskins & Sells LLP
*Chartered Accountants*
(F.R.N. 117366W/W-100018)

Sumit Trivedi
(Partner)
(Membership No. 209354)
UDIN: 19209354AAAAIH1108

Place: Hyderabad
Date : July 26, 2019

**ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT**
**(Referred to in paragraph (g) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

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

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2019, we have audited the internal financial controls over financial reporting of **GMR Aerospace Engineering Limited** (hereinafter referred to as "the Holding Company") and its subsidiary company, which is a company incorporated in India, as of that date.

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

The respective Board of Directors of the Holding Company and its subsidiary company, which is a company incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies 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 (ICAI). 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 respective 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 internal financial controls over financial reporting of the Holding Company and its subsidiary company, which is a company incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Holding Company and its subsidiary company, which are companies incorporated in India.

### 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 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 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 financial statements.

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

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

### Opinion

In our opinion to the best of our information and according to the explanations given to us, the Holding Company and its subsidiary company, which is a company incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on criteria for internal financial control over financial reporting established by the respective companies considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Deloitte Haskins & Sells LLP
*Chartered Accountants*
(F.R.N No.117366W/W- 100018)

Sumit Trivedi

Sumit Trivedi
(Partner)
(Membership No. 209354)

Place: Hyderabad
Date : July 26, 2019

**GMR Aerospace Engineering Limited**
**CIN: U45201TG2008PLC067141**
**Consolidated Balance sheet as at March 31, 2019**
(All amounts in ₹ Lakhs, unless otherwise stated)

| | Notes | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 15,035.06 | 15,824.31 |
| Intangible assets | 4(a) | 72.19 | 6.73 |
| Intangible assets under development | 4(b) | 30.10 | - |
| Financial assets | | | |
| Other financial Assets | 5 | 88.84 | 43.83 |
| Deferred tax asset (net) | 6 | - | - |
| Non-current tax assets | 7 | 1,016.45 | 646.93 |
| Other non-current assets | 8 | 177.71 | 164.79 |
| | | **16,420.35** | **16,686.79** |
| **Current assets** | | | |
| Inventories | 9 | 3,368.33 | 3,126.44 |
| Financial assets | | | |
| Trade receivables | 10 | 4,138.70 | 1,941.11 |
| Cash and cash equivalents | 11(a) | 41.45 | 317.34 |
| Bank balance other than cash and cash equivalents | 11(b) | 5.00 | - |
| Other financial assets | 5 | 375.38 | 241.13 |
| Current tax assets | 7 | 172.68 | 172.68 |
| Other current assets | 8 | 192.26 | 154.43 |
| | | **8,293.80** | **5,953.13** |
| **Total assets** | | **24,714.15** | **22,639.92** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Equity share capital | 12 | 33,840.00 | 32,490.00 |
| Other equity | 13 | (47,741.50) | (47,021.76) |
| **Total Equity** | | **(13,901.50)** | **(14,531.76)** |
| **Non-current liabilities** | | | |
| Financial Liabilities | | | |
| Long term Borrowings | 14 | 27,413.29 | 27,397.59 |
| Provisions | 15 | 89.80 | 98.26 |
| | | **27,503.09** | **27,495.85** |
| **Current liabilities** | | | |
| Financial Liabilities | | | |
| Short-term Borrowings | 14 | 2,799.99 | 2,799.93 |
| Trade payables | 16 | | |
| (i) total outstanding dues of micro enterprises and small enterprises; | | 5.13 | - |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises; | | 7,585.59 | 6,189.68 |
| Other financial liabilities | 17 | 89.89 | 85.99 |
| Provisions | 15 | 178.69 | 147.49 |
| Other current liabilities | 18 | 453.27 | 452.74 |
| **Total liabilities** | | **11,112.56** | **9,675.83** |
| **Total equity and liabilities** | | **24,714.15** | **22,639.92** |

| | | | |
|---|---|---|---|
| Corporate information and significant accounting policies | 1 & 2 | | |

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

In terms of the our report attached

**For Deloitte Haskins & Sells LLP**
*Chartered Accountants*

**Sumit Trivedi**
Partner

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

Place : Hyderabad
Date : July 26, 2019

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

Rajesh Kumar Arora
Director
DIN : 03174536

SGK Kishore
Director
DIN : 02916539

Ashok Gopinath
Chief Executive Officer

K Venkata Ramana
Chief Financial Officer

Apeksha Naidu
Company Secretary
M.No. ACS 42119

Place : Hyderabad
Date : July 26, 2019

GMR Aerospace Engineering Ltd. Hyderabad

**GMR Aerospace Engineering Limited**
**CIN: U45201TG2008PLC067141**
**Consolidated Statement of profit and loss for the year ended March 31, 2019**
(All amounts in ₹ Lakhs except otherwise stated)

| | Notes | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from operations | 19 | 15,365.28 | 10,455.94 |
| Other income | 20 | 291.09 | 1,487.08 |
| **Total revenue (i)** | | **15,656.37** | **11,943.02** |
| **Expenses** | | | |
| Cost of stores and spares consumed | 21 | 4,624.76 | 3,322.30 |
| Employee benefits expense | 22 | 4,803.47 | 3,886.35 |
| Finance costs | 23 | 2,645.69 | 3,733.13 |
| Depreciation and amortization expenses | 24 | 1,391.70 | 1,333.04 |
| Other expenses | 25 | 3,387.61 | 3,556.21 |
| **Total Expenses (ii)** | | **16,853.23** | **15,831.03** |
| **Loss before Tax [(i) - (ii)]** | | **(1,196.86)** | **(3,888.01)** |
| **Tax expenses** | | | |
| Current tax | | - | - |
| Deferred tax | | - | - |
| | | - | - |
| **Loss for the year** | | (1,196.86) | **(3,888.01)** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to Profit and Loss* | | | |
| Re-measurement of the net defined benefit plans | | (22.88) | (31.48) |
| **Other comprehensive loss** | | (22.88) | (31.48) |
| **Total comprehensive loss for the year** | | **(1,219.74)** | **(3,919.49)** |
| **Earnings per share of ₹ 10 each** | | | |
| Basic and diluted | 26 | (0.36) | (1.23) |
| **Corporate information and Significant accounting policies** | **1 & 2** | | |

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

In terms of the our report attached

**For Deloitte Haskins & Sells LLP**
*Chartered Accountants*

**Sumit Trivedi**
Partner

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

Place : Hyderabad
Date : July 26, 2019

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

Rajesh Kumar Arora
Director
DIN : 03174536

SGK Kishore
Director
DIN : 02916539

Ashok Gopinath
Chief Executive Officer

K Venkata Ramana
Chief Financial Officer

Apeksha Naidu
Company Secretary
M.No. ACS 42119

Place : Hyderabad
Date : July 26, 2019

GMR Aerospace Engineering Ltd. Hyderabad

GMR Aerospace Engineering Limited
CIN: U45201TG2008PLC067141
Consolidated Cash Flow Statement for the year ended March 31, 2019
(All amounts in ₹ Lakhs except otherwise stated)

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **Cash flow from Operating activities** | | |
| Loss before tax expenses | (1,196.86) | (3,888.01) |
| **Adjustments for** | | |
| Depreciation of property, plant and equipment | 1,384.81 | 1,331.03 |
| Amortisation of intangible assets | 6.89 | 2.01 |
| Liabilities no longer required,written back | (0.76) | (75.19) |
| Provision for doubtful debts | 20.33 | 3.94 |
| Net foreign exchange differences (unrealised) | 102.73 | (11.86) |
| Inventory written off | 33.26 | 52.58 |
| Loss/(gain) on fair valuation of derivative instruments | - | 864.46 |
| Finance costs | 2,645.69 | 3,733.13 |
| Finance income on cross currency swap arrangement and fair value change in financial instruments | 5.32 | (1,354.33) |
| Interest income | (10.65) | (15.61) |
| **Operating profit before working capital changes** | **2,990.76** | **642.15** |
| *Changes in working capital:* | | |
| Increase in trade payables | 1,424.18 | 1,292.72 |
| Increase in Inventories | (275.15) | (539.06) |
| Increase in Trade Receivables | (2,343.80) | (1,505.66) |
| Increase in Other Assets | (234.58) | (270.05) |
| Decrease in Provisions | (0.14) | (68.77) |
| Increase in Other Liabilities | 2.03 | 388.07 |
| **Cash generated from operations** | **1,563.30** | **(60.60)** |
| Direct taxes paid | (369.52) | (183.92) |
| **Net cash flow from/(used) in operating activities (A)** | **1,193.78** | **(244.52)** |
| **Cash flow from investing activities** | | |
| Purchase of Property, plant and equipment including CWIP and capital advances | (695.39) | (419.04) |
| Interest Income | 10.65 | 15.61 |
| Bank balance not considered as cash and cash equivalents - (Placed)/Matured | (5.00) | 500.00 |
| **Net cash flow (used)/from in investing activities (B)** | **(689.74)** | **96.57** |
| **Cash flow from financing activities** | | |
| Proceeds from issue of share capital (including share application money) | 1,850.00 | 3,630.00 |
| Refund of share application money pending allotment | - | (1,130.00) |
| Proceeds from long-term borrowings - Non-Convertible Debentures | - | 27,500.00 |
| Repayment of long-term borrowings | - | (27,838.71) |
| Repayment of short-term borrowings | 0.06 | 695.09 |
| Finance cost paid (net off settlement of cross currency swap arrangement) | (2,629.99) | (2,483.20) |
| **Net cash flow (used)/from in financing activities (C)** | **(779.93)** | **373.18** |
| **Net (decrease)/increase in Cash and Cash equivalents (A+B+C)** | **(275.89)** | **225.23** |
| Cash and Cash equivalent at the beginning of the year | 317.34 | 91.88 |
| Effect of exchange differences on Cash and Cash equivalents held in foreign currency | - | 0.23 |
| **Cash and Cash equivalents at the end of the year (Refer Note 11)** | **41.45** | **317.34** |

The accompanying notes are an integral part of the Consolidated financial statements.
In terms of the our report attached

For Deloitte Haskins & Sells LLP
*Chartered Accountants*

Sumit Trivedi
Partner

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

Place : Hyderabad
Date : July 26, 2019

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

Rajesh Kumar Arora
Director
DIN : 03174536

SGK Kishore
Director
DIN : 02916539

Ashok Gopinath
Chief Executive Officer

K Venkata Ramana
Chief Financial Officer

Apeksha Naidu
Company Secretary
M.No. ACS 42119

Place: Hyderabad
Date: July 26, 2019

GMR Aerospace Engineering Ltd. Hyderabad

**GMR Aerospace Engineering Limited**
**CIN: U45201TG2008PLC067141**
**Consolidated Statement of Changes in Equity for the year ended March 31, 2019**
(All amounts are in ₹ lakhs, unless otherwise stated)

**A. Equity Share Capital:**

| | No. of shares | Rs. in lakhs |
|---|---|---|
| **Equity shares of Rs. 10 each issued, subscribed and fully paid** | | |
| **As at April 01, 2017** | **292,900,000** | **29,290** |
| Issue of shares during the year | 32,000,000 | 3,200 |
| **As at March 31, 2018** | **324,900,000** | **32,490** |
| Issue of shares during the year | 13,500,000 | 1,350 |
| **As at March 31, 2019** | **338,400,000** | **33,840** |

**B. Other Equity**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **(i) Retained earnings** | | |
| **As at April 01, 2018 / April 01, 2017** | (47,521.76) | (748.34) |
| Add: Loss for the year | (1,196.86) | (3,888.01) |
| Add: Remeasurement gain/(losses) on defined be nefit plans | (22.88) | (31.48) |
| Add: Adjustments arising from consolidation | - | (42,853.93) |
| Closing Balance | **(48,741.50)** | **(47,521.76)** |
| **(ii) Share application money pending allotment** | **1,000.00** | **500.00** |
| **Total Other Equity** | **(47,741.50)** | **(47,021.76)** |

The accompanying notes are an integral part of the Consolidated Financial Statements.

In terms of our report attached

**For Deloitte Haskins & Sells LLP**
*Chartered Accountants*

**Sumit Trivedi**
Partner

HASKINS & SELLS LLP CHARTERED ACCOUNTANTS DELOITTE

Place : Hyderabad
Date : July 26, 2019

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

Rajesh Kumar Arora
Director
DIN : 03174536

SGK Kishore
Director
DIN : 02916539

Ashok Gopinath
Chief Exeecutive Officer

K Venkata Ramana
Chief Financial Officer

Apeksha Naidu
Company Secretary
M.No. ACS 42119

Place : Hyderabad
Date : July 26, 2019

GMR Aerospace Engineering Ltd. Hyderabad

## 1. Corporate information

GMR Aerospace Engineering Limited ('GAEL' or 'the Company') and its subsidiary ('the Group') are mainly engaged in development of MRO facilities, maintenance, repair & overhaul of aircrafts and allied services and to promote, plan, design, develop, operate, market, alter the MRO facility and all other related allied and ancillary activities but limited to training, development, and maintenance of hangers and related workshops.

The Consolidated Financial Statements were adopted by the Board of Directors and authorized for issue in accordance with a resolution on July 26, 2019.

## 2. Significant Accounting Policies

### 2.1 Basis of preparation and presentation:

**(a) Statement of Compliance:**

The Consolidated Financial Statements are prepared in accordance with Indian Accounting Standards ("Ind AS"), notified under the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

**(b) Basis of measurement:**

The Consolidated Financial Statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of reporting period. (As explained in accounting policy regarding financial instruments).

### 2.2 Basis of Consolidation:

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at March 31, 2019. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:
a) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
b) Exposure, or rights, to variable returns from its involvement with the investee, and
c) The ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

Consolidation of a subsidiary begins when the Group obtains control over subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributable to the owners of the Group and to the non-controlling interests even if the results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies if material.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd.
Hyderabad

**2.3 Summary of Significant Accounting Policies**

**a) Use of estimates**

The preparation of Consolidated 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 period. 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 Group based its assumptions and estimates on parameters available when the Consolidated 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 Group. Such changes are reflected in the assumptions when they occur.

**b) Current versus non-current classification**

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

i) It is expected to be realised or intended to be sold or consumed in normal operating cycle,
ii) It is held primarily for the purpose of trading,
iii) It is expected to be realised within twelve months after the reporting period, or
iv) 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:

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

All other liabilities are classified as non-current.

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

**c) Foreign currencies**

**Functional and presentation currency**

The Consolidated Financial Statements are presented in INR (Indian rupees), which is the functional currency of the Group and the currency of the primary economic environment in which the Group 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 Group 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).

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd.
Hyderabad

**d) Fair value measurement**

The Group 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 Group.

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 Group 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 Consolidated 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 recognized in the Consolidated Financial Statements on a recurring basis, the Group 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 Group 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.

**e) Revenue recognition**

**Revenue from Services:**

Effective April 01, 2018, the Company has adopted Ind AS 115 "Revenue from Contracts with Customers". The application of Ind AS 115 did not have any material impact on the financial statements.

Revenue is recognised upon transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is reduced for estimated customer returns, rebates and other similar allowances, taxes or duties collected on behalf of the government. An entity shall recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when the customer obtains control of that asset.

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

Revenue relating to fixed price contracts is recognised based on percentage of completion method (POC method).

Unearned revenue is recognised when there is billings in excess of revenues.

**Interest income:**

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

**Dividend income:**

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

f) **Income Tax**

Income tax comprises current and deferred tax. Income tax expense is recognized in the statement of profit and loss except to the extent it relates to items directly recognized in equity or in other comprehensive income.

**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 Group 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.

**Deferred tax:**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. 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 assets to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

Deferred tax assets include Minimum Alternate Tax ("MAT") paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognized as deferred tax asset in the Balance sheet when the asset can be measured reliably and it is probable that the future economic benefits associated with the asset will be realized.

**g) Property, plant and equipment**

Property, plant and equipment 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 Group 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.

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

| Particulars | Useful Life (years) |
|---|---|
| Plant and equipment | 10 – 15 |
| Office equipment | 5 |
| Computer equipment and IT systems | 3 - 6 |
| Furniture and fixtures | 10 |
| Vehicles | 8 |

The Group, based on 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 Property, Plant and Equipment and, i.e., when the Group intends to use these during more than a period of 12 months.

HASKINS & SELLS LLP DELOITTE CHARTERED ACCOUNTANTS

Aerospace Engineering Ltd. GMR Hyderabad

**h) Intangible assets**

Intangible assets are carried at cost, net of accumulated amortisation and impairment losses, if any. Cost of an intangible asset comprises of purchase price and attributable expenditure on making the asset ready for its intended use.

Intangible Assets are amortized on a straight – line basis over their useful life not exceeding six years.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognized.

**i) Borrowing cost**

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.

**j) 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 fulfillment 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 01, 2015, the group has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

Group 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 Group 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 Group'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 Group 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.

**k) Inventories**

Stores and spares are valued at lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

**l) Impairment of non-financial assets**

The Group 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 Group 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.

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

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 fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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 Group 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.

**m) Provisions, contingent liabilities and commitments**

Provisions are recognised when the Group 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 Group 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.

**n) Retirement and other employee benefits**

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

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS



GMR Aerospace Engineering Ltd. Hyderabad

Retirement benefit in the form of Superannuation Fund and Employees 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 Group has no obligation, other than the contribution payable to the respective funds.

The Group 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 Group recognizes related restructuring costs

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

**o) Financial instruments**

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

**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 Group commits to purchase or sell the asset.

Subsequent measurement:

The classification of financial instruments depends on the objective of the Group's business model for which it is held and on the substance of the contractual terms/arrangements. Management determines the classification of its financial instruments at initial recognition.

For the purpose of subsequent measurement, financial instruments of the Group are classified into categories as explained below:

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

- 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 Group. 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 Group 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 Group 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 recognized 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 Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group 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.

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

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 balance sheet) when:

a. The rights to receive cash flows from the asset have expired, or

b. The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

Impairment of financial assets:

In accordance with Ind AS 109, the Group 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 Group 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 Group to track changes in credit risk. Rather, it recognizes 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 Group 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.

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

ECL is the difference between all contractual cash flows that are due to the Group 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, the Group is required to consider:

a. 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

b. Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

As a practical expedient, the Group 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 analyzed.

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 Group does not reduce impairment allowance from the gross carrying amount.

For assessing credit risk and impairment loss, the Group 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 Group's financial liabilities include trade and other payables, loans and borrowings including cash credit, 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 Group 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.

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS



GMR Aerospace Engineering Ltd. Hyderabad

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 Group 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 Group has not designated any financial liability as at fair value through profit and loss.

**Loans and borrowings:**
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortized 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 recognized 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 recognized 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 recognized in the statement of profit or loss.

**p) Derivative financial instruments**

**Initial recognition and subsequent measurement**
The Group 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.

**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

HASKINS & SELLS LLP DELOITTE CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

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 though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss, unless designated as effective hedging instruments.

**q) 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 Group's cash management.

**r) 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.

**s) Indian Accounting Standards (Ind AS) issued but not yet effective**

On March 30, 2019, the Ministry of Corporate Affairs (MCA) issued the Companies (Indian Accounting Standards) Amendment Rules, 2019 which notified Ind AS 116, Leases. The amendment rules are effective from reporting periods beginning on or after April 1, 2019. This standard replaces current guidance in Ind AS 17 and is a far reaching change in accounting by lessees in particular.

Ind AS 116 sets out the principles for recognition, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to accounting for finance leases under Ind AS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Ind AS 116 requires lessees to recognize a 'right-of-use asset' and a 'lease liability' for almost all leasing arrangements. Lessor accounting under Ind AS 116 is substantially unchanged from today's accounting under Ind AS 17. The lessor still has to classify leases as either finance or operating.

Ind AS 116 is effective for the Group in the first quarter of fiscal year 2019 using either one of two methods:

(a) retrospectively to each prior reporting period presented in accordance with Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors, with the option to elect certain practical expedients as defined within Ind AS 116 (the full retrospective method); or

(b) retrospectively with the cumulative effect of initially applying Ind AS 116 recognized at the date of initial application (April 01, 2019) and providing certain additional disclosures as defined in Ind AS 116 (the modified retrospective method).

HASKINS & SELLS LLP DELOITTE CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

The Group continues to evaluate the available transition methods and its contractual arrangements. The ultimate impact on leases resulting from the application of Ind AS 116 will be subject to assessments that are dependent on many variables, including, but not limited to, the terms of the contractual arrangements and the mix of business. The Group's considerations also include, but are not limited to, the comparability of its financial statements and the comparability within its industry from application of the new standard to its contractual arrangements. The Group has established an implementation team to implement Ind AS 116 related to leases and it continues to evaluate the changes to accounting system and processes, and additional disclosure requirements that may be necessary.

A reliable estimate of the quantitative impact of Ind AS 116 on the financial statements will only be possible once the implementation project has been completed.

**(t) Amendments to Indian Accounting Standards (Ind AS) issued but not yet effective:**

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

On March 30, 2019, the Ministry of Corporate Affairs (MCA) issued the Companies (Indian Accounting Standards) Second Amendment Rules, 2019 amending the following standards:

**i) Appendix C, Uncertainty over Income Tax Treatments to Ind AS 12, 'Income taxes'**

The appendix corresponds to IFRIC 23, Uncertainty over Income Tax Treatments issued by the IFRS Interpretations Committee.

This amendment clarifies how the recognition and measurement requirements of Ind AS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. The amendment applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The interpretation is effective for annual periods beginning on or after April 1, 2019.

The Group is evaluating the impact of the amendment on the financial position, results of operation and cash flow.

**ii) Plan Amendment, Curtailment or Settlement, Amendments to Ind AS 19, Employee Benefits.**

The amendments to Ind AS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

• calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change

• any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling

• separately recognise any changes in the asset ceiling through other comprehensive income.

The interpretation is effective for annual periods beginning on or after April 1, 2019.

The Group is evaluating the impact of the amendment on the financial position, results of operation and cash flow.

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

GMR Aerospace Engineering Limited
CIN: U45201TG2008PLC067141
Notes to the consolidated financial statements for the year ended March 31, 2019
(All amounts are in ₹ lakhs, unless otherwise stated)

**3. Property Plant and Equipment**

| | Buildings on leasehold land # | Plant and equipment | Office equipment | Computer equipment and IT systems | Furniture and fixtures | Vehicles | Total |
|---|---|---|---|---|---|---|---|
| **Cost or deemed cost** | | | | | | | |
| At April 01, 2017 | 11,728.83 | 7,482.23 | 185.38 | 21.15 | 166.56 | 14.00 | 19,598.15 |
| Additions | 201.65 | 222.50 | 1.08 | 22.24 | - | - | 447.47 |
| At March 31, 2018 | 11,930.48 | 7,704.73 | 186.46 | 43.39 | 166.56 | 14.00 | 20,045.62 |
| Additions | - | 387.56 | 11.20 | 116.28 | 80.32 | - | 595.36 |
| At March 31, 2019 | 11,930.48 | 8,092.29 | 197.66 | 159.67 | 246.88 | 14.00 | 20,640.98 |
| **Accumulated Depreciation** | | | | | | | |
| At April 01, 2017 | 1,325.41 | 1,312.17 | 180.99 | 13.33 | 52.93 | 5.25 | 2,890.08 |
| Depreciation Charge for the year | 653.96 | 641.24 | 1.60 | 7.59 | 23.75 | 2.89 | 1,331.03 |
| At March 31, 2018 | 1,979.37 | 1,953.41 | 182.59 | 20.92 | 76.68 | 8.14 | 4,221.11 |
| Depreciation Charge for the year | 654.47 | 668.06 | 2.60 | 26.53 | 30.53 | 2.62 | 1,384.81 |
| At March 31, 2019 | 2,633.84 | 2,621.47 | 185.19 | 47.45 | 107.21 | 10.76 | 5,605.92 |
| **Net Block** | | | | | | | |
| At March 31, 2018 | 9,951.11 | 5,751.32 | 3.87 | 22.47 | 89.88 | 5.86 | 15,824.51 |
| At March 31, 2019 | 9,296.64 | 5,470.82 | 12.47 | 112.22 | 139.67 | 3.24 | 15,035.06 |

# 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.

**4(a) Intangible assets**

| | Computer Software | Technical Know-how | Total |
|---|---|---|---|
| **Cost or deemed cost** | | | |
| At April 01, 2017 | 282.61 | 898.29 | 1,180.90 |
| Additions | - | - | - |
| At March 31, 2018 | 282.61 | 898.29 | 1,180.90 |
| Additions | 72.35 | - | 72.35 |
| At March 31, 2019 | 354.96 | 898.29 | 1,253.25 |
| **Accumulated Amortization** | | | |
| At April 01, 2017 | 273.87 | 898.29 | 1,172.16 |
| Charge for the year | 2.01 | - | 2.01 |
| At March 31, 2018 | 275.88 | 898.29 | 1,174.17 |
| Charge for the year | 6.89 | - | 6.89 |
| At March 31, 2019 | 282.77 | 898.29 | 1,181.06 |
| **Net Block** | | | |
| At March 31, 2018 | 6.73 | - | 6.73 |
| At March 31, 2019 | 72.19 | - | 72.19 |

**4(b) Intangible assets under development**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Computer Software | 30.10 | - |
| **Total** | 30.10 | - |

(All amounts are in ₹ lakhs, unless otherwise stated)

**5. Other Financial Assets**

| | Non Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 | As at March 31, 2018 |
| **Secuity deposits** | | | | |
| Unsecured, considered good, to related parties (refer note 28) | 38.70 | 35.50 | | 22.43 |
| Unsecured, considered good, to others | 50.14 | 8.33 | | |
| **Total (A)** | **88.84** | **43.83** | - | **22.43** |
| **Others** | | | | |
| Interest accured on margin money | - | - | 0.30 | - |
| Unbilled revenue | - | - | 375.08 | 218.70 |
| **Total (B)** | - | - | **375.38** | **218.70** |
| **Total (A+B)** | **88.84** | **43.83** | **375.38** | **241.13** |

**6. Deferred Tax Asset (net)**

**Deferred tax (liability)/asset comprises mainly of the following:**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Deferred tax liability:** | | |
| Accelerated depreciation for tax purpose | (295.95) | (295.95) |
| **Sub total (A)** | **(295.95)** | **(295.95)** |
| **Deferred tax asset:** | | |
| Unused tax losses/depreciation | 295.95 | 295.95 |
| **Sub total (B)** | **295.95** | **295.95** |
| Deferred tax (net) (A+B) | - | - |

**For the year ended March 31, 2019:**

| | Opening Balance | Recognised in statement of profit and loss | Closing Balance |
|---|---|---|---|
| DTL Accelerated depreciation for tax purposes | (295.95) | - | (295.95) |
| DTA Unused tax losses/depreciation | 295.95 | - | 295.95 |
| **Total** | - | - | - |

**For the year ended March 31, 2018:**

| | Opening Balance | Recognised in statement of profit and loss | Closing Balance |
|---|---|---|---|
| DTL Accelerated depreciation for tax purposes | (315.38) | 19.43 | (295.95) |
| DTA Unused tax losses/depreciation | 315.38 | (19.43) | 295.95 |
| **Total** | - | - | - |

**Note:**

(i) 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.

(ii) The Subsidiary Company ("GMR Aero Technic Limited"/"WOS") is entitled to claim tax holiday for first ten consecutive years, from the year of commencement of commercial operations in 2011-12 under section 10AA of the Income Tax Act, 1961. The WOS has recognised deferred tax asset on unabsorbed depreciation and carried forward losses to the extent it has sufficient taxable temporary differences.

Since, the entire Deferred tax asset/Deferred tax liability on accelerated depreciation and unbilled revenue is reversed in the tax holiday period. No Deferred tax asset/Deferred tax liability is accounted for the same.

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd.
Hyderabad

**GMR Aerospace Engineering Limited**
**CIN: U45201TG2008PLC067141**
**Notes to the consolidated financial statements for the year ended March 31, 2019**
(All amounts are in ₹ lakhs, unless otherwise stated)

**6.1 Unrecognised deductible temporary differences, unused tax losses and unused tax credits**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following: | | |
| - unused tax losses | 50,101.41 | 41,852.24 |
| | **50,101.41** | **41,852.24** |

**6.2 Reconciliation of tax expenses to accounting profits is as follows:**

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Accounting (loss) before Tax | (1,196.86) | (3,888.01) |
| Applicable Tax Rate in India (%) | 26.00% | 30.90% |
| Expected Income tax expense | - | - |
| **Tax expense reported in statement of profit and loss** | - | - |

**7. Tax assets**

| | Non Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 | As at March 31, 2018 |
| TDS Receivable | 1,016.45 | 646.93 | 172.68 | 172.68 |
| | **1,016.45** | **646.93** | **172.68** | **172.68** |

**8.Other assets**

| | Non Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 | As at March 31, 2018 |
| Prepaid expenses | 74.79 | 61.87 | 47.82 | 93.16 |
| Balances with Government authorities | 102.92 | 102.92 | 37.51 | 7.19 |
| Advances recoverable in cash or kind | - | - | 106.93 | 54.08 |
| **Total** | **177.71** | **164.79** | **192.26** | **154.43** |

**9. Inventories**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Stores and spares (valued at cost or net realisable value ) | 3,368.33 | 3,126.44 |
| | 3,368.33 | 3,126.44 |

**10. Trade receivables**

| Trade receivables | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| - Considered good- Secured | - | - |
| - Considered good-Un Secured | 3,108.38 | 1,941.11 |
| - Have significant increase in Credit Risk (Refer note below) | 1,030.32 | - |
| - Credit impaired | 24.27 | 3.94 |
| Less: Provisions for Trade receivables - credit impaired | (24.27) | (3.94) |
| **Total** | **4,138.70** | **1,941.11** |

HASKINS & SELLS LLP DELOITTE * CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad *

**GMR Aerospace Engineering Limited**
**CIN: U45201TG2008PLC067141**
**Notes to the consolidated financial statements for the year ended March 31, 2019**
(All amounts are in ₹ lakhs, unless otherwise stated)
**Note:**

During the current year, there has been a delay in payment by 2 customers in respect of their overdue amounts aggregating ₹ 1,030.32 lakhs due to the company. The Management of the Group has taken several initiatives and is rigorously following up with the customers and the lessors of the aircrafts to recover such overdue.

Based on the measures taken up by the Group, the Group is confident of recovery of the dues and no impairment loss on such trade receivables has been recognised for the year ended March 31, 2019.

No trade or other receivable are due from directors or other officers of the Group either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

Trade receivables are non-interest bearing and are generally on terms of 0 to 30 days.

The Group maintains an allowance for impairment of doubtful accounts based on financial condition of the customer, ageing of the customer receivable and overdues, available collaterals and historical experience of collections from customers. Accordingly, the Group creates provision for past due receivables.

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Movement in the allowance for doubtful debts** | | |
| Balance at beginning of the year | 3.94 | 16.74 |
| Provision for doubtful receivable | 20.33 | 3.94 |
| Amounts written off during the period as uncollectible | - | (16.74) |
| Balance at end of the year | **24.27** | **3.94** |

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **11(a).Cash and cash equivalents** | | |
| Cash on hand | 0.11 | - |
| Balance with banks | | |
| - On current accounts | 29.31 | 92.80 |
| - On Exchange Earner's foreign currency account | 7.50 | 129.28 |
| - On escrow accounts | 2.00 | 6.44 |
| - On cash credit account | 2.53 | 88.82 |
| | **41.45** | **317.34** |
| **11(b). Bank balance other than cash and cash equivalent** | | |
| Fixed deposits held as Margin money | 5.00 | - |
| | **5.00** | **-** |

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

GMR Aerospace Engineering Limited
CIN: U45201TG2008PLC067141
Notes to the consolidated financial statements for the year ended March 31, 2019
(All amounts are in ₹ lakhs, unless otherwise stated)

## 12.Equity share capital

| | Equity Shares | |
|---|---|---|
| | No. of shares | Rs in Lakhs |
| **Authorised share capital:** | | |
| **At April 01, 2017** | 305,000,000 | 30,500 |
| Increase during the year | 50,000,000 | 5,000 |
| **At March 31, 2018** | 355,000,000 | 35,500 |
| Increase during the year | - | - |
| **At March 31, 2019** | 355,000,000 | 35,500 |

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Issued, subscribed and fully paid share capital** | | |
| 338,400,000 fully paid equity shares of Rs. 10 each | 33,840 | 32,490 |
| (Previous year: 324,900,000 fully paid equity shares of Rs. 10 each) | | |

**a. Reconciliaton of number of equity shares and amount outstanding at end of the year**

| | In numbers | Amount |
|---|---|---|
| **As at March 31, 2017** | 292,900,000 | 29,290 |
| Issues of the shares during the year | 32,000,000 | 3,200 |
| **As at March 31, 2018** | 324,900,000 | 32,490 |
| Issues of the shares during the year | 13,500,000 | 1,350 |
| **As at March 31, 2019** | 338,400,000 | 33,840 |

**b. Terms/rights attached to equity shares**

There is only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share.

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

c. Shares held by holding company

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

| | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| **Equity shares of Rs. 10 each fully paid** | No of shares | Amount | No of shares | Amount |
| GMR Hyderabad International Airport Ltd and its nominees | 338,400,000 | 33,840 | 324,900,000 | 32,490 |

**d.Details of shareholders holding more than 5% shares**

| | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| **Equity shares of Rs. 10 each fully paid** | No of shares | % holding | No of shares | % holding |
| GMR Hyderabad International Airport Ltd and its nominees | 338,400,000 | 100% | 324,900,000 | 100% |

## 13.Other equity

**(i) Retained earnings**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Opening Balance | (47,521.76) | (747.89) |
| Add: Loss for the year | (1,196.86) | (3,888.01) |
| Add: Remeasurement gain/(losses) on defined be nefit plans | (22.88) | (21.00) |
| Add: Adjustments arising from consolidation | - | (42,864.86) |
| Closing Balance | **(48,741.50)** | **(47,521.76)** |
| **(ii) Share application money pending allotment** | **1,000** | **500** |
| **Total** | **(47,741.50)** | **(47,021.76)** |

**Note:** In the absence of profits, Debenture Redemption Reserve has not been created as per the provisions of the Companies Act, 2013.

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

**GMR Aerospace Engineering Limited**
**CIN: U45201TG2008PLC067141**
**Notes to the consolidated financial statements for the year ended March 31, 2019**
(All amounts are in ₹ lakhs, unless otherwise stated)
**14. Borrowings**

| | Long Term | | Short Term | |
|---|---|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 | As at March 31, 2018 |
| Secured | | | | |
| Redeemable Non Convertible Debentures [Refer Note (i) below] | 9,968.45 | 9,962.74 | - | - |
| Unsecured | | | | |
| Redeemable Non Convertible Debentures [Refer Note (ii) below] | 17,444.84 | 17,434.85 | - | - |
| Overdraft facility from bank [Refer Note (iii) below] | - | - | 2,799.99 | 2,799.93 |
| **Total** | **27,413.29** | **27,397.59** | **2,799.99** | **2,799.93** |

Notes:(i) During the year ended March 31, 2018 the Company has issued 1,000 Senior, Rated, Listed, Secured, Redeemable, Non-Convertible Debentures ("NCDs") of face value of Rs. 1,000,000 each and fixed interest of 8.55% per annum payable semi-annually and the interest rate shall be reset at the end of 4 years from the allotment as per the terms of Debenture Trust Deed. Tenure of Non Convertible Debentures (NCDs) is 7 years from the date of allotment and is due for payment at the end of 7th year from the date of allotment.

**The Debentures are secured by:**

(a) First pari-passu charge by way of equitable mortgage of leasehold rights of the land to the extent of 16.46 acres on which MRO facilities are constructed along with the buildings, structures, etc. on the land.

(b) First ranking pari-passu charge on all movable assets of the company, including but not limited to movable plant and machinery, spares, tools and accessories, furniture, fixtures, vehicles and all other movable assets, present and future, intangible, goodwill, intellectual property, uncalled capital, present and future.

(c) First ranking pari-passu charge on the Transaction Accounts and all book debts, operating cash flows, current assets, receivables, commissions, revenues of whatsoever nature and wherever arising, present and future of the Company.

(d) First ranking pari-passu charge and assignment on all the rights, title, interest, benefits, claims and demands whatsoever of company in the Project Documents and operation and maintenance related agreements, Clearances Approvals pertaining to their operations, both present and future and letter of credit, guarantee, performance bond, corporate guarantee, bank guarantee provided by any party to the Project Documents and the insurance Proceeds received by Company.

(e) Unconditional and irrevocable corporate guarantee given by GMR Hyderabad International Airport Limited as per Deed of guarantee dated October 04, 2017.

(f) As per the Debenture Trust Deed dated October 04, 2017, Debenture Trustee (acting on the instruction of Majority Resolution) may permit the Company to create a charge on the Security in favour of lenders advancing Loan Equivalent Risk Facility("LER Facility") to the Company. The Security Interest created over the Security for securing the LER Facility shall be second charge and shall rank subservient to the charge of the Debenture Holders.

(g) Redeemable Non-Convertible debentures includes an adjustment of unamortised upfront fee paid of ₹ 31.55 lakhs as at March 31, 2019 (As at March 31, 2018: ₹ 37.26 lakhs ).

**GMR Aerospace Engineering Limited**
**CIN: U45201TG2008PLC067141**
**Notes to the consolidated financial statements for the year ended March 31, 2019**
(All amounts are in ₹ lakhs, unless otherwise stated)

(ii) During the year ended March 31, 2018 the Subsidiary Company (GMR Aero Technic Limited) issued 1750 Senior, Rated, Listed, Unsecured, Redeemable, Non-Convertible Debentures ("NCDs") of face value of ₹ 1,000,000 each and fixed interest of 8.55% per annum payable semi-annually and the interest rate shall be reset at the end of 4 years from the allotment as per the terms of Debenture Trust Deed. Tenure of Non Convertible Debentures (NCDs) is 7 years from the date of allotment and is due for payment at the end of 7th year from the date of allotment.

**The Debentures are secured by:**

(a) First ranking pari passu charge on all movable assets of the company, including but not limited to movable plant and machinery, spares, tools and accessories, furniture, fixtures, vehicles and all other movable assets, present and future, intangible, goodwill, intellectual property, uncalled capital, present and future.

(b) First ranking pari passu charge on the Transaction Accounts and all book debts, operating cash flows, current assets, receivables, commissions, revenues of whatsoever nature and wherever arising, of Issuer, present and future of the Company.

(c) First ranking pari passu charge and assignment on all the rights, title, interest, benefits, claims and demands whatsoever of company in the Project Documents and operation and maintenance related agreements, Clearances Approvals pertaining to their operations, both present and future and letter of credit, guarantee, performance bond, corporate guarantee, bank guarantee provided by any party to the Project Documents and the insurance Proceeds received by Company.

(d) Unconditional and irrevocable corporate guarantee given by GMR Hyderabad International Airport Limited as per Deed of guarantee dated October 04, 2017.

(e) The Charge Created against Debt as per the Debenture Trust Deed dated October 04, 2017 in all respects, rank pari-passu inter se amongst the Debenture Holders and the Working capital lenders, without any preference or priority to one over the other or others. The Working Capital Facility to be availed, shall be in the form and substance, satisfactory to the debenture holders, shall not exceed an amount of ₹ 3,500 lakhs (Rupees Three Thousand Five Hundred Lakhs Only)

(f) Redeemable Non-Convertible debentures includes an adjustment of unamortised upfront fee paid of ₹ 55.16 lakhs ( ₹ 65.15 lakhs as at March 31, 2018)

(iii)The overdraft facility availed by the Subsidiary Company (GMR Aero Technic Limited) from AbuDhabi Bank is repayable on demand and carries interest of FD rate plus min 1%pa which is secured by fixed deposit placed by GMR Hyderabad Air Cargo and Logistics Private Limited ((Formerly known as Hyderabad Menzies Air Cargo Private Limited) (GHACLPL) with ADCB Bank as per the terms of the sanction letter.

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd.
Hyderabad

GMR Aerospace Engineering Limited
CIN: U45201TG2008PLC067141
Notes to the consolidated financial statements for the year ended March 31, 2019
(All amounts are in ₹ lakhs, unless otherwise stated)

**15.Provisions**

| | Non-Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 | As at March 31, 2018 |
| Gratuity (Refer Note 27) | 89.80 | 98.26 | - | - |
| Leave Entitlements (Refer Note 27) | - | - | 178.69 | 147.49 |
| **Total** | **89.80** | **98.26** | **178.69** | **147.49** |

**16. Trade Payables**

| | Current | |
|---|---|---|
| Trade payables | As at March 31, 2019 | As at March 31, 2018 |
| (i) total outstanding dues of micro enterprises and small enterprises; (Refer Note 37) | 5.13 | - |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | 7,585.59 | 6,189.68 |
| **Total** | **7,590.72** | **6,189.68** |

**17. Other financial liabilities**

| | Current | |
|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 |
| Payables for purchase of property, plant and equipment* | 70.46 | 68.04 |
| Deposit from customers | 0.93 | 0.93 |
| Retention money | 12.06 | 10.58 |
| Interest Accrued but not due on Redeemable Non-Convertible Debentures | 6.44 | 6.44 |
| Total | 89.89 | 85.99 |

Note:
*Rs. Nil (March 31, 2018 - includes an amount of Rs. 20.20 lakhs payable to related parties) (Refer Note 28)

**18. Other liabilities**

| | Current | |
|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 |
| Advances from customers | - | 4.97 |
| Statutory Liabilities | 302.75 | 286.40 |
| Unearned revenue | 150.52 | 161.37 |
| **Total** | **453.27** | **452.74** |

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd.
Hyderabad

**GMR Aerospace Engineering Limited**
**CIN: U45201TG2008PLC067141**
**Notes to the consolidated financial statements for the year ended March 31, 2019**
(All amounts are in ₹ lakhs, unless otherwise stated)

**19.Revenue from operations**

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Revenue from Services | 15,365.28 | 10,455.94 |
| **Total** | **15,365.28** | **10,455.94** |

**20. Other income**

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Interest income on bank deposits and others | 0.31 | 15.61 |
| Liabilities no longer required,written back | 0.76 | 75.19 |
| Finance income | | |
| - cross currency swap arrangement | - | 1,353.18 |
| - fair value change in financial instruments (Refer Note 28) | 1.13 | 1.15 |
| Gain on account of foreign exchange fluctuations (net) | 205.17 | - |
| Fair value gain on financial instruments at fair value through profit or loss | 2.07 | - |
| Interest on tax refund | 10.65 | 0.35 |
| Miscellaneous income | 71.00 | 41.60 |
| **Total** | **291.09** | **1,487.08** |

**21. Cost of materials consumed**

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Inventory at the beginning of the year | 3,126.44 | 2,639.96 |
| Add: Purchases | 4,899.91 | 3,861.36 |
| Less: Inventory written off | (33.26) | (52.58) |
| Less: Inventory at the end of the year | (3,368.33) | (3,126.44) |
| **Total** | **4,624.76** | **3,322.30** |

**22. Employee benefit expenses**

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Salaries, wages and bonus | 4,206.38 | 3,343.74 |
| Contribution to provident and other funds (Refer Note 27) | 188.99 | 163.37 |
| Gratuity expenses (Refer Note 27) | 49.04 | 51.36 |
| Staff welfare expenses | 359.06 | 327.88 |
| **Total** | **4,803.47** | **3,886.35** |

**23. Finance costs**

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Interest on | | |
| Cash Credit facility and overdraft facility from bank | 239.53 | 257.23 |
| Debt and borrowings | - | 2,217.69 |
| Redeemable Non Convertible Debentures | 2,366.95 | 1,142.93 |
| Interest others | 0.05 | 2.61 |
| Bank and Finance charges | 39.16 | 112.67 |
| **Total** | **2,645.69** | **3,733.13** |

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd.
Hyderabad

**GMR Aerospace Engineering Limited**
**CIN: U45201TG2008PLC067141**
**Notes to the consolidated financial statements for the year ended March 31, 2019**
(All amounts are in ₹ lakhs, unless otherwise stated)

**24. Depreciation and amortisation expenses**

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Depreciation of property, plant and equipment | 1,384.81 | 1,331.03 |
| Amortisation of intangible assets | 6.89 | 2.01 |
| **Total** | **1,391.70** | **1,333.04** |

**25. Other expenses**

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Lease rentals | 644.22 | 549.60 |
| Rates and taxes | 262.96 | 286.20 |
| Electricity and water charges | 354.78 | 338.33 |
| Equipment hire charges | 63.04 | 45.99 |
| Insurance | 160.23 | 134.98 |
| Repairs and Maintenance | | |
| IT Systems | 78.09 | 93.24 |
| Others | 352.07 | 297.73 |
| Sub-contracting expenses | 91.58 | 80.92 |
| Travelling and conveyance | 293.05 | 169.02 |
| Communication expenses | 21.99 | 23.65 |
| Printing and stationery | 16.16 | 30.29 |
| Security expenses | 28.93 | 24.30 |
| House Keeping Charges | 40.82 | 29.61 |
| Business development expenses | 111.47 | 58.48 |
| Membership and Subscriptions | 78.34 | 27.15 |
| Legal and professional fees | 560.86 | 440.17 |
| Fair value loss on financial instruments at fair value through profit or loss | - | 864.46 |
| Board meeting expenses | 4.29 | 3.35 |
| Payment to auditors (Refer details below) | 22.70 | 17.13 |
| Provision for doubtful receivables | 20.33 | 3.94 |
| Loss/(Gain) on account of forex fluctuation (net) | 144.73 | (14.93) |
| Inventory written off | 33.26 | 52.58 |
| Miscellaneous expenses | 3.71 | 0.02 |
| **Total** | **3,387.61** | **3,556.21** |

**Payment to auditors**

| | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **As auditor:** | | |
| Statutory audit fee | 13.20 | 13.20 |
| **In other capacity:** | | |
| Other services | 9.00 | 1.50 |
| Reimbursement of expenses | 0.50 | 2.43 |
| **Total** | **22.70** | **17.13** |

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

(All amounts are in Rs. lakhs, unless otherwise stated)

## 26. Earnings Per Share (EPS)

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

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Loss for the year | (1,196.86) | (3,888.01) |
| Weighted Average number of equity shares used for computing Earning Per Share (Basic and diluted) | 33,49,35,616 | 316,779,452 |
| Earnings Per Share (Basic and diluted) ₹ | (0.36) | (1.23) |

## 27. Employee benefits plan

**a. Defined benefits plan:**
The Subsidiary company (GMR Aero Technic Limited) has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets gratuity on departure at 15 days last drawn salary for each completed year of service.

The following tables summarize the components of net benefit expense recognized in the statement of profit or loss and the funded status and amounts recognized in the balance sheet for the respective plans:

**Statement of profit and loss**
**Net employee benefit expense (recognized in the employee cost)**

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Current service cost (including past service cost) | 44.62 | 46.67 |
| Interest cost on benefit obligation | 4.42 | 3.97 |
| **Net benefit expense** | **49.04** | **50.64** |

**Balance sheet**
**Details of provision for gratuity**

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Present value of defined benefit obligation | (253.27) | (196.76) |
| Fair value of plan assets | 163.47 | 98.50 |
| **Plan liability** | **(89.80)** | **(98.26)** |

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

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **Opening defined benefit obligation** | 196.77 | 138.67 |
| Interest cost | 13.86 | 9.03 |
| Current service cost (including past service cost) | 44.62 | 46.67 |
| Benefits paid | (28.49) | (23.07) |
| Actuarial (gain)/loss on obligation | 26.51 | 25.47 |
| **Closing defined benefit obligation** | **253.27** | **196.77** |

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

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Opening fair value of plan assets | 98.50 | 42.93 |
| Expected return | 9.47 | 5.06 |
| Contributions by employer | 80.37 | 79.59 |
| Actuarial gain/(loss) | 3.62 | (6.01) |
| Benefits paid | (28.49) | (23.07) |
| **Closing fair value of plan assets** | **163.47** | **98.50** |

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

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

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Investments with insurer | 100% | 100% |

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

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Discount rate | 7.60% | 7.60% |
| Salary escalation Rate | 8.00% | 8.00% |
| Withdrawal Rate | 5.00% | 5.00% |

**Disclosure related to indication of effect of the defined benefit plan on the entity's future cash flows:**

Expected Benefits payments for the year ending

| Year ending | March 31, 2019 |
|---|---|
| March 31, 2020 | 11.93 |
| March 31, 2021 | 15.74 |
| March 31, 2022 | 19.38 |
| March 31, 2023 | 25.62 |
| March 31, 2024 | 33.96 |
| March 31, 2025 to March 31, 2029 | 272.93 |

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 Rs. 26.83 lakhs (increase by Rs. 32.10 lakhs) as of March 31, 2019.

If the expected salary growth increases (decreases) by 1%, the defined benefit obligations would increase by Rs. 22.83 lakhs (decrease by Rs. 21.94 lakhs) as of March 31, 2019.

**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, 2019 | March 31, 2018 |
|---|---|---|
| Contribution to Provident Fund | 157.47 | 120.59 |
| Contribution to Superannuation Fund | 31.50 | 32.46 |
| Contribution to ESI | 12.50 | 10.32 |

c. Leave benefit liabilities provided based on actuarial valuation amounts to Rs.178.69 lakhs as at March 31, 2019 (March 31, 2018: Rs.147.49 lakhs).

HASKINS & SELLS LLP DELOITTE CHARTERED ACCOUNTANTS

Aerospace Engineering Hyderabad GMR Ltd.

(All amounts are in Rs. lakhs, unless otherwise stated)

The actuarial assumptions (demographic & financial) employed for the calculations as at March 31, 2019 and March 31, 2018 are as follows.

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Discount rate | 7.60% | 7.60% |
| Salary escalation rate | 8.00% | 8.00% |
| Withdrawal rate | 5.00% | 5.00% |

## 28. Related Party Disclosures:

### A. Names of related parties and description of relationship:

| Sl. No | Relationship | Name of related party |
|---|---|---|
| (i) | Holding Company | GMR Hyderabad International Airport Limited (GHIAL) |
| (ii) | GHIAL's holding Company | GMR Airports Limited (GAL) |
| (iii) | GAL's holding Company | GMR Infrastructures Limited(GIL) |
| (iv) | Ultimate holding Company | GMR Enterprises Private Limited (formerly known as GMR Holdings Private Limited) |
| (v) | Fellow Subsidiaries (Where transactions have taken place during the year). | GMR Hyderabad Aviation SEZ Limited |
| | | Raxa Security Services Limited |
| | | GMR Hospitality and Retail Limited (formerly known as GMR Hotels and Resorts Limited) |
| | | GMR Aviation Private Limited |
| | | Asia Pacific Flight Training Academy Limited |
| | | GMR Hyderabad Air cargo and Logistics Private Limited (Formerly known as Hyderabad Menzies Air Cargo Private Limited) |
| | | Delhi International Airport Limited |
| | | GMR Airport Developers Limited |
| (vii) | Key Managerial personnel (KMP) | Mr. Srinivas Bommidala -Director (Resigned w.e.f. March 31, 2018) |
| | | Mr. SGK Kishore -Director |
| | | Mr. P. S. Nair -Director |
| | | Mr. Rajesh Arora -Director |
| | | Mr. P.Vijay Bhaskar- -Independent Director (Resigned w.e.f. September 18, 2017) |
| | | Mr. Buchisanyasi Raju Grandhi- Director (w.e.f. April 30, 2018) |
| | | Mr. Abdul Rahman Harith Saif Al Busaidi-Independent Director (w.e.f. April 18, 2018) |
| | | Mr. Ramamurti Akella -Independent Director (Resigned w.e.f. September 18, 2017) |
| | | Mrs. Kavitha Gudapati- -Independent & Woman Director (w.e.f January07, 2018) |
| | | Mr. Uday Naidu – Chief Executive Officer (Retired on July 31, 2017) |

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

(All amounts are in Rs. lakhs, unless otherwise stated)

| | | |
|---|---|---|
| | | Mr. Ashok Gopinath - Chief Executive Officer (w.e.f. August 01, 2017) |
| | | Mr. K Venkata Ramana - Chief Financial Officer |
| | | Mr. Lalit Kumar Tiwari - Company Secretary (Resigned w.e.f. March 24, 2018) |
| | | Ms. Apeksha Naidu- Company Secretary (w.e.f. May 02, 2018) |

**B. Transactions with Key Managerial Personnel for the year ended:**

| Details of Key Managerial Personnel | Remuneration | | Sitting fees | |
|---|---|---|---|---|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| Mr. Ramamurti Akella | - | - | - | 1.40 |
| Mrs. Kavitha Gudapati | - | - | 2.30 | 0.50 |
| Mr.P.Vijay Bhaskar | - | - | - | 1.45 |
| Mr. Abdul Rahman Harith Saif Al Busaidi | - | - | 2.00 | - |
| Mr.Uday kumar Naidu | - | 36.11 | - | - |
| Mr. Ashok Gopinath | 160.98 | 97.45 | - | - |
| Mr.K.Venkata Ramana | 66.89 | 68.13 | - | - |
| Ms. Apeksha Naidu | 5.48 | - | - | - |
| Mr.Lalit Kumar Tiwari | - | 5.69 | - | - |
| | 233.35 | 207.38 | 4.30 | 3.35 |

**C. Summary of Transactions with related parties for the year ended:**

| | Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|
| (a) | **GMR Hyderabad International Airport Limited** | | |
| | Allotment of share capital | 1,350.00 | 3,200.00 |
| | Receipt of Share application money | 1,850.00 | 3,650.00 |
| | Refund of share application money | - | (1,150.00) |
| | Lease Rentals and Other Related expense | 40.86 | 41.69 |
| | Reimbursements of expenses | 173.32 | 157.28 |
| | Corporate guarantee given in relation to Non-Convertible Debentures | - | 27,500.00 |
| (b) | **GMR Hyderabad Aviation SEZ Limited** | | |
| | Lease rental | 553.41 | 532.13 |
| | Lease rental - amortization of prepaid expense | 3.14 | 3.14 |
| | Finance income from debt instrument through FVTPL | 1.13 | 1.01 |
| | Electricity and Water Charges | 351.58 | 336.33 |
| | Communication expenses | - | 5.40 |
| | Repairs and maintenance - Others | 22.08 | 20.99 |
| (c) | **GMR Airport Developers Limited** | | |
| | Repairs and maintenance -IT | 53.08 | - |
| | Repairs and maintenance -Others | 184.08 | 226.93 |
| | Management Consultancy charges-Hanger door | - | 22.45 |
| (d) | **GMR Hospitality and Retail Limited (formerly known as GMR Hotels and Resorts Limited)** | | |
| | Lodging and food expenses (Travelling and conveyance) | 18.64 | 52.47 |
| (e) | **Raxa Security Services Limited** | | |
| | Security services | 28.93 | 24.30 |
| (f) | **Delhi International Airport Limited** | | |

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

**(All amounts are in Rs. lakhs, unless otherwise stated)**

| | | | |
|---|---|---|---|
| | Finance income from debt instrument through FVPTL | 2.08 | 0.14 |
| | Lease rental and other related expenses | 56.7 | 2.83 |
| (g) | **GMR Airports Limited** | | |
| | Training charges | | 0.43 |
| | Reimbursement of Expenses | 74.48 | - |
| (h) | **GMR Aviation Pvt Limited** | | |
| | Revenue from operations | - | 1.27 |
| (i) | **Asia Pacific Flight Training Academy Limited** | | |
| | Revenue from operations | 12.94 | 19.58 |
| (j) | **GMR Hyderabad Air cargo and Logistics Private Limited (Formerly known as Hyderabad Menzies Air Cargo Private Limited)** | | |
| | Freight charges/Handling charges | 0.92 | - |

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

D. **Outstanding balances at the end of the Year:**

| | **Particulars** | **As at March 31, 2019** | **As at March 31, 2018** |
|---|---|---|---|
| (a) | **GMR Hyderabad International Airport Limited** | | |
| | Share application money pending allotment | (1,000.00) | (500.00) |
| | Trade Payable | (287.00) | (139.15) |
| | Security Deposit | 5.04 | 5.04 |
| | Pledge of equity shares with bankers against the loan taken by the Company (Refer Note below) | - | 13,586.40 |
| | Corporate guarantee given in relation to Non-Convertible Debentures/Borrowings | 27,500.00 | 27,500.00 |
| (b) | **GMR Hyderabad Aviation SEZ Limited** | | |
| | Security Deposit | 11.00 | 9.87 |
| | Prepaid Expenses | 59.63 | 62.77 |
| | Trade Payables | (5,682.76) | (4,937.01) |
| (c) | **GMR Airport Developers Ltd** | | |
| | Trade Payable | (109.25) | (64.75) |
| | Payable for purchase of property, plant and equipment | - | (20.20) |
| (d) | **GMR Hospitality and Retail Limited (formerly known as GMR Hotels and Resorts Limited)** | | |
| | Trade Payable | (2.39) | (9.06) |
| (e) | **Raxa Security services Limited** | | |
| | Trade Payable | (4.82) | (2.01) |
| (f) | **GMR Airports Limited** | | |
| | Trade Payable | - | (0.12) |
| (g) | **GMR Aviation Private Limited** | | |
| | Trade Receivables | - | 3.23 |
| (h) | **Delhi International Airport Ltd** | | |
| | Security Deposit | 22.66 | 20.59 |
| | Prepaid expenses | 2.19 | 4.37 |
| | Trade Payable | (1.76) | (2.90) |
| (i) | **Asia Pacific Flight Training Academy Ltd** | | |
| | Trade Receivables | 4.69 | 4.08 |

**Note:** During the year ended March 31, 2018, the Company repaid term loans availed from consortium of banks and has received no objection certificate from the lead bank evidencing the repayment of term loans. The shares pledged with the banks got released subsequently.

**29. Commitments and Contingencies**

**a) Capital and other commitment**

i. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of Advances) amounting to Rs.356.86 lakhs (March 31, 2018 – Rs.245.59 lakhs)

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.

**b) Contingent Liabilities**

i. The Company has filed an appeal with Customs, Excise and Service Tax Appellate Tribunal (CESTAT) against the order of Commissioner of Service Tax for the rejection of service tax refund claim amounting to Rs. 102.92 lakhs.

ii. A penalty of Rs. 5 lakhs has been imposed on Subsidiary Company (GMR Aero Technic Limited) by the Development Commissioner, Vishakhapatnam Special Economic Zone for acceptance of payments in INR for services rendered. GATL has filed an appeal to the Additional Secretary, Department of Commerce and Industry, Government of India against the penalty order received; and is expecting a favourable order for the same.

iii. The Subsidiary Company (GMR Aero Technic Limited) has received letter from specified officer stating to pay customs duty on components used in Maintenance Repair and Overhaul (MRO) services for aircraft sent from Special Economic Zone to Domestic Tariff Area. Management is confident that no liability in this regard would be payable, based on the clarification obtained by the Subsidiary Company (GMR Aero Technic Limited) from Ministry of Commerce and Industry, customs duty is not applicable on such transactions.

iv. There are numerous interpretative issues relating to the Supreme Court (SC) judgement on PF dated 28th February, 2019. The financial impact on a prospective basis from the date of the SC order is not material and hence, no adjustments have been made to the consolidated financial statements of the Group. The Group will update its provision, on receiving further clarity on the subject.

**30. Segment Reporting**

The Group is engaged in the business (including development of infrastructure) for Maintenance, Repair and Overhaul facility (MRO) of Aircrafts 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 Consolidated Financial Statements relate to the Group's single business segment.

**31. Financial risk management objectives and policies**

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

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

(All amounts are in Rs. lakhs, unless otherwise stated)

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group'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 Group'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, equity risk, commodity risk and demand 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 March 31, 2019.

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 March 31, 2019.
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 March 31, 2019.

**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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with fixed interest rates. The Group does not have any long-term debt with floating interest rates. Refer Note 14 for fixed interest rate.

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

| **Particulars** | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| Redeemable Non-Convertible Debentures | 27,500.00 | 27,500.00 |
| | **27,500.00** | **27,500.00** |

**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 Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

| | **Increase/decrease in Interest rate** | **Effect on profit before tax** |
|---|---|---|
| **As at March 31, 2019** | | |
| Unsecured Overdraft facility from bank | +0.50% | (14.00) |
| Unsecured Overdraft facility from bank | - 0.50% | 14.00 |
| | | |

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

| | Increase/decrease in Interest rate | Effect on profit before tax |
|---|---|---|
| As at March 31, 2018 | | |
| Unsecured Overdraft facility from bank | +0.50% | (14.00) |
| Unsecured Overdraft facility from bank | - 0.50% | 14.00 |
| | | |

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 Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

**The group's exposure to foreign currency risk at the end of reporting period expressed in Indian Rupees are as follows:**

| Particulars | Currencies Exposure | As at March,2019 | |
|---|---|---|---|
| | | Amount in foreign currency | Rs in Lakhs |
| Trade payables | USD | 10,33,316 | 714.74 |
| | EURO | 8,667 | 6.73 |
| | GBP | 160 | 0.14 |
| Trade receivables | USD | 59,26,985 | 4,099.70 |
| Cash and cash equivalent | USD | 10,843 | 7.50 |
| Deposit from customers | USD | 1,500 | 0.93 |
| Deposit - Loans | USD | - | - |
| Unbilled revenue | USD | 5,42,253 | 375.08 |

| Particulars | Currencies Exposure | As at March 31, 2018 | |
|---|---|---|---|
| | | Amount in Foreign currency | Rs in Lakhs |
| Trade payables | USD | 602,699 | 392.02 |
| | EURO | 10,228 | 8.25 |
| | GBP | 150 | 0.14 |
| Trade receivables | USD | 2,984,301 | 1,941.11 |
| Unearned Revenue | USD | 250,976 | 161.37 |
| Cash and cash equivalent | USD | 198,755 | 129.28 |
| Deposit from customers | USD | 1,500 | 0.93 |
| Deposit - Loans | USD | 35,000 | 22.42 |
| Unbilled revenue | USD | 336,235 | 218.70 |

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 Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the Group'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.

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

**(All amounts are in Rs. lakhs, unless otherwise stated)**

Foreign currency sensitivity

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **Particulars** | **Impact on profit after tax** | **Impact on profit after tax** |
| **USD Sensitivity** | | |
| INR/USD- Increase by 5% | 188.38 | 88.45 |
| INR/USD- Decrease by 5% | (188.38) | (88.45) |
| **EURO Sensitivity** | | |
| INR/EURO-Increase by 5% | (0.34) | (0.34) |
| INR/EURO- Decrease by 5% | 0.34 | 0.34 |
| **GBP sensitivity** | | |
| INR/GBP-Increase by 5% | (0.01) | (0.01) |
| INR/GBP- Decrease by 5% | 0.01 | 0.01 |

**Liquidity risk**

Liquidity risk refers to the risk that the Group cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Also parent company will provide support in order to meet financial obligations of the Group.

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

| Year ended March 31, 2019 | Upto 1 year | 1 - 5 year | More than 5 year | Total Contracted cash flows |
|---|---|---|---|---|
| Redeemable Non-Convertible Debentures and interest there on | 2,351.25 | 9,411.44 | 28,711.05 | 40,473.74 |
| Overdraft facility from a bank | 2,799.99 | - | - | 2,799.99 |
| Trade payables | 7,590.72 | - | - | 7,590.72 |
| Other financial liabilities | 114.31 | - | - | 114.31 |

| Year ended March 31, 2018 | Upto 1 year | 1 - 5 year | More than 5 year | Total Contracted cash flows |
|---|---|---|---|---|
| Redeemable Non-Convertible Debentures and interest there on | 2,351.25 | 9,411.44 | 31,062.21 | 42,824.90 |
| Overdraft facility from a bank | 2,799.93 | - | - | 2,799.93 |
| Trade payables | 6,189.68 | - | - | 6,189.68 |
| Other financial liabilities | 85.99 | - | - | 85.99 |

**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 Group 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**

Customer credit risk is managed by the Group as per approved debtors policy and established procedures and controls relating to customer credit risk management. Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and operate in largely independent markets.

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

SP

GMR Aerospace Engineering Ltd. Hyderabad

(All amounts are in Rs. lakhs, unless otherwise stated)

**Excessive risk Concentration**

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographical region or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.
In order to avoid excessive concentrations of risk, the Group is trying to expand the customer base from Middle East and SAARC countries. Also additional revenue stream is in the pipeline i.e., from line maintenance.

## 32. Capital management

The Group's capital management objective is to maximise the total shareholder return by optimising cost of capital through flexible capital structure that supports growth. Further, the Group ensures optimal credit risk profile to maintain/enhance credit rating.

The Group determines the amount of capital required on the basis of annual operating plan and long-term strategic plans. The funding requirements are met through internal accruals and long-term/short-term borrowings. The Group monitors the capital structure on the basis of Net debt to equity ratio and maturity profile of the overall debt portfolio of the Group.

For the purpose of capital management, equity includes issued equity share capital and other equity. Net debt includes all long and short-term borrowings as reduced by cash and cash equivalents.

The following table summarises the capital of the Group:

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Borrowings | 30,213.28 | 30197.52 |
| Cash and cash equivalents and Other bank balances | (46.45) | (317.34) |
| **Net debt** | 30,166.83 | 29,880.18 |
| **Equity** | (13,901.50) | (14,531.76) |
| **Net debt to Equity ratio** | (2.17) | (2.06) |

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the 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 loans and borrowing in the current year.

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

## 33. Fair values:

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

| | Fair Value | Carrying value | Fair Value | Carrying value |
|---|---|---|---|---|
| | March 31, 2019 | March 31, 2019 | March 31, 2018 | March 31, 2018 |
| **Financial assets** | | | | |
| **Valued at amortized cost** | | | | |

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd Hyderabad

(All amounts are in Rs. lakhs, unless otherwise stated)

| | | | | |
|---|---|---|---|---|
| Trade receivable | 4,138.70 | 4,138.70 | 1941.11 | 1941.11 |
| Other financial assets | 464.22 | 464.22 | 284.96 | 284.96 |
| Cash and cash equivalent | 46.45 | 46.45 | 317.34 | 317.34 |
| **Total Financial Assets** | **4,649.37** | **4,649.37** | **2543.41** | **2543.41** |
| | | | | |
| **Financial liabilities** | | | | |
| **Valued at amortized cost** | | | | |
| Borrowings | 30,213.28 | 30,213.28 | 30197.52 | 30197.52 |
| Trade payables | 7,590.72 | 7,590.72 | 6189.68 | 6189.68 |
| Other financial liabilities | 89.89 | 89.89 | 85.99 | 85.99 |
| **Total Financial Liabilities** | **37,893.89** | **37,893.89** | **36,473.19** | **36,473.19** |

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.

## 34. Use of estimates and judgement

In the application of the Group's accounting policies, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Income tax and Deferred Tax

Significant judgements are required in determining the provision for income taxes, including the amount expected to be paid/recovered for uncertain tax provisions. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that sufficient future taxable profit will be available against which those deductible temporary difference can be utilized.

### Useful lives of property, plant and equipment

The Group reviews the useful life of property, plant and equipment and Intangible assets at the end of each reporting period. This assessment may result in change in the depreciation / amortization expense in future periods.

### Provision for doubtful receivables

The Group makes provision for doubtful receivables based on a provision matrix which takes into account historical credit loss experience and adjusted for current estimates.

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

**Other estimates**

The preparation of Financial Statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of Financial Statements and the reported amount of revenues and expenses for the reporting period

**35.** The Group has incurred Total comprehensive loss of Rs. 1,219.74 lakhs during the year ended March 31, 2019 (Rs 3,919.49 lakhs for the year ended March 31, 2018). Further, as at March 31, 2019, the Group has accumulated losses of Rs. 48,697.62 lakhs (as at March 31, 2018 is Rs 47,500.76 lakhs) and its net-worth has been fully eroded. The Group has incurred net loss in the current year and previous years and the current liabilities exceeds current assets as on that date. These conditions indicate the existence of materiality uncertainty that may cast significant doubt about the Group's ability to continue as going concern. Management initiatives as stated in note 36 there will be significant increase in the operations of the Group that will lead to improved cash flows and long term sustainability.

GMR Hyderabad International Airport Limited ("GHIAL") has confirmed its continuous financial support to the Group to meet the operational requirements as they arise and to meet its liabilities as and when they fall due.

Accordingly, these consolidated financial statements have been prepared on Going Concern basis and do not include any adjustments relating to the recoverability of assets or the amounts of liabilities that may be necessary if the entity is unable to continue as a going concern.

**36.** (a) The Board of Directors in their meeting held on December 10, 2018 has approved, subject to the required approvals, the Composite Scheme of Arrangement amongst GMR Hyderabad Air Cargo and Logistics Private Limited ("GHACLPL"/"Transferor Company") and GMR Aero Technic Limited ("GATL"/"Demerged company") and GMR Aerospace Engineering Limited ("GAEL"/"Transferee"/ "Resulting Company") and their respective Shareholders and Creditors ("Scheme"), wherein GHACLPL will merge with GAEL and GATL will demerge the MRO Business undertaking into GAEL with an Appointed Date of April 01, 2018. The Company is in the process of obtaining requisite approvals (including from the National Company Law Tribunal (NCLT)), under applicable laws/regulations to give effect to the above Scheme, pending aforesaid approvals no impact of the scheme has been considered in the Consolidated Financial Statements.

(b) Pursuant to the Scheme, with effect from the Appointed Date and upon the Scheme becoming effective:

i) MRO business/demerged undertaking of the GATL shall be transferred on a going concern basis to the Resulting Company. Pursuant to the Scheme, no shares will be issued in relation to the Demerger since the Demerged Company is a wholly owned subsidiary of the GAEL. The shares of the Demerged Company, to the extent of 24,900,000 equity shares of ₹10 each, which reflect the MRO business/Demerged Undertaking being demerged to GAEL shall stand cancelled and shares to the extent of 100,000 equity shares of ₹10 each which represent the Residual Business shall continue in the books of the demerged company.

ii) Undertakings of the transferor Company/GHACLPL shall be transferred on a going concern basis to the Transferee Company. Pursuant to the Scheme, a total of 91,912,200 equity shares of face value ₹ 10/- (Rupees Ten Only) each of the Transferee Company to be issued to the equity shareholder of the Transferor Company holding 1,020,000 equity shares of face value of ₹ 10/- (Rupees Ten Only) each therein, as on the Record Date in the Share Exchange Ratio of 90.11:1, a total of 18,000, 11.97% Series A Compulsorily Convertible Cumulative Preference Shares ("CCCPS") of ₹ 10,000/- (Rupees Ten Thousand Only) each of the Transferee Company to be issued to the 11.97% Series A CCCPS holder of the Transferor Company holding 18,000, 11.97% Series A CCCPS of ₹ 10,000/- (Rupees Ten Thousand Only) each therein as on the Record Date (as per the existing terms) in the Share Exchange Ratio of 1:1, a total of 18,735, 11.97% Series B Compulsorily Convertible Cumulative Preference Shares ("CCCPS") of ₹ 10/- (Rupees Ten Only) each of the Transferee Company to be issued to the 11.97% Series B CCCPS holder of the Transferor Company holding 18,735, 11.97% Series B CCCPS of ₹ 10/- (Rupees Ten Only) each as on the Record Date (as per the existing terms) in the Share Exchange Ratio of 1:1

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

37. Based on and to the extent of information available with the Company under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), the relevant particulars as at reporting date are furnished below:

| Sl .No. | Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| (i) | Principal amount due to suppliers under MSMED Act, as at the end of the year | 5.13 | - |
| (ii) | Interest accrued and due to suppliers under MSMED Act on the above amount as at the end of the year | - | - |
| (iii) | Payment made to suppliers (other than interest) beyond the appointed day, during the year | - | - |
| (iv) | Interest paid to suppliers under MSMED Act (other than Section 16) | - | - |
| (v) | Interest paid to suppliers under MSMED Act (Section 16) | - | - |
| (vi) | Interest due and payable to suppliers under MSMED Act, for payments already made | - | - |
| (vii) | Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act (ii) + (vi) | - | - |

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

38. The Group has undertaken necessary steps to comply with the transfer pricing regulations. The management is of the opinion that the domestic transactions are at arm's length and believes that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

39. Additional information as required by Schedule III to the Companies act, 2013

(All amounts in Rs. Lakhs, except otherwise stated)

| Name of entity | Net Assets as at March 31, 2019 | | Share of loss for the year ended March 31, 2019 | | Share of other comprehensive loss for the year ended March 31, 2019 | | Share in total comprehensive loss for the year ended March 31, 2019 | |
|---|---|---|---|---|---|---|---|---|
| | % of consolidated net assets | Amount | % of share of loss | Amount | % of share of other comprehensive loss | Amount | % of share of total comprehensive loss | Amount |
| **Parent** | | | | | | | | |
| GMR Aerospace Engineering Limited | 4% | (555.43) | 4.19% | (50.18) | - | - | 4.11% | (50.18) |
| **Subsidiary** | | | | | | | | |
| GMR Aero Technic Limited | 96% | (13,346.07) | 95.81% | (1146.68) | 100.00% | (22.88) | 95.89% | (1169.56) |

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd. Hyderabad

GMR Aerospace Engineering Limited
CIN: U45201TG2008PLC067141
Notes to the Consolidated Financial Statements for the year ended March 31, 2019
(All amounts are in Rs. lakhs, unless otherwise stated)

(All amounts in Rs. Lakhs, except otherwise stated)

| Name of entity | Net Assets as at March 31, 2018 | | Share of loss for the year ended March 31, 2018 | | Share of other comprehensive loss for the year ended March 31, 2018 | | Share in total comprehensive loss for the year ended March 31, 2018 | |
|---|---|---|---|---|---|---|---|---|
| | % of consolidated net assets | Amount | % of share of loss | Amount | % of share of other comprehensive loss | Amount | % of share of total comprehensive loss | Amount |
| **Parent** | | | | | | | | |
| GMR Aerospace Engineering Limited | (7.99%) | 1161.18 | 15.60% | (606.55) | - | - | 15.48% | (606.55) |
| **Subsidiary** | | | | | | | | |
| GMR Aero Technic Limited | 107.99% | (15,692.94) | 84.40% | (3,281.46) | 100.00% | (31.48) | 84.52% | (3312.94) |

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

Rajesh Kumar Arora
Director
DIN : 03174536

SGK Kishore
Director
DIN : 02916539

Ashok Gopinath
Chief Executive Officer

K Venkata Ramana
Chief Financial Officer

Apeksha Naidu
Company Secretary
M.No. ACS 42119

Place: Hyderabad
Date: July 26, 2019

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

GMR Aerospace Engineering Ltd.
Hyderabad