

GMR Hyderabad International Airport Limited

CIN:U62100TG2002PLC040118

Special Purpose Unaudited Condensed Interim Consolidated Balance Sheet as at September 30, 2019

(All amounts in Rupees Crores, except otherwise stated)

	As at September 30, 2019 (Unaudited)	As at March 31, 2019 (Audited)
I. ASSETS		
Non-current assets		
Property, plant and equipment	2,357.24	2,464.10
Capital work-in-progress	997.21	436.12
Right of use asset	75.78	-
Intangible assets	61.09	56.42
Intangible assets under development	0.26	1.25
Investment in joint venture	16.65	14.75
Financial assets		
- Loans	24.16	21.56
- Bank balances other than cash and cash equivalents	-	0.62
- Other non current financial assets	498.54	239.23
Non current tax assets	43.10	28.96
Deferred tax asset (net)	281.48	405.71
Other non-current assets	535.38	554.58
	4,890.89	4,223.30
Current assets		
Inventories	69.28	56.18
Financial assets		
- Investments	739.37	482.76
- Trade receivables	181.80	180.55
- Cash and cash equivalents	391.63	395.08
- Bank balances other than cash and cash equivalents	1,688.04	115.05
- Loans	57.58	55.79
- Other current financial assets	125.62	24.61
Current tax assets	10.07	17.11
Other current assets	212.72	18.98
	3,476.11	1,346.11
Total Assets	8,367.00	5,569.41
II. EQUITY AND LIABILITIES		
EQUITY		
Equity share capital	378.00	378.00
Other equity		
- Capital reserve	107.00	107.00
- Retained earnings	1,057.34	668.43
- Cash flow hedge reserve	153.68	31.72
Equity attributable to equity holders of the parent	1,696.02	1,185.15
Non-controlling interest (refer note:21)	-	-
Total Equity	1,696.02	1,185.15
LIABILITIES		
Non-current liabilities		
Financial liabilities		
- Borrowings	5,334.23	3,176.53
- Other financial liabilities	238.61	246.09
Lease liabilities	79.65	-
Government grants	38.23	40.87
Long term provisions	2.38	1.36
Deferred tax liability (net)	7.76	158.23
Other non-current liabilities	69.16	63.63
	5,770.02	3,686.71
Current liabilities		
Financial liabilities		
- Borrowings	19.73	28.00
- Trade payables		
-Total outstanding dues of micro and small enterprises	0.76	0.70
-Total outstanding dues of creditors other than micro and small enterprises	148.92	133.26
- Other financial liabilities	608.71	432.49
Government grants	5.27	5.27
Other current liabilities	49.71	42.84
Short term provisions	22.77	18.25
Current tax liability (net)	45.09	36.74
	900.96	697.55
Total Equity and Liabilities	8,367.00	5,569.41
Explanatory notes annexed		

The accompanying notes are an integral part of the Special Purpose Unaudited Condensed Interim Consolidated Financial Statements.

For GMR Hyderabad International Airport Limited

Sd/-
SGK Kishore
Chief Executive Officer

Sd/-
P Anand Kumar
Chief Financial Officer

Place: Hyderabad
Date: November 28, 2019

GMR Hyderabad International Airport Limited

CIN:U62100TG2002PLC040118

Special Purpose Unaudited Condensed Interim Consolidated Statement of Profit and Loss for the six months period ended September 30, 2019

(All amounts in Rupees Crores, except otherwise stated)

	For the six months period ended September 30, 2019 (Unaudited)	For the six months period ended September 30, 2018 (Unaudited)
REVENUE		
Revenue from contracts with customers	1,013.56	905.02
Other income	57.72	55.18
Total revenue	1,071.28	960.20
EXPENSES		
Concession fee	32.78	29.95
Purchase of traded goods	38.45	28.52
Increase/(Decrease) in inventory of traded goods	(7.62)	(0.58)
Employee benefits expense	108.95	90.94
Finance costs	130.64	110.10
Other expenses	252.88	202.08
Total expenses	660.57	545.28
Profit before share of profit in joint venture and tax	410.71	414.92
Share of profit in joint venture	1.88	1.35
Profit before tax	412.59	416.27
Tax expense		
Current tax - Minimum alternate tax	66.24	89.29
Deferred tax		
Deferred tax expense	(15.04)	5.15
Minimum alternate tax credit entitlement	(29.11)	(66.13)
Total tax expense	22.09	28.31
Profit for the period	390.50	387.96
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurement losses on defined benefit plans	(1.64)	(0.67)
Income tax relating to items that will not be reclassified to profit or loss	0.05	0.02
Share of other comprehensive income in joint venture	0.00	
Items that will be reclassified to profit or loss		
Cash flow hedge reserve	140.01	93.36
Less: Deferred tax relating to items that will be reclassified to profit or loss	(18.05)	-
Total comprehensive income for the period, net of tax	510.87	480.67
Profit attributable to		
Equity holders of the parent	390.50	382.28
Non controlling interest	-	5.68
Other comprehensive income attributable to		
Equity holders of the parent	120.37	92.76
Non controlling interest	0.00	(0.05)
Total comprehensive income attributable to		
Equity holders of the parent	510.87	475.04
Non controlling interest	-	5.63
Earnings per equity share		
Basic and diluted	10.33	10.11
Explanatory notes annexed		

The accompanying notes are an integral part of the Special Purpose Unaudited Condensed Interim Consolidated Financial Statements.

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P Anand Kumar
Chief Financial Officer

Place: Hyderabad
Date: November 28, 2019

GMR Hyderabad International Airport Limited

CIN:U62100TG2002PLC040118

Special Purpose Unaudited Condensed Interim Consolidated Statement of Changes in equity for the six months period ended September 30, 2019

(All amounts in Rupees Crores, except otherwise stated)

a. Equity share capital: Equity shares of Rs. 10 each issued, subscribed and fully paid As at April 1, 2018 Issue of shares As at March 31, 2019 Issue of shares As at September 30, 2019					No.	Amount
					378,000,000	378.00
					-	-
					378,000,000	378.00
					-	-
378,000,000	378.00					

b. (i) Other equity						
	Attributable to the equity holders of the parent				Non-controlling interest	Total equity
	Reserves and surplus		Other reserves	Total		
	Capital reserve*	Retained earnings	Cash flow hedge reserve			
Profit for the period	-	390.50	-	390.50	-	390.50
Other comprehensive income	-	(1.59)	121.96	120.37	-	120.37
Total comprehensive income	-	388.91	121.96	510.87	-	510.87
Less: Cash dividends	-	0.00	-	-	-	-
Less: Dividend distribution tax	-	0.00	-	-	-	-
As at September 30, 2019	107.00	1,057.34	153.68	1,318.02	-	1,318.02
Explanatory notes annexed						

b.(ii) Other equity						
	Reserves and surplus		Other reserves	Total	Non-controlling interest	Total equity
	Capital reserve*	Retained earnings	Cash flow hedge reserve			
As at April 1, 2018	107.00	148.56	14.74	270.30	58.27	328.57
Adjustment on account of Aera Deprecaition		(3.81)	-	(3.81)	-	(3.81)
Adjustment on account of Ind As adjustment 115		(2.27)	-	(2.27)	-	(2.27)
Profit for the year	-	382.28	-	382.28	5.68	387.96
Other comprehensive income	-	(0.60)	93.36	92.76	(0.05)	92.71
Total comprehensive income	-	375.60	93.36	468.96	5.63	474.59
Less: Cash dividends	-	(94.50)	-	(94.50)	(1.43)	(95.93)
Less: Dividend distribution tax	-	(19.42)	-	(19.42)	(0.30)	(19.72)
As at September 30, 2018	107.00	410.24	108.10	625.34	62.17	687.51
Explanatory notes annexed						

*GHIAL has received a contribution of Rs. 107.00 crore from its shareholder i.e. Government of Telangana as per the terms of State Support Agreement for construction of Airport. This contribution received from Government of Telangana has been recognised as capital contribution from share holder of the Company.

The accompanying notes are an integral part of the Special Purpose Unaudited Condensed Interim Consolidated Financial Statements.

For GMR Hyderabad International Airport Limited

Sd/-
SGK Kishore
Chief Executive Officer

Sd/-
P Anand Kumar
Chief Financial Officer

Place: Hyderabad
Date: November 28, 2019

GMR Hyderabad International Airport Limited

CIN:U62100TG2002PLC040118

Special Purpose Unaudited Condensed Interim Consolidated Cash Flow Statement for the six months period ended

September 30, 2019

(All amounts in Rupees Crores, except otherwise stated)

	For the six months period ended September 30, 2019 (Unaudited)	For the six months period ended September 30, 2018 (Unaudited)
Cash flow from operating activities		
Profit before tax	412.59	416.27
Adjustment to reconcile profit before tax to net cash flows:		
Share of profit in joint venture	(1.88)	(1.35)
Depreciation and amortization expenses	103.11	84.27
Lease rental income	5.07	-
Depreciation on ROU assets	1.38	-
Bad debts written off	0.13	-
Fair value loss on financial instruments at fair value through profit or loss	-	0.82
Inventories written off	0.24	0.14
Amortisation of deferred income	(3.26)	(1.17)
Provision for doubtful advances / debts	0.24	4.27
Unrealised foreign exchange loss	(0.05)	(1.50)
Loss on sale / discard of property plant and equipment	-	(0.03)
Interest on financial assets at amortised cost	(38.63)	(19.14)
Amortization of Interest on Security Deposits	-	0.12
Gain on sale of financial assets (mutual funds)	(7.05)	(24.74)
Provision no longer required	(1.64)	(0.59)
Interest on financial liabilities held at amortized cost	126.07	109.98
Interest expense on lease liabilities	3.89	-
Income from government grants	(2.64)	(2.64)
Gain on fair valuation of financial assets (mutual funds)	(0.56)	(1.67)
Operating profit before working capital changes	597.26	563.04
Working capital adjustments:		
(Decrease)/increase in trade payables	7.12	2.13
Increase in other liabilities	15.44	15.71
(Decrease)/increase in other financial liabilities	(15.23)	33.79
Increase in provisions	3.90	1.50
Decrease/(increase) in trade receivables	(1.62)	(39.42)
Decrease/(increase) in inventories	(13.34)	(0.30)
Increase in other assets	(99.25)	(12.27)
Increase in other financial assets	(54.06)	(18.38)
Increase in security deposits	(5.10)	-
Decrease in loans	0.39	0.02
Cash generated from operations	435.51	545.82
Direct taxes paid (net)	(65.00)	(59.82)
Net cash flow from operating activities (A)	370.51	486.00
Cash flows from investing activities		
Purchase of property plant and equipment, including capital work in progress, capital advances and intangible assets under development	(424.57)	(263.51)
Repayment of loans by joint venture	0.32	1.81
Purchase of financial assets (mutual funds)	(6,685.88)	(4,999.75)
Sale of financial assets (mutual funds)	6,454.64	5,083.92
Interest received	36.44	9.59
Proceeds from bank deposits	34.69	3.99
Investment in margin money deposits	(0.06)	(35.24)
Net cash flow used in investing activities (B)	(2,191.02)	(215.15)
Cash flows from financing activities		
Proceeds from long-term borrowings	2,067.15	-
Repayment of long-term borrowings	(14.25)	(4.68)
Proceeds from Short term borrowings	(8.27)	-
Interest paid	(142.84)	(120.92)
Interest expense on lease liabilities	(0.78)	-
Upfront fee paid/NCD issue cost	(83.92)	-
Dividend paid	-	(95.94)
Dividend distribution tax paid	-	(19.72)
Net cash flow used in financing activities (C)	1,817.08	(241.26)

GMR Hyderabad International Airport Limited

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Special Purpose Unaudited Condensed Interim Consolidated Cash Flow Statement for the six months period ended September 30, 2019

(All amounts in Rupees Crores, except otherwise stated)

	For the six months period ended September 30, 2019 (Unaudited)	For the six months period ended September 30, 2018 (Unaudited)
Net decrease in cash and cash equivalents (A + B + C)	(3.43)	29.59
Cash and cash equivalents at the beginning of the period	395.08	598.55
Effects of exchange differences on cash & cash equivalents held in foreign currency	(0.02)	0.95
Cash and cash equivalents at the end of the period	391.63	629.09
Components of cash and cash equivalents		
Cash on hand	0.43	0.84
Balances with banks		
- on current account	237.54	59.66
- in exchange earner foreign currency account	1.69	4.49
- in escrow accounts	0.02	0.02
- in deposit account	151.02	563.71
Cash in transit	0.93	0.37
Total cash and cash equivalents	391.63	629.09
Explanatory notes annexed		

Changes in liabilities arising from financing activities

Particulars		
Opening Balance	3,193.50	3,051.77
Cash flows		
Repayments of borrowings	(14.25)	(4.68)
Proceeds from borrowings	2,067.15	-
Non Cash flows		
Adjustment against investments in subsidiary company on its liquidation	(12.50)	-
Foreign exchange movements	119.30	250.07
Finance cost	(13.69)	4.01
Closing balance	5,339.51	3,301.17

The accompanying notes are an integral part of the Special Purpose Unaudited Condensed Interim Consolidated Financial Statements.

For GMR Hyderabad International Airport Limited

Sd/-	Sd/-
SGK Kishore	P Anand Kumar
Chief Executive Officer	Chief Financial Officer

Place: Hyderabad
Date: November 28, 2019

GMR Hyderabad International Airport Limited
Notes to the Special Purpose Unaudited Condensed Interim Consolidated Financial Statements for the
six months period ended September 30, 2019
(All amounts in Rupees Crores, except otherwise stated)

1. Corporate information

The Special purpose unaudited Condensed Interim Consolidated Financial Statements comprise Financial Information of GMR Hyderabad International Airport Limited ('GHIAL' or 'the Holding Company'), its subsidiaries (together referred to as "the Group") and joint venture for the six months period ended September 30, 2019. GHIAL, was incorporated on December 17, 2002, for managing the operations of Rajiv Gandhi International Airport at Hyderabad. The Group is principally engaged in construction and maintenance of airport and various related activities.

The Group is engaged in operation of airport infrastructure and other allied services such as cargo handling, development of airport city and SEZ area near airport, trading of goods in duty free area of airport, hospitality services, maintenance, repair and overhaul facility (MRO) of aircraft at near and around the airport etc.

2.1 Basis of preparation

The Company's management has prepared these Special purpose unaudited Condensed Interim Consolidated Financial Statements which comprise the Special purpose unaudited Condensed Interim Consolidated Balance Sheet as at 30 September 2019, the Special purpose unaudited Condensed Interim Consolidated Statement of Profit and Loss, the Special purpose unaudited Condensed Interim Consolidated Statements of Cash Flows and the Special purpose unaudited Condensed Interim Consolidated of Changes in Equity for the six months period ended on September 30, 2019 and other explanatory information (together hereinafter referred to as "Special purpose unaudited Condensed Interim Consolidated Financial Statements" or "financial statements"). The financial statements have been prepared in accordance with the Ind AS 34 "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules 2015 as amended and other accounting principles generally accepted in India.

The Special purpose unaudited Condensed Interim Consolidated Financial Statements have been prepared on a historical cost basis except for certain financial instruments measured at fair values at the end of each reporting period.

The Special purpose unaudited Condensed Interim Consolidated Financial Statements do not include all the information and disclosures normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with annual financial statements for the year ended March 31, 2019 and any public announcement made during interim reporting period.

In addition, the carrying values of recognised assets and liabilities designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The Special purpose unaudited Condensed Interim Consolidated Financial Statements are presented in INR and all values are rounded to the nearest crore, except when otherwise indicated.

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

The Group has followed the same accounting judgements, estimates and assumptions in preparation of these Special purpose unaudited Condensed Interim Consolidated Financial Statements as those followed in preparation of annual financial statements for the year ended March 31, 2019.

GMR Hyderabad International Airport Limited
Notes to the Special Purpose Unaudited Condensed Interim Consolidated Financial Statements for the
six months period ended September 30, 2019
(All amounts in Rupees Crores, except otherwise stated)

2.2 Basis of Consolidation

The Special purpose unaudited Condensed Interim Consolidated Financial Statements comprise Financial Information of the Company and its subsidiaries (hereinafter referred to as the “Group”) and joint venture entity as at September 30, 2019.

Group Information:
Information about subsidiaries

Name	Principal activities	Place and Country of operation	% equity interest	
			September 30, 2019	March 31, 2019
GMR Hyderabad Airport Cargo and Logistics Private Limited (formerly known as Hyderabad Menzies Air Cargo Private Limited) (GHACLPL)#	Cargo handling operations at airport	Hyderabad, India	-	100%
Hyderabad Airport Security Services Limited (HASSL)*	Operation of airport allied services	Hyderabad, India	-	100%
GMR Hyderabad Aerotropolis Limited (GHAL)##	Development of commercial property	Hyderabad, India	100%	100%
GMR Hyderabad Aviation SEZ Limited (GHASL)	Development of SEZ	Hyderabad, India	100%	100%
GMR Hyderabad Airport Power Distribution Limited (GHAPDL)	Development of power distribution facility	Hyderabad, India	100%	100%
GMR Hospitality and Retail Limited (GHRL)	Operation of business hotel & duty free	Hyderabad, India	100%	100%
GMR Air Cargo and Aerospace Engineering Limited (GACAEL)(formerly GMR Aerospace Engineering Limited (GAEL)#	Cargo handling Operations and Operation of Maintenance, repair and overhaul (MRO) of aircrafts at Airport	Hyderabad, India	100%	100%
GMR Logistics Park Private Limited(GLPPL)##	Development of logistics park	Hyderabad, India	100%	100%
GMR Aero Technic Limited (GATL)#	Consulting related to MRO Operations	Hyderabad, India	100%	100%
Asia Pacific Flight Training Academy Limited (APFTAL)\$	Flight Training	Hyderabad, India	-	-

Information about joint venture

Name	Principal activities	Country of Incorporation	% equity interest	
			September 30, 2019	March 31, 2019
Laqshya Hyderabad Airport Media Private Limited (LHAMPL)	Advertisement	Hyderabad, India	49%	49%

GMR Hyderabad International Airport Limited
Notes to the Special Purpose Unaudited Condensed Interim Consolidated Financial Statements for the
six months period ended September 30, 2019
(All amounts in Rupees Crores, except otherwise stated)

The Hon'ble National Company Law Tribunal, Hyderabad Bench vide its Order dated 26th July 2019 has approved the composite scheme of arrangement [amongst M/s GMR Hyderabad Air Cargo And Logistics Private Limited ("GHACLPL" or "Transferor Company"), GMR Aero Technic Limited ("GATL" or "Demerged Company"), GMR Aerospace Engineering Limited ("GAEL" or "Transferee / Resulting Company") and their respective Shareholders and Creditors] whereby GHACLPL has merged with GAEL and Maintenance, Repair and Overhauling ("MRO") business of GATL have been demerged and merged with GAEL from August 23, 2019 (being the "effective date" but with effect from April 01, 2018 as "Appointed Date"). Further, the name of GMR Aerospace Engineering Limited has been changed to GMR Air Cargo and Aerospace engineering Limited ("GACAEL") w.e.f. September 25, 2019.

* Hyderabad Airport Security Services Limited ("HASSL") got voluntary liquidated under section 59 and other applicable provisions of the Insolvency and Bankruptcy Code of India 2016 read with the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017 and the Companies Act, 2013, as per the order from National Company Law Tribunal (NCLT) vide its order dated 13 September 2019. Subsequently, Form No. INC 28 was filed with the ROC on 17 September 2019 which was approved by the ROC on 20 September 2019 and accordingly HASSL stands get dissolved from that date.

\$ Asia Pacific Flight Training Academy Ltd. (APFTAL) ceased to be a subsidiary of GHIAL with effect from March 01, 2019 as the Company has sold its 100% stake in APFTAL for a nominal sale consideration of Rs. 100.

##On December 20, 2018, GHAL has incorporated a wholly owned subsidiary GMR Logistics Park Private Limited.

2.3 Changes in accounting policies

A. New and amended standards

Ind AS 116 leases

Ind AS 116 supersedes Ind AS 17 Leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under Ind AS 116 is substantially unchanged under Ind AS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in Ind AS 17. Therefore, Ind AS 116 did not have an impact for leases where the Group is the lessor, except for recording the lease rent on systematic basis or straightline basis as against Ind AS 17 wherein, there was an exemption for not providing straightlining in case the escalations are in line with the inflation. For the six months period ended on September 30, 2019, the operating income and consequently the profit before tax has increased by Rs.5.07 crores.

The Group adopted Ind AS 116 using the modified retrospective method of adoption with the date of initial application as 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying Ind AS 17 at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of

GMR Hyderabad International Airport Limited
Notes to the Special Purpose Unaudited Condensed Interim Consolidated Financial Statements for the
six months period ended September 30, 2019
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incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 April 2019:

- Right-of-use assets of Rs.77.16 crore were recognised and presented separately in the statement of financial position.
- Lease liabilities of Rs.76.54 crore were recognized and presented separately in the statement of financial position
- Prepayments of Rs.0.62 crore outstanding as at April 1, 2019 were derecognised.

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019 as follows:

	Amount in Crs
Operating lease commitments as at 31 March 2019	762.28
Weighted average incremental borrowing rate as at 1 April 2019	10.73%
Discounted operating lease commitments at 1 April 2019	76.70
Less:	
Commitments relating to short-term leases	(0.16)
Commitments relating to leases of low-value assets	-
Add:	
Commitments relating to leases previously classified as finance leases	-
Payments in optional extension periods not recognized as at 31 March 2019	-
Lease liabilities as at 1 April 2019	76.54

B. Change in estimates

Depreciation on the property plant and equipment is calculated on a straight-line basis using the rates arrived at, based on useful lives estimated by the management (except in case of airport assets which are prescribed by AERA as mentioned below), which coincides with the lives prescribed under Schedule II of 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 components identified by the Company are depreciated separately over their useful lives; the remaining components are depreciated over the life of the principal asset.

The Company has started charging the depreciation on capitalized spares parts. These spare parts are depreciated over their useful lives as determined by the management (i.e 5 years).

GMR Hyderabad International Airport Limited
Notes to the Special Purpose Unaudited Condensed Interim Consolidated Financial Statements for the
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(All amounts in Rupees Crores, except otherwise stated)

On June 12, 2014, the Airport Economic Regulatory Authority ("the Authority") had issued a consultation paper viz.05/2014-15 in the matter of Normative Approach to Building Blocks in Economic Regulation of Major Airports wherein it, inter-alia, mentioned that the Authority proposes to lay down, to the extent required, the depreciation rates for airport assets, taking into account the provisions of the useful life of assets given in Schedule II of the Companies Act, 2013, for such assets that have not been clearly mentioned in the Schedule II of the Companies Act, 2013 or may have a useful life justifiably different than that indicated in the Companies Act, 2013 in the specific context to the airport sector.

Pursuant to the above, the Authority has issued order no. 35/2017-18 on January 12, 2018 followed by amendment no. 1 to the order no. 35 /2017-18 on April 9, 2018 in the matter of Determination of Useful Life of Airport Assets, which will be effective from April 1, 2018.

2.4 Accounting Policies

Group as a Lessee

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

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

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

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

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

Group as a Lessor

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

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

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

2.4 Estimates

While preparing the Special purpose unaudited Condensed Interim Consolidated Financial Statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by the management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 31 March 2019. The only exceptions are the estimate of income tax liabilities which is determined in the financial statements using the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

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3. Earnings per Share (EPS)

Basic EPS amounts are calculated by dividing the profit for the six months period attributable to equity holders of the parent by the weighted average number of equity shares outstanding during the six months period.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders by the weighted average number of equity shares outstanding during the six months period plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

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

Particulars	For the six months period ended Sept 30, 2019	For the six months period ended Sept 30, 2018
Profit attributable to equity holders for basic and diluted earnings	390.50	382.28
Weighted average number of equity shares used for computing earnings per share (Basic and diluted)	37.80	37.80
Earnings per share (Basic and diluted) (Rs.)	10.33	10.11
Face value per share (Rs.)	10.00	10.00

4. Details of transactions with Related Parties:

Names of related parties and description of relationship:

Relationship	Related party Name
Holding company	GMR Airports Limited (GAL)
GAL's holding company	GMR Infrastructure Limited (GIL)
Ultimate holding company	GMR Enterprises Private Limited (GEPL)
Fellow Subsidiary Companies	GMR Aviation Private Limited
	GMR Aero Structure Services Limited
	Delhi International Airport Limited
	GMR Infrastructure (Mauritius) Limited
	GMR Energy Trading Limited
	GMR Highways Limited
	GMR Corporate Affairs Private Limited
	GMR Hyderabad Vijayawada Expressways Private Limited
	GMR Vemagiri Power Generation Limited
	GMR Airport Developers Limited
	GMR Highways Limited
	GMR Tuni-Anakapalli Expressways Limited
	GADL International Limited
	Kakinada SEZ Limited
	GMR Krishnagiri SEZ Limited
	Raxa Security Services Limited
	GMR Rajahmundry Energy Limited
	GMR Goa International Airport Limited
	GMR Business Process Services Private limited
Shareholders having significant influence	Government of Telangana
	Airports Authority of India
	MAHB (Mauritius) Private Limited
Key management personnel	Mr. G M Rao -Executive Chairman
	Mr. G B S Raju - Managing Director
	Mr. SGK Kishore - Chief Executive Officer
	Mr. Rajesh Arora- Chief Financial Officer till May 31, 2019

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Relationship	Related party Name
	Mr. Anand Kumar- Chief Financial Officer w.e.f June 1, 2019
	Mr. Anup Kumar Samal - Company Secretary
	Mr. Grandhi Kiran Kumar – Director
	Mr. Srinivas Bommidala –Director
	Mr. HJ Dora – Director
	Mr. C Prasanna – Director
	Mr. Venkataramana Hegde – Director
	Mr. Ramakrishna Rao IAS – Director
	Mr. Raj Azmi bin Raja Nazuddin - Director
	Mr. Jayesh Ranjan IAS – Director
	Mr. I.N. Murthy – Director
	Mr. RSSLN Bhaskarudu- Independent Director
	Mr. NC Sarabeswaran- Independent Director
	Mrs. Vissa Siva Kameswari -Independent Director
	Mr. Madhu Ramachandra Rao- Independent Director
Joint Venture	Laqshya Hyderabad Airport Media Private Limited
Private company having common director (Section 8 Company)	GMR Varalakshmi Foundation
Other entities in which Directors are interested	GMR Family Fund Trust Sri VaraLakshmi Jute Twine Mills Private Limited Geokno India Private Limited

Remuneration paid to Key Managerial Remuneration:

Details of Key Managerial Personnel	For the six months period ended Sept 30, 2019		For the six months period ended Sept 30, 2018	
	Short Term Employee benefits	Sitting Fees	Short Term Employee benefits	Sitting Fees
Remuneration to KMP	7.40	-	6.75	-
Mr. G M Rao – Executive Chairman	-	-	-	0.00
Mr. HJ Dora – Director	-	0.00	-	0.00
Mr. VR Hegde – Director	-	0.00	-	0.00
Mr. IN Murthy – Director	-	0.00	-	0.01
Mr. Jayesh Ranjan IAS- Director	-	0.01	-	0.00
Mr. K. Ramakrishna Rao IAS – Director	-	0.01	-	0.01
Mr. RSSLN Bhaskarudu- Independent Director	-	0.03	-	0.03
Mr. NC Sarabeswaran- Independent Director	-	0.02	-	0.02
Mrs. Vissa Siva Kameswari -Independent Director	-	0.02	-	0.02
Mr. Madhu Ramachandra Rao- Independent Director	-	0.01	-	0.01
Mr. Raja Azmi Bin Raja Nazuddin	-	0.00	-	-

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Summary of Transactions with related parties during the period is as follows:

Related Party Transactions	Sept 30, 2019	Sept 30, 2018
<i>Services received:</i>		
GMR Infrastructure Limited	3.64	3.29
GMR Airports Limited	15.26	14.55
Raxa Security Services Limited	12.16	8.18
GMR Aviation Private Limited	5.84	2.06
GMR Airport Developers Limited	14.58	12.11
GMR Corporate Affairs Private Limited	0.12	0.14
GMR Family Fund Trust	0.14	0.16
Delhi International Airport Limited	0.40	0.28
Laqshya Hyderabad Airport Media Private Limited	0.34	0.03
Government of Telangana	1.87	1.80
Airports Authority of India	0.01	0.01
Sri VaraLakshmi Jute Twine Mills Private Limited	0.10	0.11
<i>Income from operations:</i>		
GMR Infrastructure Limited	0.01	0.01
GMR Airports Limited	0.18	0.16
GMR Aviation Private Limited	0.03	0.00
Kakinada SEZ Limited	0.12	0.18
GMR Airport Developers Limited	0.07	0.09
Geokno India Private Limited	0.05	0.13
Raxa Security Services Limited	0.00	0.00
GMR Highways Limited	0.12	0.13
GMR Energy Trading Limited	-	0.00
Laqshya Hyderabad Airport Media Private Limited	17.06	15.35
GMR Business Process Services Private Limited	1.58	1.56
Delhi International Airport Limited	0.02	0.03
GMR Tuni-Anakapalli Expressways Ltd	-	0.00
GMR Krishnagiri SEZ Limited	-	0.00
Airports Authority of India	1.61	1.62
GMR Varalakshmi Foundation	0.19	0.19
<i>Unsecured loan received back:</i>		
Laqshya Hyderabad Airport Media Private Limited	-	1.82
<i>Interest on amortisation of interest free unsecured loan given:</i>		
Laqshya Hyderabad Airport Media Private Limited	-	0.16
<i>Interest on Delayed payments from customers</i>		
Laqshya Hyderabad Airport Media Private Limited	0.01	0.00
<i>CSR Expenditure</i>		
GMR Varalakshmi Foundation	5.58	2.50
<i>Reimbursement of expenses claimed by the Company from its related parties:</i>		
GMR Infrastructure Limited	0.00	0.00
GMR Airports Limited	0.15	1.24

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Related Party Transactions	Sept 30, 2019	Sept 30, 2018
Kakinada SEZ Limited	0.03	0.04
GMR Airport Developers Limited	0.56	0.45
GMR Highways Limited	0.02	0.01
Geokno India Private Limited	0.00	0.05
Raxa Security Services Limited	0.00	0.08
GMR Energy Trading Limited	-	0.00
Delhi International Airport Limited	0.13	0.18
GMR Business Process Services Private limited	0.34	0.08
Laqshya Hyderabad Airport Media Private Limited	0.49	0.25
Airports Authority of India	1.84	0.73
GMR Varalakshmi Foundation	0.04	0.04
GMR Goa International Airport Limited	0.02	-
<i>Reimbursement of expenses given by the Company from its related parties:</i>		
GMR Airports Limited	0.17	0.01
GMR Airport Developers Limited	0.13	0.29
Kakinada SEZ Private Limited	-	0.01
Delhi International Airport Limited	-	0.18
Laqshya Hyderabad Airport Media Private Limited	0.09	0.03
<i>Income on amortisation of deposit received:</i>		
Laqshya Hyderabad Airport Media Private Limited	0.02	0.02
GMR Infrastructure Limited	0.00	0.00
GMR Varalakshmi Foundation	0.02	0.01
<i>Purchase of Asset:</i>		
GMR Airport Developers Limited	26.56	9.04
GMR Airports Limited	-	
<i>Interest expense on amortisation of deposit received:</i>		
Laqshya Hyderabad Airport Media Private Limited	0.02	0.03
GMR Infrastructure Limited	(0.00)	0.00
GMR Varalakshmi Foundation	0.00	0.01
<i>Interest Income on amortisation of deposit paid</i>		
GMR Airport Developers Limited	0.61	-
Raxa Security Services Limited	0.07	-
Sri VaraLakshmi Jute Twine Mills Private Limited	0.00	-
GMR Family Fund trust	0.01	-

Outstanding balances at the end of the period / year:

Particulars	30-Sept-19		31-Mar-19	
	Non-Current	Current	Non-Current	Current
<i>Balance Recoverable / (Payable):</i>				
GMR Enterprises Private Limited	-	0.01	-	0.01
GMR Infrastructure Limited	-	(1.03)	-	0.28
GMR Airports Limited	-	(6.89)	-	(4.28)

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Particulars	30-Sept-19		31-Mar-19	
	Non-Current	Current	Non-Current	Current
Raxa Security Services Limited	-	(2.49)	-	(0.34)
Delhi International Airport Limited	-	(0.34)	-	0.08
GMR Rajahmundry Energy Limited	-	0.04	-	0.04
GMR Hyderabad Vijayawada Expressways Private Limited	-	0.01	-	0.01
GMR Aviation Private Limited	-	(0.32)	-	(0.98)
GMR Airport Developers Limited	-	(6.16)	-	(15.84)
Kakinada SEZ Private Limited	-	0.57	-	0.42
GMR Energy Trading Limited	-	0.02	-	0.02
GMR Corporate Affairs Private Limited	-	(0.10)	-	(0.10)
GMR Highways Limited	-	0.13	-	0.30
Geokno India Private Limited	-	0.76	-	0.71
GMR Aero Structure Services Limited	-	0.03	-	0.03
GMR Goa International Airport Limited	-	0.02	-	-
GMR Vemagiri Power Generation Limited	-	0.00	-	0.00
GMR Business Process Services Private Limited	-	1.33	-	-
Laqshya Hyderabad Airport Media Private Limited	-	2.94	-	0.97
Government of Telangana	-	(1.98)	-	(3.69)
Airports Authority of India	-	4.87	-	2.97
GMR Family Fund Trust	-	-	-	2.32
GMR Varalakshmi Foundation	-	(4.89)	-	(0.99)
<i>Security deposit received from / (paid) to related parties recognised at amortised cost:</i>				
GMR Infrastructure Limited	0.02	-	-	0.03
Raxa Security Services Limited	(1.62)	-	(1.55)	-
Laqshya Hyderabad Airport Media Private Limited	0.30	0.15	0.15	0.29
GMR Varalakshmi Foundation	-	0.09	0.09	-
GADL International Limited	-	-	-	0.03
Delhi International Airport Limited	-	0.24	-	-
Sri Varalakshmi Jute Twine Mills Private Limited	-	(0.08)	-	(0.08)
GMR Family Fund trust		(0.32)	(0.30)	
GMR Airport Development Limited	(4.69)	(8.45)	(8.72)	(3.81)
<i>Deferred income on deposits received recognized at amortised cost</i>				
Laqshya Hyderabad Airport Media Private Limited	0.05	0.02	0.06	0.03
GMR Varalakshmi Foundation	0.03	0.01	0.05	0.01
GMR Infrastructure Limited		0.00		

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Particulars	30-Sept-19		31-Mar-19	
	Non-Current	Current	Non-Current	Current
Prepaid expenses on deposits paid recognized at amortized cost:				
Raxa Security Services Limited	-	0.12	0.05	0.14
Sri Varalakshmi Jute Twine Mills Private Limited	-	-	0.01	0.01
GMR Family Fund trust	-	-	0.05	0.03
GMR Airport Development Limited	1.23	0.83	1.65	0.83
<i>Investment in joint venture company:</i>				
Laqshya Hyderabad Airport Media Private Limited	9.80	-	9.80	-
<i>Investment in joint venture on account of amortisation of Loans given and Fair valuation of Financial guarantees:</i>				
Laqshya Hyderabad Airport Media Private Limited	5.59	-	5.59	-
<i>Loans given :</i>				
Laqshya Hyderabad Airport Media Private Limited	-	-	-	0.32
Borrowings:				
Government of Telangana	(315.05)	-	(315.05)	-

5. Operating segments are reported in such a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ('CODM'). The entity has only a single geographical segment operating in Hyderabad, India. As per the evaluation carried out by CODM, the Group has only one reportable business segment, i.e. operation of airport and providing allied services. Accordingly, the amounts appearing in the Special Purpose Unaudited Condensed Interim Consolidated Financial Statements relate to the Group's single business segment.

The information relating to different products and services regarding Revenue from contracts with customers and other income are given below:

Nature of Revenue (Product and Services)	For the six months period ended 30-Sept-19	For the Six months period ended 30-Sept-18
Aeronautical (A)	470.47	451.82
Non Aeronautical		
Duty Free	84.14	73.60
Retail	22.98	20.68
Advertisement	18.59	16.67
Food and beverages	23.99	20.33
Cargo	47.18	45.05
Ground handling	17.06	6.58
Parking	36.00	28.51
Land and space – Rentals	37.36	28.63
Fuel farm	73.53	67.83
Others	131.14	103.45
Revenue from non-aeronautical(B)	491.97	411.33

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Commercial property development (C)	17.87	8.86
Hospitality services (D)	33.25	33.01
Revenue from Operations (E=A+B+C+D)	1,013.56	905.02
Other Income:		
Gain on account of foreign exchange fluctuations (net)	0.17	1.84
Amortisation of deferred income	3.26	1.17
Income from government grant	2.64	2.64
Provisions no longer required, written back	1.64	0.59
Other non-operating income	3.77	3.39
Bank deposits and commercial papers	16.84	17.74
Loan to joint venture	-	0.16
Others	21.79	1.24
Gain on sale of financial assets (mutual funds)	7.05	24.74
Gain on fair valuation of financial assets (mutual funds)	0.56	1.67
Total Other Income(F)	57.72	55.18
Total Revenue (H=E+F)	1,071.28	960.20

6. Commitments and Contingencies

I. Leases

Operating lease commitments: Group as lessor

Group has sub-leased land to various parties under operating leases having a term of 9 to 30 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiable.

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

	Sept 30, 2019	March 31, 2019
Within one year	68.84	45.71
After one year but not more than five years	201.97	155.56
More than five years	498.90	500.24

II. Litigation and Contingent Liabilities

1. Litigations provided for

- i. Matters related to various service tax notices / orders referred in paragraph (C) below on contingent liabilities of GMR Hyderabad International Airport Limited for which an amount of Rs.0.81 crore (March 31, 2019: Rs.0.81 crore) have been provided for in the books of account.
- ii. Matter related to service tax notice / order referred in note (C(vii)) below on contingent liabilities of GMR Hyderabad Aerotropolis Limited for which an amount of Rs. 0.85 crore (March 31, 2019: Rs. 0.85 crores) have been provided for in the books of account.

2. Contingent liabilities

A. Direct taxes:

- i. A search operation under section 132 of the Income Tax Act, 1961 was carried out at the premises of GHIAL by the Income Tax authorities on October 11, 2012 followed by another search closure visit on November 10, 2012, to check the compliance with the provisions of the Income Tax Act, 1961.

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Block Assessment in respect of A.Y 2007-2008 to 2012-2013 was completed and GHIAL received the assessment orders, which disallowed certain expenses and made few additions to the income resulting in reduction of carried forward loss amounting to Rs. 109.44 crore and no additional tax liability was assessed to be payable by GHIAL. GHIAL had filed an appeal with the Commissioner of Income Tax (Appeals), Bengaluru against the said block assessment orders. In the previous year, GHIAL received the orders from the Commissioner of Income Tax (Appeals), Bengaluru reducing the disallowances from Rs. 109.44 crore to Rs. 31.17 crore against which GHIAL has filed an appeal with Income Tax Appellate Tribunal, Bengaluru.

Further, the Income Tax department had filed appeals with ITAT, Bengaluru against the orders of Commissioner of Income Tax (Appeals) for the AY 2008-09 to 2012-13. The ITAT, Bengaluru has taken up the said appeals along with appeals filed by GHIAL for AY 2007-08 to AY 2009-10 and passed order dismissing the appeals filed by Income Tax department and allowing appeals filed by GHIAL. During the previous year, the Income Tax department has filed appeals against all the order of ITAT, Bengaluru in Hon'ble High Court of Karnataka. During the period the Income Tax Department has withdrawn appeal relating to AY 2007-08 on the basis of circular no.17 of 2019 dated August 08, 2019.

- ii. GHIAL received an assessment order for A.Y. 2013-14 disallowing expenses amounting to Rs.23.68 crore against which GHIAL filed an appeal with the Commissioner of Income Tax (Appeals), Bengaluru (CIT). In the previous year, GHIAL had received an order from CIT reducing the disallowance of expenditure from Rs. 23.68 crore to Rs. 3.76 crore against which GHIAL had filed an appeal with Income Tax Appellate Tribunal, Bengaluru.

Further, the Income Tax department had filed appeal with ITAT, Bengaluru against the order of Commissioner of Income Tax (Appeals) for the AY 2013-14. The ITAT, Bengaluru has passed order dismissing the appeal filed by Income Tax department. During the previous year, the Income Tax department has filed appeal against the order of ITAT in Hon'ble High Court of Karnataka.

- iii. GHIAL received assessment orders for the A.Y. 2014-15 disallowing expenses aggregating to Rs. 23.79 crore respectively against which, GHIAL has filed an appeal with the Commissioner of Income Tax (Appeals), Bengaluru(CIT) and the disallowance of expenditure got reduced to Rs.3.38 crore respectively against which GHIAL had filed an appeal with Income Tax Appellate Tribunal, Bengaluru. During the previous year, the Income Tax department has filed an appeal with the ITAT, Bengaluru against the orders of the Commissioner of Income Tax (Appeals).
- iv. GHIAL received assessment orders for A.Y.2015-16 and 2016-17 disallowing expenses aggregating to Rs.19.82 crore and Rs. 22.78 crore respectively against which, GHIAL has filed an appeal with the Commissioner of Income Tax (Appeals), Bengaluru and the disallowance got reduced to NIL for both the years, during the previous year Income Tax department has filed the appeals with ITAT, Bengaluru against the orders of the Commissioner of Income Tax (Appeals).
- v. GACAEL in respect of Cargo business had received assessment order during previous years for the assessment years 2009-2010, 2010-2011, 2011-2012 and 2012-13 respectively, denying the deduction u/s 80-1A of the Income Tax Act, 1961 and demanding tax of Rs. 1.54 crore (March 2019: Rs. 1.54 crore) (including interest of Rs 0.22 crore) (March 2019: Rs. 0.22 crore), Rs. 2.73 crore (March 2019: Rs. 2.73 crore) (including interest of Rs 0.69 crore (March 2019: Rs. 0.69crore) and Rs. 3.03 crore (March 2019: Rs 3.03 crore) (including interest of Rs. 0.74 crore (March 2019: Rs. 0.74 crore) and Rs. 2.54 crore (March 2019: Rs. 2.54 crore) (including interest of Rs 0.66 crore (March 2019: Rs. 0.66 crore) for the respective assessment years. GACAEL had filed an appeal with Commissioner of Income Tax (Appeals), Hyderabad and had paid Rs. 1.54 crore (March 2019 Rs. 1.54 crore) Rs. 2.73 crore (March 2019: Rs. 2.73 crore), Rs.3.03 crore (March 2019: Rs.3.03 crore) and Rs. 2.54 crore (March 2019: Rs. 2.54 crore) for the assessment years 2009–2010, 2010-2011, 2011-2012 and 2012-13 respectively under protest. During the assessment year 2017-18, the said appeals were dismissed by the Commissioner of Income Tax (Appeals), Hyderabad.

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- vi. GACAEL in respect of Cargo business had received an order during previous years for the assessment year 2013-14 and 2014-15 respectively, denying the deduction u/s 80-IA of the Income Tax Act, 1961. Per this order the refund receivable to the Company has reduced by Rs. 4.18 crores for A.Y. 2013-14 and Rs.3.11 crores for A.Y 2014-15. Aggrieved by the reduction in refund and the demand, the Company has filed an appeal with the Commissioner of Income - Tax (Appeals), Hyderabad. During the assessment year 2018-19, GACAEL has received a favorable order from Commissioner of Income -Tax (Appeals), Hyderabad allowing the deduction u/s 80-IA of the Income tax Act, 1961 for the Assessment years 2013-14 and 2014-15. The Department appealed against the CIT order before ITAT in respect of the aforesaid years. During the previous year GACAEL has received a favorable order from Income -Tax Appellate Tribunal, Hyderabad allowing the deduction u/s 80-IA of the Income tax Act, 1961 for the Assessment years 2013-14 and 2014-15. The Department appealed against the ITAT order before High Court in respect of the aforesaid years which is pending.
- vii. GACAEL in respect of Cargo business has received an order during current period for the assessment years 2015-16 & 2016-17 denying the deduction u/s 80-IA of the Income Tax Act, 1961. Subsequently, the company filed for rectification of order u/s 154 of the Income-tax Act, 1961 and as per the rectified order there is a tax demand amounting to Rs. 4.17 crore & Rs.0.16 crore for AY 2015-16 & AY 2016-17 respectively . Aggrieved by the demand GACAEL has filed an appeal with the Commissioner of Income - Tax (Appeals), Hyderabad.
- viii. GACAEL in respect of Cargo business has received an order from Deputy Commissioner of Income tax, Hyderabad for the reopening of the assessment year 2008-09 disallowing an item of expense amounting to Rs. 0.85 crore (March 2019: Rs. 0.85 crore). GACAEL has filed an appeal with Commissioner of Income – Tax (Appeals), Hyderabad on May 5, 2015 and based on an internal assessment, Management is of the opinion that the said order is time barred and will not be sustainable under law.
- ix. GHRL during the previous year has received an order from Income Tax Officer for the AY 2016-17 demanding income tax of Rs. 0.05 crores on account of disallowance. GHRL has filed an appeal with CIT (Appeals).

B. Guarantees excluding financial guarantees

In case of GHIAL, Bank guarantees outstanding in respect of customs and others Rs. 1.89 crore (March 31, 2019: Rs. 1.94 crore).

Note: Performance guarantees given by the Company on its own behalf are not considered as contingent liability.

C. Matters under dispute are as follows:

- i. GHIAL had received an order from the Office of Commissioner of Customs, Central Excise and Service Tax dated January 29, 2010 on irregular availment of the Cenvat amounting to Rs. 24.54 crore (March 31, 2019: Rs. 24.54 crore). The order also includes penalty of Rs. 31.11 crore (March 31, 2019:Rs.31.11 crore). GHIAL had received stay order from CESTAT modified by High Court of Andhra Pradesh against the above said order subject to pre-deposit of Rs. 12.20 crore and accordingly, GHIAL had deposited the same with the service tax department within the stipulated time. GHIAL has received an order dated March 14, 2019 from the CESTAT. The said Order has allowed the Cenvat credit of Rs. 12.12 crores, remanded Cenvat credit of Rs. 4.01 crores and disallowed Cenvat credit of Rs. 8.41 crores. Accordingly, penalty amount got reduced to Rs. 12.42 crores. In addition, the order also allowed cenvat credit of Rs. 6.56 crores which was capitalized earlier. However, the same has not been given effect to in the financial statements. Further, against the disallowance of Rs. 8.41 crores, GHIAL has filed an appeal with the Hon'ble High Court of Telangana on September 09, 2019.

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- ii. GHIAL had received an order from the Office of Commissioner of Customs, Central Excise and Service Tax dated October 28, 2009, as per which GHIAL is liable to pay an amount of Rs. 7.43 crore (March 31, 2019: Rs.7.43 crore) towards penalty on delay in payment of service tax on the UDF. GHIAL has got the stay order against the above said order in the earlier years. GHIAL had received Order dated November 02, 2018 from CESTAT where in Member -judicial allowed the appeal and member - technical confirmed the demand. During the period, the matter was heard by the Third Member (Judicial) and Order dated August 08, 2019 is passed allowing the appeal. Accordingly, the Division Bench has passed the final order allowing the appeal on September 16, 2019.
- iii. GHIAL had received an order from the Office of Commissioner of Customs, Central Excise and Service Tax dated November 25, 2013 on non- payment of service tax on recovery of electricity and water charges from its concessionaires and irregular availment of Cenvat amounting to Rs. 1.53 crore (March 31, 2019: Rs. 1.53 crore), including penalty of Rs 1.67 crore (March 31, 2019: Rs. 1.67 crore). GHIAL had received a stay subject to pre-deposit of Rs. 0.15 crore and accordingly, GHIAL had deposited same with the service tax department within the stipulated time.
- iv. GHIAL had received and Order dated December 27, 2017 (Show cause notice dated June 17, 2013) from the Office of Assistant Commissioner of Central Tax on non- payment of service tax on import of services amounting to Rs. 0.25 crore (March 31, 2019: Rs. 0.25 crore). The Order also includes the interest payable There on and penalty of Rs. 0.26 crore (March 31, 2019: Rs.0.26 crore). During the previous year, GHIAL has filed an appeal before the office of Commissioner (Appeals) and deposited an amount of Rs. 0.001 crores with department to file the appeal. GHIAL had filed an appeal with CESTAT on January 16, 2019 against the order passed by Commissioner (Appeals) confirming the demand of Rs.0.26 crores.
- v. GHIAL has received an order dated March 23, 2018 from the officer of commissioner of Central Tax on irregular availment of exemption on sale of space for advertisement, undervaluation of security services received from CISF, irregular availment of cenvat credit on capital goods & inputs and non-payment of service tax from the office of commissioner of Central Tax amounting to Rs. 2.39 crore (March 31, 2019: Rs. 2.39 crore). The order also includes a penalty of Rs. 1.80 crore (March 31, 2019: Rs. 1.80 crore) and interest as applicable. During the previous year, GHIAL has filed an appeal before the Customs, Excise and Service Tax Appellate Tribunal and deposited an amount of Rs.0.18 crore with the service tax department as required to file the appeal.
- vi. GHIAL had received an order (Show Cause Notice dated April 23, 2014) from the Office of Commissioner of Customs, Central Excise and Service tax dated June 11, 2015 on Irregular availment of cenvat credit amounting to Rs. 0.62 crore (March 31, 2019: 0.62 crore). The order also includes penalty of Rs. 0.62 crore (March 19 : 0.62 crore) GHIAL has filed the appeal before the Customs, Excise and Service Tax Appellate Tribunal and deposited an amount of Rs. 0.05 crore with the service tax department as required to file the appeal.
- vii. GHAL as preferred an appeal with CESTAT against the order passed by Commissioner of Customs, Central Excise & Service Tax vide Order No. Hyd Excus-002-COM-006-15-16 dated July 23, 2015 confirming the demand of Rs. 0.29 crore towards irregular availment of Cenvat credit including a penalty of Rs 1.14 crore (March 31, 2019 Rs 1.14 crores).
- viii. GHAL had received an order (show cause notice dated June 7, 2016) from Commissioner of Customs, Central Excise & Service Tax dated June 22, 2016 regarding short payment of service tax of Rs.1.47 crore (March 2019 : Rs. 1.47 crore) - under RCM on Architecture service. GHAL has received Order-in-Appeal from the Office of The Commissioner of Central Tax confirming the demand. GHAL has filed an appeal with CESTAT against the order and reversed cenvat credit of Rs.0.11 crore in FY 17-18 and paid Rs.0.04 crore in FY 2018-19 towards pre-deposit.
- ix. GHASL had received Show Cause Notice dated July 17, 2015 from the Office of the Assistant Commissioner of Customs, Central Excise and Service Tax wherein service tax refund of Rs.0.01 crore (March 31,2019: Rs.0.01 crore) has been denied.

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- x. GHRL has received a show cause notice from the assistant commissioner of service tax alleging non-payment of service tax of Rs. 0.13 crore (March 31, 2019: Rs. 0.13 crore) on License fee paid to Government of Telangana. GHRL has replied to the show cause notice.
- xi. GACAEL accrued customs officers' salaries stationed at Air Cargo Terminal based on debit notes raised by the customs department on GHIAL as the ultimate cost has to be borne by the custodian i.e. GACAEL. GHIAL filed a writ petition under article, 226 of the Constitution of India in the Honorable High Court of Judicature of Andhra Pradesh at Hyderabad against the demand raised in previous years, GHIAL had received an order from the Honorable High court of Andhra Pradesh (Single Judge), stating that the grounds on which the levy was made by customs department were wholly unsustainable and accordingly GACAEL had reversed the accrued customs cost amounting to Rs. 14.02 crore (March 2019 : Rs.14.02 crore) for the period from March 23, 2008 to March 31, 2012 as provision no longer required written back and included the same in other income.

Subsequent to the above order, the Customs Department preferred an appeal against the same and on November 2, 2012, a bench of two judges of the Honorable High Court of Andhra Pradesh passed an order for interim suspension of the said order passed by the Honorable Single Judge and the matter is pending.

- xii. GACAEL had rendered cargo handling services for export cargo during the period March 2008 to June 2010 on which GACAEL had not paid service tax in view of the exemption available under cargo handling services. GACAEL had received a show cause notice from the Office of Commissioner of Customs & Central Excise requiring GACAEL to show cause as to why the services rendered during March 2008 to June 2010 should not be classified under "Airport Services" and "Storage and Warehousing Services" ("Taxable Service").

On May 3, 2013, GACAEL had received an order from Commissioner of Customs, Central Excise and Service tax. As per the said order, the commissioner had concurred with the departments view and classified the services of cargo handling for export cargo as Taxable Service. As a result of which, there was a demand levied of Rs.1.89 crore (March 2019 : Rs.1.89 crore) crore as service tax for the period March 2008 to June 2010 under Airport Services and Rs.1.07 crore (March 2019 : Rs. 1.07 crore) as service tax for the period March 2008 to June 2010 on Storage and Warehousing Services along with applicable interest and penalty.

Subsequently, the Customs, Excise & Service Tax Appellate Tribunal (CESTAT) in its stay order dated October 25, 2013 has mentioned that X-ray Screening, Terminal Storage and Processing, Unitization and Demurrage would be incidental and ancillary in relation to cargo handling service. As a result, there shall be a waiver of pre deposit of the dues and stay against recovery during pendency of the appeal.

- xiii. GACAEL in respect of Cargo business has received a show cause notice from the Office of Commissioner (Audit) Central tax requiring GACAEL to show cause as to why CENVAT credit of Rs. 0.65 crore along with applicable interest and penalty should not be reversed/demanded on certain exempted services. GACAEL has filed a reply to the Show Cause notice with the Office of Commissioner (Audit) Central tax on October 10, 2017. Personal hearing completed on 27th March 2018, AC has passed an order dated March 28, 2018, by disallowing GACAEL demand, order received on 9th April 2018. As a result of which, there was a demand levied of Rs. 0.65 crore as service tax along with penalty of Rs. 0.63 crore. Further, GACAEL has filed an appeal against the order with Commissioner (Appeals), Central tax. On November 12, 2018, GACAEL has received an unfavorable order from Commissioner of Customs and Central Tax (Appeals), Hyderabad, directing the Additional Commissioner to recalculate the demand. Subsequently GACAEL has filed an appeal against the unfavorable order with CESTAT, Hyderabad on February 11, 2019.
- xiv. During the period, GACAEL has received a show cause notice from the Office of Commissioner of Customs & Central taxes requiring GACAEL to show cause as to why Service tax of Rs. 0.09 crore along with applicable interest and penalty should not be paid on income derived from sale of goods under Section 48 of the Customs Act, 1962.

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- xv. GHRL has filed appeal with Appellate Tribunal against the orders of Deputy Commissioner and Appellate Deputy Commissioner against the order confirming the demand of Rs.0.23 crore (March 31, 2019: Rs.0.23 crore) towards, levying Value Added Tax on leasing of Audio Visual equipment by the hotel customers for the period from Oct-10 to November-12 and December-12 to March-14 respectively During the previous year GHRL had received an order from appellate Joint Commissioner setting aside the disputed tax amount of Rs.0.11 crore. During the period, GHRL has received SCN for Rs. 0.19 crore for the period from Apr-14 to Jun-17 seeking levy of VAT on usage of Audio Video Equipment's by the Hotel customers. GHRL has replied to the department against the aforesaid SCN on May 16, 2019. .
- xvi. During the period GHRL received a show cause notice dated May 24, 2019 in connection with refund application of Service tax applied for the period from April-2010 to September-2016 for an amount of Rs.9.71 crore (March 2019: Nil) on the ground that service tax charged by GHIAL on renting of immovable property is unauthorized collection of service tax due to the reason that Duty free shop is located beyond custom frontier of India. GHRL has replied to the SCN on August 2, 2019.
- xvii. The Assistant Commissioner of Central tax and Customs, Hyderabad has filed appeals on May 31, 2019 before the Commissioner (appeals) against the service tax refund orders in respect of service tax charged by GHIAL on renting of immovable property for Duty free shop located beyond custom frontier of India for an amount of Rs.3.77 crore (March 2019: Nil) issued to GHRL pertaining to the period from October 2016 to June 2017. Subsequent to the quarter end, GHRL has filed cross-objections on October 14,2019 against the appeals.
- xviii. GHIAL had received a notice from the office of the Joint Commissioner of Labour for payment of Building and other construction workers' Welfare Cess @ 1% of the cost of construction of Airport Metropolitan amounting to Rs. 25.20 crore (March 31, 2019: Rs. 25.20 crore). GHIAL had received the stay order against the said order in the earlier years.
- xix. GHIAL had received notice dated January 19, 2013, from Hyderabad Metropolitan Water Supply & Sewerage Board for disconnection of water connection for non-payment of sewerage cess arrears. GHIAL had received the stay order against the said order in the earlier years. The sewerage cess outstanding including interest as at September 30, 2019 amounts to Rs. 4.80 crore (March 31, 2019: Rs. 4.62 crore).
- xx. During the previous year, GACAEL has received an order from Regional PF Commissioner – I, Regional Office II, Hyderabad, regarding the payment of contributions to International Worker under Employees Provident Funds and Miscellaneous Provisions Act, 1952 demanding an amount of Rs. 0.14 crore. GACAEL has filed writ petition before the High Court of Telangana.
- xxi. GHRL during the previous year, has received an order from Deputy Commissioner of Customs, RGI Airport in respect of alleged stock variance. GHRL has with the Commissioner of Customs & Central Tax (Appeals-1) against the order passed by the Deputy Commissioner Customs, RGIA. The Commissioner Customs & Central Tax (Appeals-1) upheld the order passed by the Deputy Commissioner of Customs, RGI Airport and reduced the penalty to Rs. 0.01 crores. GHRL is in the process of filling an appeal with CESTAT. Management is confident that no liability in this regard would be payable and as such no provision has been made in these financial statements.
- xxii. Recovery from PSF (SC) Escrow account:
 - a) The Ministry of Civil Aviation (MoCA) had issued orders dated February 18, 2014 requiring the Airport Operators to reverse the expenditure incurred, together with the interest, since inception till date, towards procurement and maintenance of security systems/equipment and on creation of fixed assets out of PSF (SC) escrow account opened and maintained by the Airport Operator in a fiduciary capacity. The Company had incurred Rs.142.00 Crores towards capital expenditure (including the cost of land, construction cost and related finance cost as mentioned in note b below), excluding related maintenance expense, other costs and interest thereon till September 30, 2019 out of PSF (SC) escrow account as per

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SOPs, guidelines and clarification issued by the MoCA from time to time on the subject of utilization of PSF (SC) funds.

As the above order, in management's opinion, is contrary to and inconsistent with SOPs, guidelines and clarification issued by the MoCA from time to time in this regard, the Company had challenged the said order before Hon'ble High court of Andhra Pradesh. The Honourable Court, vide its order dated March 3, 2014 followed by further clarifications dated April 28, 2014 and December 24, 2014, stayed the MoCA order with an undertaking that, in the event the decision of the writ petition goes against the Company, it shall reverse all the expenditure incurred from PSF (SC).

Based on an internal assessment, the Management of the Company is of the view that no further adjustments are required to be made to this Statement, in this regard. PSF (SC) is replaced with Aviation Security Fee (ASF) wef 1st July, 2019 vide AIC No.15/2019 dated 19th June, 2019 in this regard MOCA has formed a Trust for operating and maintenance of the ASF Fund namely National Aviation Security Fee Trust (NASFT). However detailed SOP yet to be issued in this regard.

- b) As per the advice from the Ministry of Home Affairs and the SOP issued by the MoCA on March 06, 2002, the Company, through its erstwhile wholly owned subsidiary, Hyderabad Airport Security Services Limited (HASSL) constructed the residential quarters for Central Industrial Security Force (CISF) deployed at the airport. After completion of such construction, the total construction cost including the cost of land and related finance cost amounting to Rs 113.73 Crores was debited to the Passenger Service Fee (Security Component) Fund [PSF (SC) Fund] with intimation to the MoCA. The Comptroller & Auditor General, during their audits of PSF (SC) Fund, observed that, the Company had not obtained prior approval from the MoCA for incurring such cost from the PSF (SC) Fund as required by the guidelines dated January 8, 2010 and April 16, 2010 issued by the MoCA. However, Management of the Company is of the opinion that these guidelines were issued subsequent to the construction of the said residential quarters and approached the MoCA for approval of such debit notes to the PSF (SC) Fund account and also, made an application for an increase in PSF (SC) tariff to recover these dues and to meet the shortfall in discharging other liabilities from PSF (SC) fund. In the earlier years, the MoCA responded that, it is not in a position to consider the request for enhancement in the PSF (SC) tariff. As a result, the Company had requested the MoCA to advice the Airport Economic Regulatory Authority (AERA) for considering the cost of construction, land and other related costs with regard to the aforesaid residential quarters in determination of Aeronautical Tariff for the airport. Pending final instructions from the MoCA, residential quarters continue to be accounted under the PSF (SC) Fund and no adjustments have been made to these unaudited condensed interim financial statements.
- xxiii. During the previous year, Development Commissioner, Vishakhapatnam Special Economic Zone has imposed a penalty of Rs.0.05 crore (March 31, 2019:0.05 crore) on GACAEL for acceptance of payment in INR for services rendered. GACAEL has filed an appeal to the Additional Secretary, Department of Commercial and Industry, Government of India against the penalty received and is expected a favorable order for the same.
- xxiv. There are numerous interpretative issues relating to the Supreme Court (SC) judgment on PF dated February 28, 2019. As a matter of caution Group has made a provision on a prospective basis from the date of the SC order. Group has created a provision of Rs. 0.45 crore on a prospective basis for the six months period ended September 30, 2019.
- xxv. GACAEL 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. 1.02 crore.
- xxvi. Fuel surcharge adjustments (FSA) for the period from April 2008 to March 2010 amounting to Rs. 2.05 crore (March 31, 2019: Rs. 2.05 crore).

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Based on the internal assessment and / or legal opinion, the Management of the Group is confident that, for the aforesaid mentioned contingent liabilities, no further provision is required to be made as at September 30, 2019.

III. Commitments

a) Capital commitments

Estimated amount of contracts of the Group remaining to be executed on capital account and not provided for (net of Advances) amounting to Rs.2,913.45 crore (March 31, 2019: Rs. 3,334.25 crore).

NOTE: In order to meet the capital commitment, GHIAL has tied up the rupee term facility amounting to Rs.4,200 crores with a bank. Further, the said facility is available for drawn for next five years with door to door tenure of 16 years 3 months

b) Other commitments

i. As per the terms of concession agreement, the GMR Hyderabad International Airport Limited is required to pay concession fees to the Ministry of Civil Aviation (MoCA) @ 4% on all its gross revenue (as defined in Concession Agreement) of GHIAL for an initial term of 30 years starting from March 23, 2008 which can be extended by another 30 years at the option of the GHIAL which has been exercised and the same is calculated as per provisions of Ind AS.

ii. For commitments pertaining to lease arrangement refer clause I of note 6.

iii. During the six months period, GHIAL has issued 5.375% senior secured notes (2024 SSN) through overseas market equivalent to USD 300 million (Rs. 2067.15 Crores). The 2024 SSN were listed on Singapore stock exchange on April 10, 2019. The 2024 SSN are repayable after 5 years on April 10, 2024. The proceeds from SSN is proposed to be utilized for capital expenditure with respect to Airport Activities (as defined in concession agreement) as part of expansion.

GHIAL has entered into Call Spread (CS) arrangement in order to hedge principal portion and Currency Only Swap (COS) in order to protect interest component of 2024 SSN. CS and COS is measured at fair value and are designated as hedging instruments in cash flow hedges of the stream of USD cash out flows on interest coupon and principal repayment in relation to issue of 2024 SSN amounting to USD 300 million. COS involve interest rate payments on the two legs in different currencies and exchange of principal at maturity. The company pays fixed interest on the INR notional as determined in the COS contract and receives fixed coupon on USD notional. Critical terms of the COS contract (tenor and USD/INR notional) match with the Hedged Item i.e. the stream of USD cash out flows, to effectively cover the Company from risk of movement in the foreign currency.

The SSN have a fixed coupon rate of 5.375% p.a. on total amount of USD 300 million which has been swapped for 10.69% p.a. (weighted average of all Call Spread and COS contracts) on INR notional of Rs. 2,067.15 crore (total of all Call Spread and COS contracts).

iv) During the prior period, GHIAL has issued 4.25% senior secured notes (2027 SSN) through overseas market equivalent to USD 350 million. The 2027 SSN were listed on Singapore stock exchange in October 2017. The 2027 SSN are repayable after 10 years. The proceeds from SSN is proposed to be utilized for capital expenditure with respect to Airport Activities (as defined in concession agreement) as part of expansion.

GHIAL had entered into Cross Currency Swap (CCS) arrangement in order to hedge principal portion and to protect interest component of 4.25% 2027 SSN. CCS is measured at fair value and designated as hedging instruments in cash flow hedges of the stream of USD cash out flows on interest coupon and principal repayment in relation to issue of 4.25% Senior Secure Notes (SSN) amounting to USD 350 million (INR 2,439.23 crore) (March 31, 2019: 2,376.93 crore). CCS involve interest rate payments on the

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two legs in different currencies and exchange of principal at maturity. GHIAL pays fixed interest on the INR notional as determined in the swap contract and receives fixed coupon on USD notional. GHIAL pays INR notional of the swap and receives the USD Notional of the CCS. Critical terms of the swap contract (tenor and USD/INR notional) match with the Hedged Item i.e. the stream of USD cash out flows, to effectively cover GHIAL from risk of movement in the foreign currency.

The fixed coupon of 4.25% p.a. on 2027 SSN has been swapped for 8.65% p.a. (weighted average of all Call Spread and COS contracts) on INR notional of Rs. 2,229.95 crore (total of all CCS contracts).

7. Significant accounting judgments, estimates and assumptions:

The preparation of the Group's Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the group's accounting policies, management has made the following judgments, which has the effect on the amounts recognised in the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Statements:

Non applicability of Service Concession Agreement (SCA) to GHIAL

GHIAL had entered into Concession agreement with the MoCA, which gives GHIAL an exclusive right of development, design, financing, construction, commissioning, maintenance, operation and management of the Hyderabad Airport on a revenue sharing model for an initial term of 30 years, which can be extended by another 30 years at the option of GHIAL and GHIAL has exercised the same. Under the agreement, the MoCA has granted exclusive right and authority to perform some of the functions of the AAI being the functions of operation, maintenance, development, design, construction, upgradation, modernization, finance and management of the Airport and to perform services and activities at the airport constituting 'Airport activities' (regulated services) and 'Non-Airport Activities' (non-regulated services). Airport Activities are regulated while there is no control over determination of prices for Non-Airport activities. Charges for Non-Airport activities are determined at the sole discretion of GHIAL.

Appendix D to Ind AS 115 contains provisions to cover arrangements between public and private enterprises- referred to as service concession arrangement ("SCA"). An entity is required to evaluate applicability of SCA for its arrangement under public to private partnership based on SCA guidance. The applicability of service concession depends whether the grantors control or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and also control the residual interest in the infrastructure.

GHIAL management conducted detailed analysis to determine applicability of Appendix D of Ind AS 115. The concession arrangement has significant non-regulated revenues, which are apparently not ancillary in nature, as these are important from GHIAL, MoCA and users/passengers perspective. Further, the regulated and non-regulated services are substantially interdependent and cannot be offered in isolation. Airport premises is being used both for providing regulated services and for providing non-regulated services. Based on GHIAL's proportion of regulated and non-regulated activities, the directors have determined that over the concession period, the unregulated business activities drives the economics of the arrangement and contributes substantially to the profits of GHIAL and hence concluded that SCA does not apply in its entirety to GHIAL.

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GHIAL had received advance revenue from its customer. Using the practical expedient in Ind AS 115, GHIAL does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Applicability of Service Concession Agreement (SCA) to GACAEL

GACAEL, constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time. These arrangements may include infrastructure used in public-to-private service concession arrangement for its entire useful life.

Appendix D to Ind AS 115 on Service Concession Arrangement ("SCA") provides that these arrangements are accounted for based on the nature of the consideration. An entity is required to evaluate applicability of SCA for its arrangement under public to private partnership based on SCA guidance. The applicability of service concession depends whether the grantors control or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and also control the residual interest in the infrastructure. The intangible asset model is used to the extent that GACAEL receives a right (i.e. a concessionaire) to charge users of the public service. The financial model is used when GACAEL receives a right to receive cash or other financial assets from or at the direction of the grantor for the construction service.

Accordingly, though GHIAL has granted the further concession to GACAEL along with leasing of the part of the cargo infrastructure facility but since GACAEL has a right to charge the users of the services and therefore, the same has been classified under intangible asset model.

Leases:

As per the terms of the Concession Agreement and Land Lease Agreement, the Government of Telangana leased the land to the GHIAL for the concession period. The lease term neither constitutes a major part of the economic life nor the fair value of the land. Hence, all the significant risk and rewards of the ownership have not been transferred and accordingly the lease is classified as an operating lease.

Concession fee:

As per the Concession Agreement (CA) entered into by GHIAL with Ministry of Civil Aviation (MoCA) in December, 2004, GHIAL is required to pay concession fee to MoCA @ 4% on its gross revenue. As per Article 3.3.2 of CA, "Gross Revenue" is defined to mean all pre-tax revenue of GHIAL with certain specified exclusions.

Management is of the view that certain income / credits arising on adoption of Ind-AS and also mark to market gain on valuation of IRS was not in contemplation of parties in December 2004 when this Concession Agreement was signed / entered. Further, these income/credits in Statement of Profit and Loss do not represent receipts from business operations, from any external sources and therefore, are not treated as "Gross Revenue" for calculation of Concession fee to MoCA. Accordingly, GHIAL has not provided the concession fee on such incomes/credits.

Income on forex reinstatement of SSN of Nil (March 31, 2019 Nil) which has been capitalized has not been considered for computation of Concession fee to MoCA.

Also, income generated on investment of part proceeds of SSN earmarked for airport expansion project and adjusted from the value of capital work in progress does not represent receipts from business operation and the same is not considered for computation of Concession fee to MoCA.

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Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Special Purpose Unaudited Consolidated Interim Condensed Ind AS 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.

Discounting rate

The Group has considered incremental borrowing rate of Airport sector i.e. 11.44%, 9.65% as at transition date for measuring deposits, being financial assets and financial liabilities, at amortised cost. However, for the transactions undertaken from April 1, 2019 incremental borrowing rate of Airport sector i.e. 10.73% has been considered.

Defined benefit plans

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

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

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

Provision for doubtful receivables:

GACAEL makes provision for doubtful receivables based in a provision matrix which takes into account historical credits loss experience and adjusted for current estimates.

Contingent liabilities

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Group, including legal, contractor, land access and other claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events. See clause II of Note 6 for further disclosures.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 8 and 9 for further disclosures.

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Tax

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

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

Impairment of Financial asset

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

8. Fair values:

A comparison of the carrying amount of all financial assets and liabilities appearing in the financial information as against the reasonable approximation of their fair values is as below:

Break up of financial assets

Particulars	Carrying value		Fair value	
	September 30, 2019	March 31, 2019	September 30, 2019	March 31, 2019
Financial Assets				
At fair value through Profit or loss				
Investments (Mutual Funds)	303.59	112.41	303.59	112.41
At Fair Value through Other Comprehensive Income				
Cross Currency Swap (Derivative designed as cash flow hedge) *	453.33	239.23	453.33	239.23
Call Spread Option (Derivative designed as cash flow hedge) *	45.21	-	45.21	-
At amortized cost				
Investments in Commercial paper	435.78	370.35	435.78	370.35
Loans	163.23	53.30	163.23	53.30
Bank balances other than cash and cash equivalents	1,688.04	115.67	1,688.04	115.67
Other financial assets	125.62	38.18	125.62	38.18
Trade receivables	181.80	180.55	181.80	180.55
Cash and cash equivalents	391.63	395.08	391.63	395.08
Total	3,788.23	1,504.77	3,788.23	1,504.77
Financial liabilities				
At amortized cost				
Borrowings	5,303.95	3,211.57	5,268.10	3,043.28
Other financial liabilities	833.09	663.77	835.40	663.63
Trade payables	149.60	131.81	149.60	131.81
Total	6,286.64	4,007.15	6,253.10	3,838.72

*Excluding accrued net interest payable of Rs. 35.59 crore.

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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. In case of long term borrowings, all borrowings carry fixed rate of interest and hence, the carrying value is considered to the same as its fair value.

Assumptions 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. Cross currency swap: The fair value of cross currency swaps is calculated as the present value of the estimated future cash flows based on observable yield curve.
- ii. The fair values of quoted mutual funds and commercial paper are based on price quotations at the reporting date.

9. Fair Value Hierarchy:

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities. Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at:

Particulars	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					
At FVTPL					
Investment in mutual funds	September 30, 2019	303.56	303.56	-	-
	March 31, 2019	112.41	112.41	-	-
At FVTOCI					
Derivative designed as cash flow hedge (Cross currency swap)	September 30, 2019	453.33	-	453.33	-
	March 31, 2019	239.23	-	239.23	-
Derivative designed as cash flow hedge (Call Spread Option)	September 30, 2019	45.21	-	45.21	-
	March 31, 2019	-	-	-	-
Liabilities measured value					
4.25% Senior Secured Notes*	September 30, 2019	2306.98	2306.98	-	-
	March 31, 2019	2,208.64	2,208.64	-	-
5.375% Senior Secured Notes*	September 30, 2019	2,194.01	2,194.01		
	March 31, 2019	-	-	-	-

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

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***Valuation Techniques used to determine the Fair Value:**

Specific valuation techniques used to value financial instruments include:

- i. The use of quoted market price of Mutual funds.
 - ii. The Fair value of cross currency swaps is calculated as the present value of estimated future cash flows based on observable yield curves with the help of management experts.
10. GHIAL has recognized, Minimum alternate tax (MAT) credit entitlement of Rs. 434.32 crore (March 31, 2019: Rs. 405.40 crore), as GHIAL based on estimates expects to adjust this amount after expiry of the tax holiday period (i.e. AY 2022-23) u/s 80IA of the Income Tax Act, 1961. Management is confident that in view of the anticipated tariff orders for the control periods which will be effective from financial year 2017-18, GHIAL's normal tax liability will be more than the MAT payable after considering the deduction under section 80IA of the Income Tax, Act, 1961.
 11. GHASL continues to recognize, Minimum alternate tax (MAT) credit entitlement of Rs. 0.49 crore (March 31, 2019 Rs. 0.30 crore), Management is confident that GHASL's normal tax liability will be more than the MAT payable as per the Income Tax, Act, 1961.
 12. Minimum Alternative Tax (MAT) Credit Entitlement claimed by GACAEL in the income tax returns aggregating Rs. 37.01 crore have not been recognised in the books in view of the ongoing disputes/litigations with the tax authorities.
 13. The Airport Economic Regulatory Authority ('AERA'), passed an Aeronautical tariff order No. 38 dated February 24, 2014, in respect of first control period from April 1, 2011 to March 31, 2016. As AERA has not considered the issues like treatment of Cargo, Ground Handling and Fuel Farm as non-aero and the disallowance of pre control period losses, foreign exchange loss on ECB and other issues while issuing the said order, GHIAL filed an appeal before the then AERAAT which appeal got transferred to High Court at Hyderabad for adjudication. Pursuant to the Till direction issued by MoCA, GHIAL filed another writ petition for restoration of Airport Charges and the Hon'ble High Court of Telangana passed an order allowing GHIAL to collect the airport charges as were prevailing prior to 24.02.2014. Now, vide a recent order dated 17 October 2019 the Hon'ble High Court has remanded the matters to Telecom Disputes Settlement Appellate Tribunal (TDSAT) for expeditious disposal while continuing the airport charges order till the disposal of the appeal by TDSAT.
 14. GHIAL filed an application with AERA for determination of Aeronautical Tariff in respect of Second Control period from April 1, 2016 to March 31, 2021 including True up for shortfall of receipt vis a vis entitlement for the first control period. Pending determination of Aeronautical Tariff, AERA vide its order no. 48 dated March 25, 2019 has allowed to continue to charge the Aeronautical tariff as prevailed on March 31, 2019 till September, 2019 or till determination of tariff for the aforesaid period whichever is later.
 15. On December 19, 2017, AERA issued a Consultation Paper inviting comments from all stakeholders in connection with determination of Tariff of the Hyderabad Airport for the Second Control Period. However, as the aforesaid Consultation Paper does not address the pending issues arising out of the Tariff Order for the first control period, GHIAL filed a writ petition against the aforesaid Consultation Paper before the Honorable High Court at Hyderabad on February 6, 2018 and the Honorable High Court issued a stay order on February 7, 2018. Vide a recent order dated 17.10.2019, the High Court has advised GHIAL to file an appeal before TDSAT within eight weeks. As there are certain errors in the order, GHIAL filed a Review petition which is pending for adjudication.
 16. GHIAL has provided for MAT liability for the period as per section 115JB of Income Tax Act, 1961; considering the book profit as per financial statements prepared in accordance with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015 as amended, which requires the Companies to also provide for one-fifth of total MAT liability arising as a result of adjustments to Retained earnings (i.e. retained earnings as at April 1, 2016, as and to the extent increased by Ind AS adjustments) as per

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applicable Ind AS. For the purpose of these Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Statements, GHIAL has considered the MAT expenses / liability arrived at basis such Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Statements.

17. The Special Purpose Unaudited Condensed Interim Consolidated Financial Statements of GHIAL do not include Accounts for Passenger Service Fee- Security Component [PSF- (SC)] as the same are maintained separately in the fiduciary capacity by GHIAL on behalf of the Government of India and are governed by Standard Operating Procedure vide letter number AV/13024/047/2003-SS/AD dated January 19, 2009 issued by the Ministry of Civil Aviation, Government of India.
18. As per the Concession Agreement (CA), the GHIAL is required to pay concession fee to MoCA @ 4% on its gross revenue. As per Article 3.3.2 of CA, "Gross Revenue" is defined to include all pre-tax revenue of GHIAL with certain specified exclusions.

Management is of the view that certain income / credits arising on adoption of Ind-AS, gain on restatement of SSN and also mark to market gain on valuation of IRS was not in contemplation of parties in December 2004 when this Concession agreement was signed / entered. Further, these income/credits in Statement of Profit and Loss do not represent receipts from business operations, from any external sources and therefore, are not treated as "Gross Revenue" for computation of Concession fee to MoCA. Accordingly, GHIAL has not provided the concession fee on such income / credits.

Also, income generated on investment of part proceeds of SSN earmarked for airport expansion project and adjusted from the value of capital work in progress does not represent receipts from business operation and the same is not considered for computation of Concession fee to MoCA.

Description	Incomes forming part of
Discounting of interest free loan given to subsidiaries#	Other income
Discounting of interest free loan given to Joint Venture	Other income
Income arising from fair valuation of financial guarantee#	Other income
Income arising on account of significant financing component	Income from operations
Discounting on fair valuation of deposit received from concessionaries	Non aero revenue
Lease revenue on account of Ind AS 116	Non aero revenue
Income from government grant	Other income
Amortisation of deferred income	Other income

These transactions got eliminated in the consolidated financial statement of the Group.

19. In case of GACAEL, the Bureau of Civil Aviation (BCAS), through its order dated April 28, 2010, decided that there shall be a Sterile Cargo Holding Area at the airports. The access to cargo processing area will be regulated by airport entry permits issued by BCAS. Accordingly, Central Investigative Security Force (CISF) personnel were deployed as per the instructions of BCAS and the security charges includes accrual of security cost of CISF personnel amounting to Rs. 0.73 crore (September 30, 2018: Rs. 0.77 crore). The Management is confident that there would be no additional liability other than the amount accrued in the books of account.
20. The Group has undertaken necessary steps to comply with the transfer pricing regulations. The Management is of the opinion that the international and domestic transactions are at arm's length and believes that the aforesaid legislation will not have any impact on the Special Purpose Unaudited Condensed Interim Consolidated Financial Statements.

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21. Non-controlling interest:

	Sept 30, 2019	March 31, 2019
Balance at beginning of year (excluding share of CCPS)	-	40.27
Share of profit for the year	-	6.34
Dividend paid	-	(2.16)
Total	-	44.45
Share of compulsory convertible cumulative preference shares (CCPS) in GACAEL	-	18.00
Less: Deferred tax liability on Equity component	-	(0.06)
Less: Consideration paid	-	(59.75)
Gain on account of acquisition	-	2.64
Balance at end of period/year	-	-

22. The Board of Directors of wholly owned subsidiary namely "Hyderabad Airport Security Service Limited"(HASSL) at it's meeting held on September 17, 2018, approved the proposal to wind up its affairs by way of voluntary liquidation. During the period, the Liquidator has discharged all the liabilities of HASSL and available positive surplus distributed.

A dissolution application was initially filed with the Hon'ble National Company Law Tribunal, Hyderabad Bench ("NCLT") for voluntary liquidation of HASSL under the applicable provisions of the Insolvency and Bankruptcy Code of India, 2016 read with the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017 and the Companies Act, 2013 on August 14, 2019 by the Liquidator. NCLT vide its order dated September 13, 2019 passed the dissolution of HASSL w.e.f. September 13, 2019. Form No. INC 28 was filed with the Registrar of Companies ("ROC"), Hyderabad on September 17, 2019 which was approved by the ROC on September 20, 2019 and accordingly HASSL stands dissolved from that date.

23. (a) The Hon'ble National Company Law Tribunal, Hyderabad Bench vide its order dated 26 July 2019, has approved the Composite Scheme of Arrangement (the "Scheme") with Appointed Date of 1 April 2018, for merger of the Company's wholly-owned subsidiary GMR Hyderabad Air Cargo And Logistics Private Limited ("GHACL") into another wholly owned subsidiary GMR Aerospace Engineering Limited ("GAEL") and demerger of the MRO business of GMR Aero Technic Limited ("GATL"), subsidiary of GAEL into GAEL with effective date of 23 August 2019. The name of the Combined Entity has been subsequently changed to GMR Air Cargo and Aerospace Engineering Limited ("GACAEL"), which will provide MRO and Cargo Handling services at the Rajiv Gandhi International Airport at Hyderabad. In consideration of merger order, GACAEL has allotted its equity shares to the Company on October 4, 2019, in accordance with the share exchange ratio as mentioned in the Scheme.

(b) The Statement includes investment, including share application money amounting to Rs. 335.40 Crore made in a wholly owned subsidiary company, GACAEL. GACAEL has accumulated losses of Rs. 477.36 Crores, which exceeded its net worth as at September 30, 2019 based on the management prepared financial information. Management has undertaken several initiatives to improve its income from operations and establish profitable operations including consolidation of the group structure as stated in note 11(a) above. Based on the future business plan and projections of the MRO business approved by the then Board of Directors of GAEL and the valuation assessment of GACAEL carried out by the management of the Company, they are of the view that there is no permanent diminution in the value of investments in GACAEL. Accordingly, the accompanying Unaudited Interim Condensed Financial Statements do not include any adjustments relating to the recoverability of the aforesaid investments.

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24. Reimbursement of Expenses claimed by GHIAL have been reduced from the respective expense head as mentioned in the table below:

Expense Head	For the period ended September 30, 2019	For the period ended September 30, 2018
Electricity and water charges	13.49	12.14
Salaries, wages and bonus	0.21	0.13
Staff welfare expenses	0.37	0.32
Travelling and conveyance	0.01	0.00
Communication expenses	0.01	0.00
Office Maintenance	-	0.02
Repair and Maintenance	0.19	0.00
Miscellaneous expenses	0.15	0.18

25. Goodwill on acquisition:

In August 2014, GHIAL has made additional investment of 5% stake in GACAEL, thereby making the shareholding from 50% to 55% making GACAEL and GATL from jointly controlled entities to subsidiaries. Subsequently in December '14, GHIAL has acquired the balance stake thereby making GACAEL and GATL 100% subsidiaries. On conversion of joint controlled entities to subsidiaries, the excess of Investment over the net assets as on the day of acquisition has been treated as Goodwill.

- (i) The interest of the GHIAL, as on the date of conversion during previous year, in the net assets of the GACAEL and GATL (wholly owned subsidiary of GACAEL) is given below:

Particulars	GACAEL*
Net assets acquired on the date of acquisition. (A)	(24.58)
Purchase consideration and investment by GHIAL (B)	11.69
Net Goodwill (A-B)	36.27

*Includes net assets of GATL (wholly owned subsidiary of GACAEL).

Note: The Special Purpose Unaudited Condensed Interim Consolidated Financial Statements as at September 30, 2019 include goodwill on additional investment by GHIAL during the financial year 2014-15 in subsidiary GACAEL. GACAEL has earned profit of Rs.5.64 crore (March 31, 2019: loss of Rs. 5.44 crore) for the six months period ended and has accumulated losses as at September 30, 2019 of Rs. 477.36 crore which exceeds its net worth. Also GACAEL has incurred cash loss in the preceding financial years. The future economic benefit from such goodwill is dependent upon the ability of the aforesaid wholly owned subsidiary to scale up its operations in future and achieve sustained profitability. Based on the future business plan and projections approved by the board of director of the subsidiary company and valuation assessment done by the management, the management of the Group expects that there will be significant increase in the operations of GACAEL that will lead to future economic benefits. Accordingly, these Unaudited Condensed Interim Consolidated Financial Statements do not include any adjustment relating to the Impairment of Goodwill.

Impairment testing of goodwill:

Goodwill acquired through business combinations has been allocated to the below business of maintenance, repair and overhaul (MRO) managed through the above referred operating entity for impairment testing:

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Carrying amount of goodwill allocated to MRO business:

Intangible Assets	Sept 30,2019	March 31,2019
Goodwill-GACAEL MRO business	36.27	36.27

MRO business:

The Group performed its annual impairment test for year ended March 31, 2019 in April 2019, (hereinafter 'reference date', this is generally based on year-end). Based on the management approved Business plan and valuation assessment done by its management, the management of the Group expects that there will be significant increase in the operations of GACAEL achieve sustained profitability.

The projections of the business is above the book value of its equity, indicating no sign of impairment of goodwill and impairment of the assets of the operating business. Accordingly, these Special Purpose Unaudited Condensed Interim Consolidated Financial Statements do not include any adjustment relating to the impairment of Goodwill acquired through business combination.

The recoverable amount of the MRO business, Rs. 36.27 crore as at September 30, 2019, has been determined based on the management approved business plan of the operating entity covering a ten-year period. The projected cash flows have been updated to reflect the decreased demand for services. The pre-tax discount rate applied to cash flow projections for impairment testing during the current period is 11.48% (March 31,2019: 11.48%) and cash flows beyond the ten-year period are extrapolated using a 2.0% growth rate (March 31, 2019: 2.0%) that is the same as the long-term average growth rate for the MRO industry. As a result of this analysis, there is no permanent diminution in the value of goodwill, accordingly, these financial information do not include any adjustments relating to impairment of goodwill.

The calculation of value in use for MRO business is most sensitive to the following assumptions:

- ▶ Revenue
- ▶ Discount rates
- ▶ Cost price inflation
- ▶ Growth rates used to extrapolate cash flows beyond the forecast period

Revenue:- Revenue are based on existing contracts and expected contracts from potential customers. These are increased over the projected period for anticipated efficiency improvements and increased demand. An increase of 5% growth rate per annum was applied.

Discount rates - Discount rates represent the current market assessment of the risks specific to the business, taking into consideration the time value of money. The discount rate calculation is based on the specific circumstances of the cost of equity. The cost of equity is derived from the expected return on investment by the Group's investors. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Cost price inflation - Estimates are obtained from general inflation indices, as well as data relating to specific material items. Forecast figures are used if data is publicly available, otherwise past actual material price movements are used as an indicator of future price movements.

Growth rate estimates - Rates are based on expected industry growth. For the reasons explained above, the long-term rate used to extrapolate the budget for the MRO business.

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Sensitivity to changes in assumptions -

Revenue: The management has considered the possibility of greater than forecast increase in revenue. Revenue are based on existing contracts and expected contracts from potential customers for projected period. These are increased over the projected period for anticipated efficiency improvements and increased demand. An increase of 5% per annum was applied. A decreased demand can lead to a decline in revenue. A decrease in revenue growth by 2.14% would result in impairment.

Discount rates - A rise in pre-tax discount rate to 16.70 % (i.e. +3%) would result in impairment.

Cost price inflation - The management has considered the possibility of greater than forecast increases in cost price inflation. Forecast price inflation lies within a range of 2.75%. If cost price increase is greater than 10% and the Business Unit is unable to pass on or absorb these increases through efficiency improvements, then the Group will have an impairment.

Growth rate estimates -The management has considered stable perpetual growth rate of 2%. The management recognizes that the possibility of new entrants can have a significant impact on growth rate assumptions and a reduction of 6.5% perpetual growth rate after forecast period will result in impairment.

26. Break up of capital work-in-progress (CWIP) is below:

	Sept 30, 2019	March 31 2019
Capital expenditure incurred on property, plant and equipment	806.61	314.55
Revenue items:		
Legal and professional	114.45	100.52
Employee benefits expense	0.46	0.35
Rates and taxes	1.14	0.63
Travelling and conveyance	1.08	0.77
Senior secured notes issue costs amortised	3.28	0.58
Finance costs	142.62	30.62
Others	4.20	1.77
Total (i)	1072.77	449.16
Less:- Other income		
Interest income from bank deposit	(64.45)	(1.93)
Net gain on sale of current investments	(10.54)	(10.54)
Temporary lease rentals earned net of taxes	(0.57)	(0.57)
Total (ii)	(75.56)	(13.04)
Net Capital work in progress (i+ii)	997.21*	436.12

* The above includes the reversal of Rs. 111.82 Crores on account of availment of Input tax credit of GST pertaining to the period from July 1, 2017 to September 30, 2019 in view of the order from the Orissa High Court allowing the GST credit on the civil works in the case of Safari Retreats Private Limited vide its order dated April 7, 2019.

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During the six months period ended September 30, 2019 the Group has capitalized the following expenses of revenue nature to the capital work-in-progress (CWIP). Consequently, expenses disclosed under other expenses are net of amounts capitalized by the Group.

Particulars	For the Six months period ended Sept 30, 2019	For the six months period ended Sept 30, 2018
Revenue expense:		
Legal and professional expenses	17.17	16.32
Senior secured notes issue cost amortized	2.70	0.45
Finance cost	112.26	22.12
Other expenses	2.61	0.77
Total (A)	134.74	39.66
Less: Other income		
Interest income from bank deposit	(62.52)	(2.91)
Net gain on sale of current investment	-	(9.71)
Fair value of mutual fund	-	0.70
Total (B)	(62.52)	(11.92)
Net (C=A+B)	72.22	27.24

27. During the period ended September 30, 2019 the value of property, plant and equipment is net of reversal of Rs. 68.50 Crores on account of availment of Input tax credit of GST pertaining to the period from July 1, 2017 to March 31, 2019 in view of the order from the Orissa High Court allowing the GST credit on the civil works in the case of Safari Retreats Private Limited vide its order dated April 7, 2019.

28. Utilization of money raised through issue of Senior Secured Notes (SSN)

During the Six months period ended September 30, 2019, GHIAL raised USD 300 million (INR 2,067.15 crore) through issue of 5.375% Senior Secured Notes (SSN) from overseas market for capital expenditures with respect to Airport activities (as defined in the Concession Agreement) as part of the expansion.

The coupon rate is fixed through the tenor and payable semi-annually. The Notes are repayable after 5 years i.e. April 10, 2024.

	For the Six months period ended September 30, 2019	For the year ended March 31, 2019*
Issue proceeds from SSN	2,067.15	-
Utilized during previous year	-	-
Unutilized amount at the beginning of the period/year (A)	2,067.15	407.33
Add: Income on temporary cash investment (B)	62.52	15.04
Less: Amount utilised during the period/year:		
Utilised for expansion project works	577.91	422.37
Total (C)	1,944.89	422.37
Unutilised amount at the end of the period / year (A+B-C)	1,551.76	-

*Represents the unutilized amount out of USD 350 million (INR 2,273.74 crore) raised through 4.25% of Senior Secured Notes (SSN) repayable after 10 years i.e. October 7, 2027 raised during FY 2017-18 and utilized in FY 2018-19 for capital expenditure of Airport activities.

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Details of temporary cash investment made from unutilized portion of Senior Secured Notes raised during the six months period ended as at September 30, 2019:

	September 30, 2019	March 31, 2019
Investment in Fixed Deposits		
Kotak Mahindra Bank	284.00	-
ICICI Bank	616.69	-
Yes Bank	445.31	-
IDFC Bank	205.76	-
Total	1,551.76	-

29. Subsequent Event:

Subsequent to the period end based on the approval of Board of Directors of GHIAL in its meeting held on November 21, 2019, GHIAL has given an Unsecured Short Term Loan of Rs. 200 crores to its intermediate holding Company namely GMR Infrastructure Limited (GIL) on November 22, 2019. The term of the loan is for a period not exceeding 6 months with bullet repayment and carries interest @ 11% p.a.

30. Previous period numbers have been regrouped wherever necessary to align with current period numbers.

For GMR Hyderabad International Airport Limited

Sd/-	Sd/-
SGK Kishore	P Anand Kumar
Chief Executive Officer	Chief Financial Officer

Place: Hyderabad
Date: November 28, 2019.