IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (A) PERSONS OR ADDRESSEES OUTSIDE OF THE UNITED STATES OR (B) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") PURSUANT TO RULE 144A OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT").

IMPORTANT: **You must read the following before continuing.** The following applies to the offering memorandum following this page (the "Offering Memorandum"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES REFERRED TO IN THE FOLLOWING OFFERING MEMORANDUM HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY PERSON IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

The following Offering Memorandum is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area.

CONFIRMATION OF YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE OFFERING MEMORANDUM, INVESTORS MUST COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE BEEN SENT THIS DOCUMENT AT YOUR REQUEST AND ON THE BASIS THAT YOU HAVE CONFIRMED TO MERRILL LYNCH (SINGAPORE) PTE. LTD., THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, SINGAPORE BRANCH, CITIGROUP GLOBAL MARKETS SINGAPORE PTE. LTD. AND J.P. MORGAN SECURITIES PLC (TOGETHER, THE "INITIAL PURCHASERS") THAT YOU (1) EITHER ARE OUTSIDE THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")) OR YOU ARE A QIB PURSUANT TO RULE 144A OF THE SECURITIES ACT AND, TO THE EXTENT THAT YOU PURCHASE THE SECURITIES DESCRIBED IN THE FOLLOWING OFFERING MEMORANDUM, YOU WILL BE DOING SO EITHER IN AN OFFSHORE TRANSACTION (AS DEFINED IN REGULATION S) IN COMPLIANCE WITH REGULATION S OR PURSUANT TO RULE 144A OF THE SECURITIES ACT; AND (2) CONSENT TO DELIVERY OF THE FOLLOWING OFFERING MEMORANDUM AND ANY AMENDMENTS OR SUPPLEMENTS THERETO BY ELECTRONIC TRANSMISSION.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Memorandum to any other person. If this is not the case, you must return this Offering Memorandum to us immediately. You may not, nor are you authorized to, deliver or disclose the contents of this Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of GMR Hyderabad International Airport Limited (the "Company") in such jurisdiction.

The Offering Memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Company, the Initial Purchasers or any person who controls any of them or any of their respective commissioners, directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

OFFERING MEMORANDUM **CONFIDENTIAL**

US$350,000,000

GMR Hyderabad International Airport Limited

(incorporated with limited liability under the laws of the Republic of India)

4.25% SENIOR SECURED NOTES DUE 2027

Issue price per note: 100%

The Issuer:

- We hold the exclusive right to operate, manage and develop Rajiv Gandhi International Airport in Hyderabad, India.

The Offering:

- **Notes Offered**: US$350,000,000 aggregate principal amount of 4.25% senior secured notes due 2027, which we refer to as the "Notes."
- **Use of Proceeds**: We will use the gross proceeds of this offering to retire certain existing debt and fund certain capital expenditures. See "Use of Proceeds."

The Senior Secured Notes:

- **Maturity**: The Notes will mature on October 27, 2027.
- **Interest Payments**: The Notes will bear interest at a rate of 4.25% per annum. We will pay interest on the Notes semi-annually in cash in arrears on April 27 and October 27 of each year, beginning on April 27, 2018.
- **Guarantees**: The Notes initially will not be guaranteed by any of our subsidiaries, any of our joint ventures or any of our parent entities, nor will the Notes be guaranteed by the Government of India or any agency thereof.
- **Ranking**: The Notes will be our senior secured obligations and rank equally and ratably with all of our existing and future senior indebtedness. The Notes will be effectively subordinated to the liabilities of our subsidiaries.
- **Security**: The Notes will be secured by first-priority liens, subject to permitted liens, on certain of our assets, subject to certain exceptions pursuant to (i) an unattested Memorandum of Hypothecation and (ii) a Declaration and the Memorandum of Entry and Deposit of Title Deeds associated therewith on an equal and ratable basis with all obligations of the Company under all future Permitted Pari Passu Secured Indebtedness and Permitted Refinancing Indebtedness thereof.
- **Change of Control**: Upon the occurrence of a Change of Control Triggering Event (as defined herein), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. Prior to any repurchase of the Notes, we will be required to obtain the written approval of the Reserve Bank of India (the "RBI") or the designated authorized dealer bank, in accordance with the ECB Guidelines to effect such repurchase, and such approval of the RBI may not be granted. See "Risk Factors—Risks Related to the Notes and the Collateral—We may not be able to repurchase the Notes upon a Change of Control Triggering Event or redeem the Notes upon Mandatory Redemption."

For a more detailed description of the Notes, see "Description of the Notes" beginning on page 222.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 32.

There is currently no market for the Notes. Approval-in-principle has been received for the listing and quotation of the Notes on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the offering, the Company or associated companies or the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Notes are listed on the SGX-ST.

The Notes are expected to be rated "BB+" by S&P and "BB+" by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), any U.S. state securities laws or the securities laws of any other jurisdiction. The Notes are being offered or sold in the United States only to qualified institutional buyers ("QIBs") in accordance with Rule 144A under the Securities Act ("Rule 144A") and outside the U.S. in offshore transactions in accordance with Regulation S under the Securities Act ("Regulation S"). You are hereby notified that the Company may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this offering memorandum, see "Plan of Distribution" and "Transfer Restrictions."

The Notes will not be offered or sold, directly or indirectly, in India or to, or for the account or benefit of, any resident in India. This offering memorandum has not been and will not be approved or authorized by or filed with, and will not be registered as a prospectus with the Registrar of Companies, the Securities Exchange Board of India, RBI or any other regulator in India, nor have the Initial Purchasers circulated or distributed, nor will they circulate or distribute, this offering memorandum or any material relating thereto, directly or indirectly, to the public or any members of the public in India.

The Notes sold within the United States to QIBs pursuant to Rule 144A under the Securities Act will be evidenced by a global note (the "144A Global Notes") in registered form. The Notes sold outside the United States pursuant to Regulation S under the Securities Act will be evidenced by a global note (the "Regulation S Global Notes" and together with the 144A Global Notes, the "Global Notes") in registered form. The Global Notes will be deposited with a custodian for, and registered in the name of, Cede & Co., as nominee of The Depository Trust Company ("DTC"). Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, the records maintained by DTC and their respective accountholders.

The Notes will be ready for delivery in book-entry form only through the Depository Trust Company for the account of its participants, including Euroclear Bank SA/NV, as operator of the Euroclear System, and Clearstream Banking S.A., on or about October 27, 2017.

Joint Global Coordinators

BofA Merrill Lynch **HSBC**

Joint Bookrunners

BofA Merrill Lynch **HSBC** **Citigroup** **J.P. Morgan**

Joint Lead Managers

BofA Merrill Lynch **HSBC** **Citigroup** **J.P. Morgan** **YES Bank**

Co-Manager

Elara Capital

The date of this offering memorandum is October 19, 2017.

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This offering memorandum does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time after that date.

IN CONNECTION WITH THIS OFFERING, THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, SINGAPORE BRANCH ("THE STABILIZING MANAGER"), OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, WILL UNDERTAKE ANY SUCH STABILIZATION ACTION. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE STABILIZING MANAGER AND NOT FOR OR ON OUR BEHALF.

NOTICE TO INVESTORS

You should rely only on the information contained in this offering memorandum. We have not, and Merrill Lynch (Singapore) Pte. Ltd. ("BofA Merrill Lynch"), the Hongkong and Shanghai Banking Corporation Limited, Singapore Branch ("HSBC"), Citigroup Global Markets Singapore Pte. Ltd. ("Citi") and J.P. Morgan Securities plc ("J.P. Morgan," and together with BofA Merrill Lynch, HSBC and Citi, the "Initial Purchasers"), YES Bank Limited, IFSC Banking Unit ("YES Bank"), as a Joint Lead Manager, and Elara Capital Plc, as a Co-Manager have not, authorized anyone to provide you with information that is different from that contained in this offering memorandum. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, the Notes only in jurisdictions where offers and sales are permitted. The information contained in this offering memorandum is accurate only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or any sale of the Notes. Our business, financial condition, results of operations and prospects may have changed since that date.

We confirm that (i) this offering memorandum contains all information with respect to us referred to in this offering memorandum and the Notes that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this offering memorandum relating to us are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to us are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us and the Notes, the omission of which would, in the context of the issue and offering of the Notes, make this offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable inquiries to ascertain such facts and to verify the accuracy of all such information and statements.

U.S. federal, state or foreign securities commissions or regulating authorities have not approved of, disapproved of or recommended the Notes being offered hereby, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Notes or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States and may be a criminal offense in other jurisdictions.

This offering memorandum is highly confidential. This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the Notes described in this offering memorandum. This offering memorandum is personal to the offeree to whom it has been delivered and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes. We are providing it solely for the purpose of enabling you to consider a purchase of the Notes. You should read this offering memorandum before making a decision whether to purchase the Notes. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any other person.

You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. By purchasing the Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under "Transfer Restrictions."

The information contained in this offering memorandum has been provided by us and the other sources identified herein. No representation or warranty, express or implied, is made by the Joint Lead Managers and Co-Managers, HSBC Bank USA, National Association (the "Trustee"), HSBC Bank USA, National Association (the "Principal Paying Agent" and the "Registrar," together, the "Agents") or any of their affiliates or advisors as to the accuracy, completeness or sufficiency of the information set forth herein, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise, representation or warranty. To the fullest extent permitted by law, none of the Joint Lead Managers and Co-Managers, the Trustee, the Agents nor any of their respective affiliates, directors or employees accept any responsibility for the contents of this offering memorandum or for any other statement in connection with the issue and offering of the Notes made or purported to be made by the Joint Lead Managers and Co-Managers, the Trustee or the Agents or on their behalf. The Joint Lead Managers and Co-Managers, the Trustee and the Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this offering memorandum or any such statement.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Joint Lead Managers and Co-Managers or any person affiliated with the Joint Lead Managers and Co-Managers in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our affiliates or the Notes (other than as contained herein) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Joint Lead Managers and Co-Managers.

Neither the delivery of this offering memorandum nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof.

We are not, and the Joint Lead Managers and Co-Managers are not, making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the Notes may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Joint Lead Managers and Co-Managers to inform themselves about and to observe any such restrictions. Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Notes or possesses or distributes this offering memorandum and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of such Notes under the laws and regulations in force in any jurisdictions to which it is subject or in which it makes such purchases, offers or sales. None of us or the Initial Purchasers shall have any responsibility therefor. For a description of the restrictions on offers, sales and resales of the Notes and distribution of this offering memorandum, see "Transfer Restrictions" and "Plan of Distribution."

In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Notes.

We reserve the right to withdraw the offering of the Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

PRESENTATION OF FINANCIAL INFORMATION

Financial Data

Our fiscal year ends on March 31. Accordingly, references in this offering memorandum to a particular fiscal year are to the year ended March 31 of that year. References to a year other than a "fiscal year" are to the calendar year ended December 31 of that year.

We are required to prepare our consolidated financial statements in accordance with Indian accounting standards notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind-AS") and applicable to the Company with effect from April 1, 2016. Accordingly, we have prepared our consolidated financial statements as at and for the year ended March 31, 2017, together with the comparative period data as at and for the year ended March 31, 2016, in accordance with Ind-AS for the first time. For purposes of the financial information presented for the year ended March 31, 2016 under Ind-AS included in this offering memorandum, we prepared the March 2016 Special Purpose Ind-AS Consolidated Financial Statements (the "March 2016 Special Purpose Ind-AS Consolidated Financial Statements"). The March 2016 Special Purpose Ind-AS Consolidated Financial Statements, which are not included in this offering memorandum, were prepared in accordance with Ind-AS prescribed under Section 133 of the Indian Companies Act, 2013, read with relevant rules issued thereunder and other accounting principles generally accepted in India, but do not consider any events or circumstances occurring after July 18, 2016 (the date of approval of the consolidated financial statements for the year ended March 31, 2016 prepared and presented in accordance with generally accepted accounting principles in India, including the Accounting Standards specified under Section 133 of the Indian Companies Act, 2013, with Rule 7 of the Companies (Accounts) Rule, 2014, and applicable to the Company until March 31, 2016 ("Indian GAAP")) and does not include comparative financial information or all the information and disclosures as are required in the annual financial statements.

We have prepared our consolidated financial statements as at and for the three months ended June 30, 2017, together with the comparative period data for the three months ended June 30, 2016, in accordance with Ind-AS. For purposes of the financial information presented for the three months ended June 30, 2016 under Ind-AS included in this offering memorandum and inclusion as comparative period data in the consolidated financial statements as at and for the period ended June 30, 2017, we prepared the June 2016 Special Purpose Ind-AS Condensed Financial Information (the "June 2016 Special Purpose Ind-AS Consolidated Financial Information"). The June 2016 Special Purpose Ind-AS Consolidated Financial Information, which are not included in this offering memorandum, were prepared based on the recognition and measurement principles laid down under Ind-AS 34 'Interim Financial Reporting,' prescribed under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder and other accounting principles generally accepted in India, but does not consider any events or circumstances occurring after July 18, 2016 (the date of approval of the Indian GAAP unconsolidated financial information for the three months ended June 30, 2016) and does not include comparative financial information.

The financial information presented in this offering memorandum has been: (i) with respect to the three months ended June 30, 2017, prepared and presented in accordance with Ind-AS on a consolidated basis; (ii) with respect to the three months June 30, 2016, derived from the June 2016 Special Purpose Ind-AS Consolidated Financial Information which are not included in this offering memorandum; (iii) with respect to the year ended March 31, 2017, prepared and presented in accordance with Ind-AS on a consolidated basis; (iv) with respect to the year ended March 31, 2016 (except where specified as under Indian GAAP), derived from the March 2016 Special Purpose Ind-AS Consolidated Financial Statements, which are not included in this offering memorandum; and (v) with respect to the years ended March 31, 2016 (where specified as under Indian GAAP) and 2015, prepared and presented in accordance with Indian GAAP on a consolidated basis.

The joint review reports with respect to our consolidated financial statements as at and for the three months ended June 30, 2017 and our June 2016 Special Purpose Ind-AS Consolidated Financial Information and the joint audit reports with respect to our consolidated financial statements as at and for the year ended March 31, 2017, our March 2016 Special Purpose Ind-AS Consolidated Financial Statements and our consolidated financial statements as at and for the year ended March 31, 2016 were each qualified on by the independent joint auditors' on their inability to comment on the carrying value of the goodwill arising on the additional investment made by the Company in GMR Aerospace Engineering Limited ("GAEL"). In addition, the joint audit reports with respect to the adequacy and the operating effectiveness of the internal financial controls over the financial reporting of the Group for the years ended March 31, 2017 (Ind-AS) and March 31, 2016 (Indian GAAP) were qualified to indicate material weakness in the operating effectiveness of controls relating to such assessment of the carrying amount of goodwill. The joint audit report with respect to the consolidated financial statements as at and for the year ended March 31, 2015 was qualified to indicate that such goodwill was fully impaired and included certain qualifications in the annexure to the report pursuant to the Companies (Auditor's Report) Order, 2015.

Each of such review reports and audit reports included emphasis of matters on the accrual of managerial remuneration in excess of the limits specified under the Companies Act, 2013 and adjustment of costs related to residential quarters for Central Industry Security Force against the PSF (SC) Fund, which is pending the final decision of the Honorable High Court of Hyderabad and consequential instructions from Ministry of Civil Aviation. In addition, the joint review report with respect to our June 2016 Special Purpose Ind-AS Consolidated Financial Information and the joint audit report with respect to our March 2016 Special Purpose Ind-AS Consolidated Financial Statements included emphasis of matters on the non-inclusion of comparative information and non-consideration of any events or circumstances occurring after July 18, 2016, and, with respect to our March 2016 Special Purpose Ind-AS Consolidated Financial Statements, non-inclusion of all the information and disclosures as are required in the annual financial statements. See "Risk Factors—Risks Related to our Business—The joint review and audit reports from our independent joint auditors in respect of our consolidated financial statements contain certain qualifications and emphasis of matters" for further details.

As a result of (i) the change in accounting standards applicable to GMR Hyderabad International Airport Limited (the "Company") from Indian GAAP to Ind-AS with effect from April 1, 2016 and (ii) the discontinuation of our user development fee and passenger service fee (facilitation component), which comprise a substantial portion of our aeronautical revenue, pursuant to the 2014 AERA Order, and the restoration of such fees in fiscal year 2016 with effect from November 3, 2015, our consolidated financial statements as at and for the years ended March 31, 2016 and 2015 prepared in accordance with Indian GAAP are not comparable with our consolidated financial statements as at and for the year ended March 31, 2017 prepared in accordance with Ind-AS. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information" for further details.

The financial information in our financial statements as at and for the three months ended June 30, 2017 and as at and for the year ended March 31, 2017 included elsewhere in this offering memorandum is, unless otherwise stated therein, presented in Indian Rupees in crores, whereas in the rest of this offering memorandum, financial information is presented in millions of Rupees. One crore is equal to ten million.

References in this offering memorandum to "standalone" in the context of GHIAL financial information are to the financial information of GHIAL on an unconsolidated basis.

Non-GAAP Financial Measures

As permitted by the Guidance Note on the Schedule III to the Companies Act, 2013, and Guidance Note on Division II — IND-AS Schedule III to the Companies Act, 2013, as applicable, issued by the Institute of Chartered Accountants of India we have elected to present earnings before interest, tax, depreciation and amortization ("EBITDA") - but including other income - in our financial statements/information appearing within this offering memorandum.

For the purpose of this offering memorandum, we have presented earnings before interest, tax expense, depreciation and amortization and share of profit in joint ventures ("Adjusted EBITDA") and related ratios, which are supplemental measures of our performance and liquidity, and although Adjusted EBITDA is a widely used financial indicator of a company's ability to service and incur debt, we caution you that Adjusted EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity profitability or cash flows generated by operating activities. See "Summary Financial and Other Data" and "Selected Financial and Other Data" for a reconciliation of profit/loss for the year/period to Adjusted EBITDA.

We have also presented Total Indebtedness and Net Indebtedness in this offering memorandum, none of which are standard measures under Indian GAAP or Ind-AS. References in this offering memorandum to "Total Indebtedness" are to our total indebtedness as calculated in footnote 4 and references to "Net Indebtedness" are to our net indebtedness as calculated in footnote 5 under "Summary—Summary Financial and Other Data" and "Selected Financial and Other Data." We have included these non-GAAP financial measures because we believe they are a useful supplement to measure our performance and our ability to generate cash flow from operations to cover debt service. Nevertheless, these non-GAAP financial measures have limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for, analysis of our financial condition or results of operations, as reported under Indian GAAP or Ind-AS. Because of these limitations, all non-GAAP financial measures included in this offering memorandum should not be considered as a measure of discretionary cash available to us to invest in the growth of our business.

You should also note that EBITDA and Adjusted EBITDA as presented in this offering memorandum is calculated differently from Consolidated EBITDA as defined and used in the indenture governing the Notes. See "Description of the Notes" for a description of the manner in which Consolidated EBITDA is defined for purposes of the indenture governing the Notes.

Rounding

Certain financial information in this offering memorandum has been rounded for convenience and, as a result, the totals of the data presented in this offering memorandum may vary slightly from the actual arithmetic totals of such information.

Currency Translations

Unless otherwise stated, all translations in this offering memorandum from Indian Rupees to United States dollars have been made on the basis of the Rs./US$ closing exchange rate as at June 30, 2017 of Rs.64.74 = US$1.00. All amounts translated into United States dollars as described above are provided solely for the convenience of the reader, and no representation is made that the Indian Rupee or the United States dollar amounts referred to herein could have been or could be converted into any other currency, at any particular rate, the above rate or at all. See "Exchange Rate Information."

MARKET AND INDUSTRY DATA

This offering memorandum contains estimates and projections regarding market and industry data that were obtained from third-party sources, such as market research, consultant surveys, publicly available information, industry publications and surveys, as well as internal company surveys. We believe the information provided or made available by these third-party sources is generally reliable. However, market and industry data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey, interpretation or presentation of market and industry data and management's estimates and projections. In addition, the outcomes of projections are not guaranteed. As a result, you should be aware that market and industry data set forth herein, and estimates, projections and beliefs (i) based on such data and (ii) relating to certain financial and performance metrics presented herein, may not be reliable. See "Risk Factors—Risks Related to India—We cannot guarantee the accuracy of statistical and other information with respect to India, the Indian economy or the airport industry contained in this offering memorandum." Neither we nor the Joint Lead Managers and Co-Manager have independently verified any of the data from third-party sources nor have we or the Joint Lead Managers and Co-Manager ascertained the underlying economic assumptions relied upon therein, and neither we nor the Joint Lead Managers and Co-Manager can guarantee its accuracy or completeness. Similarly, internal company surveys, which we believe to be reliable, are based upon management's knowledge of the industry as at the date of such surveys and have not been verified by any independent sources. Accordingly, neither we nor the Joint Lead Managers and Co-Manager can guarantee the accuracy or completeness of any such information, and you should not place undue reliance on such information when making your investment decision.

This offering memorandum includes industry data and forecasts that we have obtained from industry publications and surveys, reports of governmental agencies, publicly available corporate information and internal company surveys, as well as from industry reports prepared by CRISIL Research, ICF Limited and Knight Frank. No representation or warranty, express or implied, is made by Crisil Research, ICF Limited or Knight Frank as to the accuracy or completeness of the information set forth in this offering memorandum, and nothing contained in this offering memorandum shall be relied upon as a promise or representation, whether as to the past or future. CRISIL Research, a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing the report ("Report") from which information has been extracted for inclusion in this offering memorandum based on the Information obtained by CRISIL from sources which it considers reliable ("Data"). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data/Report and is not responsible for any errors or omissions or for the results obtained from the use of Data/Report. The Report is not a recommendation to invest or disinvest in any entity nor may be construed as expert advice or investment advice or any form of investment banking within the meaning of any law or regulation. CRISIL especially states that it has no liability whatsoever to the subscribers, users, transmitters or distributors of this offering memorandum. Without limiting the generality of the foregoing, nothing in this offering memorandum or the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary permission and/or registration to carry out its business activities in this regard. GMR Hyderabad International Airport Limited will be responsible for ensuring compliances and consequences of non-compliances for use of the Report or part thereof outside India. CRISIL Research operates independently of, and does not have access to information obtained by, CRISIL's Ratings Division / CRISIL Risk and Infrastructure Solutions Ltd ("CRIS"), which may, in their regular operations, obtain information of a confidential nature. The views expressed in the Report are that of CRISIL Research and not of CRISIL's Ratings Division / CRIS. No part of the Report may be published or reproduced in any form without CRISIL's prior written approval. The information contained in this offering memorandum derived from Knight Frank (India) Private Limited is obtained from the Knight Frank Research, India Real Estate (Residential and Office - January- June 2017) reports referenced herein which is published for general information only and not to be relied upon in any way. Although high standards have been used by Knight Frank in the preparation of the information analysis, views and projections, no responsibility or liability whatsoever can be accepted by Knight Frank for any loss or damage resultant from any use of, reliance on or reference to the contents of this material. The material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of the information. While reasonable actions have been taken by us to ensure that the information is extracted accurately and in its proper context, neither we nor the Joint Lead Managers and Co-Manager have independently verified any of the data from third party sources or ascertained the underlying economic assumptions relied upon therein.

BIFURCATION OF THE STATE OF ANDHRA PRADESH

The Andhra Pradesh Reorganisation Act (the "APRA") was enacted in 2014, which divided the state of Andhra Pradesh into the state of Telangana and the residuary state of Andhra Pradesh. The APRA defined the boundaries of the two states and laid down Hyderabad as the permanent capital of the new state of Telangana and the temporary capital of Andhra Pradesh. Pursuant to this division of Andhra Pradesh, GMR Hyderabad International Airport Limited and the Rajiv Gandhi International Airport now fall under the jurisdiction of Hyderabad in the state of Telangana. Furthermore, the state of Telangana has now succeeded the state of Andhra Pradesh as a party to certain agreements we originally entered into with the State of Andhra Pradesh in connection with our Concession and the Airport.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains "forward-looking statements" that relate to future events, which are, by their nature, subject to significant risks and uncertainties. Forward-looking statements include all statements that do not relate solely to historical or current facts, and you can identify forward-looking statements because they contain words such as "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "estimates," "projects" or "anticipates" or similar expressions that concern our strategy, plans or intentions. All statements other than statements of historical or current facts contained in this offering memorandum, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals, targets, and future developments in the markets where we participate or are seeking to participate, are forward-looking statements. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe our assumptions are reasonable, it is very difficult to predict the impact of known factors, and, of course, it is impossible to anticipate all factors that could affect our actual results.

Some of the important factors that could cause actual results to differ materially from our expectations are disclosed under "Risk Factors" and elsewhere in this offering memorandum, including, without limitation, in conjunction with the forward-looking statements included in this offering memorandum. All subsequent forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

While we may elect to update forward-looking statements in the future, we specifically disclaim any obligation to do so, even if our estimates change, and you should not rely on those forward-looking statements as representing our views as at any date subsequent to the date of this offering memorandum.

ENFORCEMENT OF CIVIL LIABILITIES

We are incorporated in India, all of our assets are located in India, and most of our directors and other senior management are residents of India. As a result, it may not be possible for you to effect service of process outside India, including in the United States, upon such persons or us. In addition, you may be unable to enforce judgments obtained against such persons or us in courts outside of India, including in courts in the United States, or such person's other jurisdiction of residence.

Section 44A of the Indian Code of Civil Procedure, 1908, as amended (the "Civil Procedure Code"), provides that where a foreign judgment has been rendered by a superior court in any country or territory outside of India which the Government of India has declared to be a reciprocating territory, such foreign judgment may be enforced in India by proceedings in execution as if the judgment had been rendered by an appropriate court in India. However, the enforceability of such judgments is subject to the exceptions set forth in Section 13 of the Civil Procedure Code. This section, which is the statutory basis for the recognition of foreign judgments, states that a foreign judgment is conclusive as to any matter directly adjudicated upon except:

- where the judgment has not been pronounced by a court of competent jurisdiction;
- where the judgment has not been given on the merits of the case;
- where the judgment appears on the face of the proceedings to be founded on an incorrect view of international law or refusal to recognize the law of India in cases where such law is applicable;
- where the proceedings in which the judgment was obtained are opposed to natural justice;
- where the judgment has been obtained by fraud; or
- where the judgment sustains a claim founded on a breach of any law in force in India.

Section 44A of the Civil Procedure Code is applicable only to decrees or judgments under which a sum of money is payable not being in the nature of amounts payable in respect of taxes or other charges of a similar nature or in respect of fines or other penalties and does not include arbitration awards. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India. Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with public policy or practice in India.

Under the Civil Procedure Code, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. If a judgment of a foreign court is not enforceable under Section 44A of the Civil Procedure Code as described above, it may be enforced in India only by a suit filed upon the judgment, subject to Section 13 of the Civil Procedure Code, and not by proceedings in execution. The United Kingdom, Singapore and Hong Kong (among others) have been declared by the Government of India to be reciprocating territories for the purposes of Section 44A of the Civil Procedure Code. However, the United States has not been declared by the Government of India to be a reciprocating territory for the purposes of Section 44A of the Civil Procedure Code. Accordingly, a judgment of a court in the United States may be enforced only by filing a fresh suit on the basis of the judgment and not by proceedings in execution.

The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is difficult to predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to delay.

A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI under the Foreign Exchange Management Act, 1999, as amended ("FEMA"), to execute such a judgment and repatriate any amount recovered pursuant to such enforcement, and such amount may be subject to income tax in accordance with applicable laws. Any judgment in a foreign currency would be converted into Indian Rupees on the date of judgment and not on the date of payment.

CERTAIN DEFINITIONS

In this offering memorandum, except where otherwise indicated or where the context otherwise requires, references to:

- "the 2014 AERA Order" are to the order passed by AERA on February 24, 2014 which, among others, resulted in the discontinuation of our user development fee and passenger service fee (facilitation component), which were later restored;
- "AAI" are to the Airports Authority of India, an Indian government authority established under the Airports Authority of India Act 1994;
- "AERA" are to The Airports Economic Regulatory Authority of India, an independent regulator established by the Government of India;
- "the Airport" or "our Airport" are to Rajiv Gandhi International Airport located on the land leased to us from the State Government pursuant to the Land Lease Agreement;
- "ATMs" are to air traffic movements, which are all aircraft arrivals and departures to and from an airport;
- "Aviation Policy 2016" are to the National Civil Aviation Policy issued by the Government of India on June 15, 2016 introducing various measures aimed at promoting the growth of the Indian civil aviation sector.
- "the Concession" or "our Concession" are to our rights to carry out the development, design, financing, construction, commissioning, maintenance, operation and management of the Airport as provided in the Concession Agreement, the SSA, the Land Lease Agreement and other related agreements;
- "CNS/ATM Agreement" are to the Agreement for the Provision of Communication, Navigation and Surveillance and Air Traffic Management Facilities and Services dated August 11, 2015 between AAI and the Company;
- "Co-Manager" are to Elara Capital Plc;
- "Concession Agreement" are to the concession agreement for the development, construction, operation and maintenance of the Airport dated December 20, 2004 between MoCA and the Company;
- "DGCA" are to the Director General of Civil Aviation of India;
- "ECB Facility" are to the facility made available pursuant to the Amended and Restated Common Facility Agreement dated June 29, 2015 between the Company and Abu Dhabi Commercial Bank Limited as ECB lender;
- "ECB Lender" are to Abu Dhabi Commercial Bank Limited;
- "GMR Group" are to GMR Infrastructure Limited and its subsidiaries;
- "GoI" and "Government of India" are to the central government of the Republic of India;
- "IATA" are to the International Air Transport Association;
- "IBEF" are to the India Brand Equity Foundation;

- “Ind-AS” are to Indian accounting standards notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended with effect from April 1, 2016 and applicable to the Company;

- “Indian GAAP” are to generally accepted accounting principles in India, including the Accounting Standards specified under Section 133 of the Indian Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rule, 2014, and applicable to the Company until March 31, 2016;

- “Indian Rupees,” “Rupees” and “Rs.” are to Indian Rupees;

- “Joint Lead Managers” are to BofA Merrill Lynch, HSBC, Citi, J.P. Morgan and YES Bank;

- “Land Lease Agreement” are to the land lease agreement relating to the land on which the Airport is located dated September 30, 2003 between the State Government as the lessor and the Company as the lessee;

- “Master Plan” are to the master plan for the long-term development of the Airport that we prepared and update in accordance with the Concession Agreement;

- “MoCA” are to the Ministry of Civil Aviation, GoI;

- “MRO” are to maintenance, repair and overhaul, which services that we, through our wholly-owned subsidiary, provide to air carriers at the Airport;

- “peak hour movements” are to the maximum permissible ATMs per hour at a particular runway and is a measure of runway capacity;

- “Phase 1B Expansion” are to the current phase of development of the Airport under the Master Plan;

- “Regional Connectivity Scheme” are to the scheme under the Aviation Policy 2016 which envisages to enhance regional connectivity through fiscal support and infrastructure development;

- “Rupee Facilities” are to the facilities made available under (a) the Rupee Term Loan Agreement dated June 28, 2014, as amended by credit arrangement letters dated October 24, 2016, between the Company and ICICI Bank as Rupee facility agent and mandated lead arranger, and the Rupee lenders from time to time party thereto, and (b) the Rupee Term Loan Agreement dated October 26, 2016 between the Company and Axis Bank Limited as Rupee facility agent and mandated lead arranger, and the Rupee lenders from time to time party thereto;

- “SHA” are to the Shareholders Agreement dated September 30, 2003 between the State Government, AAI, GMR Infrastructure Limited, Malaysia Airports Holding Berhad and the Company;

- “SSA” are to the State Support Agreement dated September 30, 2003 between the State Government and the Company;

- “Stabilizing Manager” are to The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch;

- “State Government” are to, prior to notification of the provisions of Andhra Pradesh Reorganisation Act, 2014, the State Government of Andhra Pradesh, and, subsequently thereto, the Government of Telangana State, as the context requires;

- "we," "us," "our," "GHIAL," "our Company," "the Company," "the Group" or words of similar import are to GMR Hyderabad International Airport Limited, or to GMR Hyderabad International Airport Limited and its subsidiaries on a consolidated basis; and

- "Working Capital Facilities" are to the working capital facilities made available pursuant to (a) the Working Capital Facility Agreement dated October 26, 2016 between the Company and Axis Bank Limited and (b) the Working Capital Facility Agreement dated August 12, 2014 between the Company and ICICI Bank.

SUMMARY

This summary highlights information contained elsewhere in this offering memorandum but does not contain all the information that may be important to you. Before making an investment decision, you should read this entire offering memorandum. This summary is qualified by, and must be read in conjunction with, the more detailed information appearing elsewhere in this offering memorandum. You should also carefully consider the information set forth under the headings "Presentation of Financial Information," "Risk Factors," "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and accompanying notes thereto appearing elsewhere in this offering memorandum.

INTRODUCTION

We hold the exclusive right to operate, manage and develop Rajiv Gandhi International Airport (the "Airport") — the sixth busiest airport in India in terms of passenger traffic, according to data compiled by the Airports Authority of India ("AAI"). Our core activities include the development, management, maintenance and operation of the Airport and the management of commercial and other activities conducted at the Airport, including commercial property development and the provision of maintenance, repair and overhaul ("MRO") services to air carriers, and we also own the five-star rated Novotel Hyderabad Airport Hotel located in the vicinity of the Airport. The Airport serves Hyderabad, which is the fourth most populous city in India and currently the joint capital of Telangana and Andhra Pradesh, making it the regional hub while the new capital of Andhra Pradesh is under construction. The Airport is strategically located in central India, with the majority of India's territory reachable within two hours' flight time and the major population centers of the Middle East, Central and Southeast Asia reachable within five hours' flight time. The Airport serves 25 airlines operating connections to 49 destinations, comprising 16 international destinations and 33 domestic destinations as at June 30, 2017. The Airport is one of the fastest growing non-metro airports in India with air passenger traffic having grown at a compound annual growth rate ("CAGR") of 11.7% between fiscal year 2009 and fiscal year 2017, according to AAI.

Located at Shamshabad, Hyderabad between National Highway 7 ("NH7") and Srisailam Highway, the Airport is connected to parts of South-central India by NH7 and Srisailam Highway and to Hyderabad city by the Outer Ring Road, an eight-lane expressway encircling the entire city, and by the PV Narasimha Rao elevated road to the city center. The government has also announced plans to connect the Airport to the city through the multi-modal transport system ("MMTS"), suburban rail link and Hyderabad metro rail. Pursuant to the Concession Agreement, no new or existing airport is permitted to be developed as, or improved or upgraded into, an international or a domestic airport within an aerial distance of 150 km of the Airport before March 23, 2033 (the 25th anniversary of March 23, 2008, being the opening date of the Airport). Accordingly, we expect to benefit from the projected increase in international and domestic passenger traffic to Hyderabad, which is projected to reach 5.1 million and 16.3 million, respectively, by fiscal year 2021 according to the ICF Report. See "Industry" for additional information about the aviation sector in India. See "Risk Factors—Risks Related to our Business—The Government of India could grant new concessions that compete with the Airport."

GHIAL was incorporated on December 17, 2002 following a competitive bidding process in which a consortium, led by the GMR Group, was awarded an exclusive concession to design, finance, build, operate and maintain the Airport. On December 20, 2004, we entered into the Concession Agreement with the Ministry of Civil Aviation ("MoCA"), Government of India, which governs our rights and obligations under the Concession. Under the terms of the Concession Agreement, (i) we were granted the exclusive right to operate, manage and develop the Airport for a 30-year period until March 23, 2038, with an option to extend the term for an additional 30 years, which we have already exercised and (ii) we are required to pay a concession fee equivalent to 4.0% of our gross revenue annually to the Government of India.

We have also entered into other agreements such as the SSA, the Land Lease Agreement and the CNS/ATM Agreement with the relevant authorities in relation to the operation of the Airport. The SSA entered into with the State Government provides for certain support services and incentives to us for the development of the Airport, subject to certain parameters.

The Airport was commissioned within a period of 31 months from the commencement of construction and became commercially operational on March 23, 2008 with an initial design capacity of 12 million passengers per year and 150,000 metric tons of cargo handling capacity per year. The Airport has facilities and infrastructure which are in line with ICAO standards and practices to handle large aircrafts and international traffic. The Airport's facilities include two runways, one cargo terminal and one passenger terminal with a total of 146 check-in counters and 42 aircraft parking stands, comprising 30 remote stands and 12 aerobridges. The Airport houses a 13,500 kiloliter fuel farm facility that operates on an "open access" fuel policy where any oil marketing company under a contract with an airline can supply fuel using this facility. The Airport has the flexibility to increase capacity to accommodate up to 40 million passengers per year on a more cost-efficient basis due to the modular design of the existing infrastructure. Such expansion is proposed to be developed in a phased manner in line with the expected growth in passenger traffic. The current phase of our long-term Master Plan, the Phase 1B Expansion, entails expansion of the Airport to increase the passenger capacity to 20 million passengers per year from the current passenger capacity of 12 million passengers per year. See "Business—The Master Plan" for further details.

We have also developed Cargo Village at the Airport, which includes an integrated cargo terminal with domestic, pharmaceutical and international zones within a single terminal. This integrated cargo terminal is spread over an area of 15,000 square meters, containing three aircraft parking bays and a total cargo handling capacity of 150,000 metric tons per year. In addition to these facilities, the Cargo Village also includes a dedicated domestic express terminal operated by Blue Dart and a dedicated cargo satellite building with offices for cargo agents, airlines, regulatory bodies and warehousing space adjacent to the cargo terminal.

The Airport is currently India's only airport-based free trade zone, which provides companies an opportunity to undertake trading, distribution, minor assembly, value additions such as packaging and labelling and warehousing for effective re-export of commodities with facilities for sorting, grading, kitting and repacking.

Passenger traffic at the Airport has grown substantially from 6.2 million passengers in fiscal year 2009 (when it began commercial operations) to 15.1 million passengers in fiscal year 2017, a CAGR of 11.7%. Cargo volume has also increased significantly, from 54,245 metric tons in fiscal year 2009 to 121,882 metric tons in fiscal year 2017, a CAGR of approximately 10.6%, higher than India's average of 7.3%. For the three months ended June 30, 2017 and 2016 and fiscal years 2017, 2016 and 2015, (i) total passenger traffic at the Airport was 4.1 million, 3.5 million, 15.1 million, 12.4 million and 10.4 million, respectively, (ii) total cargo traffic at the Airport was 32,791 metric tons, 28,265 metric tons, 121,882 metric tons, 110,033 metric tons and 98,899 metric tons, respectively, and (iii) the Airport handled 34,722, 30,379, 130,713, 105,772 and 94,057 air traffic movements, which are all aircraft arrivals and departures to and from the Airport.

Under the Land Lease Agreement, the State Government has leased us 5,492 acres of land for the development of the Airport in accordance with the Concession Agreement along with the exclusive right to develop (or sub-lease the land for) non-airport activities on the site, of which we have designated 1,500 acres for commercial property development in the Master Plan. The initial term of the lease is 30 years and thereafter will be extended for such period for which the Concession is extended under the Concession Agreement. We are in the process of developing the commercial site in a phased manner. Out of the 1,500 acres of land designated for commercial development, we have designated 250 acres for a multi-product special economic Zone ("SEZ"), which will include a "Free Trade Warehousing Zone" of 20 acres, and an additional 250 acres for a logistics park. The remaining 1,000 acres is available for development of a theme-based airport city, which is expected to include, among others, a multi-specialty hospital, convention center and exhibition facility, an amusement park, an international business school and an international school. As at June 30, 2017, we have monetized approximately 90 acres of this land, including land leased to Indian Rotorcraft Ltd. (Tata Augusta), United Technologies Corporation India Pvt. Ltd. (Pratt & Whitney), CFM Training, Amazon Seller Services Private Limited, Casper Pharma Private Limited, Cronus Pharma Specialties India Private Limited, Ryan International School, Schulich Business School, SAS Applied Research & Lab Materials Ltd, SAAZ Imaging Systems Private Limited, Decathlon and Turbo Jet Private Limited. See "Business—Our Sources of Revenue—Non-aeronautical Services—Commercial Property Development" for further details.

In fiscal year 2017, we had total revenue of Rs.13,767.1 million (US$212.6 million) and Adjusted EBITDA of Rs.8,541.5 million (US$131.9 million), an increase of 55.8% and 97.1%, respectively, from total revenue of Rs.8,835.6 million and Adjusted EBITDA of Rs.4,333.2 million in fiscal year 2016. For the three months ended June 30, 2017, we had total revenue of Rs.3,629.8 million (US$56.1 million) and Adjusted EBITDA of Rs.2,296.8 million (US$35.6 million), an increase of 11.6% and 11.8%, respectively, from total revenue of Rs.3,251.4 million and Adjusted EBITDA of Rs.2,053.6 million for the three months ended June 30, 2016.

Our majority shareholder is a subsidiary of GMR Group, a leading diversified infrastructure group in India with substantial experience in the development and operation of airports including the Indira Gandhi International Airport in Delhi, power plants, roads and urban infrastructure. Our other shareholders include AAI, the State Government and Malaysia Airports Holdings Berhad, a leading international airport operator. See "Principal Shareholders" for more information about our shareholders.

Overview of our Sources of Revenues

Our revenue from operations is derived from (a) aeronautical operations, which comprises user development fees, passenger service fees, landing charges, parking and housing charges and common infrastructure charges, and are regulated by AERA and (b) non-aeronautical operations and related services, which comprises revenue earned by us from (i) non-aeronautical operations including, among others, commercial property development, aircraft MRO services, revenue sharing arrangements with our joint venture, Laqshya Hyderabad Airport Media Private Limited, which provides advertising services at the Airport, rent and/or revenue sharing from leasing of terminal space, retail goods and services, food and beverage, fuel farm throughput fees, ground handling services, car park, car rental services, automatic teller machines, lounge rental fees, foreign exchange counters and others, (ii) cargo operations and (iii) hospitality and retail services comprising our hotel and duty free operations.

Revenue from aeronautical operations was Rs.1,864.7 million (US$28.8 million), Rs.1,661.1 million, Rs.7,082.7 million and Rs.2,874.5 million for the three months ended June 30, 2017 and 2016 and fiscal years 2017 and 2016, respectively, accounting for 51.6%, 51.5%, 51.8% and 32.8% of our revenue from operations in those periods. Revenue from non-aeronautical operations and related services was Rs.1,746.1 million (US$27.0 million), Rs.1,562.9 million, Rs.6,584.6 million and Rs.5,880.1 million for the three months ended June 30, 2017 and 2016 and fiscal years 2017 and 2016 and, respectively, accounting for 48.4%, 48.5%, 48.2% and 67.2% of our revenue from operations in those periods.

For more information regarding our sources of revenues, see "Business—Our Sources of Revenues."

Overview of our Concession

On December 20, 2004, we entered into the Concession Agreement with MoCA which governs our rights and obligations under the Concession. Under the terms of the Concession Agreement, (i) we were granted the exclusive right to operate, manage and develop the Airport (excluding the right to carry out certain reserved activities and to provide communication, navigation and surveillance ("CNS") and air traffic management services which are required to be provided by AAI) for a 30-year period until March 23, 2038, with an option to extend the term for an additional 30 years, which we have already exercised and (ii) we are required to pay a concession fee equivalent to 4.0% of our gross revenue annually to the Government of India, which we believe is one of the lowest concession fee structures among PPP airports in India. The concession fee in respect of the first 10 financial years is payable in 20 equal half-yearly instalments on June 30th and December 31st starting from fiscal year 2019.

We have also entered into other agreements such as the SSA, the Land Lease Agreement and the CNS/ATM Agreement with the relevant authorities in relation to the operation of the Airport. The SSA entered into with the State Government provides for certain support services and incentives to us for the development of the Airport, subject to certain parameters. The Land Lease Agreement provides for the lease to us by State Government of 5,492 acres of land for the development of the Airport in accordance with the Concession Agreement along with the exclusive right to develop (or sub-lease the land for) non-airport activities on the site, of which we have designated 1,500 acres for commercial property development in the Master Plan. The CNS/ATM Agreement entered into with AAI sets out the terms and conditions for the provision of CNS and ATM services at the Airport by AAI.

COMPETITIVE STRENGTHS

We believe our competitive strengths include the following:

Attractive Industry Dynamics

India, with an estimated population of 1,282 million (as of July 2017), had an estimated GDP adjusted for purchasing power parity of approximately US$8.67 trillion in 2016 according to the CIA World Factbook. This makes it the third largest economy by GDP in the world after the U.S. and China. India has been the world's fastest growing domestic travel market for the 22nd time in a row, recording a 26.6 per cent year-on-year growth in January 2017, according to the IATA.

As a result of strong economic growth and other positive macroeconomic indicators in India, there has been an overall growth in passenger traffic in India and at our Airport, although passenger traffic has also been partly driven by low fares. We believe that the expansion of India's middle class, coupled with increased disposable incomes due to an expanding economy, is projected to help achieve some of the fastest growth in the world over the next 20 years. The Indian civil aviation industry has also ushered in a new era of expansion, driven by factors such as LCCs, modern airports, FDI in domestic airlines, advanced IT interventions and the growing emphasis on regional connectivity. In fiscal years 2015, 2016 and 2017, passenger traffic in India was 190 million, 223 million and 264 million, respectively, representing a CAGR of 17.9% over the three fiscal years, and passenger traffic at our Airport was 10.5 million, 15.3 million and 12.5 million, respectively, representing a CAGR of 20.4% over the three fiscal years.

The growth in domestic passenger traffic, substantial strengthening through Government initiatives, decrease in global crude oil prices and airlines showing profits indicate a significantly positive transformation for the Indian civil aviation market. Passenger air traffic is projected to grow at a CAGR of 12-14% from fiscal year 2017 to fiscal year 2022, according to CRISIL Research, driven by growth in domestic traffic and improved connectivity between tier 2 and tier 3 cities. Indian cargo traffic is projected to grow at a CAGR of 6-8% from fiscal year 2017 to fiscal year 2022, according to CRISIL Research, driven by improved domestic and global economic conditions and increased trade from India.

Strategic Location with a Superior Catchment Area

With a population of 6.8 million people, Hyderabad is India's fourth most populous city and a leading financial and industrial center. Hyderabad is considered to be one of the top citites in India in terms of quality of living and has been named by National Geographic 'Traveler' magazine as a top rated destination. Further, the State of Telangana has been ranked number one in terms of doing business in India with an increasing industrial presence in the immediate catchment areas. The State of Telangana also accounts for one third of national bulk drug production according to the IBEF. As Hyderabad is currently the joint capital of Telangana and Andhra Pradesh, the Airport serves as an aviation hub for the region. Moreover, under the Concession Agreement, no new or existing airport is permitted to be developed as, or improved or upgraded into, an international or a domestic airport within an aerial distance of 150 km of the Airport before March 23, 2033. See "Risk Factors—Risks Related to our Business—The Government of India could grant new concessions that compete with the Airport" for further details. Hyderabad's central Asian location is one of the Airport's greatest strengths, with the majority of India's territory reachable within two hours' flight time and the major population centers of the Middle East, Central and Southeast Asia reachable within five hours' flight time. The Airport services airlines operating connections to 16 international and 33 domestic destinations and as a result of increased flight routes, increased flight frequencies and large and fuller aircrafts, passenger traffic at the Airport has increased significantly from 6.2 million passengers in fiscal year 2009, the Airport's first year of commercial operations, to 15.1 million passengers in fiscal year 2017, a CAGR of 11.7%. ICF International expects passenger traffic at the Airport to grow at a CAGR of 9.6% from fiscal year 2018 to fiscal year 2023 and reach 27.8 million, with international traffic and domestic traffic growing at CAGRs of 9.9% and 9.6%, respectively, and expects cargo traffic at the Airport to grow at a CAGR of 10.4% and reach 229,059 metric tons by fiscal year 2023, with international cargo and domestic cargo growing at 11.8% and 8.3%, respectively.

Strong Operating and Financial Performance

The Airport has experienced substantial traffic growth since beginning commercial operations in 2009. Passenger traffic at the Airport increased from 6.2 million passengers in fiscal year 2009 to 15.1 million passengers in fiscal year 2017, a CAGR of 11.7%. Cargo volume has also increased significantly, from 54,245 metric tons in fiscal year 2009 to 121,882 metric tons in fiscal year 2017, a CAGR of approximately 10.6%, higher than India's average of 7.3%. For the three months ended June 30, 2017 and 2016 and fiscal years 2017, 2016 and 2015, (i) total passenger traffic at the Airport was 4.1 million, 3.5 million, 15.1 million, 12.4 million and 10.4 million, respectively, of which 0.9 million, 0.8 million, 3.4 million, 3.2 million and 2.8 million, respectively, were international passengers, (ii) total cargo traffic at the Airport was 32,791 metric tons, 28,265 metric tons, 121,882 metric tons, 110,033 metric tons and 98,899 metric tons, respectively, of which 19,562 metric tons, 16,195 metric tons, 68,946 metric tons, 59,578 metric tons and 55,023 metric tons, respectively, represented international cargo and (iii) the Airport handled 34,722, 30,379, 130,713, 105,772 and 94,057 ATMs, of which 5,711, 5,554, 22,261, 20,693 and 18,361, respectively, represented international ATMs. As a result of growth in traffic at the Airport, we increased our declared runway capacity in fiscal year 2017 to 33 peak hour movements from 30 peak hour movements in prior years.

In fiscal year 2017, we had total revenue of Rs.13,767.1 million (US$212.6 million) and Adjusted EBITDA of Rs.8,541.5 million (US$131.9 million), an increase of 55.8% and 97.1%, respectively, from total revenue of Rs.8,835.6 million and Adjusted EBITDA of Rs.4,333.2 million in fiscal year 2016. For the three months ended June 30, 2017, we had total revenue of Rs.3,629.8 million (US$56.1 million) and Adjusted EBITDA of Rs.2,296.8 million (US$35.6 million), an increase of 11.6% and 11.8%, respectively, from total revenue of Rs.3,251.4 million and Adjusted EBITDA of Rs.2,053.6 million for the three months ended June 30, 2016.

Diversified Revenue Base

The Airport benefits from a diversified passenger base from various markets, including the Asia Pacific region, the Middle East, Europe and the United States. The Airport serves 25 passenger airlines and five cargo freighters as at June 30, 2017. Of the international passengers that came through the Airport during the three months ended June 30, 2017 and fiscal year 2017, 47.0% and 48.0%, respectively, were from Middle East, 23.0% and 22.0%, respectively, were from North America, 17.0% and 16.0%, respectively, were from Asia, 8.0% and 9.0%, respectively, were from Europe, 3.0% and

3.0%, respectively, were from Australasia and 2.0% and 2.0%, respectively, were from Africa. In addition, international cargo accounted for approximately 59.7%, 57.3%, 56.6%, 54.1% and 55.6% of cargo traffic for the three months ended June 30, 2017 and 2016 and in fiscal years 2017, 2016 and 2015, respectively.

Our revenue from operations is derived from (a) aeronautical operations, which comprise user development fees, passenger service fees, landing charges, parking and housing charges and common infrastructure charges, and are regulated by AERA and (b) revenue from non-aeronautical operations and related services comprises revenue earned by us from (i) non-aeronautical operations including, among others, commercial property development, aircraft MRO services, revenue sharing arrangements with our joint venture, Laqshya Hyderabad Airport Media Private Limited, which provides advertising services at the Airport, rent and/or revenue sharing from leasing of terminal space, retail goods and services, food and beverage, fuel farm throughput fees, ground handling services, car park, car rental services, automatic teller machines, foreign exchange counters and others, (ii) cargo operations and (iii) hospitality and retail services comprising our hotel and duty free operations.

We have a balanced mix of revenue from aeronautical operations and non-aeronautical operations and related services. Revenue from aeronautical operations was Rs.1,864.7 million, Rs.1,661.1 million, Rs.7,082.7 million and Rs.2,874.5 million for the three months ended June 30, 2017 and 2016 and fiscal years 2017 and 2016, respectively, accounting for 51.6%, 51.5%, 51.8% and 32.8% of our revenue from operations in those periods. Revenue from non-aeronautical operations and related services was Rs.1,746.1 million, Rs.1,562.9 million, Rs.6,584.6 million and Rs.5,880.1 million for the three months ended June 30, 2017 and 2016 and fiscal years 2017 and 2016 and, respectively, accounting for 48.4%, 48.5%, 48.2% and 67.2% of our revenue from operations in those periods. We believe that we have a robust revenue model with a stable aeronautical revenue stream and the potential for significant upside through our non-aeronautical revenue stream, which is not subject to regulatory control, in particular due to our commercial property development business which provides a non-aeronautical revenue stream largely delinked from air travel and which is set to grow as we sub-lease the remainder of the 1,500 acres of land that we have designated for development in the Master Plan.

We believe that our diversified operations and sources of revenues help create a solid revenue generation.

Significant Real Estate Development Opportunity

Under the Land Lease Agreement, the State Government has leased us 5,492 acres of land for the development of the Airport in accordance with the Concession Agreement along with the exclusive right to develop (or sub-lease the land for) non-airport activities on the site, of which we have designated 1,500 acres for commercial property development in the Master Plan.

We are in the process of developing the commercial site in a phased manner. Out of this 1,500 acres, we have designated 250 acres for a multi-product SEZ, which will include a "Free Trade Warehousing Zone" of 20 acres, and an additional 250 acres for a logistics park. The developers in the multi-product SEZ will be entitled to fiscal incentives together with "single window" clearances for regulatory approvals and 24-hour power and other utilities. The remaining 1,000 acres is available for development of a theme-based airport city, which is expected to include, among others, a multi-specialty hospital, convention center and exhibition facility, an amusement park, an international business school and an international school. As at June 30, 2017, we have monetized approximately 90 acres of this land, including land leased to Indian Rotorcraft Ltd. (Tata Augusta), United Technologies Corporation India Pvt. Ltd. (Pratt & Whitney), CFM, Amazon Seller Services Private Limited, Casper Pharma Private Limited, Cronus Pharma Specialties India Private Limited, Ryan International School, Schulich Business School, SAS Applied Research & Lab Materials Ltd, SAAZ Imaging Systems Private Limited, Decathlon and Turbo Jet Private Limited.

We believe that this 1,500 acre site presents a significant real estate development opportunity for us and an additional source of cash flow for our business.

Stable Regulatory Outlook

Our business operations fulfill a number of socio-economic goals that are important to the Indian government, such as employment and infrastructure development, and our operational, development and expansion plans are closely aligned with the government's objectives, including supporting the economic development of India and encouraging the growth of tourism. In addition, 13.0% of our shares are currently owned by the State Government and 13.0% of our shares are owned by AAI, making the Government of India one of our key shareholders. In this regard, we have received financial support from State Government in the form of development grants and interest free loans with deferred payment terms and the Concession Agreement provides for a modest revenue-sharing of 4.0% of gross revenues with the Government of India.

On June 15, 2016, the Government of India released the Aviation Policy 2016, introducing various measures to make flying affordable and convenient for the Indian public and promote the growth of the Indian civil aviation sector. The Aviation Policy 2016 seeks to enhance regional connectivity by providing fiscal support and infrastructure development while improving the ease of doing business through deregulation, use of electronic platforms and simplified procedures. The Aviation Policy 2016 endorsed the adoption of the 30% hybrid till tariff model for all airports in India. This endorsement helps ensure that AERA will continue to approve our current 30% hybrid till tariff model in subsequent control periods, providing valuable visibility for our future financial planning, in addition to contributing to uniformity and fairer competition among airports in India. The policy has also encouraged the development of MRO, ground handling, cargo and aviation turbine fuel infrastructure facilities located at the Airport by designating the companies rendering such services as infrastructure companies, which entitles them to certain tax and other fiscal benefits available to the infrastructure sector. Going forward, the Government of India will seek to enter into "open sky" air service agreements on a reciprocal basis with member countries of the South Asian Association for Regional Cooperation and countries that are more than 5,000 km from India. The Aviation Policy 2016 targets to increase annual domestic air passengers to 500 million, international air passengers to 200 million and cargo volumes to 10 million by 2027.

The policy also endorsed the Regional Connectivity Scheme, under which the Government of India will seek to make improvements to smaller airports across India to connect small and mid-sized cities with major airports such as the Airport. Under the Regional Connectivity Scheme, MoCA will levy a small charge on domestic flights and will use it to fund a subsidy given to airlines which provide capped airfares for certain under-served regional routes at a target rate of Rs.2,500 per passenger per hour of flight time. Following the counter-bidding for routes under the Regional Connectivity Scheme, 128 routes have been awarded to five airlines. The Regional Connectivity Scheme also eliminates the existing requirement that airlines must fly domestic routes for at least five years before they fly international routes, so that airlines with at least 20 aircraft can immediately start flying internationally. Three new routes from the Airport are now operational under the Regional Connectivity Scheme, and we expect many more such routes to become operational given the Airport's strong catchment area.

The Government of India also plays a range of other important roles with respect to our business, including through regulatory, supervisory, operational coordination and contractual counterparty roles across many aspects of our airport operations and other activities. We believe that due to the pivotal importance of air travel to the economic development of India, we will benefit from the ongoing initiatives of the Government of India.

Our revenue from aeronautical services, which is generated from fees we collect from airlines and passengers, is set by AERA, an independent regulator established by the Government of India. Our expansion plans, including our plans for future capital expenditures in subsequent control periods, is subject to AERA's review and approval in connection with its tariff decisions. As a result, we believe that AERA's tariff decisions provide assurances that sufficient revenue will be available from aeronautical services to fund our intended capital expenditures in line with the plans we have submitted to AERA. We have the right to appeal AERA's tariff rates to a separate appellate tribunal, which provides us with an avenue to address potential concerns. See "Business—Regulatory Bodies—AERA" for further details.

Independent Company with Strong Oversight Controls

We exercise independence in our managerial and financial operations while also enjoying the support of reputable shareholders. Our shareholders include private sector sponsors GMR Infrastructure Limited and Malaysia Airports Holding Berhad (through MAHB Mauritius Private Limited) and public sector entities AAI and the State Government. Under the SHA, the role of our private sector shareholders is to manage the operations of the Airport while our public sector shareholders provide the relevant support, particularly by ensuring reliable transport infrastructure, power and utilities, ensuring security at the Airport, and advising on policy with regard to the regulatory till and other regulatory matters. Certain fundamental decisions with respect to our strategy and business require the approval of directors from each of our public-sector shareholders, as does any approval of agreements relating to engineering, procurement and construction, operations and management, or communications and air traffic control that we enter into with affiliates of our shareholders. Our public sector shareholders also provide financial support, particularly with regard to development grants and interest free loans with deferred payment terms, from the State Government, and the Concession Agreement provides for a modest revenue-sharing of 4.0% of gross revenues with the Government of India, which is one of the lowest concession fee structures among PPP airports in India.

Our board is comprised of 14 directors, of which five are nominated by the GMR Group, one is nominated by Malaysia Airports Holding Berhad, two are nominated by AAI, two are nominated by the State Government and four are independent directors. Our key board committees include nominees from our public sector shareholders and independent directors. See "Management" for further details.

Our majority shareholder is a subsidiary of the GMR Group, which has substantial experience in the development and operation of airports, including the Indira Gandhi International Airport in Delhi. The GMR Group believes in contributing its industry expertise to the companies it invests in while establishing for each a clear and independent management structure. GHIAL's financing documents do not include cross-default provisions with respect to the GMR Group, which further strengthens GHIAL's insulation from the GMR Group. As a regulated entity, legislative, regulatory and structural restrictions prohibit GHIAL from supporting the GMR Group to extent that would in turn impair GHIAL's standalone creditworthiness. Another of our shareholders is Malaysia Airports Holding Berhad, a subsidiary of Malaysia Airports Limited, a leading international airport operator with very strong domain expertise in airport operations and management, which takes a passive role in managing our operations while providing advice on strategic matters to our board. We are a separate legal entity from our shareholders, do not permit co-mingling of cash flows and enter into transactions with our affiliates on an arm's-length basis, and we have independent directors on the board who have effective influence on decision making. As a result, we enjoy significant independence from our shareholders in managing and operating the Airport.

Excellent Reputation and Highly Experienced Management

We believe our competitive position compared to other world-class airport operators and a continuing reputation for operational excellence within the airport services industry is a significant competitive advantage. GMR Group has been in the airports business for more than a decade and has established itself as a leading airport developer. Our majority shareholder, GMR Airports Limited, which is part of the GMR Group, is a full service airport developer, providing end-to-end solutions across construction, financing, development, operation and management of airports. Our highly experienced management team has leveraged that experience at the GMR Group to make substantial infrastructure and operational improvements at the Airport and greatly improve the Airport's reputation. Our management team is composed of experienced professionals with extensive knowledge of airport safety and operations, finance, business development, infrastructure projects and human resources management in airport-related operations. We believe our management team's capabilities and core understanding of our business, as well as the related regulatory environment, enable us to operate efficiently and manage risk effectively.

As a result of our management's continued efforts, coupled with that of our partners, the Airport and/or GHIAL have been recognized by several industry observers and have earned a number of awards, including the following:

- Ranked number one in 2009, 2010 and 2016, number two in 2012 and 2013 and number three in 2011, 2014 and 2015 for "Best Airport in the World" among 5-15 million passenger size airports by the Airport Council International;
- "Best Airport Awards" in India by SKYTRAX in 2010 and 2013;
- "Best Regional Airport in India and Central Asia" in 2016 at the SKYTRAX World Airport Awards;
- "Best Cargo Airport" and "Best Air Cargo Terminal" in 2012 and 2013 by ACAAI;
- "Best Greenfield Airport" in 2009 by the Air Passenger Association of India;
- "National Tourism Award" by the Ministry of Tourism between 2010 and 2013;
- "Emerging Cargo Airport of the Year" in 2014 and 2015 by STAT TIMES;
- "Best Airport Marketing Award" in 2013 by CAPA;
- The "Routes Airport Marketing Award" in the Indian sub-continent category in 2010 by The Routes Asia;
- "Fastest Growing Cargo Airport" in 2016 at the India Cargo Awards West and South;
- LEED "silver" rating for the Airport's eco-friendly design;
- 5-star certification and the "Sword of Honor" from the British Safety Council;
- Level 3 accreditation by ACI in relation to airport carbon emission;
- First place in the "Large Scale — Service" category of the CII SR 5S Excellence Award 2015;
- "ASSOCHAM 2nd Corporate Governance Excellence Award" in 2015 and 2016 — as runner up under Unlisted Private Sector Company of Less than Rs.5 billion Turnover category;
- "Best Management Award" from the Government of Andhra Pradesh;
- "Active Customer Engagement Award" in the inaugural edition of "CII Award for Customer Obsession 2016";
- "Best Landscape" in 2015 at the Garden Festival;
- "Golden Peacock Environment Management Award" in 2015;

- "Golden Peacock Business Excellence Award 2017" under the "Large Scale Industry — Transportation — Aviation" category; and

- Our cargo subsidiary, Hyderabad Menzies Air Cargo Private Limited, received the award for "Best Cargo Terminal Workforce 2016" at the Warehousing Excellence Awards.

STRATEGIES

We intend to seek to increase revenues and improve efficiencies through the following key measures:

Develop the Airport into South and Central India's Gateway of Choice

A key driver of our revenue growth is related to passenger traffic. We are therefore committed to developing new air routes at our Airport by encouraging new airlines to call on the Airport and existing airline customers to add further routes to and from the Airport, with a particular focus on key international routes and airlines with high growth potential. Since June 30, 2016, we have added two new airlines, Air Asia India and Go Air, and several airlines, including Indigo, SpiceJet and Go Air, have announced new routes, including routes to Trivandrum, Mangalore, Pondicherry, Surat, Patna, Jabalpur, Bhopal, Cudappah and Nandeed. Due in part to our catchment area and centralized location, we believe that we are the preferred airport for travelers to south India as compared to other airports in south India such as Bangalore and Chennai.

We intend to enhance our market position as a transit point for domestic flights and promote Hyderabad as the preferred hub for immediately addressable markets and routes. The geographic location of Hyderabad makes it suitable as a hub for domestic passenger traffic, especially as it provides easy access to and from various major cities in South and Central India. We have developed a comprehensive route development strategy, backed by our team of experienced professionals, with the goal of developing new routes, optimizing the scheduling of existing routes, building flight connections, attracting new airlines and increasing overall passenger traffic at Hyderabad. We are working closely with airlines to align their schedules of departures and arrivals to maximize connection options and minimize connecting times for passengers. We also aim to increase the number of aircraft based at the Airport by offering night parking and other facilities, and to establish routes with attract larger aircraft to help increase passenger traffic.

We also aim to develop Hyderabad as a tourism gateway through the introduction of integrated tourism packages and collaborating with the tourism departments of neighboring states. For example, we have introduced loyalty programs for travel agents and route development initiatives with airlines for certain routes. We believe that these efforts will facilitate the development of additional routes and further increase passenger traffic and revenues.

Develop the Airport as a Preferred Logistics Hub

We seek to develop the Airport into an air traffic hub for cargo in India by pursuing several initiatives, including increasing traffic to the Middle East, Africa, China and Europe by developing new facilities such as perishable cargo, express cargo and trans-shipment facilities and expanding the domestic zone facilities, enhancing our air cargo logistics center to attract new freight forwarders, leveraging our state-of-the-art cargo terminal with advanced temperature-controlled facilities for the storage and handling of pharmaceutical products from receipt until dispatch to the aircrafts, and developing new revenue streams for renting warehouse and commercial cargo space.

We have developed the Cargo Village at the Airport, which includes an integrated cargo terminal with domestic, pharmaceutical and international zones within a single terminal. This integrated cargo terminal is spread over an area of 15,000 square meters and has a cargo handling capacity of 150,000 metric tons per year. The Cargo Village also includes a cargo apron with three dedicated aircraft parking bays for freighters approximately 50 meters away from the cargo terminal, which enhances the quality of handling of freighters by avoiding temperature excursions and reducing turnaround time. The Cargo Village has a dedicated cargo satellite building with warehousing space and offices for cargo agents, airlines and regulatory bodies, all available at a single facility proximate to the cargo terminal. In addition, Blue Dart operates a dedicated Domestic Express Terminal from the Cargo Village.

To strengthen our catchment connectivity, we have launched an "Air Freight Stations" initiative at Nagpur, Chennai, Goa and Vishakhapatnum to provide location convenience to our customers in these locations so that they can utilize our cargo infrastructure and services directly from their business regions. We have also linked several cities in South, Central and Western India through our "Road Feeder Services" initiative. We believe that these initiatives have demonstrated the quality of our infrastructure and connectivity and associated benefits of shipping through the Airport to customers within our catchment area, which has contributed to the consistent increase in our transit cargo in recent years.

We plan to leverage our Cargo Village and core cargo business to explore new cargo opportunities. We plan to further expand our capacity for pharmaceuticals with a dedicated "Pharma Zone" containing additional temperature-controlled warehouses, attract trunk route freighters and establish additional Free Trade Zones. Leveraging the growth of our airport city, we plan to ultimately establish an integrator hub, with a new express cargo terminal, additional bonded and non-bonded warehouses and a greenfield cargo airline based at the Airport.

Drive Growth in Commercial Property Development and Non-Aeronautical Operations and Related Services Revenue

We earn revenue in our commercial property development segment from sub-leasing parcels out of our total land bank of approximately 1,500 acres. All land monetization activities are being undertaken through our wholly-owned subsidiaries which in turn provide lease rent and revenue share to GHIAL. We are currently focused on increasing the percentage contribution from commercial property development and non-aeronautical operations and related services to our overall operating revenue. The terms of our Concession also provide us with flexibility and control in developing non-aeronautical operations and related services, which are generally not subject to government tariff regulation. These non-aeronautical operations and related services, including various retail and food and beverage outlets in the Airport, advertising in Airport premises, the leases of commercial space such as offices and airline lounges, operation of car parks and retail operations consisting of the sale of dutiable and non-dutiable goods, are all provided through various partner concessionaires, subsidiaries and joint ventures. Non-aeronautical operations and related services include the cargo facility and services provided at the Airport as well as non-airport services like hospitality services provided by our five-star rated Novotel Hyderabad Airport Hotel, commercial property development activities, MRO services and flight training services provided by our subsidiaries. Our revenue from non-aeronautical operations and related services has increased to Rs.6,584.6 million in fiscal year 2017 from Rs.5,880.1 million in fiscal year 2016.

With the increasing consumer purchasing power in India, we believe there are significant opportunities to increase non-aeronautical operations and related services revenue per passenger. We expect to focus on this objective through a range of initiatives, including:

- *Generate revenue from commercial property development*. The State Government has leased us 5,492 acres of land for the development of the Airport along with the exclusive right to develop (or sub-lease the land for) non-airport activities, of which we have designated 1,500 acres for commercial property development in the Master Plan. Commercial property development at the Airport is being undertaken in phases. Our aim is to progressively develop a multi-product SEZ spread across 250 acres, a logistics park spread across 250 acres and a theme-based, anchor-led, mixed-use airport city spread across 1,000 acres. As at June 30, 2017, we have monetized approximately 90 acres of this land, including land leased to Indian Rotorcraft Ltd. (Tata Augusta), United Technologies Corporation India Pvt.

Ltd. (Pratt & Whitney), CFM, Amazon Seller Services Private Limited, Casper Pharma Private Limited, Cronus Pharma Specialties India Private Limited, Ryan International School, Schulich Business School, SAS Applied Research & Lab Materials Ltd, SAAZ Imaging Systems Private Limited, Decathlon and Turbo Jet Private Limited.

The business environment in Hyderabad has also improved significantly over the past few years with gradual economic recovery aided by the industry-friendly policies of the state government which has brought the likes of Amazon, Apple, Google and Microsoft to set up campuses in Hyderabad. With such ongoing developments in and around Hyderabad, the demand for land in our land bank has gained traction and is expected to contribute significantly to our revenues.

- *Create stronger commercial focus*. We are in the process of optimizing our retail and other service offerings. In connection with these initiatives, we are seeking to reorganize, reposition and diversify our retail, food and beverage and other commercial offerings in our Airport to maximize customer traffic and visibility and minimize the distance and processing times from retail or other shops to boarding gates. Some of the key initiatives that we have undertaken, or plan to undertake, include (i) the development of new retail spaces in underpenetrated areas at the Airport by designing and executing new projects, bringing in new brands such as Swarovski, Mont Blanc, Porsche Design, Lacoste, Tommy Hilfiger and United Colors of Benetton and improving processes around concessionaire coordination, (ii) bringing new concessionaires onboard and tracking the sales performance of concessionaires through the improvement in account management, the implementation of close-ended Electronic Point of Sale ("EPOS") and closed-circuit television ("CCTV") systems and mystery audits and performance monitoring audits, (iii) utilizing visual merchandising and in-store promotions to improve impulse purchases with increased awareness and engagement with potential customers through social media, (iv) the introduction of new food and beverage offerings such as food festivals, take-away options and developing the food court, (v) encouraging the growth of the Airport as a leisure and destination venue by working on arena concepts, improving the leisure offerings at the Airport and promoting the activities at the Airport in the city and (vi) modifying the car park with a focus on the smooth entry and exit of vehicles through forecourt management and the introduction of valet and premium parking. We utilize extensive benchmarking through best practices learned from the leading airports in the world to enhance our optimization process. We are also working with our concessionaires to better differentiate and diversify our offerings in order to target the contrasting needs of full-service and LCC passengers and widen our overall product and services ranges to enhance passenger experience in our airports. Furthermore, we seek to promote our Airport branding through extensive marketing and communication of our products and services.

- *Enhance retail operations*. Through our subsidiary, we operate a full-range duty-free products business in the Airport. We are focused on enhancing the revenue contribution from our duty-free retail operations through initiatives including (i) the enhancement of brand and product offerings and the introduction of new categories of products beyond the core categories, (ii) improving the lay-out of our duty-free stores to better engage passengers, (iii) customizing offerings to better cater to target customers, (iv) focusing on visual merchandising, marketing and communication to attract customers, (vii) attracting festive celebrations, (viii) achieving efficient inventory management, (ix) rolling out in-store promotions and strategic product tie-ups and (x) focusing on staff training and development. We can also leverage our existing infrastructure to offer additional services for parking, taxis and food and beverage offerings to drive additional revenue growth.

- *Enhance our business capabilities*. We seek to expand commercial airport operations by supporting better business decision-making methodologies through the improvement of our business intelligence analytics, point-of-sales data analysis, business relationship management and customer relationship management systems. We believe that enhancing our business management capabilities will allow us to leverage the expansion of our commercial operations infrastructure into compounding business growth.

We believe the above steps have resulted in a significant increase in revenue from non-aeronautical operations and related services since the start of our Concession and we will continue to implement these strategies. Revenue from non-aeronautical operations and related services was Rs.1,746.1 million, Rs.1,562.9 million, Rs.6,584.6 million and Rs.5,880.1 million for the three months ended June 30, 2017 and 2016 and fiscal years 2017 and 2016 and, respectively, accounting for 48.4%, 48.5%, 48.2% and 67.2% of our revenue from operations in those periods.

Sustain Service Quality and Customer Experience

As the first Indian airport to be named "Best Airport in the World" among 5-15 million passenger size airports by the Airport Council International in 2016, we aim to continue to improve service levels and overall passenger satisfaction by working with our stakeholders and regulatory partners to introduce passenger friendly policies. GHIAL's existing passenger throughput has exceeded the terminal capacity leading to capacity constraints during peak hours. To cater to the present level of growth, we have undertaken various de-bottlenecking measures such as including additional entry points to the terminal, re-orientation of security checkpoints, modification of the baggage handling system, kerb side expansion, ramp expansion, including additional remote gates by extending the bus lounge and de-peaking of passengers to maximize the utilization of our current facilities. Other initiatives include the introduction of an e-boarding facility and express security check facility for passengers travelling with hand baggage. These initiatives are expected to reduce waiting times for security checks, increase available time for retail activities and reduce our operating costs.

By aligning our airport infrastructure planning with the expected growth in passenger levels, we hope to satisfy the changing needs and expectations of passengers at the Airport. In addition to building a customer-focused organization, we are continually implementing initiatives to develop and train our human capital, including employee engagement and welfare initiatives, to ensure that we have the capabilities to deliver the highest service standards.

Further Enhance Operational Efficiency

In an effort to optimize the operating efficiency of the Airport, we have implemented several initiatives designed to manage costs while maintaining the quality of the airport experience. We intend to continue exploring and implementing similar initiatives in the future in order to improve our operational efficiencies, which we believe are already among the best in the airport industry. Examples of initiatives we have recently implemented that we intend to continue exploring in the future include the following:

- *Rationalizing energy consumption at the Airport.* The Airport has implemented various energy saving measures as part of its environmental sustainability management. The Airport has been designed with this energy conservation objective through the establishment of environment-friendly infrastructure like the LEED-certified passenger terminal building and energy efficient equipment and practices, including rainwater harvesting through a reservoir onsite. The Airport has also received the 5- Star Certification and the "Sword of Honor" from the British Safety Council. GHIAL has been operating the Airport by adopting best energy conservation practices with the involvement and support of the airport community. Further, we have commissioned a 5.0 MW solar power plant at the Airport, resulting in 10.0% to 15.0% of the Airport's energy requirements being met from renewable energy as at March 31, 2017 and we have plans to implement an additional 5.0 MW of solar power generation capacity. These environmental-friendly practices have helped GHIAL to manage its carbon emissions and become a carbon neutral airport under the Airport Carbon Accreditation program.

- *Improving air traffic movements and on-time performance.* We implemented certain recommendations from an air traffic study we commissioned, which resulted in the increase of maximum ATMs per hour that we are able to handle from 30 in fiscal year 2012 to 33 in fiscal year 2017.

- *Maintaining effective headcount and controlling administrative expenses.* We are continuously assessing efficiency initiatives and targeting these measures to achieve economies of scale through the consolidation of our core corporate functions and administrative expenses. We will continue to analyze our headcount requirements as permitted by our operations in an effort to optimize efficiency without adversely affecting the airport experience.

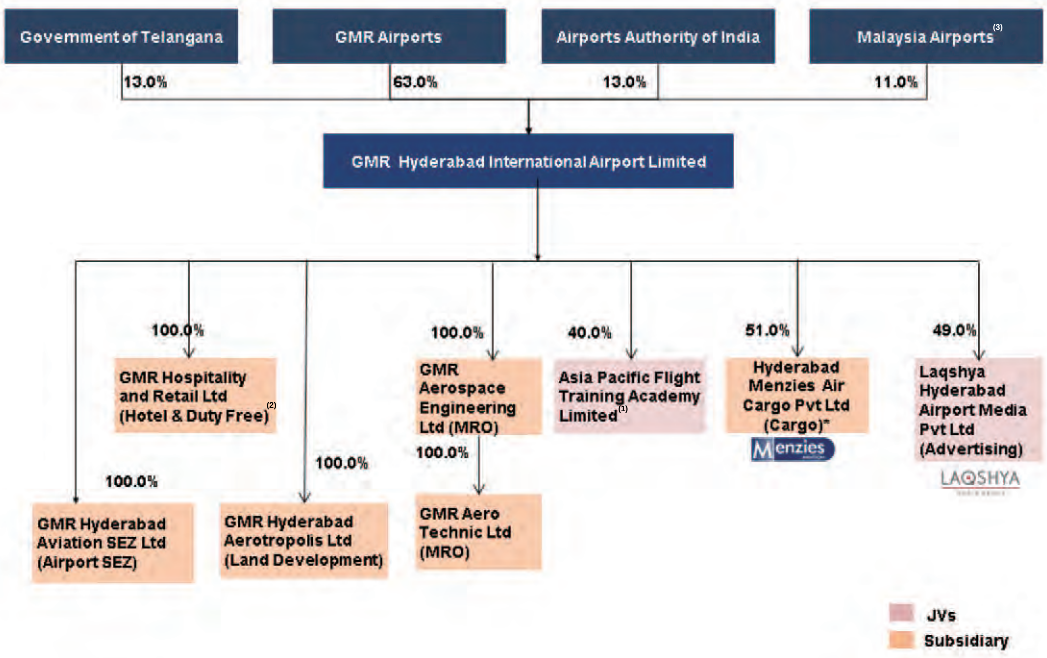
Successfully Implement the Phase 1B Expansion

As the passenger traffic at the Airport has exceeded the passenger capacity of the Airport, we have initiated the process to increase the passenger capacity through the construction of additional facilities, which we expect will contribute to an increase in both aeronautical revenues and non-aeronautical operations and related services revenues. Under the terms of the Concession Agreement, we are required to update and re-submit the Master Plan to the Government of India every five years or more frequently if justified by traffic growth or other reasons covering the anticipated demands.

We have proposed to expand the terminal and associated facilities to augment passenger processing capacity in order to meet the demand of the projected traffic growth. Our current phase of development, the Phase 1B Expansion, includes, among others, (i) the addition of a modular expansion to the east and west sides approximately 0.9 times the size of the existing terminal, (ii) pier expansion (east and west side), (iii) apron expansion for stands and excess taxi provisions and (iv) modification of the departure forecourt and ramp modification. Upon completion of the Phase 1B Expansion, we expect passenger capacity of the Airport to increase from 12 million passengers per year to 20 million passengers per year.

OUR CORPORATE STRUCTURE

The chart below sets forth the corporate structure and ownership of GHIAL and its operating subsidiaries and joint ventures as at June 30, 2017.



(1) On September 8, 2017, we entered into a share purchase agreement with APFT Sdn Bhd, our joint venture partner in Asia Pacific Flight Training Academy Limited, to purchase its entire 60% stake in the joint venture, which share transfer was consummated on October 9, 2017 and since which time Asia Pacific Flight Training Academy Limited has been our wholly-owned subsidiary. See "Risk Factors—Risks Related to Our Business—Our strategy to consolidate and expand operations at Asia Pacific Flight Training Academy Limited may be unsuccessful."

(2) The National Company Law Tribunal passed an order on April 18, 2017 approving a Scheme of Arrangement for merger filed under Sections 391 and 394(1) of the Companies Act, 1956, for the merger of Hyderabad Duty Free Retail Ltd. ("HDFRL"), until such time a wholly-owned subsidiary of GHIAL, into GMR Hotels and Resorts Ltd. ("GHRL"). Pursuant to the order, HDFRL merged into GHRL and ceased to have an independent legal existence effective April 1, 2016. Subsequently, GHRL's name was changed to GMR Hospitality and Retail Limited.

(3) Malaysia Airports refers to MAHB Mauritius Private Limited.

(4) This chart does not include GMR Hyderabad Power Distribution Limited, our wholly-owned subsidiary, which does not currently have active operations.

For further information about our subsidiaries and joint ventures, see "Business—Subsidiaries and Joint Ventures."

GENERAL INFORMATION

We were incorporated in India on December 17, 2002 as Hyderabad International Airport Limited and our name was changed to GMR Hyderabad International Airport Limited with effect from November 29, 2005. Our registered office is located at GMR Aero Towers, Rajiv Gandhi International Airport, Shamshabad, Hyderabad — 500108, Telangana, India. Our corporate headquarters is located at the same address. Our website is *www.hyderabad.aero*. Information contained on our website does not constitute part of this offering memorandum.

RECENT DEVELOPMENTS

On September 8, 2017, we entered into a share purchase agreement with APFT Sdn Bhd, our joint venture partner in Asia Pacific Flight Training Academy Limited, to purchase its entire 60% stake in the joint venture, which share transfer was consummated on October 9, 2017 and since which time Asia Pacific Flight Training Academy Limited has been our wholly-owned subsidiary. See "Risk Factors—Risks Related to Our Business—Our strategy to consolidate and expand operations at Asia Pacific Flight Training Academy Limited may be unsuccessful."

SUMMARY OF THE OFFERING

The following is a brief summary of the terms of this offering and is qualified in its entirety by the remainder of this offering memorandum. For a detailed description of the Notes, see the section entitled "Description of the Notes." The terms and conditions of the Notes prevail to the extent of any inconsistency with the summary set forth in this section. This summary is not intended to be complete and does not contain all of the information that is important to an investor. Phrases used in this summary and not otherwise defined shall have the meanings given to them in "Description of the Notes."

Issuer	GMR Hyderabad International Airport Limited
Notes	US$350,000,000 aggregate principal amount of 4.25% Senior Secured Notes due 2027.
Maturity Date	October 27, 2027.
Interest	The Notes will bear interest from and including the issue date of the Notes at the rate of 4.25% per annum, payable semi-annually in arrears.
Interest Payment Dates	April 27 and October 27 of each year, commencing April 27, 2018.
Ranking of the Notes	The Notes are:

- general obligations of the Company;
- senior in right of payment to any future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least pari passu in right of payment with all other unsecured, unsubordinated obligations of the Company (subject to any priority rights of such Indebtedness pursuant to applicable law);
- guaranteed by the Future Subsidiary Guarantors on a senior basis, subject to the limitations described below under "— The Subsidiary Guarantees" and in "Risk Factors — Risks Related to the Notes and the Collateral — Noteholder claims against non-guarantor subsidiaries will be structurally subordinated to the liabilities of such subsidiaries";
- secured on an equal and ratable basis with all obligations of the Company under all future Permitted Pari Passu Secured Indebtedness and Permitted Refinancing Indebtedness by first ranking Liens on the Collateral (as defined below under the Caption "— Security") provided by the Company (subject to Permitted Liens and the Intercreditor Agreement);

- effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral over which the Company has created security for the Notes (subject to any priority rights of such obligations pursuant to applicable law); and

- effectively subordinated to all existing and future obligations of the Company that are secured by assets other than the Collateral to the extent of the value of such assets and to all existing and future liabilities of the Company's subsidiaries that do not guarantee the Notes.

Security

The obligations of the Company under the Notes will be secured by first-priority Liens (subject to Permitted Liens) on certain collateral (the "Collateral"), which shall initially consist of, to the extent permitted under the Concession Agreement:

- a first ranking pari passu mortgage and/or charge over (a) the Company's leasehold rights, title and interest in respect of 2,145 acres and 11 guntas of the land leased to the Company under the Land Lease Agreement, together with all buildings and structures thereon and (b) the movable assets of the Company, present and future, including all movable machinery, machinery spares, tools, accessories, furniture, fixtures, vehicles, intangible assets (including goodwill, trademarks and patents) of whatsoever nature and wherever arising, excluding the Capital Stock of the Company's Subsidiaries and joint ventures and any assets of the Company acquired with Indebtedness incurred under clause (2)(g) under "Description of the Notes — Certain Covenants — Limitation on Indebtedness";

- a first ranking pari passu charge of all insurance contracts, contractors' guarantees and liquidated damages payable by the contractors;

- a first ranking pari passu charge of all the rights, titles, permits, approvals and interests of the Company in, to and in respect of the Project Agreements to the maximum extent permitted under the Project Agreements and the Concession Agreement;

- a first ranking pari passu floating charge on all the operating revenues/receivables of the Company, subject to the provisions of the Concession Agreement and excluding passenger service fees (security component) and airport development fees (and similar pass through revenues and receivables) and any revenues/receivables over which a Lien is not permitted under applicable law; and

	• a first ranking pari passu floating charge on all the Company's accounts and each of the other accounts required to be created by the Company pursuant to the Security Documents (excluding any Excluded Accounts) and, including in each case, all monies lying credited/deposited into such accounts.
Use of Proceeds	The gross proceeds from this offering will be US$350.0 million. We intend to use the gross proceeds of the offering of the Notes to (i) repay the Rupee Facilities and the ECB Facility and pay the termination payments for the interest rate swaps related thereto, and (ii) use any remaining amounts for capital expenditures with respect to Airport Activities (as defined in the Concession Agreement) as part of the Phase 1B Expansion. Payment of estimated fees and expenses of approximately US$6.3 million (Rs.407.9 million) relating to the offering of the Notes will be paid from our internal resources.
Repurchase of Notes upon a Change of Control	Not later than 30 days following a Change of Control Triggering Event, the Company, subject to the ECB Guidelines, will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the Offer to Purchase Payment Date. Any redemption of the Notes prior to their stated maturity will require the prior approval of RBI or the designated authorized dealer bank, as the case may be, under the ECB Guidelines. Such approval may not be forthcoming.
Withholding Tax; Additional Amounts	Payments with respect to the Notes will be made without withholding or deduction for taxes imposed by the jurisdictions in which the Company is incorporated or resident for tax purposes, doing business, otherwise subject to the power to tax or through which payment is made except as required by law. Where such withholding or deduction is required by law, the Company will make such deduction or withholding and will, subject to certain exceptions, pay such additional amounts as will result in receipt by the Holder of such amounts as would have been received by such Holder had no such withholding or deduction been required. See "Description of the Notes—Additional Amounts."
Redemption for Taxation Reasons	Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if, as a result of certain changes in tax law, the Company would be required to pay certain additional amounts; *provided* that where the additional amounts are payable as a result of changes affecting Indian taxes, the Notes may be redeemed only in the event that the withholding tax rate exceeds 5%. Any redemption of the Notes prior to their stated maturity will require the prior approval of RBI or the designated authorized dealer bank, as the case may be, under the ECB Guidelines. Such approval may not be forthcoming.

Covenants	The Indenture will limit the ability of Company and the Restricted Subsidiaries to, among other things: • incur additional Indebtedness and issue preferred stock; • make investments or other specified Restricted Payments; • enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends and transfer assets or make inter-company loans; • issue or sell Capital Stock of Restricted Subsidiaries; • issue guarantees by Restricted Subsidiaries; • enter into transactions with shareholders or affiliates; • create any Lien; • enter into Sale and Leaseback Transactions; • sell assets; • engage in different business activities; and • effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in "Description of the Notes—Certain Covenants."
Selling and Transfer Restrictions	We have not registered the Notes under the Securities Act or any state or other securities laws. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Foreign branches or subsidiaries of Indian banks cannot subscribe for or hold the Notes. See "Transfer Restrictions."
Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. Upon issue, the Regulation S Global Notes will be initially represented by the Unrestricted Global Certificate and the Rule 144A Notes will initially be represented by the Restricted Global Certificate, each in registered form. On the Original Issue Date, both the Restricted Global Certificate and the Unrestricted Global Certificate will be deposited with a custodian for, and registered in the name of Cede & Co., as nominee of DTC.

Delivery of the Notes	The Company expects to make delivery of the Notes, against payment in same-day funds, on or about October 27, 2017, which the Company expects will be the fifth business day following the date of this offering memorandum, referred to as T+5. You should note that initial trading of the Notes may be affected by the T+5 settlement. See "Plan of Distribution."
Intercreditor Agreement	On the Original Issue Date, the Trustee (on behalf of the Holders) and the Security Trustee will enter into an intercreditor agreement (as amended, waived, restated, replaced and/or supplemented from time to time, the "Intercreditor Agreement") pursuant to which the Security Trustee will agree to act as the collateral agent for the Holders with respect to the Collateral securing the obligations under the Indenture and the Notes. See "Description of the Notes—Security—Intercreditor Agreement."
Security Trustee	IDBI Trusteeship Services Limited
Trustee	HSBC Bank USA, National Association
Paying Agent and Registrar	HSBC Bank USA, National Association
Rule 144A Global Note	ISIN: US36256WAA27 CUSIP: 36256W AA2 Common Code: 170485505
Regulation S Global Note	ISIN: USY3004WAA00 CUSIP: Y3004W AA0 Common Code: 170485513
Ratings	The Notes are expected to be rated "BB+" by Fitch Ratings Ltd. ("Fitch") and "BB+" by Standard and Poor's Ratings Group, a division of McGraw-Hill Companies, Inc. ("S&P"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing	Approval-in-principle has been received for the listing and quotation of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Notes are listed on the SGX-ST.
Governing Law	The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York. The Security Documents and the Intercreditor Agreement will be governed by the laws of the Republic of India.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see "Risk Factors."

SUMMARY FINANCIAL AND OTHER DATA

You should read the summary financial and other data below, together with the financial statements and related notes thereto appearing elsewhere in this offering memorandum, as well as "Presentation of Financial Information," "Selected Financial and Other Data," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other financial information included elsewhere in this offering memorandum.

We are required to prepare our consolidated financial statements in accordance with Ind-AS with effect from April 1, 2016. Accordingly, we have prepared our consolidated financial statements as at and for the year ended March 31, 2017, together with the comparative period data as at and for the year ended March 31, 2016, in accordance with Ind-AS for the first time. For purposes of the financial information presented for the year ended March 31, 2016 under Ind-AS included in this offering memorandum, we prepared the March 2016 Special Purpose Ind-AS Consolidated Financial Statements. We have prepared our consolidated financial statements as at and for the three months ended June 30, 2017, together with the comparative period data for the three months ended June 30, 2016, in accordance with Ind-AS. For purposes of the financial information presented for the three months ended June 30, 2016 included in the consolidated financial statements as at and for the three months ended June 30, 2017, we prepared the June 2016 Special Purpose Ind-AS Condensed Financial Information. For periods up to and including the year ended March 31, 2016, we had prepared our consolidated financial statements in accordance with the Indian GAAP. See "Risk Factors—Risks Related to our Business—Our consolidated financial statements may not be comparable in view of changes in the applicable generally accepted accounting principles and the 2014 AERA Order."

The joint review and audit reports on all the above financial statements underlying the financial information presented in this offering memorandum contain certain qualification(s) and certain emphasis of matters. See "Presentation of Financial Information" and "Risk Factors—Risks Related to our Business—The joint review and audit reports from our independent joint auditors in respect of our consolidated financial statements contain certain qualification(s) and emphasis of matters" for further details.

In this section, the financial information presented has been (i) with respect to the three months ended June 30, 2017, prepared and presented in accordance with Ind-AS on a consolidated basis; (ii) with respect to the three months June 30, 2016, derived from the June 2016 Special Purpose Ind-AS Consolidated Financial Information which are not included in this offering memorandum; (iii) with respect to the year ended March 31, 2017, prepared and presented in accordance with Ind-AS on a consolidated basis; (iv) with respect to the year ended March 31, 2016 (except where specified as under Indian GAAP), derived from the March 2016 Special Purpose Ind-AS Consolidated Financial Statements, which are not included in this offering memorandum; and (v) with respect to the years ended March 31, 2016 (where specified as under Indian GAAP) and 2015, prepared and presented in accordance with Indian GAAP on a consolidated basis.

Our financial statements have been prepared and presented in accordance with Ind-AS and/or Indian GAAP, each of which may differ in material respects from generally accepted accounting principles in other jurisdictions. See "Risk Factors—Risks Related to India—Indian accounting principles differ from those which prospective investors may be familiar with in other countries" for further details. Ind-AS differs in certain respects from IFRS. See "Summary of Certain Significant Differences Between Ind-AS and IFRS" for further details.

Statement of Profit and Loss Data (Ind-AS)	Three months ended June 30,		Year ended March 31,			
	2017		2016	2017		2016
	(US$ in millions)	(Rs. in millions)		(US$ in millions)	(Rs. in millions)	
Revenue						
Revenue from operations	55.8	3,610.8	3,224.0	211.1	13,667.3	8,754.6
Other income	0.3	19.0	27.4	1.5	99.8	81.0
Total revenue	**56.1**	**3,629.8**	**3,251.4**	**212.6**	**13,767.1**	**8,835.6**
Expenses						
Concession fee	1.9	124.2	104.3	7.1	462.0	257.9
Purchase of traded goods	1.7	113.2	140.8	8.6	558.9	421.6
Decrease/(increase) in traded goods	0.1	8.8	(28.4)	(1.1)	(68.9)	(25.9)
Employee benefits expense	5.0	321.1	297.5	19.7	1,272.2	1,195.9
Other expenses	11.8	765.7	683.6	46.4	3,001.4	2,652.9
Total expenses	**20.5**	**1,333.0**	**1,197.8**	**80.7**	**5,225.6**	**4,502.4**
Earnings before interest, tax, depreciation and amortization (EBITDA)	35.6	2,296.8	2,053.6	131.9	8,541.5	4,333.2
Finance income	(4.6)	(300.4)	(85.8)	(15.3)	(987.9)	(248.8)
Finance costs	9.9	641.7	678.0	40.0	2,588.7	2,466.3
Depreciation and amortization expenses	9.0	584.1	624.8	38.2	2,472.5	2,532.8
Profit/(loss) before share of profit in joint ventures and tax	21.3	1,371.4	836.6	69.0	4,468.2	(417.1)
Share of profit in joint venture	0.2	15.6	3.6	0.6	40.6	21.6
Profit/(loss) before tax	**21.5**	**1,387.0**	**840.2**	**69.6**	**4,508.8**	**(395.5)**
Tax expense:						
Current tax — Minimum alternate tax	4.9	318.1	223.0	16.6	1,071.6	114.4
Tax of earlier years	—	—	—	0.0	(0.3)	0.6
Deferred tax						
Deferred tax expense	4.7	304.7	309.2	23.6	1,525.8	21.8
Minimum alternate tax credit entitlement	(3.6)	(234.9)	(209.7)	(15.6)	(1,010.3)	(4.6)
Total tax expense	**6.0**	**387.9**	**322.5**	**24.6**	**1,586.8**	**132.2**
Profit/(loss) for the year/period	**15.5**	**999.1**	**517.7**	**45.0**	**2,922.0**	**(527.7)**
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Re-measurement gains/(losses) on defined benefit plans	(0.1)	(5.3)	(0.7)	(0.1)	(4.2)	0.5
Total comprehensive income for the year, net of tax	**15.4**	**993.8**	**517.0**	**44.9**	**2,917.8**	**(527.2)**
Profit/(loss) attributable to:						
Equity holders of the parent	15.0	965.6	499.4	43.7	2,838.1	(565.1)
Non controlling interests	0.5	33.5	18.3	1.3	83.9	37.4
Total comprehensive income attributable to:						
Equity holders of the parent	14.9	960.9	499.2	43.6	2,834.2	(564.8)
Non controlling interests	0.5	32.9	17.8	1.3	83.6	37.6
Earnings per equity share:						
Basic and diluted	0.4	25.5	13.2	1.2	75.1	(15.0)

Statement of Profit and Loss Data (Indian GAAP)	Year ended March 31, 2016	2015
	(Rs. in millions)	
Income		
Revenue from operations	8,834.6	6,263.2
Other income	262.7	245.5
Total (A)	**9,097.3**	**6,508.7**
Expenses		
Concession fees	257.9	177.2
Purchase of traded goods	361.8	274.1
Increase in traded goods	(25.9)	(14.9)
Employee benefits expense	1,208.3	1,084.9
Other expenses	2,695.3	2,495.3
Total (B)	**4,497.4**	**4,016.6**
Earnings before interest, tax, depreciation and amortization (EBITDA) (A) — (B)	**4,599.9**	**2,492.1**
Finance costs	2,453.4	2,465.5
Depreciation and amortization expenses	2,541.7	2,488.7
Loss before tax expense, exceptional items and minority interest	**(395.2)**	**(2,462.1)**
Exceptional Items (Net)	27.7	—
Loss before tax expenses and minority interest	**(422.9)**	**(2,462.1)**
Tax expenses		
Current tax	117.9	83.7
Minimum alternate tax credit entitlement	(8.1)	—
Deferred tax	(393.5)	(103.4)
Tax of earlier year	0.6	(4.8)
Minimum alternate tax credit entitlement of earlier years	—	4.6
Total tax expense	**(283.1)**	**(19.9)**
Loss after tax expenses and before minority interest	**(139.8)**	**(2,442.2)**
Minority interest — share of profit	106.4	87.5
Loss for the year	**(246.2)**	**(2,529.7)**
Earnings per equity share (Rs)		
Basic and diluted	(0.65)	(6.69)

Balance Sheet Data	As at June 30,		As at March 31,		
(Ind-AS)	2017		2017		2016
	(US$ in millions)	(Rs. in millions)	(US$ in millions)	(Rs. in millions)	
I. Assets					
Non-current assets					
Property, plant and equipment	313.4	20,288.7	321.1	20,790.8	22,737.3
Capital work-in-progress	26.6	1,722.1	17.9	1,158.3	692.3
Intangible assets	8.2	528.0	8.2	533.2	545.1
Intangible assets under development	0.1	3.8	0.0	0.0	6.3
Investment in joint venture	1.3	85.5	1.1	69.9	29.3
Financial assets:					
Loans	0.7	46.7	0.7	47.6	57.6
Bank balances other than cash and cash equivalents	4.5	291.0	4.5	291.0	45.1
Other non current financial assets	1.6	104.5	1.5	98.1	80.9
Non current tax assets	5.0	320.6	6.8	437.9	657.0
Deferred tax asset (net)	29.6	1,917.5	26.0	1,682.6	1,007.3
Other non-current assets	11.0	710.6	11.2	725.6	887.6
	402.0	**26,019.0**	**399.0**	**25,835.0**	**26,745.8**
Current assets					
Inventories	8.0	520.1	7.9	511.8	483.5
Financial assets:					
Investments	81.1	5,248.9	59.8	3,873.4	2,238.6
Trade receivables	14.7	951.3	16.2	1,049.3	1,312.5
Bank balances other than cash and cash equivalents	4.2	268.8	5.0	322.9	262.0
Cash and cash equivalents	44.4	2,872.5	50.6	3,277.3	252.4
Loans	0.1	8.3	0.2	9.9	8.0
Other current financial assets	4.1	263.6	3.3	211.7	129.2
Current tax assets	1.0	67.3	4.4	286.2	22.1
Other current assets	4.1	266.2	2.1	134.5	109.0
	161.7	**10,467.0**	**149.5**	**9,677.0**	**4,817.3**
Total assets	**563.7**	**36,486.0**	**548.5**	**35,512.0**	**31,563.1**
II. Equity and Liabilities					
Equity					
Equity share capital	58.4	3,780.0	58.4	3,780.0	3,780.0
Other equity:					
Capital reserve	16.5	1,070.0	16.5	1,070.0	1,070.0
Retained earnings	(21.4)	(1,388.4)	(36.3)	(2,349.3)	(5,162.1)
Equity attributable to equity holders of the parent	**53.5**	**3,461.6**	**38.6**	**2,500.7**	**(312.1)**
Non-controlling interest	**8.6**	**558.4**	**8.1**	**525.5**	**441.9**
Total Equity	**62.1**	**4,020.0**	**46.7**	**3,026.2**	**129.8**

Balance Sheet Data (Ind-AS)	As at June 30, 2017		As at March 31, 2017		2016
	(US$ in millions)	(Rs. in millions)	(US$ in millions)	(Rs. in millions)	
Liabilities					
Non-current liabilities					
Financial liabilities:					
Borrowings	357.9	23,171.1	372.5	24,116.7	24,824.6
Other financial liabilities	45.5	2,946.8	44.6	2,890.1	3,017.4
Government grants	5.5	355.0	5.0	321.1	120.8
Deferred tax liability (net)	23.3	1,508.0	18.6	1,203.2	12.3
Other non-current liabilities	4.9	315.9	5.0	321.3	351.2
Long term provisions	0.5	29.9	0.4	24.0	18.4
	437.6	**28,326.7**	**446.1**	**28,876.4**	**28,344.7**
Current liabilities					
Financial liabilities:					
Borrowings	3.9	250.7	3.3	210.5	276.6
Trade payables	19.0	1,232.8	17.1	1,108.8	955.9
Other financial liabilities	30.4	1,966.2	28.6	1,850.7	1,481.7
Government grants	0.4	26.0	0.2	11.3	11.3
Other current liabilities	5.0	323.2	2.9	187.8	163.8
Short term provisions	1.7	106.9	1.7	107.8	82.4
Current tax liability (net)	3.6	233.5	1.9	132.5	116.9
	64.0	**4,139.3**	**55.7**	**3,609.4**	**3,088.6**
Total Equity and Liabilities	**563.7**	**36,486.0**	**548.5**	**35,512.0**	**31,563.1**

Balance Sheet Data (Indian GAAP)	As at March 31, 2016	2015
	(Rs. in millions)	
Shareholders' funds		
Equity share capital	3,780.0	3,780.0
Reserves and surplus	(2,868.8)	(2,574.5)
	911.2	**1,205.5**
Preference share capital issued by subsidiary	**180.0**	**180.0**
Minority interest	**248.9**	**215.2**
Non-current liabilities		
Long-term borrowings	25,009.1	24,529.8
Deferred tax liability (net)	—	14.9
Other long-term liabilities	2,541.0	2,152.6
Long-term provisions	16.6	15.0
	27,566.7	**26,712.3**
Current liabilities		
Short-term borrowings	276.6	274.2
Trade Payables:		
Total outstanding dues of micro enterprises and small enterprises	—	0.5
Total outstanding dues of creditors of other than micro enterprises and small enterprises	894.3	675.4
Other current liabilities	1,652.7	1,308.1
Short-term provisions	123.2	97.5
	2,946.8	**2,355.7**
TOTAL	**31,853.6**	**30,668.7**
Assets		
Non-current Assets		
Fixed Assets		
Tangible assets	22,967.1	23,648.3
Intangible assets	561.9	643.9
Capital work-in-progress	699.7	555.1
Deferred tax assets (net)	378.6	—
Long-term loans and advances	2,297.7	3,237.1
Other non-current assets	45.1	66.3
	26,950.1	**28,150.7**
Current Assets		
Current investments	2,235.7	294.2
Inventories	485.7	440.0
Trade receivables	1,349.5	884.0
Cash and bank balances	523.0	537.4
Short-term loans and advances	158.0	252.8
Other current assets	151.6	109.6
	4,903.5	**2,518.0**
TOTAL	**31,853.6**	**30,668.7**

Cash Flow Statement Data	Three months ended June 30,			Year ended March 31,		
(Ind-AS)	2017		2016	2017		2016
	(US$ in millions)	(Rs. in millions)		(US$ in millions)	(Rs. in millions)	
Net cash flow from operating activities	41.6	2,690.7	2,003.7	132.3	8,562.6	4,644.2
Net cash flow used in investing activities	(29.9)	(1,933.3)	(1,1368)	(38.7)	(2,513.4)	(2,535.9)
Net cash flow used in financing activities	(22.9)	(1,484.8)	(728.1)	(46.8)	(3,023.9)	(2,182.9)

Cash Flow Statement Data	Year ended March 31,	
(Indian GAAP)	2016	2015
	(Rs. in millions)	
Net cash flow from operating activities	4,695.9	3,201.6
Net cash flow from/(used) in investing activities	(2,575.6)	1,276.3
Net cash flow used in financing activities	(2,196.2)	(4,514.3)

Other Financial Data	Three months ended June 30,		Year ended March 31,	
(Ind-AS)	2017	2016	2017	2016
Capital expenditures (addition to property, plant and equipment and intangible assets) (in Rs. millions)(2)	88.3	28.8	600.1	1,461.5
Adjusted EBITDA(3)/Total revenue (%)	63.3	63.2	62.0	49.0
Total Indebtedness(4)/Adjusted EBITDA(3)	—	—	3.0	6.0
Net Indebtedness(5)/Adjusted EBITDA(3)	—	—	2.1	5.4
Profit/(loss) before tax/Total revenue (%)	38.2	25.8	32.8	(4.5)

Other Financial Data	Year ended March 31,	
(Indian GAAP)	2016	2015
Capital expenditures (addition to tangible and intangible assets) (in Rs. millions)(2)	1,463.9	218.8
Adjusted EBITDA(3)/Total Income (%)	50.6	38.3
Total Indebtedness(4)/Adjusted EBITDA(3)	5.7	10.3
Net Indebtedness(5)/Adjusted EBITDA(3)	5.1	9.9
Profit/(loss) before tax/Total Income (%)	(4.6)	(37.8)

	Three months ended June 30,		Year ended March 31,		
	2017	**2016**	**2017**	**2016**	**2015**
Operating Data					
Total passengers (in millions of persons)	**4.1**	**3.4**	**15.1**	**12.4**	**10.4**
International	0.9	0.8	3.4	3.2	2.8
Domestic	3.2	2.6	11.7	9.2	7.6
Total air traffic movements	**34,722**	**30,379**	**130,713**	**105,772**	**94,057**
International	5,711	5,554	22,261	20,693	18,361
Domestic	29,011	24,825	108,452	85,079	75,696
Total cargo (in metric tons)	**32,791**	**28,267**	**121,882**	**110,033**	**98,899**
International	19,562	16,195	68,946	59,578	55,023
Domestic	13,229	12,072	52,936	50,455	43,876

(1) A significant portion of our revenues are earned from aeronautical services, and the aeronautical service fees we charge to airlines, passengers and other users for such services are regulated by AERA in accordance with the AERA Act, 2008 and our Concession Agreement. Any adverse change in AERA's determinations of our aeronautical charges would have a material and adverse effect on our results of operations. See "Risk Factors—Risks Related to Our Business—The fees we charge for aeronautical services - which comprise a significant portion of our revenues - are regulated by the Government of India, through AERA, in accordance with the terms of our Concession Agreement. Accordingly, government regulations and the terms of our Concession Agreement have materially affected our historical results of operations and financial condition, and will continue to affect our future results of operations and financial condition, which could be materially and adversely affected by the to-be-announced rate determinations for our aeronautical services" and "Indian Regulatory Environment—The Airports Economic Regulatory Authority of India Act, 2008" for further details. In addition, as a result of the restoration of our user development fee and passenger service fee (facilitation component), which comprise a substantial portion of our aeronautical revenue and which had been discontinued pursuant to the 2014 AERA Order, in fiscal year 2016 with effect from November 3, 2015, our consolidated financial statements as at and for the years ended March 31, 2016 and 2015 prepared in accordance with Indian GAAP are not comparable with our consolidated financial statements as at and for the year ended March 31, 2017 prepared in accordance with Ind-AS. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information" for further details.

(2) See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital expenditures" for historical information regarding our capital expenditures.

(3) Adjusted EBITDA is calculated as earnings before interest, tax expense, depreciation and amortization and share of profit of joint ventures. Adjusted EBITDA is a supplemental measure of our performance and liquidity, and although Adjusted EBITDA is a widely used financial indicators of a company's ability to service and incur debt, we caution you that Adjusted EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating activities. Below is a reconciliation of profit/loss for the year/period to Adjusted EBITDA:

(Ind-AS)	**Three months ended June 30,**			**Year ended March 31,**		
	2017		**2016**	**2017**		**2016**
	(US$ in millions)	**(Rs. in millions)**		**(US$ in millions)**	**(Rs. in millions)**	
Profit/Loss for the year/period	**15.5**	**999.1**	**517.7**	**45.0**	**2,922.0**	**(527.7)**
Add:						
Finance costs	9.9	641.7	678.0	40.0	2,588.7	2,466.3
Tax expense						
Current tax — minimum alternate tax	4.9	318.1	223.0	16.6	1,071.6	114.4
Tax of earlier years	—	—	—	0.0	(0.3)	0.6

(Ind-AS)	Three months ended June 30,			Year ended March 31,		
	2017		2016	2017		2016
	(US$ in millions)	(Rs. in millions)		(US$ in millions)	(Rs. in millions)	
Deferred tax						
Deferred tax expense.	4.7	304.7	309.2	23.6	1,525.8	21.8
Minimum alternate tax credit entitlement	(3.6)	(234.9)	(209.7)	(15.6)	(1,010.3)	(4.6)
Total tax expense.	6.0	387.9	322.5	24.6	1,586.8	132.2
Depreciation and amortization expenses .	9.0	584.1	624.8	38.2	2,472.5	2,532.8
Less:						
Finance income.	(4.6)	(300.4)	(85.8)	(15.3)	(987.9)	(248.8)
Share of profit in joint ventures.	0.2	15.6	3.6	0.6	40.6	21.6
Adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA).	**35.6**	**2,296.8**	**2,053.6**	**131.9**	**8,541.5**	**4,333.2**

(Indian GAAP)	Year ended March 31,	
	2016	2015
	(Rs. in millions)	
Loss for the year	**(246.2)**	**(2,529.7)**
Add:		
Finance costs	2,453.4	2,465.5
Tax expense		
Current tax.	117.9	83.7
Minimum alternate tax credit entitlement	(8.1)	—
Deferred tax	(393.5)	(103.4)
Tax of earlier year	0.6	(4.8)
Minimum alternate tax credit entitlement of earlier years.	—	4.6
Total tax expense.	(283.1)	(19.9)
Depreciation and amortization	2,541.7	2,488.7
Minority interest - share of profit.	106.4	87.5
Adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA).	**4,572.2**	**2,492.1**

(4) Total Indebtedness with respect to our financial statements prepared in accordance with Ind-AS represents (i) non-current borrowings (included in financial liabilities), (ii) short-term borrowings (included in financial liabilities), (iii) current maturities of long-term borrowings (included in other financial liabilities) and (iv) interest accrued but not due on borrowings (included in other financial liabilities). Total Indebtedness with respect to our financial statements prepared in accordance with Indian GAAP represents (i) long-term borrowings, (ii) short-term borrowings, (iii) current maturities of long-term borrowings (included in other current liabilities) and (iv) interest accrued but not due on borrowings (included in other current liabilities). Below is a calculation of total indebtedness for the periods presented:

(Ind-AS)	**As at June 30,**		**As at March 31,**		
	2017		**2017**		**2016**
	(US$ in millions)	**(Rs. in millions)**	**(US$ in millions)**	**(Rs. in millions)**	
Non-current borrowings (included in financial liabilities)	357.9	23,171.1	372.5	24,116.7	24,824.6
Short-term borrowings (included in financial liabilities)	3.9	250.7	3.3	210.5	276.6
Interest accrued but not due on borrowings (included in other financial liabilities)	1.2	80.7	1.0	62.0	3.0
Current maturities of long-term borrowings (included in other financial liabilities)	19.1	1,236.5	18.6	1,205.3	993.6
Total Indebtedness	**382.1**	**24,739.0**	**395.4**	**25,594.5**	**26,097.8**

(Indian GAAP)	**As at March 31,**	
	2016	**2015**
	(Rs. in millions)	
Long-term borrowings	25,009.1	24,529.8
Short-term borrowings	276.6	274.2
Current maturities of long-term borrowings (included in other current liabilities)	1,022.9	819.7
Interest accrued but not due on borrowings (included in other current liabilities)	3.0	2.9
Total Indebtedness	**26,311.6**	**25,626.6**

(5) Net Indebtedness with respect to our financial statements prepared in accordance with Ind-AS represents (a) (i) Total Indebtedness, less (b) (i) cash and cash equivalents (included in current assets), (ii) bank balances other than cash and cash equivalents (included in current assets), (iii) bank balances other than cash and cash equivalents (included in non-current assets) and (iv) current investments (included in financial assets). Net indebtedness with respect to our financial statements prepared in accordance with Indian GAAP represents (a) (i) Total Indebtedness, less (b) (i) cash and bank balances (included in current assets), (ii) non current bank balances (included in other assets) and (iii) current investments (included in current assets). Below is a calculation of net indebtedness for the periods presented:

(Ind-AS)	**As at June 30,**		**As at March 31,**		
	2017		**2017**		**2016**
	(US$ in millions)	**(Rs. in millions)**	**(US$ in millions)**	**(Rs. in millions**	**(Rs. in millions)**
Total Indebtedness	382.1	24,739.0	395.4	25,594.5	26,097.8
Less:					
Cash and cash equivalents (included in current assets)	44.4	2,872.5	50.6	3,277.3	252.4
Bank balances other than cash and cash equivalents (included in current assets)	4.2	268.8	5.0	322.9	262.0
Bank balances other than cash and cash equivalents (included in non-current assets)	4.5	291.0	4.5	291.0	45.1
Current investments (included in financial assets)	81.1	5,248.9	59.8	3,873.4	2,238.6
Net Indebtedness	**247.9**	**16,057.8**	**275.5**	**17,829.9**	**23,299.7**

(Indian GAAP)	As at March 31,	
	2016	2015
	(Rs. in millions)	
Total Indebtedness	26,311.6	25,626.6
Less:		
Cash and bank balances (included in current assets)	523.0	537.4
Non-current bank balances (included in other assets)	45.1	64.5
Current investments (included in current assets)	2,235.7	294.2
Net Indebtedness	**23,507.8**	**24,730.5**

RISK FACTORS

Investing in the Notes involves significant risk. Prospective purchasers of the Notes should consider carefully all of the information in this offering memorandum, including, in particular, the risk factors discussed below. In addition, other risks and uncertainties not currently known to us or that we currently deem immaterial may also materially and adversely affect our business, financial condition, cash flow and results of operations. If any of the following risks actually occur, our business, results of operations, cash flow, financial condition and prospects could be materially and adversely affected. This could, in turn, affect adversely our ability to make payments on the Notes offered hereby.

Risks Related to Our Business

The fees we charge for aeronautical services - which comprise a significant portion of our revenues - are regulated by the Government of India, through AERA, in accordance with the terms of our Concession Agreement. Accordingly, government regulations and the terms of our Concession Agreement have materially affected our historical results of operations and financial condition, and will continue to affect our future results of operations and financial condition, which could be materially and adversely affected by the to-be-announced rate determinations for our aeronautical services.

A significant portion of our revenues are earned from aeronautical services, and the aeronautical service fees we charge to airlines, passengers and other users for such services - including, but not limited to, landing and parking charges, user development fees, passenger service fees and common infrastructure charges - are regulated by AERA in accordance with the AERA Act, 2008 and our Concession Agreement. For the three months ended June 30, 2017 and 2016 and for fiscal years 2017 and 2016, 51.4%, 51.1%, 51.4% and 32.5% of our total revenue, respectively, were from aeronautical services. AERA determines the rates we charge for aeronautical services through a consultative process involving us and other stakeholders, such as relevant government agencies, airlines and passenger advocacy groups, and we do not have the ability to unilaterally change or increase the aeronautical service fees we charge to airlines or passengers. AERA's rate determinations are based on, among other things, our submissions of forecasts for our traffic, our operation and maintenance expenses, our capital expenditure and our revenue from non-aeronautical operations and related services. AERA's rate determinations are for a "control period" of five years. While AERA's determination of rates for aeronautical services is a consultative process, AERA may not agree with our forecasts, and the rates determined by AERA for any control period could be revised downwards. Additionally, we bear the risk for adverse changes in our operation and maintenance expenses and our revenue from non-aeronautical operations and related services on a standalone basis. Accordingly, if there are unanticipated increases in our operating costs, or shortfalls in our non-aeronautical operations and related services revenue, AERA may not allow us to make compensatory adjustments in our aeronautical service fees in the next tariff control period. Any adverse change in AERA's determinations of our aeronautical service fees will have a material and adverse effect on our results of operations, cash flow and financial condition.

In addition to the regulation of our aeronautical charges, the principles adopted and the effective dates of AERA's rate determinations have had - and will continue to have - a material impact on our results of operations. For example, the aeronautical charges for the first control period spanning fiscal years 2011 through 2016 were not declared effective by AERA until February 2014, at which time AERA had passed an order determining the tariff structure of GHIAL to be based on a single till methodology with a significant reduction in the target aeronautical revenue and further contending that due to over-recovery of user development fees and passenger service fees (facilitation component) by us in the initial three years of the first control period, we were not eligible to recover such fees for the remaining two years in the first control period. Following our writ petition before the Honorable High Court at Hyderabad, the DGCA, through aeronautical information circular ("AIC") dated November 3, 2015, restored our user development fee and passenger service fee (facilitation component) at the rates existing before April 1, 2014. As a result, our revenue from aeronautical services for fiscal years 2015 and 2016 experienced substantial declines as compared to the prior years during the first control period. The Air Passengers Association of India has challenged the order of MoCA restoring our user development fee and passenger service fee (facilitation component) on the grounds that since we have over-satisfied our investment in the Airport, collection of such fees are illegal. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business—Legal Proceedings." Such variations in our revenue due to the amount and timing of AERA's rate determinations may lead to substantial volatility and unpredictability in our results of operations and could make period-on-period comparisons of our results of operations potentially misleading. In addition, AERA has completed its assessment of our capital expenditure plan for the Phase 1B Expansion, which was filed with our tariff submission to AERA for the second control period in March 2016, and we expect AERA's assessment of our capital expenditure plan to be published in a consultation paper to be issued by AERA in the third quarter of fiscal year 2018.

We may not be able to generate sufficient cash flows to meet our debt service obligations.

We have incurred indebtedness in connection with the build-out, development and operation of the Airport and our subsidiaries. As at June 30, 2017, our Total Indebtedness was Rs.24,739.0 million (US$382.1 million). See "—Risks Related to Our Business—Our substantial leverage could adversely affect our ability to raise additional capital to fund our future capital requirements and prevent us from meeting our obligations under our Concession Agreement, particularly our obligations to construct and develop additional facilities at the Airport" and "Description of Material Indebtedness."

We are required under the terms of the Concession Agreement to periodically submit a revised Master Plan to the Government of India consisting of various phases of development. Our current phase of development, the Phase 1B Expansion, includes, among others, (i) the addition of a modular expansion to the east and west sides approximately 0.9 times the size of the existing terminal, (ii) pier expansion (east and west side), (iii) apron expansion for stands and excess taxi provisions and (iv) modification of the departure forecourt and ramp modification.

We currently estimate the total capital expenditures required for the Phase 1B Expansion to be approximately Rs.20 billion to Rs.25 billion, which will be made within the next three to five years, depending on the composition of the projects and the timing of regulatory approval. Most of such capital expenditures will be financed through cash flow from operations, existing surplus cash and the incurrence of additional indebtedness. Although the Indenture will contain a covenant restricting the incurrence of additional indebtedness, it will permit us to incur additional indebtedness for capital expenditure of this nature. Our subsidiaries may also incur additional indebtedness in connection with their business plans. As a result, we are expected to become more leveraged in the course of implementing the Phase 1B Expansion, which would result in increased debt servicing requirements.

Our ability to make scheduled payments on, or to refinance our obligations with respect to, our indebtedness, including the Notes, will depend on our financial and operating performance, which in turn will be affected by general economic conditions and by financial, competitive, regulatory and other factors beyond our control. It will also depend on the successful implementation of the Phase 1B Expansion, the failure of which could result in disruption to existing passenger traffic, loss of competitiveness of the Airport and loss of customer satisfaction, in particular since the passenger traffic at the Airport has exceeded the designed passenger capacity of the Airport. Furthermore, funding of the Phase 1B Expansion will depend on our ability to generate revenue, which will depend on various factors including the tariff rates to be set in future control periods. See "—The fees we charge for aeronautical services - which comprise a significant portion of our revenues - are regulated by the Government of India, through AERA, in accordance with the terms of our Concession Agreement. Accordingly, government regulations and the terms of our Concession Agreement have materially affected our historical results of operations and financial condition, and will continue to affect our future results of operations and financial condition, which could be materially and adversely affected by the to-be-announced rate determinations for our aeronautical services." We may not generate sufficient cash flow from operations, and future sources of capital may not be available to us in an amount sufficient to enable us to service our indebtedness, including the Notes.

If we are unable to generate sufficient cash flow and capital resources to satisfy our debt obligations or other liquidity needs, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital, including debt. There is no assurance that any refinancing would be possible, that any assets could be sold or, if sold, of the timing of the sales and the amount of proceeds that may be realized from those sales, or that additional financing could be obtained on acceptable terms, if at all. In the absence of such cash flow and resources, we could face substantial liquidity problems and might be required to dispose of assets to meet our debt service and other obligations. Other credit facilities and the Indenture will restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or obtain the proceeds which we could realize from them, and any such proceeds may not be adequate to meet any debt service obligations then due. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms and in a timely manner, or at all, would materially and adversely affect our financial condition and results of operations and the ability to satisfy our obligations under the Notes. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” and “Description of the Notes.”

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations and prevent us from meeting our obligations under our Concession Agreement, particularly our obligations to undertake our development plans at the Airport in accordance with the Master Plan, including the Phase 1B Expansion.

We are highly leveraged. As at June 30, 2017, our Total Indebtedness was Rs.24,739.0 million (US$382.1 million). On a pro forma basis giving effect to the offering of the Notes and the application of the net proceeds thereof to repay existing indebtedness described in “Use of Proceeds,” as at June 30, 2017, on a consolidated basis, we would have had Rs.30,043.2 million (US$464.1 million) of outstanding indebtedness.

Under the Concession Agreement, we are required to undertake our development plans at the Airport in accordance with the Master Plan. In particular, we are obligated to design, procure, construct, complete, test, commission and remedy any defects at the Airport in accordance with the Master Plan. We are also obligated to develop and implement detailed proposals for the expansion of the Airport, taking into account increased demand, the availability of funding, economic and profitable operations of the Airport at that time and the reasonable requirements of the users of the Airport. In this regard, we made our last submission of the Master Plan to MoCA in fiscal year 2015, which included the Airport’s developmental requirements for the five-year period between fiscal year 2015 and fiscal year 2019 and the broad plans for the period between fiscal year 2019 and fiscal year 2039. Our current phase of development, the Phase 1B Expansion, includes, among others, (i) the addition of a modular expansion to the east and west sides approximately 0.9 times the size of the existing terminal, (ii) pier expansion (east and west side), (iii) apron expansion for stands and excess taxi provisions and (iv) modification of the departure forecourt and ramp modification. AERA has completed its assessment of our capital expenditure plan for the Phase 1B Expansion, which was filed with our tariff submission to AERA for the second control period in March 2016, and we expect AERA’s assessment of our capital expenditure plan to be published in a consultation paper to be issued by AERA in the third quarter of fiscal year 2018 and we expect the next tariff ruling from AERA in the fourth quarter of fiscal year 2018.

As and when we are required to construct additional infrastructure or other capital projects at the Airport, including pursuant to the Phase 1B Expansion, we will need to raise additional indebtedness, as we will not be able to fund the majority of our required capital expenditures solely with our operating cash flows. Our substantial leverage could adversely affect our ability to raise this additional indebtedness on acceptable terms or at all. Moreover, any additional indebtedness incurred to fund our required capital expenditures will compound the adverse consequences of our high leverage as described below.

Our high degree of leverage could have additional adverse consequences, including:

- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations and capital expenditures;

- limiting our ability to raise additional capital for working capital, debt service and other general corporate requirements;

- increasing our vulnerability to downturns or adverse changes in general economic conditions and adverse changes in the regulations affecting our business;

- making it difficult for us to satisfy our obligations with respect to the Notes and our other indebtedness; and

- exposing us to the risk of increased interest rates, as a portion of our borrowings are at variable rates of interest.

Any difficulties we may encounter, both in raising additional indebtedness to fund our capital expenditures and satisfying our increased debt service requirements, could have a material and adverse effect on our liquidity and results of operations. In addition, as our existing indebtedness matures, we may need to refinance or obtain new debt which may not be available on favorable terms or at all. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Expenditures" for a discussion of our capital commitments for fiscal year 2018.

Under the terms of the Concession Agreement, we were required to complete certain mandatory capital projects in connection with the construction and development of the Airport. Our Phase 1A development plans were successfully completed in 2008, and we are currently embarking on our Phase 1B Expansion. We cannot guarantee that we will be able to fulfill our commitments without delay or within the estimated budget for such projects nor that we will be able to obtain the financing necessary to complete such projects. This could limit our ability to expand capacity at the Airport, increase our operating or capital expenses, and adversely affect our business. Such delays or budget overruns could also limit our ability to comply with the Master Plan or any major development plans and/or lead to our breaching the Concession Agreement, any of which would have a material adverse effect on our business, financial condition and results of operations.

For a description of our Concession Agreement and the Master Plan, see "Business—Our Concession" and "Business—The Master Plan."

We have in the past not been compliant, and may in the future not comply, with certain covenants in relation to certain financing agreements, which potentially could result in an event of default under the respective financing agreements and cross-defaults under other instruments, thereby accelerating our obligations under our financing agreements.

We and our subsidiaries enter into financing agreements with various creditors for the financing of our projects and other purposes, which require us to comply with certain covenants. Our subsidiary, GMR Aerospace Engineering Limited ("GAEL"), through which we operate our MRO business, did not comply with the account-funding and usage requirements of the trust and retention account agreement entered into in connection with the financial covenants under a loan facility agreement entered into with the State Bank of India (formerly the State Bank of Hyderabad and State Bank of Bikaner & Jaipur) and Andhra Bank, which facility has since been closed. We previously did not notify our lenders of these breaches, and GAEL continued to service its outstanding debt obligations on the respective due dates until the facility was refinanced through the issuance of non-convertible debentures pursuant to a debenture trust deed dated October 4, 2017. In addition, GHIAL had not strictly followed the waterfall-funding mechanism for certain accounts under the trust and retention account agreement entered into in connection with its Existing Senior Debt (as defined in "Description of the Notes"), including the funding of various sub-accounts, which may give the lenders under the Existing Senior Debt the right to declare an event of default until the repayment of all outstanding amounts to the lenders under the Existing Senior Debt. We intend to use gross proceeds of the offering of the Notes to refinance the Existing Senior Debt. See "Use of Proceeds" and "Description of Material Indebtedness" for further details.

In the future, we may face difficulties complying with the covenants under our financing agreements. Any such non-compliance may result in an event of default under those agreements, and our lenders would have the right to, among others, accelerate payment of all amounts outstanding under the relevant financing agreements and declare such amounts immediately due and payable together with accrued and unpaid interest. In addition, any such event of default may trigger cross-default or cross-acceleration clauses under our other financing agreements, including the Indenture and the financial agreements of our subsidiaries and joint ventures, which could result in an event of default under such other financing agreements and simultaneous accelerated repayments of additional material amount of indebtedness. We cannot assure you that our assets or cash flow would be sufficient to fully repay our borrowings or satisfy guarantees or security claims under our outstanding financing agreements if accelerated or that we would be able to refinance or restructure the payments due under those financing agreements. Accordingly, any such action by our creditors could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our consolidated financial statements may not be comparable in view of changes in the applicable generally accepted accounting principles and the 2014 AERA Order.

We have prepared our consolidated financial statements as at and for the year ended March 31, 2017, together with the comparative period data as at and for the year ended March 31, 2016, in accordance with Ind-AS for the first time. For periods up to and including the year ended March 31, 2016, we had prepared our consolidated financial statements in accordance with Indian GAAP.

In addition, our aeronautical charges for the first control period spanning fiscal years 2011 through 2016 were not declared effective by AERA until February 2014, at which time AERA passed an order determining the tariff structure of GHIAL to be based on a single till methodology with a significant reduction in the target aeronautical revenue and further contending that due to over-recovery of user development fees and passenger service fees (facilitation component) by us in the initial three years of the first control period, we were not eligible to recover such fees for the remaining two years in the first control period. As a result, our revenue from aeronautical services for fiscal years 2015 and 2016 experienced substantial declines as compared to the prior years during the first control period. Following our writ petition before the Honorable High Court at Hyderabad, the DGCA, through AIC dated November 3, 2015, restored our user development fee and passenger service fee (facilitation component) at the rates existing before April 1, 2014. Such variations in our revenue due to the amount and timing of AERA's rate determinations may lead to substantial volatility and unpredictability in our results of operations and could make period-on-period comparisons of our results of operations not reflective of longer-term trends.

As a result of (i) the change in accounting standards applicable to the Company from Indian GAAP to Ind-AS with effect from April 1, 2016 and (ii) the discontinuation of our user development fee and passenger service fee (facilitation component), which comprise a substantial portion of our aeronautical revenue, pursuant to the 2014 AERA Order, and the subsequent restoration of such fees in fiscal year 2016 with effect from November 3, 2015, our consolidated financial statements as at and for the years ended March 31, 2016 and 2015 prepared in accordance with Indian GAAP are not comparable with our consolidated financial statements as at and for the year ended March 31, 2017 prepared in accordance with Ind-AS. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Government of India may impose liquidated damages on us and/or terminate the Concession Agreement under certain circumstances.

The Concession Agreement provides that the Government of India may impose liquidated damages on us in the event that we fail to meet certain agreed performance standards. See "Business—Our Concession—Concession Agreement" for further details. We cannot assure you that we will be able to meet the performance standards required under the Concession Agreement and that the Government of India will not impose any such liquidated damages on us if we do not meet the performance standards required under the Concession Agreement.

The Concession Agreement may be terminated by the Government of India prior to the expiration of the term of the agreement for certain prescribed reasons. For example, any un-remedied material default under the Concession Agreement, any halt in our operations of the Airport (either sustained for 14 or for 30 days in aggregate in any calendar year), failure to achieve performance standards two years after the date that we first become liable to pay liquidated damages, for any failure to pay the concession fee could result in the Concession Agreement being terminated. The Concession Agreement may also be terminated upon our insolvency, winding up or liquidation or administration, trust or receivership of all or substantially all of our assets or upon certain violations of Indian laws or regulations. In addition, the Government of India may assume the operation of the Airport in the event of any emergency, including war, public disturbance or a threat to national security, in case we cease to operate the Airport for more than 48 hours without the written consent of the Government of India, other than in accordance with its rights under the Concession Agreement and not being due to the Government of India or any Relevant Authority (as defined in the Concession Agreement). See "Business—Our Concession—Concession Agreement" for further details. We cannot assure you that the Government of India will not terminate the Concession Agreement if we are unable to satisfy our obligations thereunder or any of the events described above occur.

In the event of a reversion of the public domain assets that are the subject of our Concession in the case of an event of default under the Concession Agreement, the Government of India has guaranteed — subject to several conditions — to compensate us by, among other things, making payment of 100% of our outstanding Debt (as defined below) due to our Lenders under the financing agreements relating to the initial construction of the Airport and any expansion of its facilities from time to time plus the value of our investment in non-airport activities which the Government of India opts to take over, less any insurance proceeds received by us in respect of claims made since the occurrence of the default which led to termination. See "Business—Our Concession—Concession Agreement" for further details. However, there can be no assurance that we will receive compensation equivalent to the value of our investment in or any additional damages related to our Concession and related assets upon the occurrence of such event. Thus, the loss of our Concession would have a material adverse effect on our business, financial condition and results of operations and may result in the loss of all principal and interest owed to the holders of the Notes.

Furthermore, under the terms of the Concession Agreement, we may not assign the Concession Agreement or pledge as security our interests in the Concession Agreement or any right or obligation arising under or pursuant to it or any benefit or interest in it. We may only assign and transfer our rights and obligations under the Concession Agreement for the purposes of providing security to our Lenders if the Government of India does not object within 10 days after being notified of such transfer and assignment and upon disclosure of the identity of such Lenders. "Lenders" is defined under the Concession Agreement as the financial institutions, banks, non-banking financial company and similar bodies to whom debt is owed under the financing agreements for financing of the development and expansion of the Airport. "Debt" is defined under the Concession Agreement as the outstanding debt payable to our "Lenders" under the financing agreements relating to the development and operation of the Airport. However, the holders of the Notes ("Noteholders") may not be considered by the relevant government or judicial authorities to fall within the definition of "Lenders" under the Concession Agreement. For example, the definition of "Lenders" in the Concession Agreement would not include Noteholders that are individuals or certain classes of Noteholders who may otherwise provide financing to us either directly or through an intermediary. Moreover, specific disclosure as to the identity of such Lenders to the Government of India may not be possible at the time of notifying such assignment or transfer. The Trustee has no duty to determine, and would not be responsible for any determination of, whether any Noteholders qualify as “Lenders” under the Concession Agreement.

Upon termination of the Concession Agreement as a consequence of a default by us or the Government of India in certain prescribed circumstances, the Government of India may acquire all of our rights, title and interests in and to the Airport and in any non-airport activities which the Government of India opts to take over. See “Business—Our Concession—Concession Agreement” for further details. The termination amount to be paid by the Government of India in such event is calculated to include “Debt” as defined under the Concession Agreement. However, any amounts outstanding in relation to the Notes held by Noteholders who do not qualify within the definition of “Lender,” such as individuals, may not be included in the calculation of “Debt” under the Concession Agreement for purpose of such termination amount. Any amount advanced by individuals to us would not be considered as “Debt” as defined in the Concession Agreement since individuals are not considered “Lenders” as defined in the Concession Agreement. This may adversely impact the amount of funds available to Noteholders from the termination payments made by the Government of India upon termination of the Concession Agreement. A court may also take the view that none of the Noteholders qualify as “Lenders” under the Concession Agreement, in which case the amount of Notes outstanding would not be considered for determining the termination payments made by Government of India upon termination of the Concession Agreement.

Furthermore, to the extent that we incur any capital investment amounts or costs in relation to the conduct of non-airport activities and require such investments, amounts or costs to be calculated as part of the Termination Amount, Debt or Settlement Amount, we must seek the prior consent of the Government of India before incurring such capital investment amounts or costs.

For a description of the Concession Agreement, including the obligations — and the limitations thereto — of the Government of India in the event of a reversion of the public domain assets that are the subject of our Concession in the case of an event of default, see “Business—Our Concession.” Also see “—Risks Related to the Notes and the Collateral—If our Concession is terminated or the Government of India acquires our rights under the Concession, the Notes held by holders who are not “Lenders” as defined under the Concession Agreement would not be eligible for termination payments and accordingly, the Notes may receive only partial or no repayments of amounts owed under the Notes.”

Our business is subject to extensive and evolving Indian law and regulations.

Our operations, including the scope and extent thereof, are regulated and restricted by the Government of India and the terms of our Concession Agreement. Principal regulators of the Government of India that formulate and implement policies affecting our business include AERA, MoCA, the DGCA and the Bureau of Civil Aviation Security. We also are required to obtain governmental and regulatory approvals with respect to a variety of matters affecting our operations. In addition, new laws or regulations could be implemented that could have a direct or indirect adverse effect on our operations. While we seek to maintain favorable relations we believe we enjoy with the regulators who oversee our business, there can be no assurance that these regulators will not formulate and implement policies which adversely affect our business. Key areas of our business that are subject to regulatory oversight include the rate-setting process applicable to aeronautical service tariffs, security, health and environmental safety, and labor relations. There can be no assurance that the regulatory agencies overseeing our operations will rule favorably for us or that the laws and regulations governing our business will not be established or change in the future or be applied or interpreted in a way that could have a material adverse effect on our business, financial condition and results of operations.

Our operations require us to obtain and comply with the terms of various approvals, permits and registrations. While certain approvals, permits and registrations are one-time in nature, which remain valid unless or until cancelled, certain other approvals are only valid for stipulated periods of time and require periodic renewals. For example, we are required to obtain, and renew from time to time, the aerodrome licenses issued by the DGCA with respect to the Airport; our combined consent to operate under the Water (Prevention and Control of Pollution) Act, 1974, and the Air (Prevention and Control of Pollution) Act, 1981, and authorizations under the Hazardous Wastes (Management and Handling) Rules 1989. Additionally, we may be required to obtain or renew from time to time, approvals and licenses at the central, state and municipal levels in relation to our commercial property development projects, and must comply with various rules and regulations, such as the Customs Act and Foreign Exchange Management Act in relation to our duty-free retail business. There can be no assurance that we will be able to obtain or renew such approvals and licenses in time or at all. Furthermore, the environmental approvals are granted to us based on certain assumptions on the number of people using the airports. Such assumptions may not be accurate and if we obtain or renew environmental approvals based on inaccurate assumptions, our business and operations may be materially and adversely affected. In addition, such approvals, permits and registrations contain various conditions and restrictions that we (as well as our contractors, concessionaries and other relevant third parties) are required to comply with. These include the requirement, in certain cases, to maintain registers and to file periodic returns with the appropriate authorities.

In order to carry out our MRO business, we must comply with various rules and regulations. We have the capability to conduct airframe maintenance for aircraft manufactured by Boeing, Airbus and Bombardier, but carrying out such airframe maintenance and related ancillary services is subject to our having the valid certification of DGCA. We have received the certification of DGCA, in addition to certifications from various other agencies, including the European Air Safety Association ("EASA"), the Myanmar Department of Civil Aviation, the Civil Aviation Authority of the Cayman Islands, the Department of Civil Aviation of Malaysia, the Ministry of Transportation and Telecommunications of the Kingdom of Bahrain, and the Public Authority for Civil Aviation of the Sultanate of Oman. The certification process for each agency and adherence to the same is stringent and subject to suspension or cancellation under certain circumstances. For example, our EASA certification was suspended from mid-2016 to early 2017 due to its audit finding that we failed to record several defects discovered during a certain major scheduled maintenance event and assess their impact on flight safety, a situation which we subsequently rectified in order to reinstate our certification. Rectification of this situation involved making improvements to our quality control processes, for which we incurred additional costs, and there may be additional costs in the future associated with maintaining our certifications or rectifying future compliance deficiencies. Any revocations or suspensions of the certifications and other compliances required by our MRO business could have an adverse effect on our business, financial condition and results of operation. In certain circumstances, such approvals, permits and registrations may also be revoked or suspended by the issuing authorities or by the Government of India or the competent courts or appellate forums on account of our, or our contractors' or relevant third parties', failure to comply with applicable requirements or restrictions.

Our compliance costs (including penal or remedial costs in the event of any failure to comply) may be substantial. In addition, we undertake to indemnify our MRO customers for losses, penalties or other expenses incurred as a result of breach or failure by GATL under the terms of our MRO contracts. Any failure to obtain, renew or comply with the terms of applicable approvals, permits and registrations, or any occurrence which results in GATL having to indemnify its MRO customers, could materially and adversely affect our business, financial condition and results of operations, and also result in reputational damage. For further information, see "Indian Regulatory Environment."

AERA determines the rates we charge for aeronautical services through a consultative process involving us and other stakeholders, based on our submissions of forecasts for our traffic, our operation and maintenance expenses, our capital expenditure and revenues from non-aeronautical operations and related services on a standalone basis, as well as other factors. While AERA's determination of rates for aeronautical services is a consultative process, AERA may not agree with our forecasts and other calculations included in the tariff applications we submit to AERA. For example, in the first control period spanning fiscal years 2011 through 2016, AERA had passed an order on February 24, 2014 determining the tariff structure of GHIAL to be based on a single till methodology with a significant reduction in the target aeronautical revenue. This was mainly on account of adoption of a "single" till methodology, consideration of return on equity at 16.0%, disallowance of pre-control period entitlement for the first control period (when AERA was not in existence), disallowance of capitalization of foreign exchange loss and consideration of cargo, ground handling and fuel farm services as part of aeronautical services (the "2014 AERA Order Assumptions"). The order further contended that, due to over-recovery of user development fees and passenger service fees (facilitation component) by us in the initial three years of the first control period, we were not eligible to recover such fees for the remaining two years in the first control period. We filed a writ petition challenging the 2014 AERA Order Assumptions with the Honorable High Court at Hyderabad. Following this, MoCA issued an order dated June 10, 2015 under section 42(2) of the AERA Act and directed AERA to adopt a hybrid till with 30.0% cross subsidization from non-aeronautical revenue for the determination of our tariff in respect of the Airport (the "2015 MoCA Order") and consequently, the DGCA, through an AIC dated November 3, 2015, restored our user development fee and passenger service fee (facilitation component) at the rates existing before April 1, 2014. As a result of the 2014 AERA Order, our revenue from aeronautical services for fiscal year 2015 and part of fiscal year 2016 experienced substantial dips. See "—The fees we charge for aeronautical services - which comprise a significant portion of our revenues - are regulated by the Government of India, through AERA, in accordance with the terms of our Concession Agreement. Accordingly, government regulations and the terms of our Concession Agreement have materially affected our historical results of operations and financial condition, and will continue to affect our future results of operations and financial condition, which could be materially and adversely affected by the to-be-announced rate determinations for our aeronautical services." The Airport Passengers Association of India has challenged the 2015 MoCA Order before the Honorable High Court at Hyderabad. See "Business—Legal Proceedings" for further details.

In March 2016, we filed our tariff submission with AERA for the second control period spanning fiscal years 2017 through 2021 on the basis of a hybrid till with 30.0% cross subsidization from non-aeronautical revenue since inception. AERA is in the final stages of appraising our application, and we expect the consultation paper to be published by the end of the third quarter of fiscal year 2018 and the final tariff order issued by the fourth quarter of fiscal year 2018.

The rights granted to us under the Concession Agreement and the SSA are our principal assets. Our rights under these agreements may be revoked by the Government of India or the Government of Telangana for certain prescribed reasons, including any event of default on our obligations or any force majeure event. See "Business—Our Concession" and "—The Government of India may impose liquidated damages on us and/or terminate the Concession Agreement under certain circumstances" for further details. If we were to lose our rights, or any portion of them, under the Concession Agreement or the SSA, such loss could have a material adverse effect on our business, financial condition and results of operations.

Our revenue is highly dependent on levels of air traffic, which depend in part on factors beyond our control, including economic and political conditions and the regulatory environment.

Our revenue is highly dependent to passenger and cargo traffic volumes and the number of air traffic movements at the Airport. These factors directly determine our revenue from aeronautical services and indirectly determine our revenue from non-aeronautical operations and related services. Passenger and cargo traffic volumes and air traffic movements depend in part on many factors beyond our control, including, among others:

- political factors and the regulatory environment, which are both beyond our control;
- macroeconomic events (including changes in fuel prices and currency exchange rates), whether or not affecting the Indian economy or the global economy generally;

- adverse changes in domestic or international regulation or policy;
- increased competition, which may make the Airport less attractive compared to other airports;
- the development of efficient and viable alternatives to air travel, including the improvement or expansion of existing surface transport systems, the introduction of new transport links or technology, and the increased use of communications technology;
- discontinuance of operations of any airlines, for example, the discontinuance of operations of Kingfisher Airlines and Air Costa in the past, which led to a reduction in ATMs at the Airport;
- decisions by airlines regarding airfares due to increased airline costs, the number, type and capacity of aircraft, as well as the routes on which particular aircraft are utilized;
- bad weather and other seasonal factors which can impact flights and passenger demand, such as the rains during the monsoon season;
- accidents or other security incidents at the Airport or other airports in India; and
- wars, riots, political action, health scares, outbreaks of contagious diseases, disruptions caused by natural disasters, and acts of terrorism or cyber-security threats.

In addition, as the passenger traffic at the Airport has exceeded the passenger capacity of the Airport, increasing our revenue beyond the constraints imposed by the current facilities of the Airport will depend on the successful implementation of the Phase 1B Expansion, which includes, among others, (i) the addition of a modular expansion to the east and west sides approximately 0.9 times the size of the existing terminal, (ii) pier expansion (east and west side), (iii) apron expansion for stands and excess taxi provisions and (iv) modification of the departure forecourt and ramp modification. Implementation of the Phase 1B Expansion will involve complex construction planning, passenger traffic diversion and the incurrence of a significant amount of additional indebtedness. The failure to successfully implement any aspect of the Phase 1B Expansion on account of adverse economic and political conditions or regulatory environment, or any other reason, could result in failure to capture additional revenue from increased passenger traffic or loss of revenue from disruption to current passenger traffic.

Under prevailing regulatory practice, AERA may compensate us through tariffs in subsequent control periods for decreases in our revenues from aeronautical operations due to drops or variations in air traffic or passenger traffic caused by economic cycles which are below projections in AERA's tariff determinations, however, there is no guarantee that AERA would provide such compensation. See "Business—Our Concession—Concession Agreement—Airport Economic Regulatory Authority and Tariffs" for further details. Any decrease in air traffic to or from the Airport as a result of the above and other factors could have a material adverse effect on our business, financial condition and results of operations.

Our revenue from non-aeronautical operations and related services is partially linked to passenger numbers and expenditures by such passengers at the Airport. Levels of retail revenue may also be affected by changes in the mix of long-and short-haul, transfer, origin and destination of passengers and also the mix of international and domestic passengers. The majority of our international passengers are from the Middle East, so our duty free revenues are particularly sensitive to economic conditions in the Middle East. In addition, retail tenant failures, lower retail yields on lease re-negotiations, redevelopments or reconfiguration of retail facilities, reduced competitiveness of the airport retail offering, reduced hand luggage and other carry-on restrictions and reduced shopping time as a result of more rigorous and time consuming security procedures may lead to a temporary or permanent decline in retail concession fees. Other non-aeronautical operations and related services revenue could be reduced as a result of a decrease in demand from airport users or airlines leasing check-in counters, a decrease in passengers staying at our Novotel Hyderabad Airport Hotel or a decrease in the number of aircrafts utilizing our MRO services. Further, airport terminals are periodically renovated and refurbished, and during such periods, we may experience reduced earnings from non-aeronautical operations and related services. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

Decreases in our non-aeronautical service revenues and the revenues of our subsidiaries and joint ventures are not subject to compensation from AERA or any other agreement in the event that passenger traffic drops below that projected by AERA's tariff determinations. Furthermore, some of our subsidiaries and joint ventures are highly leveraged, so decreases in revenues resulting from decreases in passenger traffic would materially adversely impact their ability to service loans, for which we may become directly liable under various guarantees we have provided to such lenders. Thus, events of default by our subsidiaries or joint ventures could have a material adverse effect on our business, financial condition and results of operations. See "— We have in the past not been compliant, and may in the future not comply, with certain covenants in relation to certain financing agreements, which potentially could result in an event of default under the respective financing agreements and cross-defaults under other instruments, thereby accelerating our obligations under our financing agreements" for further details.

Routing and other operational decisions by airlines or airline alliances can affect traffic volumes and our operations.

Routing, stop-over and connection decisions or the creation or designation of a hub by individual airlines or airline alliances could result in significant shifts in passenger flows. In addition, an airline's decision to use larger or smaller types of aircraft at our airports could result in changes to operational and facility requirements, which may require us, for example, to modify or construct new gate facilities to accommodate new, larger aircraft operated by airlines. We currently have a number of gate facilities at the Airport that are able to accommodate new, larger aircraft operated by various airlines that utilize the Airport, such as the Airbus A380. However, we may be unable to adapt in time for any future developments in new aircraft that require modifications to our existing facilities. Airline or airline alliance routing and hub designation decisions may affect the revenue we derive from landing charges, parking and housing charges and user development fees or may require us to incur substantial costs in establishing new types of facilities and services. These and other possible activities and operational decisions by airlines or airline alliances could have a material adverse effect on our business, financial condition and results of operations.

The Government of India could grant new concessions that compete with the Airport.

Governmental authorities could grant additional concessions to operate existing government-managed airports or authorize construction of new airports — any or all of which could compete directly with the Airport. For example, due to the bifurcation of the state of Andhra Pradesh into the state of Andhra Pradesh and the state of Telangana, a new international airport has been announced for Amravati, at an aerial distance of 395 kilometers from the Airport in the new state of Andhra Pradesh, which may divert a significant amount of air traffic from the Airport. Any competition from such other airports could have a material and adverse effect on our business, financial condition and results of operations. Under Indian law, the grant of a concession for a new or existing airport must be made pursuant to a public bidding process.

Furthermore, the Aviation Policy 2016 permits development of satellite airports or non-commercial airports within a 150 kilometer radius of existing PPP (public-private partnership) airports, such as the Airport, subject to the provisions of the relevant concession agreement. Although, pursuant to the Concession Agreement, no new or existing airport is permitted to be developed as, or improved or upgraded into, an international or a domestic airport within an aerial distance of 150 km of the Airport before 2033 (the 25th anniversary of March 23, 2008, being the opening date of the Airport), the Government of India is currently contemplating improvements at two regional airports, each of which is located within a 150 km radius of the Airport. See "Indian Regulatory Environment—Applicable Legislation, International Conventions and Sectoral Policy—Policy on Regional Connectivity Scheme (UDAN)." We have offered to consent to the improvements at one of the airports, subject to our being permitted to undertake such improvements ourselves and to operate such airport on an ongoing basis under the auspices of our current Concession. Discussions with regard to such airport are ongoing and there can be no guarantee that the improvements would proceed on terms agreeable to us or that a third party will not be granted the project. See "Business—Overview—Overview of our Concession" for further details.

If we consent to the development of either airport, whether or not undertaken under the auspices of our current Concession, or if development of these airports continues without our consent, we may be forced to compete with these airports for passenger traffic, which may materially adversely affect our financial condition and results of operations.

We do not have a right of first refusal over any airports to be constructed within proximity to the Airport, so any new airport development concession would be offered through a public bidding process. In the event that a competing concession is offered in a public bidding process, we cannot assure you that we would participate in such a process, or that we would be successful if we were to participate. If we are able to participate and are declared successful in such a public bidding process, we will be required to undertake significant capital expenditures for the construction and development of facilities at the proposed new airport, including new terminals and the related facilities necessary to support these terminals. As and when we are required to construct and develop facilities at the proposed new airport, we will need to raise additional funds, and we cannot assure you that we will be able raise additional funds through the issuance of equity or equity-linked instruments or through debt financing. We cannot assure you that market conditions and other factors will permit future project financings, debt or equity, on terms favorable to us or at all. Our ability to arrange financing and the costs of such financing are dependent on numerous factors, including general economic and capital market conditions, credit availability from financial institutions, the amount and terms of our existing indebtedness, investor confidence, the continued success of our Airport and laws that are conducive to our raising capital in this manner. If we are unable to arrange necessary financing or compete effectively with any such new airports, our business, financial condition and results of operations could be materially and adversely affected.

Our concession fee payable to the Government of India may be higher as a result of the adoption of Ind-AS.

Under the Concession Agreement, we are required to pay the Government of India a concession fee equal to equal to 4.0% of our standalone pre-tax gross revenue, with certain exclusions. We have agreed with the Government of India to defer payment of the annual concession fee in respect of the first 10 financial years after the Airport Opening Date to the 11th financial year after the Airport Opening Date, to be paid in 20 equal half-yearly instalments with the first instalment being payable on June 30, 2018. The annual concession fee in respect of the 11th financial year the Airport Opening Date and each succeeding financial year thereafter will be payable annually in arrears on December 31 of each year.

Our management is of the view that certain income/credits arising from the adoption of Ind-AS and also mark-to-market gain on valuation of interest rate swaps were not contemplated by the parties in December 2004 when the Concession Agreement was executed. Further, such income/credits in our statement of profit and loss do not represent receipts from business operations or from any external sources and therefore, are not treated as gross revenue for calculation of the concession fee payable to the Government of India. Accordingly, we have made provisions for the concession fee payable to the Government of India based on gross revenue under our financial statements prepared in accordance with Ind-AS after making adjustments for such income/credits.

If the Government of India disagrees with our calculation of the concession fee, our concession fee payable to the Government of India may be higher as such income/credits arising from the adoption of Ind-AS would be treated as part of gross revenue. If the Government of India were to make such a determination, we may decide to challenge the decision by initiating a dispute under the Concession Agreement, which could result in a significant commitment of our management's time and resources. Any such impact on the concession fee payable to the Government of India without an increase in our operating cash flows and any such potential dispute may materially adversely affect our financial condition and results of operations.

The loss of one or more of our key customers or a reduction in their operations could result in a significant decline in our revenues.

Revenue from aeronautical operations includes landing, parking and common infrastructure charges, which are collected from the airlines, and user development fee and passenger service fee (facilitation component), which is collected by the airlines on behalf of the Company from the passengers. For Interglobe Aviation Limited (which operates IndiGo flights) accounted for 28.8%, 25.1%, 27.1%, 26.6% and 17.6% of our revenue from aeronautical services and 14.9%, 13.0%, 14.0%, 8.7% and 3.3% of our revenue from operations for the three months ended June 30, 2017 and 2016 and years ended March 31, 2017, 2016 and 2015, respectively, while Air India Group (comprising Air India Limited, Indian Airlines limited, Airline Allied Services Limited and Air India Charters Limited) accounted for 9.5%, 12.0%, 10.4%, 14.5% and 13.2% of our revenue from aeronautical services, respectively, and 4.9%, 6.2%, 5.4%, 4.7% and 2.5% of our revenue from operations over the same periods, respectively. We expect that these airlines will continue to account for a significant percentage of our revenue in the future. None of our contracts with our airline customers obligate them to use the Airport for a minimum number of flights or passenger numbers. Decisions by, legal disputes with, financial difficulties at, or the failure of, a significant airline customer, or the withdrawal of their landing rights by the Government of India, could lead to a reduction in flights and passenger numbers and/or failure or delay in recovering revenues from aeronautical operations. If any of our key customers were to reduce their use of the Airport or cease to operate at the Airport, we cannot guarantee that we would be able to derive revenue from other airlines to offset the loss of revenue from these key customers. In addition, as a result of this reliance, the growth of our revenue is effectively constrained by the number of flights operated by our key customers, the number of passengers they service at the Airport and the size of the aircraft used by these airlines. The interests of our key customers may conflict with our interests, and their pricing policies, business strategies, marketing, capital expenditures and other initiatives may result in disputes or cause them to decrease their use of the Airport. If any of these key customers decreases their flights into and out of the Airport or there is a significant reduction in the number of passengers using these airlines or the size of the aircraft that they use, our results of operations could be adversely affected. We cannot assure you that our revenue generated from these key customers will reach or exceed historical levels in any future period. The loss of such customers could also impact our revenue from non-aeronautical operations and related services. Any loss or cancellation of business from, or decreases in the rates we charge for our services to these, key customers could materially adversely affect our business, financial condition and results of operations.

We are exposed to certain credit risks and we may be unable to collect on our receivables.

In recent years, many airlines have reported increased leverage and some have reported substantial losses. Our revenues from certain airlines and other aeronautical services are typically secured by a performance bond or other types of guarantees, but such guarantees may not fully cover the amount owed by an airline at any time, which is the case with amounts owed to us by Air India, Spice Jet, Indigo and Jet Airways. In the event of insolvency of any of our customers, we may be unable to collect any or all amounts invoiced to that airline in respect of passenger charges. For example, we previously took an impairment loss on outstanding trade receivables due from Kingfisher Airlines (which no longer has active flight operations) due to the uncertainty of collection on such amounts. In addition, Air Costa, a regional operator, became financially stressed recently and no longer has active flight operations. As such, we are uncertain of the likelihood of collecting receivables due from Air Costa. In addition, due to its default on rental payments, we are uncertain of the likelihood of collecting receivables due from Datawind, one of our commercial property tenants.

In addition, should any of our principal airline customers refuse to continue to make payments to us, or should they refuse to pay increases in our charges for aeronautical services in future years, our results of operations, could be adversely impacted by decreased cash flows from operations.

Our primary exposure to credit risk arises through services provided to Air India Group, and as of June 30, 2017, significant receivables from Air India Group remain unpaid. Historically, we have experienced several delays in collecting trade receivables from Air India Group, which has had an impact on our working capital requirements during such periods of delay. In addition, due to the unpredictable timing of payments from Air India Group, we have experienced significant fluctuations in our collections on receivables. Although we believe such amounts owed to us by Air India Group will be ultimately collectible, our failure to collect any such amounts would have a material adverse effect on our business, financial condition and results of operations.

The interests of the GMR Group, our majority shareholder, may differ from the interests of GHIAL or the holders of the Notes.

The GMR Group, primarily through GMR Airports Limited, holds 63% of our shares, and also operates other airports, including Delhi's Indira Gandhi International Airport, under a concession arrangement similar to our Concession, and Mactan Cebu Airport, through a special purpose company in the Philippines with its majority shareholding partner Megawide Construction Corporation. Further, the GMR Group has recently been awarded the concession for a new airport in Mopa, Goa, India and is also developing Crete International Airport in Greece.

Due to its significant holdings, GMR Group, in many instances, is in a position to control our management and operations and to determine generally the outcome of many matters requiring the consent of our board of directors. In addition, we rely on the support of the GMR Group for certain managerial and operational assistance, such as the management of our financing initiatives, interaction with the regulators and advice on strategic decisions. As the GMR Group manages a portfolio of different projects, the interests of the GMR Group may not coincide with our interests. We cannot assure you that the GMR Group would act completely in the interest of the holders of the Notes or that possible conflicts of interests would be resolved in favor of the holders of the Notes.

We have entered into, and will continue to enter into, related party transactions, and there can be no assurance that we have achieved as favorable terms as had such transactions not been entered into with related parties.

As permitted under the SHA, we have entered into transactions with several related parties, including entities controlled by our majority shareholder, the GMR Group. While we believe that all such transactions have been conducted on an arm's-length basis and in accordance with the provisions under the SHA, there can be no assurance that we have achieved as favorable terms as had such transactions not been entered into with related parties. Furthermore, we will enter into related party transactions in the future. The transactions we have entered into and any future transactions with our related parties have involved or could potentially involve conflicts of interest. These related party transactions include sales and purchases of goods, rendering of services, sales and purchases of fixed assets, payments of dividends, the making and borrowing of loans and capital advances. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our business, financial condition and results of operations. For further information regarding our related party transactions, see "Certain Related Party Transactions."

AAI acts as our shareholder and indirect competitor and this may give rise to conflicts of interest.

We may face or suffer potential conflicts of interest arising from the fact that AAI plays multiple roles in our business. While we have entered into several agreements and contracts with AAI in relation to our Concession, including a shareholders agreement governing AAI's equity ownership in GHIAL, in some instances AAI may also be regarded as our competitor. For example, in one role AAI holds 13% of the shares in GHIAL, and pursuant to the terms of the SHA, each of AAI and the State Government has the right to nominate at least one director to our board of directors, each irrespective of their shareholding and even if they cease to hold any of our shares, and AAI also has certain corporate governance rights, including the authority to veto certain reserved matters at the GHIAL board and shareholder levels. See "Business—Our Concession—Shareholders Agreement—Board of Directors and Reserved Matters." AAI is responsible for communication navigation and surveillance, and air traffic management services at the Airport, while other governmental agencies are also responsible for providing certain services, such as customs, immigration and security services in respect of aeronautical assets, health, meteorology and quarantine. In another role, however, AAI is an operator of other airports in India under the Ministry of Civil Aviation. Since AAI also has interests in the operations of other airports, certain conflicts of interest (including in terms of actual or perceived public or national interest or policy objectives) may arise, and there can be no assurance that AAI will act in our favor, which may result in loss of our business, restrictions on our operations and materially adversely affect our business, financial condition and results of operations.

Increases in aviation fuel prices could result in airlines increasing their airline ticket prices, which, in turn, could reduce demand for air travel.

Aviation fuel costs represent a significant part of the operating costs of all airlines, including those which use the Airport. Aviation fuel prices have experienced periods of significant increases in the past, due to a number of factors including, but not limited to, macroeconomic conditions, regional hostilities in areas such as the Middle East and oil industry production-limitations, and may be subject to further increases in the future. Such increases in airlines' aviation fuel costs have, in the past, resulted in higher airline ticket prices and, in turn, have decreased demand for air travel. Accordingly, any such future increases in aviation fuel prices could result in further increases in airline ticket prices and decreased demand for travel on airlines which use the Airport, thereby adversely affecting our revenues and results of operations. Moreover, increased aviation fuel prices likely will have a more pronounced and adverse impact on those airlines which use less fuel-efficient airline fleets, a group which could include some of the airlines which use the Airport. Such an impact would, in turn, have a negative effect on our revenues and results of operations.

International and domestic events could have a negative impact on international air travel.

Historically, we have derived a substantial amount of our revenue from aeronautical services, a principal source of which is user development fees. User development fees (including passenger service fees) are payable for each passenger (other than diplomats, infants and transit passengers) arriving at and departing from the Airport. In the three months ended June 30, 2017 and fiscal year 2017, revenue from user development fees directly represented 70.2% and 70.6%, respectively, of our total revenue from aeronautical services. Catastrophic events involving passenger aircrafts have a negative impact on the aviation industry. In addition, events such as the war in Syria, international tension on the border between India and Pakistan, India and China and geopolitical tensions on the Korean Peninsula, natural disasters such as the recent floods in Gujarat, the volcanic eruptions in Iceland in 2011 and the Indian Ocean earthquake and tsunami in 2004 and public health crises, such as the Ebola outbreak in the western and central regions of Africa, the SARS crisis and the swine flu (H1N1) epidemic may negatively affect the frequency and pattern of air travel worldwide. The effect of such incidents on the aviation industry may include increased security and insurance costs, increased concerns about future terrorist attacks, airport shutdowns, flight cancellations and delays due to security breaches and perceived safety threats, and reduced passenger traffic due to the subsequent drop in demand for air travel globally. Because our revenue is largely dependent on the level of passenger traffic at the Airport, any general increase of hostilities relating to reprisals against terrorist organizations, outbreaks of health epidemics or other events of international concern (and any negative economic impact from such events) could result in decreased passenger traffic and increased costs to the air travel industry and, as a result, could have a material adverse effect on our business, financial condition and results of operations.

Terrorist attacks may have a severe negative impact on the international air travel industry.

As with other airport operators, we are subject to the risk of terrorist attacks. The terrorist attack on the United States on September 11, 2001 had a severe adverse impact on the air travel industry. Significant terror attacks have occurred in the past in India, most recently in Mumbai in 2008 and 2011, in New Delhi in 2011 as well as in Uri in 2016. In the event of a terrorist attack directly on the Airport, airport operations would be disrupted or suspended, resulting in the cancellation or delay of flights during the time necessary to conduct rescue operations, investigate the incident, and repair or rebuild damaged or destroyed facilities. Even after restoration of operations subsequent to a terrorist attack, we may experience decreases in traffic due to increased perceptions of risk. Security measures taken to comply with future security directives or in response to a terrorist attack or threat could reduce passenger and cargo capacity at the Airport due to increased passenger and baggage screening, slower security checkpoints, impose additional limitations on airport capacity for retail space, and increase our operating costs. We may not be able to pass on any additional operating costs we incur as a result of increased security. Any terrorist attacks would likely have a negative impact on the reputation of the Airport and could lead to fewer airlines and passengers using the Airport. In addition, our insurance policies do not cover all losses and liabilities resulting from terrorism, and our future insurance premiums would likely increase. All of the above factors may have a substantially adverse effect on our business, financial condition and results of operations.

Failure in our airport security could have a material adverse effect on us.

Airport security is the responsibility of the Government of India. We are responsible, however, for adopting security measures at the Airport necessary to assist the Government of India in protecting the public and procuring the security of passengers. Under the terms of the Concession Agreement, we are responsible for installing, maintaining and replacing all such security equipment to the required norms and standards under the Concession Agreement. We are also responsible for providing certain space and facilities necessary for the Government of India to provide its required security measures. Security measures taken by us or the Government of India to comply with future security directives or in response to a terrorist attack or threat could reduce passenger capacity at the Airport due to increased passenger screening and slower security checkpoints. In addition, any failure in any of the security measures at the Airport that results in a serious security breach or a public security scare may result in reputational damage to passenger traffic, which would have a material and adverse effect on our business, financial condition and results of operations.

Our strategy to develop commercial property projects at the Airport may be unsuccessful.

In connection with our Concession, we have designated approximately 1,500 acres at the Airport for certain commercial purposes. Through our subsidiaries, we have currently secured leases for an area of approximately 90 acres at the Airport. Furthermore, we are currently in the process of finalizing leases for additional land for the establishment of a logistics park and for various other purposes. A number of local and national real estate companies also focus on developing projects in the commercial property segment in Hyderabad, and the market for commercial property is thus extremely competitive. Moreover, the business of commercial property development may be affected by many external factors, such as demand for and supply of commercial property, and the economic, regulatory and political environment. Commercial property development in India is highly regulated at the state and local level, as well as cyclical, which could result in time and cost overruns in the event that the development companies are unable to obtain necessary approvals and permits in time or to negotiate and manage customer contracts such that their cash flows are not disrupted. Additionally, the proximity of some of our land parcels to the Airport (which is considered a high security area) may raise security concerns and require our lessees to comply with more stringent security requirements as compared to commercial property elsewhere, thereby requiring them to incur higher costs to comply with such security requirements, along with the possibility of delays in obtaining security clearances from security agencies, which may adversely affect the demand for our land parcels and adversely affect the revenues we can expect to generate from such land.

In particular, the success of our commercial property developments could be adversely affected by the inability of customers to obtain credit to finance the acquisition of interests in our commercial properties, delays in obtaining requisite approvals (including security clearances), shortages of required construction materials, equipment and labor, labor unrest, or disputes with or insolvency of key contractors resulting in construction delays, or disputes with, or insolvency, of key tenants in our commercial and retail properties. Some of these factors could adversely affect the ability of the lessees to pay their lease rentals to us. Further, we are exposed to risks generally associated with the long-term leasing of real property to third parties, such as a decline in rental market demand, occupancy rates or rent levels, non-payment by tenants or a weakening of the commercial real estate market. Moreover, our commercial property assets being on or adjacent to the Airport serves a particular sector of the rental market, thus exposing us to fluctuations in this specific market.

Any of these risks could adversely affect the profitability of our commercial property development activities and, consequently, our business, financial condition and results of operations.

We are exposed to general risks associated with the ownership and management of real property.

We are subject to risks incidental to the ownership and management of retail, office, residential and hospitality properties including, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent due to tenant bankruptcy or insolvency or otherwise, inability to dispose of major investment properties for the value at which they are recorded in our consolidated financial statements, increased operating costs, the need to renovate, repair and re-let space periodically and to pay the associated costs of wars, terrorist attacks, riots, civil commotions, natural disasters and other events beyond our control. In addition, property investment is subject to certain risks, including, among other things, decreases in demand for vacant or developed land, fluctuations in rental rates and an inability to dispose of investment properties at market prices. Our activities may also be impacted by changes in laws and governmental regulations in relation to property, including those governing usage, zoning, taxes and government charges. Such revisions may lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance. Rights related to the relevant properties may also be restricted by legislative actions, such as revisions to the laws relating to building standards or town planning laws, or the enactment of new laws related to government appropriation, condemnation and redevelopment.

Our results of operations may fluctuate from period to period due to the cyclical and seasonal nature of the air transportation industry.

Since the air transportation industry is vulnerable to economic cycles, the air transportation industry has historically experienced significant financial losses during economic downturns and periods of political and social instability. Any future general reduction in passenger traffic (which may be caused by economic, political and social factors that we cannot control) may adversely affect our financial condition and results of operations. In addition, the industry tends to be seasonal in nature, and we typically experience increased passenger traffic, in particular international passenger traffic, and ATMs in the second half of each fiscal year as travelers visit southern India during school holidays and due to the relatively cooler weather, and lower passenger traffic and ATMs in the first half of each fiscal year.

A certain portion of our non-aeronautical operations and related services is conducted by joint ventures that we do not control or may not operate solely for our benefit. We may in the future conduct more of our business through such joint ventures.

We have entered into joint ventures with third parties as part of our business and growth strategy, such as Laqshya Media Private Limited in respect of Laqshya Hyderabad Airport Media Private Limited, our joint venture in which we own 49.0%, which develops, operates, markets and manages the advertising media units inside and outside the terminal building. In our joint ventures we share ownership and management of a company with one or more parties who may not have the same goals, strategies, priorities, or resources that we do. Operating a business as a joint venture often requires additional organizational formalities, as well as time-consuming procedures for sharing information and making decisions. In our joint ventures, we are required to pay more attention to our relationship with our co-owners, and if a co-owner changes, our relationship may be materially and adversely affected. Additionally, our influence over the corporate governance of our and/or joint venture companies may be limited. In addition, the benefits from a successful and/or joint venture are shared among the co-owners, so we do not receive all the benefits from our successful joint ventures. The success of our joint ventures depends significantly on the satisfactory performance by our co-owners of their contractual and other obligations. As we do not control our co-owners, we face the risk that they may not fulfill their obligations. In such a circumstance, we may be required to make additional investments, which could result in reduced profits or, in some cases, significant losses. For a description of our subsidiaries and/or joint ventures, see “Business—Subsidiaries and Joint Ventures.”

Investments through joint ventures may involve certain other risks, including the possibility of joint venture partners failing to meet their financial obligations on time or at all. If any of these joint ventures is unable to satisfy its debt service requirements, its lenders may foreclose on our shares in it, which could have a material and adverse effect on our business, financial condition and results of operation. In addition, we may be required to make additional investments in our joint ventures to maintain our equity interest and any failure to make such investments due to a lack of funds or any other reason could significantly dilute our ownership in such joint ventures and have a material and adverse effect on our financial condition and results of operation. Such investments may also run the potential risk of impasses on certain key decisions. Any disputes that may arise between us and our joint venture partners may cause delay in completion, suspension or complete abandonment of a project. In addition, we may, in certain circumstances, be liable for the actions of our joint venture partners, or be limited in our ability to increase our equity interest or divest our equity interest in the joint venture, any of which could materially and adversely affect our business, financial condition and results of operations.

Our revenue and profitability may decline if we fail in our business strategy.

Our ability to increase our revenue and profitability will depend in part on our business strategy, which consists of increasing our airport users’ consumption, developing infrastructure to accommodate expected growth in passenger traffic, and continuing to improve the commercial offerings at the Airport.

Our ability to increase our revenue from commercial activities depends heavily on increasing passenger traffic at the Airport, among other factors. We cannot assure you that we will be successful in implementing our strategy of increasing our revenue from commercial activities. The passenger traffic volume in the Airport depends primarily on factors beyond our control, such as the attractiveness of the commercial, industrial and tourist centers that the Airport serves, as well as economic and political conditions generally. Accordingly, there can be no assurance that the passenger traffic volume in the Airport, and the resulting revenues derived from commercial activities, will increase.

Our airport competes with other modes of transport to and from Hyderabad, as well as other destinations and airports in India.

The airport business is dependent on passenger and air cargo traffic, which compete with each other and with alternative modes of transportation, particularly transport by highways and rail. In India, although air travel is generally significantly more convenient and comfortable for passengers, the cost of air travel is usually much higher than the cost of travel by highways and rail. Cargo transport by highways and rail are the principal sources of competition to air cargo traffic, particularly in the case of large or heavy loads or goods for which speed is not a priority. In recent years, large investments have been made in the improvement of the rail network and highways in India. This may further intensify the competition for passenger and freight traffic between air transport and transport by highways or rail.

The principal factor affecting our business is the number of passengers that use the Airport. The number of passengers using the Airport is dependent upon the level of business and economic activity in India and elsewhere, and our passenger traffic volume may be adversely affected by economic instability. In addition, our passenger traffic volume may be adversely affected by the attractiveness, affordability and accessibility of competing tourist destinations in South Asia and Southeast Asia, such as Sri Lanka, Thailand, Indonesia and the Philippines. The attractiveness of the destinations served by airlines from the Airport is also likely to be affected by perceptions of travelers as to the safety and political and social stability of India. There can be no assurance that business activity and tourism levels, and therefore the number of passengers using the Airport, will, in the future, match or exceed current levels.

We currently face significant competition from other airports in southern India, such as Bangalore and Chennai, and from other airports in India, including Mumbai's Chhatrapati Shivaji International Airport, Delhi's Indira Gandhi International Airport and Kolkata's Netaji Subash Chandra Bose International Airport. Any attempts we make to develop the Airport into a hub for international airlines will involve competition with these airports. Currently, no airline is using the Airport as its primary base of operations, and the Airport's potential to attract airlines to use it as an aviation hub depends on factors such as connectivity (that is, the number of connecting flights available for arriving airlines), capacity and passenger satisfaction levels. There can be no assurance that the Airport will become a hub for any domestic or international airlines or successfully compete with other airports in India or around Asia. Furthermore, any arrangements with an airline for using the Airport as a hub will likely not be for any definite period and may be terminated at any time. Such an event is likely to have an adverse effect on our revenues and result of operations.

If our Airport is unable to compete effectively with other modes of transport or other airports, as applicable, or the relative costs of air traffic are too high, our business, financial condition and results of operations may be materially and adversely affected.

A change in relations with our labor force could have an adverse impact on our business.

The airport industry in particular has been subject to work stoppages and strikes. Although we believe we currently maintain good relations with our labor force, any conflicts with our employees resulting in strikes or other disruptions could have a negative impact on our business. We cannot assure you that we will be able to prevent our employees from undertaking work stoppages.

Further, India has stringent labor legislation that protects the interests of workers. This legislation sets out detailed procedures for industrial dispute resolution and employee compensation for injury or death sustained in the course of employment and imposes financial and other obligations on the employer in respect of occupational health and safety and in case of lay-offs (and also, in certain circumstances, on the principal employer, where a contractor does not or cannot fulfill its obligations towards its employees). Such labor legislation may restrict our ability to maintain flexible human resource policies or to downsize our operations. If we terminate any of our employment contracts without cause, we may be required by Indian labor law to make severance payments. There are proceedings against us pertaining to the termination of some of our employees. Further, we cannot assure you that we will not have to terminate employees without cause, subjecting us to payments which could, in the aggregate, materially and adversely affect our business, financial condition and results of operations.

We are exposed to risks inherent to the operation of airports.

While the Government of India, through the Central Industrial Security Force, provides security services at the Airport, we are also obligated to protect the public and to reduce the risk of accidents at the Airport. We must implement measures for the protection of the public, such as hiring private security services, maintaining the Airport's infrastructure and fire safety in public spaces, and providing emergency medical services. We are also obligated to take certain measures related to our aeronautical services, such as maintenance, management and supervision of aeronautical assets, rescue and fire-fighting services for aircraft, measurement of runway friction coefficients, flood control measures and measures to control the threat from birds and other wildlife at the Airport. These obligations could increase our liability to third parties for personal injury or property damage, thereby adversely affecting our business, financial condition and results of operations.

Airports are exposed to the risk of incidents, including accidents, as a result of a number of factors, including extreme weather conditions, movement of large number of passengers, variable aircraft movements, traffic congestion, equipment failure, human error and terrorist activities. These incidents could result in injury or loss of human life, damage to airport infrastructure, short or long term closure of an airport's facilities and damage to the reputation of the Airport and may have an impact on passenger traffic levels, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Significant maintenance errors could harm our business and subject us to product liability claims.

The success of our MRO business depends in large part on our ability to develop and maintain our reputation for safe and reliable maintenance, repair and overhaul services over the long term. Safety and reliability in our highly technical and labor-intensive business depend on advanced maintenance procedures and on our ability to minimize human errors. We must continue to develop technical expertise, training and quality assurance strategies to ensure the safety of the aircraft that we service. A significant safety problem on any aircraft that we service could lead to a loss of certification by domestic or foreign aviation authorities, a loss of customers and a decline in our business prospects and results of operations. We have in the past experienced a temporary loss of certification provided to us by EASA. See "—Our business is subject to extensive and evolving Indian law and regulations" for further details.

In addition, our MRO business subjects us to possible claims for personal injury or death which may result if an aircraft which we have serviced fails or if we are negligent in maintaining, repairing or overhauling an aircraft. We cannot assure you that claims will not arise in the future or that our insurance coverage will be adequate to protect us in all circumstances. Additionally, we cannot assure you that we will be able to maintain adequate insurance coverages in the future at an acceptable cost. Any product liability claim or indemnity claim by our MRO customers not covered by adequate insurance could materially adversely impact our business, financial condition and results of operations.

Our MRO business faces substantial and increasing competition.

We face significant competition in our MRO business. Many major commercial airlines operate their own MRO units and sell airframe and component repair and overhaul services to other aircraft operators. MRO providers are forging global alliances in regions that are outside their original markets. For example, Lufthansa Technik AG, based in Germany, has formed a joint venture with Air China to form one of China's largest providers of MRO services and has announced the signing of a letter of intent to establish another joint venture in the Philippines to service the fleet of Philippine Airlines aircraft. Increasing entry into the Asia Pacific region by other MRO providers would result in increased competition for us in attracting new airline customers based in the region and could adversely affect our results of operations.

Original equipment manufacturers, or OEMs, also maintain service centers that provide repair and overhaul services for components which they manufacture. Original equipment manufacturers have begun to provide wide networks of service centers throughout the world and many have established operations in India, and more OEMs may establish service centers in India in the future. These OEMs may compete with us in the component repair and overhaul business.

We rely on OEMs to provide us with access to tooling design and parts and to proprietary information regarding many of the sophisticated components we repair and overhaul. The increasing entry of many OEMs into the service market could result in their restricting our access to these designs, parts and information. Any significant restriction on our ability to access these designs, parts and information would adversely affect our ability to increase the depth and breadth of our service offerings.

The growth of our MRO business is also limited by the available hanger capacity at the Airport, which could hamper our ability to access the larger market for aircraft operating within five to six hours' flight distance from the Airport. The availability of sufficient customs and immigration facilities may also hamper the growth prospects of our MRO business if it results in our being unable to source required parts.

Our MRO business has not been profitable and GATL, through which our MRO business is operated, has accumulated losses eroding its net worth and has incurred cash losses in the past few years. Furthermore, the introduction of a comprehensive Goods and Services Tax (″GST″) in India may affect the competitiveness of MRO services in general in India as compared to regional competitors. The profitability of our MRO business depends on the renewal of contracts with commercial airlines to recover the costs of delivering our MRO services. Our MRO contracts with airlines generally carry terms of 24 to 36 months, and occasionally of five to eight years. We cannot guarantee that airlines will chose to renew their contracts with us upon expiration, and due to domestic and regional competition, our ability to negotiation renewals on the same or better terms is limited. Furthermore, our contracts are not exclusive, so the success of our business depends on the consistent flow of aircraft through the Airport and our ability to perform the maintenance work within the required timeframe. Any deficiency in our performance would have an adverse effect the profitability, financial condition and results of operation of our MRO business.

Our hotel business is subject to all of the risks common in the hospitality industry.

A number of factors, many of which are common to the hotel industry and beyond our control, could materially and adversely affect our hotel's occupancy levels and revenue at our Novotel Hyderabad Airport Hotel, including but not limited to the following:

- increased threats of terrorism, terrorist events or airline strikes, increases in supply costs, airline fares and other expenses relating to travel or other factors that may affect travel patterns and reduce the number of business and commercial travelers and tourists and other factors that may not be offset by increased room rates;

- increased competition from other hotels in Hyderabad for guests;

- new hotel supply in Hyderabad, which could harm occupancy levels and revenue at our hotel;

- dependence on business and commercial travel, leisure travel and tourism, all of which may fluctuate and be seasonal;

- increased operating costs due to inflation, labor costs, workers' compensation and health-care related costs, utility costs, insurance and unanticipated costs such as acts of nature and their consequences and other factors that may not be offset by increased room rates;

- increased need for maintenance or capital improvements;

- contract disputes with our hotel operator or other key parties;

- adverse effects of international market conditions, which may diminish the desire for leisure travel or the need for business travel, as well as national, regional and local economic and market conditions in Hyderabad and India;

- changes in regulations or changes in the application of regulations in Hyderabad and India, which could affect any applicable government licenses necessary to operate our hotel; and

- adverse effects of a downturn in the hotel industry.

The hospitality industry is highly competitive, and due to our hotel's proximity to the Airport, our primary customers are airline crews, transit passengers and certain business travelers. However, the city of Hyderabad offers a wide range of hotels and other hospitality options at competitive prices, and we, by virtue of our location, have had and will continue to have difficulty attracting customers away from such alternatives, which difficulty is expected to increase along with the improved transit connectivity between the Airport and the city of Hyderabad.

Our airport hotel business is managed by AAPC India Hotel Management Private Limited, a member of the Accor Group, and the hotel is run under the brand "Novotel." The management contract with Accor Group is valid until September 13, 2018, and we are in the process of negotiating for contract renewal. If the management contract is not renewed we will be required to find an alternative hotel manager. The success of our hotel business to a large extent is dependent upon our ability to identify and engage a manager to operate the hotel, and any delay or failure in securing a manager on reasonable terms would have adverse effect on our business, financial condition and results of operation.

Our strategy to consolidate and expand operations at Asia Pacific Flight Training Academy Limited may be unsuccessful

On September 8, 2017, we entered into a share purchase agreement with APFT Sdn Bhd, our joint venture partner in Asia Pacific Flight Training Academy Limited ("APFTAL"), to purchase its entire 60% stake in the joint venture at a consideration of US$1.0. The share transfer was consummated on October 9, 2017 and since such time Asia Pacific Flight Training Academy Limited has been our wholly-owned subsidiary. See "Summary—Recent Developments" for further details. APFTAL operates a flight training school at the Airport under a license from the DGCA. APFTAL had accumulated net losses as at June 30, 2017 that have eroded its net worth. The further success of APFTAL's business will depend on its ability to scale up its operations and achieve sustained profitability.

Our strategy is to scale up APFTAL's business and operations, but our plans are not yet finalized and we face several challenges. For example, expansion will require significant investment in additional aircraft for the training fleet. Further, due to the growth in ATMs at the Airport, there is increasingly less airspace available around the Airport during the morning hours, which is the most conducive time to conduct flight training, which may force APFTAL to scout for alternative airstrips which may significantly increase operational costs. Finally, APFTAL faces significant competition, particularly from competitors who have preexisting arrangements with airlines for the placement of graduates, which APFTAL currently does not offer to its students. If APFTAL is unable to address these and other challenges, it may need to cease operations, which would adversely affect our brand and have a material and adverse effect on our business, financial condition and results of operations.

The operations of the Airport may be affected by actions of third parties, which are beyond our control.

The operation of the Airport is largely dependent on the services of third parties, such as the Central Industrial Security Force, and the Government of India for the rendering of services to passengers and airlines, such as air traffic control, security, electricity, immigration and customs services, plant and animal quarantine services, health services and meteorological services. In addition, we are dependent on third-party providers of certain complementary services such as baggage handling, fuel services, catering and aircraft maintenance and repair. Rail, bus and taxi services at the Airport are also provided by third party ground transportation providers. We are not responsible or liable for, and cannot control the services provided by these third parties. Any disruption in, or adverse consequence resulting from, their services, including a work stoppage or other similar event, could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to risks related to handling cargo.

The air cargo system at the Airport is a complex, multi-faceted network that handles a vast amount of freight, packages and mail carried aboard passenger and all-cargo aircraft. The air cargo system is vulnerable to security threats, some of which are beyond our control including potential plots to place explosives aboard aircraft, illegal shipments of hazardous materials, criminal activities, such as smuggling and theft and potential hijackings and sabotage by persons with access to aircraft. Although we have put into place several procedural and technology initiatives to enhance air cargo security and deter terrorist and criminal threats, we may be subject to related risks or the reduction of our cargo traffic volume. The occurrence of such events could adversely affect our business, financial condition and result of operations.

We are exposed to the risk of non-performance by our concessionaires and licensees.

We have granted concessions and licenses to third parties and our joint ventures to provide certain services which are necessary for our operations, such as activities relating to commercial air transport, including line maintenance, fuel distribution, ground handling services, platform services, retail, food and beverage and catering. In the event that our concessionaires or licensees fail to perform their obligations under our agreements with them, we could incur extra costs in replacing them or the services provided by them in order to comply with our obligations.

We may not be able to enter into or renew certain of our revenue generating and other commercial agreements on terms that are acceptable to us, or at all.

We have entered into various revenue generating and other commercial agreements for the purposes of our business at the Airport and are dependent on ongoing commercial relationships with certain third parties. We have formed joint ventures and continue to enter into agreements to form joint ventures or for other commercial or retail business carried out in and around the Airport. We will seek to renew or replace such agreements as and when they expire. However, if we are unable to renew or replace the contracts on economically beneficial terms, or at all, it could have a material adverse effect on our business, financial condition and results of operations.

The joint review and audit reports from our independent joint auditors in respect of our consolidated financial statements contain certain qualification(s) and emphasis of matters.

As at June 30, 2017, the Group has goodwill of Rs.362.7 million (US$5.6 million) on additional investment by the Company in its subsidiary GAEL. GAEL has a wholly-owned subsidiary, GMR Aero Technic Limited ("GATL"), through which our MRO business is operated, which has accumulated losses eroding its net worth and has incurred cash losses in the past few years. The future economic benefit from such goodwill is dependent upon the ability of the GATL to scale up its operations in the future and achieve sustained profitability. As at June 30, 2017 and 2016 and March 31, 2017, 2016 and 2015, our consolidated financial statements do not include any adjustment relating to impairment of goodwill.

The joint review reports with respect to our consolidated financial statements as at and for the three months ended June 30, 2017 and our June 2016 Special Purpose Ind-AS Consolidated Financial Information and the joint audit reports with respect to our consolidated financial statements as at and for the year ended March 31, 2017, our March 2016 Special Purpose Ind-AS Consolidated Financial Statements and our consolidated financial statements as at and for the year ended March 31, 2016 were each qualified on by the independent joint auditors' on their inability to comment on the carrying value of such goodwill. In addition, the joint audit reports with respect to the adequacy and the operating effectiveness of the internal financial controls over the financial reporting of the Group for the years ended March 31, 2017 and March 31, 2016 were qualified to indicate material weakness in the operating effectiveness of controls relating to such assessment of the carrying amount of goodwill. The joint auditors' report with respect to the consolidated financial statements as at and for the year ended March 31, 2015 was qualified to indicate that such goodwill was fully impaired and included certain qualifications in the annexure to the report pursuant to the Companies (Auditor's Report) Order, 2015.

Each of such review reports and audit reports included emphasis of matters on the accrual of managerial remuneration in excess of the limits specified under the Companies Act, 2013 and adjustment of costs related to residential quarters for Central Industry Security Force against the PSF (SC) Fund, which is pending the final decision of the Honorable High Court of Hyderabad and consequential instructions from Ministry of Civil Aviation. In addition, the joint review report with respect to our June 2016 Special Purpose Ind-AS Consolidated Financial Information and the joint audit report with respect to our March 2016 Special Purpose Ind-AS Consolidated Financial Statements included emphasis of matters on the non-inclusion of comparative information and non-consideration of any events or circumstances occurring after July 18, 2016, and, with respect to our March 2016 Special Purpose Ind-AS Consolidated Financial Statements, non-inclusion of all the information and disclosures as are required in the annual financial statements.

In case the performance of GATL does not improve, the carrying amount of goodwill may have to be impaired in the future, which could have a material adverse effect on our business, financial condition and results of operations. In addition, if we fail to remediate the material weakness or other weaknesses that may be identified in the future, we may be unable to accurately report our financial results or report them in a timely manner.

Our business is exposed to various operational and systems risks.

Our success depends in part on the efficient and uninterrupted operation of IT systems at the Airport as well as our computer and communications hardware systems. We actively rely on these systems for the management and operation of the Airport, including our safety management, operation of our check-in process, operation of our baggage and cargo tracking and management of passenger and other data. Various agencies of the Government of India that provide services to passengers and airlines at the Airport, such as air traffic control, security, electricity and immigration and customs services, plant and animal quarantine services, health services and meteorological services, also rely on IT systems as well as our computer and communications hardware systems. These systems could be damaged or interrupted by fire, flood, power loss, telecommunications failure, computer viruses, physical or electronic break-ins, and similar events or disruptions. Any of these events could cause system interruptions, delays, malfunctioning and loss of critical data, and could impair or even halt some or all of the operations at the Airport. In addition, our concessionaires' or licensees', or the Government of India's computer systems may be vulnerable to computer viruses, physical or electronic break-ins and other similar disturbances, which could lead to interruptions, delays, loss of data or the inability to operate the Airport.

Our risk management strategies may not be adequate against all possible operational and systems risk we face. While we currently maintain insurance coverage for losses due to business interruption, we cannot assure you that this coverage would be sufficient to cover all of our potential losses. If any of these operational or systems failures were to occur, it could damage our reputation, be expensive to remedy and could have a material adverse effect on our business, financial condition and results of operations.

Our business is also exposed to operational risks such as fraud or unauthorized access by employees, contractors or outsiders, incorrect data provided by third parties, unauthorized transactions by employees and operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. Further, our risk management strategies might prove to be inadequate, especially if unanticipated circumstances or risks come to pass, in which case we might incur substantial, unexpected losses. Any losses suffered as a result of these and other factors could have a material adverse effect on our business, financial condition and results of operations.

We are subject to foreign exchange risk with respect to our U.S. dollar denominated debt financing and certain revenue sources.

As at June 30, 2017, we had Rs.4,697.1 million (US$72.6 million) of external commercial borrowing denominated in U.S. dollars. On a pro forma basis giving effect to the offering of the Notes and the application of the net proceeds thereof to repay existing indebtedness described in "Use of Proceeds," as at June 30, 2017, on a consolidated basis, we would have had Rs.22,659.0 million (US$350.0 million) of borrowings denominated in U.S. dollars. We engage in certain currency hedging transactions, but such transactions may not sufficiently protect us against significant foreign currency fluctuations. The Rupee may appreciate, depreciate or fluctuate significantly against the U.S. dollar or other currencies in the future. A depreciation of the Rupee against the U.S. dollar may increase our interest payment and repayment costs. Although we earn a small portion of our revenue in U.S. dollars, we convert such revenue into Rupees, and therefore we rely, and expect to continue to rely, on foreign exchange markets to meet the majority of our U.S. dollar interest (which will increase following the issue of the Notes) and repayment costs, and we cannot assure you that we would be able to generate additional revenue sufficient to offset such increased costs. As a result, fluctuations in the value of the Rupee against the U.S. dollar may materially adversely affect our financial condition and results of operations.

Higher interest rates could adversely affect our profitability.

Although we intend to repay the Rupee Facilities and the ECB Facility, each of which bears interest at floating rates, with the proceeds of the Notes, which will bear interest at a fixed rate, some of the outstanding indebtedness of certain of our subsidiaries will continue to bear interest at floating rates. Accordingly, a portion of our outstanding consolidated indebtedness after the offering of the Notes will bear interest at floating rates, which will cause our finance costs, including interest on borrowings, to fluctuate with changes in interest rates. In addition, we may choose in the future to incur additional indebtedness in connection with the Phase 1B Expansion, which may bear interest at floating rates. Accordingly, our profitability will be affected by changes in various benchmark rates, due to the impact such changes have on our interest income and finance costs from interest-bearing financial assets and liabilities. Finance costs accounted for 18.8% and 27.9% of our total revenue in the years ended March 31, 2017 and 2016, respectively, and 17.7% and 20.9% of our total revenue in the three months ended June 30, 2017 and 2016, respectively. Floating rates on our outstanding indebtedness may increase in the future and thereby increase our finance costs, which could decrease our margins and have a material adverse effect on our business, financial condition and results of operations.

Our insurance policies may not provide sufficient coverage against all liabilities.

While we seek to insure against all reasonable risks, we can offer no assurance that our insurance policies will cover all of our liabilities and losses in the event of an accident, terrorist attack or other incidents causing damage to our facilities or a third-party or interruption to our business. The insurance market for airport liability coverage generally, and for airport construction in particular, is limited, and a change in coverage policy by the insurance companies involved could reduce our ability to obtain and maintain adequate or cost-effective coverage. Should losses occur, there can be no assurance that such losses will not exceed the pre-established limits on any of our insurance policies. Additionally, we are required under the Concession Agreement to maintain certain types and levels of insurance coverage and our Concession could be subject to termination if we fail to maintain the required coverage. See "Business—Property and Insurance" herein.

We may become subject to legal or regulatory claims or investigations against us.

From time to time, we may become involved in legal or regulatory proceedings, claims or investigations, including by governmental bodies, customers, suppliers, former employees, class action plaintiffs and others. On an ongoing basis, we attempt to assess the likelihood of any adverse judgments or outcomes to these proceedings or claims, although it is difficult to predict final outcomes with any degree of certainty.

We do not believe that any of the proceedings or claims to which we are currently party will result in costs, charges or liabilities that will have a material adverse effect on our business, financial position and results of operations. However, we cannot assure you that the costs, charges and liabilities associated with these matters will not be material, or that those costs, charges and liabilities will not exceed any amounts reserved for them in our financial statements. In future periods, if any of these matters are resolved unfavorably to us, we could be subject to cash costs or non-cash charges to earnings and be required to reflect liabilities in our financial statements for which we previously had not made provisions in our financial statements.

Pursuant to government order dated March 6, 2002, GHIAL constructed a residential township for the Central Industrial Security Force personnel deployed at the Airport. On completion of the project in 2008, the cost of the township and land was capitalized in the books of the fund collecting the security component of the passenger service fee ("PSF (SC) Fund") with notice to MoCA. MoCA subsequently issued order no. AV 13024/03/2011-AS (Pt. 1), dated February 18, 2014, which required all airport operators to reverse or reimburse back to their respective PSF (SC) Fund all the expenditure incurred towards procurement and maintenance of the security systems and equipment and on creation of fixed assets out of the PSF (SC) Fund, together with the interest that would have accrued in the normal course had such amount not been debited against the PSF (SC) Fund. We have challenged this order before the Honorable High Court of Hyderabad, which issued a stay of the MoCA order on December 24, 2014, pending further investigation. In the event that the stay order is vacated, we would be required to set aside an amount equivalent to such expenditure incurred from the PSF (SC) Fund. See "Business—Legal Proceedings." If we are required to refund the money with interest, it would have a material adverse effect on our business, financial conditions and results of operations.

We are subject to various environmental laws and regulations, and our failure to comply with environmental and other regulations could seriously harm us.

We and the airlines using the Airport are subject to a variety of laws and regulations relating to, among other things, airports, aircraft, noise limitations and the use, discharge and disposal of waste materials produced by aircraft and inflight catering operations using the Airport. We believe that we are in substantial compliance with currently applicable environmental laws and regulations; however, environmental claims or the failure to comply with present or future regulations could subject us to future liabilities, including the assessment of damages, fines and orders to cease or modify certain construction projects. In addition, new laws or regulations could require us to modify airport operations or incur other expenses that could have a material adverse effect on our business, financial condition and results of operations.

We do not currently carry insurance that guards against losses resulting from environmental harm caused by us.

Expansion and improvement of the Airport also depend on the receipt of environmental approvals as well as planning, zoning and other approvals granted by municipal, regional and other Indian public authorities. Should environmental regulators adopt a more restrictive regulatory framework for any of these areas, our ability to expand the Airport and meet increased demand could be limited.

In addition, the implementation of environmental regulations imposing taxes on carbon emissions could increase the cost of air travel services to consumers. Such increased prices could reduce demand for air travel and have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks related to tax disputes with certain tax authorities.

We are party to various tax proceedings with certain tax authorities at the central and state-level governments in India, including the service tax and income tax authorities. These proceedings relate to disputes between us and these authorities regarding, among others, (a) demand of central value added tax credit, interest and penalty on irregular availment of central value added tax credit of tax paid on cement, steel and other materials and services used in construction activity, (b) demand of service tax along with interest and penalty for payment of service tax on the user development fee, (c) demand of service tax, along with interest and penalty relating to recovery of cost of electricity and water charges together with service charges from concessionaires, (d) demand of service tax along with interest and penalty on import of various services, (e) demand of central value added tax credit, interest and penalty on irregular availment of input services, (f) demand of service tax along with interest and penalty on notice pay recovered from employees, (g) demand of service tax along with interest and penalty on short payment of tax on security services received from the Central Industry Security Force, (h) demand for payment of building and other construction workers' welfare cess, and (i) our obligation in relation to the payment of service tax on the passenger service fees (security component) collected from the Airport. All of these proceedings are at various stages of adjudication and are currently pending. If unfavorable decisions are rendered in one or more of these proceedings, we could be required to pay substantial amounts and be required to reflect liabilities in our financial statements for which we previously had not made provisions in our financial statements. For certain of these disputes, but not all, we have established provisions only for part of the amounts in dispute, based on the likelihood of success. See "Business—Legal Proceedings" for further details.

Our ability to retain, attract and train and retain executives and other qualified employees is critical to our business, results of operations and future growth.

Our business and future growth is substantially dependent on the continued services and performance of our key executives, senior management and skilled personnel, especially personnel with experience in our industry, including qualified MRO engineers, and our information technology and systems. While the attrition rates for our senior management and key executives are not significant, any of them may choose to terminate his or her employment with us at any time. For example, should the GMR Group significantly reduce its shareholding in our Company, we expect that certain of our senior management and key executives may choose to terminate their employment with us.

We cannot assure you that we will be able to retain such persons or find adequate replacements in a timely manner, or at all. The industry relationships and specialized experience that we require can be time-consuming and difficult to acquire and develop. We may require a long period of time to hire and train replacement personnel if and when skilled personnel terminate their employment with us. Our ability to compete effectively depends on our ability to retain and motivate our existing employees and to attract new employees. We may be required to increase our levels of employee compensation more rapidly than in the past in order to remain competitive in managing employee attrition and attracting the skilled employees that we require. If we do not succeed in retaining or motivating existing employees and attracting appropriately qualified new employees, our business and prospects for growth could be adversely affected.

In particular, there is a shortage of MRO engineers in the aviation industry globally, including India. We anticipate this shortage to increase as airlines increase the size of their aircraft fleets and demand for MRO services grows. Although we believe our salary and benefit packages for MRO engineers are generally competitive with those of our competitors, in the past our engineers have chosen to resign their positions with us and accept positions with our competitors. As demand for MRO engineers increases, we may need to increase salaries and other benefits in order to recruit, retain and motivate these key employees. Engineers are also required to undergo substantial classroom and on-the-job training, and must be certified through examination by the DGCA, so ensuring that sufficient new personnel are available to meet our increased requirements for these key employees will require us to increase our training operations.

Our ability to raise capital outside India may be constrained by Indian law, which could adversely affect our financial condition and prospects.

India's policy on external commercial borrowing includes the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, along with the Master Direction —External Commercial Borrowings, Trade Credits Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers dated January 1, 2016 issued by the RBI, as updated from time to time, which provides guidelines for raising of Indian Rupee denominated external commercial borrowings, in addition to the regulations relating to the end-use of proceeds, creation of security in favor of eligible offshore lenders, maximum interest payable, and repatriation of payments towards such offshore lenders, as notified by the RBI and currently in force (the "ECB Policy"). External commercial borrowing by an eligible borrower is permitted under the automatic route up to certain limits in a year, with the stipulated minimum average maturity, for permissible end-uses. Further, the ECB Policy limits the all-in-cost to a certain level or requires the all-in-cost to be in line with market conditions, depending on the nature of the external commercial borrowing. External commercial borrowing not complying with these requirements is permitted with the prior approval of the RBI, in accordance with the ECB Policy. Furthermore, any modification or waiver of the terms and conditions of the Notes which has the effect of modifying or waiving terms which are not permitted under the automatic route for the issue of bonds under the ECB Policy will require prior approval from the RBI. These limitations on external commercial borrowing could constrain our ability to raise cost-effective funding for implementing asset purchases, servicing or refinancing existing indebtedness, or financing acquisitions and other strategic transactions in the future, which may adversely affect our financial condition and prospects.

Our ability to raise foreign capital may be constrained by Indian law.

Companies operating in India are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions could limit our financing sources for acquisitions and could constrain our ability to obtain financings on competitive terms and refinance existing indebtedness. In addition, it cannot be assured that any approval required to raise foreign capital will be granted to us without onerous conditions, or at all. Limitations on foreign debt may have an adverse impact on our business, prospects, financial condition and results of operations.

Risks Related to India

All of our assets and operations are located in India, and we are subject to regulatory, economic, social and political uncertainties in India.

All of our assets and employees are located in India. Consequently, our financial performance will be affected by changes in exchange rates and controls, interest rates, commodity prices, subsidies and controls, changes in government and also their respective policies, including taxation policies, social and civil unrest and other political, social and economic developments in or affecting India. The Government of India has exercised and continues to exercise significant influence over many aspects of the Indian economy. The Government of India has historically played a key role, and is expected to continue to play a key role, in regulating, reforming and restructuring the Indian aviation industry. The Government of India has in the past, among other things, imposed controls on the price of a broad range of goods and services, restricted the ability of business to expand existing capacity and reduce the number of their employees, and determined the allocation to businesses of raw materials and foreign exchange. Since 1991, successive Indian governments have pursued policies of economic liberalization, including by significantly relaxing restrictions on the private sector and allowing partial privatization of the airport industry. Nevertheless, the role of the Indian Central and State governments in the Indian economy as producers, consumers and regulators has remained significant, and there can be no assurance that such liberalization policies will continue. The rate of economic liberalization could change, and specific laws and policies affecting metals and mining companies, foreign investments, currency exchange rates and other matters affecting investment in India could change as well. Further, government corruption scandals and protests against privatization, which have occurred in the past, could slow the pace of liberalization and deregulation. The rate of economic liberalization and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting investment in India are subject to change, and any adverse change in India's economic liberalization and deregulation policies, particularly those relating to the airport industry, could disrupt business and economic conditions in India generally and our business in particular. A significant change in India's policy of economic liberalization and deregulation could adversely affect business and economic conditions in India generally, and our business in particular, if new restrictions on the private sector are introduced or if existing restrictions are increased.

We are subject to changes in the Government's policy on direct and indirect taxation.

All our revenue is derived from domestic activities. Our profitability is also significantly dependent on the policies of the central and state governments in India relating to various direct and indirect taxes (including sales tax, service tax, GST and income tax), duties and levies (including excise duties and import duties) related to our operation. Any change in policies relating to such taxes or duties could materially adversely affect our business, financial condition and results of operations. Recent changes in such policies include the new standard for computation of taxable income, which may increase our income tax liability (prospectively or retrospectively), currently or in the future, or result in tax authorities assessing our tax liability to be materially different from our existing provisions for tax liabilities.

The Government of India has enacted several new tax policies recently, including the comprehensive Goods and Services Tax ("GST"), the General Anti-Avoidance Rules ("GAAR") and the Income Computation and Disclosure Standards ("ICDS"). The GST will combine taxes and levies by the central and state governments into a unified rate structure. GST has been applicable since July 1, 2017, though its implementation may be further affected by future disagreements between state governments. GAAR has been in effect since April 1, 2017. The tax consequences of the GAAR could result in denial of tax benefits and other consequences, and if the GAAR is made applicable to us, it may have an adverse tax impact on us. The ICDS will be applied in computing taxable income, and payment of income taxes thereon, beginning in the year 2017 and onwards. ICDS applies to all taxpayers and follows an accrual system of accounting for the purpose of computation of income under the headings of “profits and gains of business or profession” and “income from other sources.” As the GST, GAAR and ICDS are recent changes to tax policy, the application of these provisions on us going forward is uncertain. Any increases in or amendments in the tax applicable to us due to the GST, GAAR or ICDS may result in additional taxes becoming payable by us.

Delay in obtaining consents and permissions from relevant statutory authorities for creation and/or perfection of security

Section 281 of the Income Tax Act, 1961 (“Income Tax Act”) declares that unless permission is obtained from an assessing officer, a charge and/or a security interest created by a person shall be null and void, in case there are proceedings pending against such person under the Income Tax Act or, after completion thereof, notice has not been served upon such person pursuant to schedule II of the Income Tax Act. Procuring permission from an assessing officer under the Act may be time-consuming and may not be possible before the intended creation of a security interest over the assets concerned. We may not be able to procure the permission of the assessing officer prior to creation of security interest over our assets for securing the Notes.

The terms and conditions customary to the Indian financial market, which govern the loans availed by us, may expose us to the risk of change in our management

We, together with our subsidiaries, have availed financial assistance from certain banks and financial institutions in India. The terms of such loans provide for, among others, a lenders’ right to convert debt owed by the borrower into equity of the borrower (including on account of guidelines issued by the RBI from time to time for strategic debt restructuring/sustainable structuring of loans and means to alleviate stress loan account). Such right may be exercised by the lenders on the occurrence and continuance of an event of default under these loans and upon conversion of the loans into equity the lenders may acquire management control and/or appoint nominee directors on the board.

A prolonged slowdown in economic growth in India or financial instability in other countries could cause our business to suffer.

A slowdown in the Indian economy could adversely affect our business and its lenders and contractual counterparties, especially if such a slowdown were to be prolonged. The growth rate of India’s GDP, which was 9.0% or higher in each of fiscal years 2005 through 2008, moderated to 6.7% during fiscal year 2009 and was 4.8% during fiscal year 2014, 7.3% during fiscal year 2015, 7.6% during fiscal year 2016 and 7.6% during fiscal year 2017 according to the India Planning Commission. The Indian economy continues to sustain high levels of inflation, experiencing the highest levels of inflation of any of the 34 member states of the Organization for Economic Cooperation and Development (the “OECD”), other than Argentina, during the period from 2012 through 2014, according to the OECD. The inflation rate in India was 4.87% in April 2015 and averaged 9.44% from 2012 until 2014, reaching a high of 11.16% in November 2013, according to the Indian Ministry of Statistics and Programme Implementation. Although the Government of India has initiated several economic measures to curb the rise in inflation rates, it is unclear at this stage whether these measures will have the desired effect. Any increase in inflation in the future, because of increases in prices of commodities such as oil or otherwise, may result in a tightening of monetary policy and affect growth in the Indian economy.

The uncertainty regarding liquidity and interest rates and any increase in interest rates or reduction in liquidity could adversely impact our business, financial condition and results of operations. In addition, the Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly those of emerging market countries in Asia. Investors’ reactions to developments in one country may have adverse effects on the economies of other countries, including the Indian economy. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in the Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could influence the Indian economy and could have a material adverse effect on our business, financial condition and results of operations.

The global credit and equity markets have experienced substantial dislocations, liquidity disruptions and market corrections. In Europe, the expected exit of the United Kingdom from the European Union, and any prolonged period of uncertainty which results, could have a significant negative impact on international markets. These could include further declines in stock exchange indices and/or greater volatility of markets in general due to the increased uncertainty. These and other related events could have a significant impact on the global credit and financial markets as a whole, and could result in reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in the global credit and financial markets.

There are also concerns that a tightening of monetary policy in emerging markets and some developed markets will lead to a moderation in global growth. In particular, there are rising concerns of a possible slowdown in the Chinese economy, and China is one of India's major trading partners. Such factors might also result in a slowdown in India's export growth momentum.

The Government of India had recently implemented certain currency demonetization measures, which may affect the Indian economy and our business, prospects, financial condition and results of operations.

On November 8, 2016, the RBI and the Ministry of Finance of the Government of India withdrew the legal tender status of Rs.500 and Rs.1,000 currency notes pursuant to a notification dated November 8, 2016. The short-term impact of these developments has been, among other things, a decrease in the liquidity of cash in India. There is uncertainty with regard to the medium- and long-term impacts of this action. The medium- and long-term effects of demonetization on the Indian economy and our business are uncertain and we cannot accurately predict their effect on our business, prospects, financial condition and results of operations.

Terrorist attacks, civil disturbances and regional conflicts in South Asia may have a material adverse effect on our business, financial condition and results of operations.

India has, from time to time, experienced social and civil unrest within the country and hostilities with neighboring countries. There have been continuing tensions between India and Pakistan over the states of Jammu and Kashmir. From May to July 1999, there were armed conflicts over parts of Kashmir involving the Indian army, resulting in a heightened state of hostilities, with significant loss of life and troop conflicts. Isolated troop conflicts and terrorist attacks continue to take place in such regions. The potential for hostilities between India and Pakistan could be particularly threatening because both India and Pakistan are nuclear powers. These hostilities and tensions could lead to political or economic instability in India and a possible material adverse effect on our business, financial condition and results of operations. There can be no assurance that such situations will not recur or be more intense than in the past. Terrorist attacks and other acts of violence or war may adversely affect global markets and economic growth. These acts may also result in a loss of business confidence, make travel and other services more difficult, and have other consequences that could have an adverse effect on our business, results of operations and financial other consequences that could have an adverse effect on our business, results of operations and financial condition. Military activity or terrorist attacks in the future could adversely impact the Indian economy by disrupting communications and making travel more difficult, and such tensions could create a greater perception that investments in Indian companies involve higher degrees of risk. In addition, any deterioration in international relations may result in investor concern regarding regional stability which could adversely affect the price of the Notes. India has witnessed localized terrorist attacks recently in Uri, as well as terrorist attacks in Mumbai in 2008 and 2011, New Delhi in 2011 and bombings in Hyderabad on February 21, 2013. Such incidents could also create an increased perception that investment in Indian companies involves a higher degree of risk and could materially adversely affect our business, financial condition and results of operations.

Natural calamities and health epidemics and other events outside our control could adversely affect the Indian economy.

India has experienced natural calamities, such as earthquakes, floods, cyclones, storms and drought in recent years, including the tsunami that struck the coasts of India and other Asian countries in December 2004, the severe flooding in Mumbai in July 2005, and the earthquake that struck India in April 2006, floods in Srinagar and a cyclone in Vishakhapatnam in the second half of 2014 and the floods in Chennai and other parts of Tamil Nadu in November 2015 and recent floods in Gujarat and elsewhere in India. Any such natural disaster could have a negative effect on the Indian economy and particularly the travel industry. In addition, our facilities are subject to other natural or man-made disasters such as fires, acts of terrorism, failures of utilities and epidemics. If any such event were to occur, our business could be affected as a result of the event itself or our inability to effectively manage the consequences of such event. Natural calamities could have an adverse impact on the Indian economy which, in turn, could adversely affect our business, and may damage or destroy our facilities or other assets. Similarly, global or regional climate change or natural calamities in other countries where we operate could affect the economies of those countries. Since April 2009, there have been outbreaks of swine flu, caused by the H1N1 virus, in certain regions of the world, including India and several other countries in which we operate. Any future outbreak of health epidemics may restrict the level of business activity in affected areas, which may, in turn, materially adversely affect our business, financial condition and results of operations.

Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business and the trading price of the Notes.

As at the date of this offering memorandum, India's sovereign rating was Baa3 (Moody's), BBB- (S&P) and BBB- (Fitch). Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our ratings, the terms on which we are able to finance future capital expenditure, or our ability to refinance any existing indebtedness. This could have an adverse effect on our capital expenditure plans, business and financial performance, and the trading price of the Notes.

Investors may not be able to enforce a judgment of a foreign court against us or our management, except by way of a suit in India on such judgment.

The Company is a public company incorporated under the laws of India. Substantially all of its directors and key management personnel reside in India and all of the assets of the Company are located in India. As a result, it may not be possible for investors to effect service of process upon the Company, or such persons outside India, or to enforce judgments obtained against such parties outside India. Recognition and enforcement of foreign judgments are provided for under Section 13 and Section 44A of the Civil Code on a statutory basis. Section 13 of the Civil Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon, except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; and (vi) where the judgment sustains a claim founded on a breach of any law then in force in India. India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of such section, in any country or territory outside India, which the Government of India has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes, other charges of a like nature or in respect of a fine or other penalties and does not apply to arbitration awards. The United Kingdom, Singapore and Hong Kong have been declared by the Government of India to be reciprocating territories for the purposes of Section 44A, but the United States has not been so declared. A judgment of a court in a country which is not a reciprocating territory may be enforced in India only by a fresh suit upon the judgment and not by proceedings in execution. Such a suit has to be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court were of the view that the amount of damages awarded was excessive or inconsistent with public policy. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to such award, and any such amount may be subject to income tax in accordance with applicable laws. It is uncertain as to whether an Indian court would enforce foreign judgments that would contravene or violate Indian law.

The Companies Act, 2013 has effected significant changes to the existing Indian company law framework, which may subject us to higher compliance requirements and increase our compliance costs.

A majority of the provisions and rules under the Companies Act, 2013 have recently come into effect. The Companies Act, 2013 has brought into effect significant changes to the Indian company law framework, such as in the provisions related to issue of capital (including provisions in relation to issue of securities on a private placement basis), disclosures in offering documents, corporate governance norms, accounting policies and audit matters, related party transactions, introduction of a provision allowing the initiation of class action suits in India against companies by shareholders or depositors, a restriction on investment by an Indian company through more than two layers of subsidiary investment companies (subject to certain permitted exceptions), prohibitions on loans to directors and insider trading, and restrictions on directors and key managerial personnel from engaging in forward dealings. We are also required to spend, in each financial year, at least 2% of our average net profits during the three immediately preceding financial years towards corporate social responsibility activities. Further, the Companies Act, 2013 imposes greater monetary and other liability on the Company and our directors for any non-compliance. To ensure compliance with the requirements of the Companies Act, 2013, we may need to allocate additional resources, which may increase our regulatory compliance costs and divert management attention. Although we are not a listed company, in light of the parent company of our majority shareholder, GMR Infrastructure Limited, being a listed company, we may be required to comply with certain corporate governance requirements applicable to them.

The Companies Act, 2013 introduced certain additional requirements which do not have corresponding equivalents under the Companies Act, 1956. Accordingly, we may face challenges in interpreting and complying with such provisions due to the limited jurisprudence in this regard. In the event our interpretation of such provisions of the Companies Act, 2013 differs from, or contradicts, any judicial pronouncements or clarifications issued by the Government of India in the future, we may face regulatory actions or may be required to undertake remedial steps. Further, we cannot currently determine the impact of provisions of the Companies Act, 2013 which are yet to come into force. Any increase in our compliance requirements or in our compliance costs may have a material adverse effect on our business, financial condition and results of operations.

Indian accounting principles differ from those which prospective investors may be familiar with in other countries.

Our financial statements are prepared in accordance with Ind-AS as at and for the years ended March 31, 2017 and as at and for the three months ended June 30, 2017 and Indian GAAP for prior periods, and no attempt has been made to reconcile any of the information given in this offering memorandum to any other accounting principles. Ind-AS and Indian GAAP differ in certain respects from IFRS, and prospective investors in the Notes might be unfamiliar with the accounting principles that underlie the Ind-AS and Indian GAAP financial statements including in this offering memorandum.

We cannot guarantee the accuracy of statistical and other information with respect to India, the Indian economy or the airport industry contained in this offering memorandum.

Statistical and other information in this offering memorandum relating to India, the Indian economy or the airport industry have been derived from various government publications and obtained in communications with various Indian government agencies that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source of materials. While we have taken reasonable care in the reproduction of the information, the information has not been prepared or independently verified by us, each of the Joint Lead Managers and Co-Managers or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside India. These facts and other statistics include the facts and statistics included in the section titled "Industry" in this offering memorandum. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or statistics.

Risks Related to the Notes and the Collateral

If our Concession is terminated or the Government of India acquires our rights under the Concession, the Notes held by holders who are not "Lenders" as defined under the Concession Agreement would not be eligible for termination payments and accordingly, the Notes may receive only partial or no repayments of amounts owed under the Notes.

The Government of India has the right to terminate our Concession if we default on certain of our obligations under the Concession Agreement, including any material default under the Indenture or our other debt instruments. Upon termination of the Concession Agreement as a consequence of a default by us or the Government of India in certain prescribed circumstances, the Government of India may acquire all of our rights, title and interests in and to the Airport and in any non-airport activities which the Government of India opts to take over. See "Business—Our Concession—Concession Agreement" for further details.

The termination amount to be paid by the Government of India if we default is calculated to include "Debt" as defined under the Concession Agreement. Upon termination of our Concession by GoI, GoI's obligation to pay 100% of the "Debt" we incurred to develop certain assets at the Airport applies only to debt held by "Lenders." However, any amounts outstanding in relation to the Notes held by Noteholders who do not qualify within the definition of "Lender," such as individuals, may not be included in the calculation of "Debt" under the Concession Agreement for purpose of such termination amount. "Lenders" is defined in the Concession Agreement to include "banks, financial institutions, NBFC and similar bodies to whom debt is owed under the Financing Agreements." There is a possibility that certain classes of Noteholders may not be considered by the relevant government or judicial authorities to fall within the definition of "Lenders" under the Concession Agreement and accordingly the Notes held by such individuals or by entities that do not fall within the definition of "Lenders" under the Concession Agreement would not be considered "Debt" for the purposes of the Concession Agreement and the holders of the Notes would not be eligible to receive the 100% repayment of "Debt" from GoI. Any prospective Noteholder should determine whether it is a "Lender" before investing in the Notes. The Trustee has no duty to determine, and would not be responsible for any determination of, whether any Noteholders qualify as "Lenders" under the Concession Agreement.

If we were to lose the right to operate the Concession and the Notes did not qualify as "Debt" or the Noteholders or the Trustee did not qualify as a "Lender" under the Concession Agreement, the Noteholders would not be entitled to termination payments by the Government of India. In such event, the only secured assets available to repay the Notes would be the Collateral, which is unlikely to be sufficient to satisfy our obligations under the Notes and our obligations to other creditors whose debt is secured pari passu by the Collateral. See "—The realizable value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes." As our operations pursuant to the Concession constitute substantially all of our business and assets, the remaining assets in respect of which an unsecured claim could be made would also be unlikely to satisfy our obligations under the Notes.

Our debt instruments, including the Indenture and the Existing Working Capital Facilities (as defined in the Description of the Notes), impose significant operating and financial restrictions on us.

Our debt instruments, including the Indenture and the Existing Working Capital Facilities, impose significant operating and financial restrictions on us. These restrictions limit our ability, among other things, to:

- incur additional debt and issue certain preferred stock;
- repurchase stock, and make other distributions;
- prepay subordinated debt and make investments and other restricted payments;
- create or incur liens or encumbrances;
- create restrictions on our ability to pay dividends or make other payments;
- enter into transactions with affiliates;
- sell assets, consolidate or merge with or into other companies or reorganize; and
- enter into sale and leaseback transactions.

The restrictions contained in these debt instruments, including the Indenture and the Existing Working Capital Facilities, could limit our ability to plan for or react to market conditions, meet capital needs or make acquisitions or otherwise restrict our activities or business plans. Our ability to comply with the covenants of our debt instruments may be affected by events beyond our control, and any material deviations of our business performance from our forecasts could require us to seek waivers or amendments of covenants or alternative sources of financing or to reduce expenditures. There can be no assurance that such waivers, amendments or alternative financing could be obtained, or if obtained, would be on terms acceptable to us.

Furthermore, any defaults in covenants in our other debt instruments could lead to cross-acceleration under the Indenture, and any defaults in covenants contained in the Indenture may lead to an event of default under the Notes and may lead to cross-defaults under our other debt instruments. No assurance can be given that we will be able to pay any amounts due to Noteholders in the event of any such default, and any default may significantly impair our ability to pay, when due, the interest of and principal on the Notes.

The realizable value of the Collateral may not be sufficient to satisfy our obligations under the Notes.

The Collateral will consist of a (i) a first ranking pari passu mortgage and/or charge over (a) the Company's leasehold rights, title and interest in respect of 2,145 acres and 11 guntas of the land leased by the Company under the Land Lease Agreement, together with all buildings and structures thereon and (b) the movable assets of the Company, present and future, including all movable machinery, machinery spares, tools, accessories, furniture, fixtures, vehicles, intangible assets (including goodwill, trademarks and patents) of whatsoever nature and wherever arising, excluding the capital stock of the Company's subsidiaries and joint ventures and any assets of the Company acquired with Indebtedness incurred under clause (2)(g) under "Description of the Notes — Certain Covenants — Limitation on Indebtedness"; (ii) a first ranking pari passu charge of all insurance contracts, contractors' guarantees and liquidated damages payable by the contractors; (iii) a first ranking pari passu charge of all the rights, titles, permits, approvals and interests of the Company in, to and in respect of the Project Agreements to the maximum extent permitted under the Project Agreements and the Concession Agreement; (iv) a first ranking pari passu floating charge on all the operating revenues/receivables of the Company, subject to the provisions of the Concession Agreement and excluding passenger service fees (security component) and airport development fees (and similar pass-through revenue and receivables) and any revenues/receivables over which a Lien is not permitted under applicable law; and (v) first ranking pari passu floating charge on all the Company's accounts and each of the other accounts required to be created by the Company pursuant to the Security Documents (excluding any Excluded Accounts) and, including in each case, all monies lying credited/deposited into such accounts. See "Description of the Notes—Security—Collateral."

The Collateral also secures, or will secure, our obligations under certain hedging obligations and any other debt to the extent permitted by the terms of the Intercreditor Agreement and Indenture (the "Permitted Pari Passu Secured Indebtedness"). See "Description of the Notes — Permitted Pari Passu Secured Indebtedness" and "Description of Material Indebtedness and Material Agreements — Material Indebtedness." Noteholders' rights to the Collateral may be diluted by any increase in the debt secured by the Collateral or a reduction of the Collateral, as permitted by the Indenture and Intercreditor Agreement. Therefore, the amount of proceeds that ultimately would be distributed in respect of the Notes upon any enforcement action will be shared among the holders of the Permitted Pari Passu Secured Indebtedness in accordance with the Intercreditor Agreement and may not be sufficient to satisfy our obligations under the Notes. To the extent that the claims of the Noteholders exceed the value of the Collateral, these claims will rank equally with the claims of holders of any of our unsecured senior indebtedness and be structurally subordinated to the claims of holders of any of our indebtedness secured by the assets that do constitute Collateral, to the extent of the value of such assets.

In addition, the Company will enter into a Trust and Retention Account Agreement, which sets forth cash flow priority for deposits and withdrawals from the Company's bank account, including for the payment of certain expenses, including construction, operating, maintenance and insurance expenses, in priority to payment on the Notes and our existing debts. Further, the Trustee will not be a party to the Trust and Retention Account Agreement, and the Trust and Retention Account Agreement will not be a security document for the benefit of the Noteholders. As such, the Trustee and the Noteholders will have limited rights under the Trust and Retention Account Agreement and will have limited ability to take any action for breaches or defaults under the Trust and Retention Account Agreement. The Trust and Retention Account Agreement may be amended, modified and terminated without the consent of the Noteholders other than such changes that would impact the priority of payments with respect to the Notes. In addition, the account bank under the Trust and Retention Account Agreement may be replaced without the consent of the Trustee or the Noteholders.

It may be difficult to realize the value of the Collateral securing the Notes and not all of the security interests in the Collateral for the benefit of the Noteholders will be in place at time of issuance of the Notes.

Not all of the security interests in the Collateral for the benefit of the Noteholders will be in place at the time of issuance of the Notes. The Company has 15 days from the Original Issue Date to create the security in the Collateral and 60 days from the Original Issue Date to make all necessary filings to perfect the security interest in the Collateral under the Indenture. The Memorandum of Entry and Deposit of Title Deeds (as defined in the Description of the Notes) shall not be executed by the Company until the date that the lenders under the Existing Senior Debt are repaid, which is expected to be within 15 days of the Original Issue Date. Until they are repaid, the lenders under the Existing Senior Debt (as defined in the Description of the Notes) will be secured by the Collateral. Prior to the creation of the security interest on the Collateral pursuant to the Memorandum of Entry and Deposit of Title Deeds, the Collateral will be pledged in favor of lenders under the Existing Senior Debt and the Notes will be unsecured.

The Collateral securing the Indenture and the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the Indenture and the Notes as well as the ability of the Security Trustee to realize or foreclose on such Collateral. Further, the value of the Collateral at any time will depend on market and other economic conditions, including the availability of suitable buyers. Each of these factors could reduce the likelihood of an enforcement action as well as reduce the amount of any proceeds in the event of an enforcement action. By its nature, most of the Collateral is illiquid and may have no readily ascertainable market value. The value of the assets pledged as Collateral for the Indenture and the Notes could also be impaired in the future as a result of changing economic conditions, the failure of us to implement our business strategy, competition and other future trends.

The security interest of the Security Trustee will be subject to practical problems generally associated with the realization of security interests in Collateral such as perfection and priority issues. Accordingly, the Security Trustee may not have the ability to foreclose upon those assets and the value of the Collateral may significantly decrease. Although procedures will be undertaken to support the validity and enforceability of the security interests in the Collateral, we cannot assure you that the Security Trustee or the Noteholders will be able to enforce any of these security interests. Under Indian law, until the security interest is created in the Collateral, the Noteholders would be unsecured creditors of the Company and there cannot be any assurance that after providing for all prior claims under Indian law, there would be sufficient assets to satisfy the claims of the Noteholders.

There are certain categories of property that will be excluded from the Collateral.

Certain categories of assets are excluded from the Collateral. For instance, under the Indenture, certain of our indebtedness may be secured by assets that do not secure the Notes, such as interests in certain types of accounts, shares in our subsidiaries and assets acquired with certain types of acquisition financing. If an event of default occurs and the Notes are accelerated, the Notes will be effectively subordinated to the holders of indebtedness secured by such assets to the extent of the value of such assets.

The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

The Notes have not been registered under, and we are not obligated to register the Securities under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See "Plan of

Distribution" and "Transfer Restrictions." We have not agreed to or otherwise undertaken to register the Notes (including by way of an exchange offer) with the U.S. Securities and Exchange Commission or the securities regulatory authority of any other jurisdiction, and we have no intention of doing so.

We may incur additional indebtedness which could create additional risks or increase the risks described herein.

Subject to restrictions in the Indenture, we may incur additional indebtedness, which could increase the risks associated with our existing indebtedness. If we incur any additional indebtedness that ranks equally and ratably with the Notes, the relevant creditors will be entitled to share ratably with the Noteholders in any proceeds distributed in connection with our insolvency, liquidation, reorganization, dissolution or other winding-up. This may have the effect of reducing the amount of proceeds paid to the Noteholders. Covenants in agreements governing debt that we may incur in the future may also materially restrict our operations, including our ability to incur debt, pay dividends, make certain investments and payments, and encumber or dispose of assets. In addition, we could be in default of financial covenants contained in agreements relating to our existing or future debt in the event that our results of operations do not meet any of the terms in the covenants, including the financial thresholds or ratios. A default under one debt instrument may also trigger cross-defaults under other debt instruments. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations.

Noteholder claims against non-guarantor subsidiaries will be structurally subordinated to the liabilities of such subsidiaries.

As of the Original Issue Date, none of the Company's subsidiaries will be guarantors of the Notes. Accordingly, the Notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments of our current and future non-guarantor subsidiaries. As of June 30, 2017, our non-guarantor subsidiaries had total indebtedness of Rs.4,227.4 million (US$65.3 million). Together, non-guarantor subsidiaries generated 19.0% and 21.4% of our consolidated revenues for the three months ended June 30, 2017 and 2016, respectively, and our non-guarantor subsidiaries held 20.6% of our consolidated assets as of June 30, 2017. Claims of creditors of any of our subsidiaries that are not guarantors of the Notes, including trade creditors, secured creditors and creditors holding indebtedness or a guarantee issued by such non-guarantor subsidiaries, will generally have priority on the assets of the non-guarantor subsidiaries over the claims of our creditors, including holders of the Notes, even if the obligations of the non-guarantor subsidiaries do not constitute senior indebtedness. All obligations of our non-guarantor subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to the Company or a subsidiary guarantor. Subject to certain limitations, the Indenture will permit these subsidiaries to incur additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by these subsidiaries.

Any future Subsidiary Guarantees, if issued, may be challenged under applicable financial assistance, insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees.

If any subsidiary of ours in India provides a guarantee or other financial assistance, under bankruptcy laws, fraudulent transfer laws, insolvency or similar laws in India, a guarantee that was granted by the guarantor within six months before the commencement of such guarantor's winding up will be deemed a fraudulent preference of its creditors and may be invalid accordingly. Under provisions of the Insolvency and Bankruptcy Code, 2016 (of India) ("Bankruptcy Code") a transaction of a corporate debtor (which would include a corporate debtor who is a guarantor for a period of two years before such commencement date), if undervalued, shall be declared void and such transaction can be reversed by the adjudicating authority on an application by the liquidator. The Bankruptcy Code also sets out that if during the corporate insolvency resolution process or a liquidation process, it is found that any business of a corporate debtor has been carried on with intent to defraud creditors of the corporate debtor or for any fraudulent purpose or is an undervalued transaction, the adjudicating authority may, on the application of the resolution professional, pass an order that any persons who were knowingly parties to the carrying on of the business in such manner shall be liable to make such contributions to the assets of the corporate debtor as it may deem fit.

Even if a subsidiary in a jurisdiction other than India, if incorporated, provides a guarantee or other financial assistance, the measure of insolvency for purposes of the foregoing will vary depending on the laws of the applicable jurisdiction. If a court voids a Subsidiary Guarantee, subordinates such guarantee to other indebtedness of the Subsidiary Guarantor, or holds the Subsidiary Guarantee unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables and specified statutory dues) of such Subsidiary Guarantor, and would solely be unsecured creditors of the Company and any Subsidiary Guarantors whose guarantees have not been voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

The Indian tax authorities may treat the Notes as property situated in India, in which case the non-resident Noteholders would be subject to Indian income tax on disposal of the Notes.

It is likely that the Indian tax authorities may treat the Notes as being situated in India as the Company is incorporated in and a resident in India. In such cases, non-resident Noteholders would be liable to pay taxes in India on the capital gains derived by them on disposal of Notes (subject to the provisions of the applicable Tax Treaty) and may not be entitled to Additional Amounts with respect to such tax. Non-resident Noteholders should consult their own tax advisers regarding such Noteholders' ability to claim a tax credit for any Indian income tax paid on the disposition of a Note. See "Taxation—Indian Taxation" for further details.

We may not be able to repurchase the Notes upon a Change of Control Triggering Event or redeem the Notes upon a Mandatory Redemption.

Upon the occurrence of a Change of Control Triggering Event or a Mandatory Redemption, each as defined in "Description of the Notes," we may be required to repurchase or redeem all or a portion of the Notes. If the maturity date or Change of Control Triggering Event or a Mandatory Redemption occurs at a time when other arrangements prohibit us from repaying or repurchasing the Notes, we would try to obtain waivers of such prohibitions from the lenders under those arrangements, or we could attempt to refinance the borrowings that contain the restrictions. We may also be required to obtain the prior written approval of the RBI or the authorized dealer bank in accordance with the ECB Policy, and comply with any conditions that the RBI or such authorized dealer bank may impose in accordance with the ECB Policy at the time of such approval. The RBI and the authorized dealer bank may not provide such approval in a timely manner or at all. Furthermore, any modification or waiver of the terms and conditions of the Notes which has the effect of modifying or waiving terms which are not permitted under the automatic route for issue of U.S. dollar-denominated bonds under the ECB Guidelines will require prior approval from the RBI in accordance with the ECB Guidelines, and such approval may not be forthcoming.

We cannot assure you that we will have sufficient funds or would be able to arrange financing on terms that are acceptable to us or at all or to obtain waivers of prohibitions from lenders under our other financing arrangements to make the required purchase or redemption. Nor can we assure you that the RBI will provide any required approvals in a timely manner or at all. If we are unable to obtain the waivers or refinance these borrowings or obtain RBI approval, we would be unable to repay or repurchase the Notes. Additionally, in the event of a Mandatory Redemption the relevant changes in law or regulation that rendered payments under the Indenture and the Notes to be unlawful may inhibit our ability to redeem the Notes. Any failure by us to repurchase or redeem Notes upon a Change of Control Triggering Event or a Mandatory Redemption would be an event of default under the Notes and could, in turn, constitute an event of default under our other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods.

It may not be possible for investors to effect service of process or to enforce certain judgments on us.

We are incorporated in India and substantially all of our assets and operations are located in India. In addition, most of our directors reside in India. As a result, it may be difficult for investors to effect service of process on us or our directors outside India or to enforce judgments obtained in non-Indian courts, including judgments predicated upon the civil liability provisions of U.S. or other securities laws.

Judgments of non-Indian courts are not enforceable in Indian courts in the event a judgment has been passed by a court situated in a jurisdiction that is not a reciprocating territory with India. Further, even if the judgment is passed by a non-Indian court (and also being a superior court in terms of Section 44A of the Civil Code) in a country that is a reciprocating territory with India, the judgment can only be enforced through an Indian court process and is subject to the specific exceptions provided in the Code of Civil Procedure, 1908. A judgment of a court in a country which is not a reciprocating territory may be enforced in India only by a fresh proceeding suit instituted in a court of India and not by proceedings in execution. Such a suit has to be filed in India within three years from the date of the judgment in the same manner as any other suit filed in India to enforce a civil liability in India. As a result, Noteholders would be required to pursue claims against us or our directors in Indian courts. There can be no assurance that the claims or remedies available under Indian law will be the same, or as extensive, as those available in other jurisdictions. Further, it is unlikely that an Indian court would enforce foreign judgments if that court were of the view that the amount of damages awarded was excessive or inconsistent with Indian public policy. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to the execution of such judgment and such amount may be subject to income tax in accordance with applicable laws. There cannot be any assurance whether a suit instituted in an Indian court will be disposed of in a timely manner or be subject to considerable delay.

An active trading market for the Notes may not develop and the trading price of the Notes could be materially and adversely affected.

The Notes are a new issue of securities for which there is currently no public trading market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and may discontinue such market making activity at any time without notice. We cannot predict whether an active trading market for the Notes will develop or be sustained. If an active trading market were to develop, the Notes could trade at prices that may be lower than their initial offering price. The liquidity of any market for the Notes depends on many factors, including:

- the number of holders of Notes;

- the interest of securities dealers in making a market in the Notes;

- prevailing interest rates and the markets for similar securities;

- general economic conditions; and

- our financial condition, historical financial performance and future prospects.

If an active market for the Notes fails to develop or be sustained, the trading price of the Notes could be materially and adversely affected. Approval-in-principle has been received for the listing and quotation of the Notes on the SGX-ST. However, no assurance can be given that we will be able to maintain such listing or that, if listed, a trading market will develop. We do not intend to apply for listing of the Notes on any securities exchange other than the SGX-ST. Lack of a liquid, active trading market for the Notes may adversely affect the price of the Notes or may otherwise impede a Noteholder's ability to dispose of the Notes.

The pledge of certain Collateral may in certain circumstances be deemed invalid or voidable.

The pledge of the Collateral securing the Notes may be invalid or voidable under insolvency, bankruptcy, fraudulent transfer, fraudulent preference or similar laws of India and other jurisdictions, if and to the extent applicable. In the event the pledge of the Collateral is invalid or voidable under such laws in India, the relevant time period during which such security is deemed invalid or voidable could be within 12 months of the date of the winding-up petition or, under some circumstances, it could be held invalid or voidable within longer periods. If the pledges of the Collateral were to be voided or set aside for any reason, Noteholders would have only an unsecured claim against us.

Security over the Collateral will not be granted directly to the Noteholders.

Security over the Collateral for our obligations under the Notes and the Indenture will not be granted directly to the Noteholders but will be granted only in favor of the Security Trustee, who will hold such security on behalf of and for the benefit of the Noteholders. As a consequence, Noteholders will not have direct security and may not be entitled to take enforcement action in respect of the security for the Notes, except in accordance with the terms of the Intercreditor Agreement and Indenture through the Trustee or the Security Trustee, which have agreed to apply any proceeds of enforcement on such security towards such obligations.

It may not be possible for the Trustee to take certain actions.

The Notes, the Indenture and the Security Documents provide for the Trustee or the Security Trustee, as applicable, to take action on behalf of the Noteholders in certain circumstances, but only if the Trustee or the Security Trustee, as applicable, is indemnified, secured and pre-funded to its satisfaction. It may not be possible for the Trustee or the Security Trustee, as applicable, to take certain actions and accordingly in such circumstances the Trustee or the Security Trustee, as applicable, will be unable to take such actions, notwithstanding the provision of an indemnity to it, and it will be for the Noteholders to take such actions directly.

The Notes will initially be held in book-entry form.

The Notes will initially only be issued in global certificated form and held through DTC. Interests in the global notes will trade in book-entry form only, and Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The nominee of the custodian for DTC will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the paying agent, which will make payments to DTC. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the custodian for DTC, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of DTC, and if you are not a participant in DTC, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the indenture. Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent available via the facilities of DTC, which, in turn, rely on the procedures of the participant through which you hold your book-entry interest. The procedures implemented for such actions may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, owners of book-entry interests will be restricted to acting through DTC via the participant through which you hold your book-entry interest. The procedures to be implemented through DTC may not be adequate to ensure the timely exercise of rights under the Notes. See "Description of the Notes—Book-Entry, Delivery and Form."

The ratings assigned to the Notes may be lowered or withdrawn.

The ratings assigned to the Notes may be lowered or withdrawn entirely in the future. The Notes are expected to be rated "BB+" by S&P and "BB+" by Fitch. The ratings represent the opinions of the ratings agencies and their assessment of our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. No assurances can be given that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform Noteholders of any such revision, downgrade or withdrawal. In addition, we cannot assure you that rating agencies other than S&P or Fitch would not rate the Notes differently. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes or the assignment by a rating agency other than S&P or Fitch of a rating of the Notes lower than those provided may adversely affect the market price of the Notes.

USE OF PROCEEDS

The gross proceeds from this offering will be US$350.0 million.

We intend to use the gross proceeds of the offering of the Notes to (i) repay the Rupee Facilities and the ECB Facility and pay the termination payments for the interest rate swaps related thereto, and (ii) use any remaining amounts for capital expenditures with respect to Airport Activities (as defined in the Concession Agreement) as part of the Phase 1B Expansion. Payment of estimated fees and expenses of approximately US$6.3 million (Rs.407.9 million) relating to the offering of the Notes will be paid from our internal resources.

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Indian Rupees and U.S. dollars. The exchange rates reflect the rates as reported by RBI.

	Period End[(1)]	Average[(1)(2)]	High	Low
Year Ended March 31,				
2013	54.39	54.45	57.22	50.56
2014	60.10	60.50	68.36	53.74
2015	62.59	61.15	63.75	58.43
2016	66.33	65.46	68.78	62.16
2017	64.84	67.09	68.72	64.84
Month				
January 2017	67.88	68.10	67.87	68.33
February 2017	66.69	67.04	66.69	67.48
March 2017	64.85	65.85	64.85	66.83
April 2017	64.24	64.49	64.12	65.02
May 2017	64.51	64.43	64.06	64.89
June 2017	64.58	64.44	64.21	64.63
July 2017	64.18	64.45	64.11	64.88
August 2017	63.90	63.95	63.58	64.15
September 2017	65.28	64.46	63.78	65.71
October 2017 (to October 5, 2017)	65.14	65.22	65.01	65.50

(1) The exchange rate at each period end and the average rate for each period differ from the exchange rates used in the preparation of our financial statements and financial information.

(2) The average rate for each period represents the average of the daily exchange rates for the period.

The exchange rate on October 5, 2017, as reported by RBI, was Rs.65.18 per US$1.00.

Although certain Rupee amounts in this offering memorandum have been translated into U.S. dollars for convenience, this does not mean that the Rupee amounts referred to could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all. Except as otherwise stated, the Indian Rupee amounts in this offering memorandum as at and for the year ended March 31, 2017 and the three months ended June 30, 2017 were converted to U.S. dollars at the exchange rate of US$1.00 = Rs.64.74, the exchange rate as published by RBI as at June 30, 2017. For comparison purposes, the exchange rate as set forth in the H.10 statistical release certified by the Federal Reserve Bank of New York as at March 31, 2017 was Rs.64.85 per US$1.00 and as at June 30, 2017 was Rs.64.62 per US$1.00.

Indian Exchange Control Restrictions

There are certain restrictions on the conversion of Indian Rupees into foreign currencies, including U.S. dollars. The FEMA regulates transactions involving foreign exchange and provides that certain transactions cannot be carried out without the general or specific permission of the RBI.

CAPITALIZATION

The following table sets forth our cash and cash equivalents, bank balances other than cash and cash equivalents, current investments, indebtedness and capitalization as at June 30, 2017 (i) on an actual basis and (ii) on an as adjusted basis to give effect to the offering of the Notes and the use of proceeds therefrom to repay the Rupee Facilities and the ECB Facility as at June 30, 2017, including interest accrued but not due on such borrowings thereon, and make termination payments for the interest rate swaps in relation thereto.

You should read this table in conjunction with our financial statements and related notes thereto appearing elsewhere in this offering memorandum, as well as "Selected Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Use of Proceeds."

	As at June 30, 2017			
	Actual		As Adjusted(1)(3)(4)	
	(US$)	(Rs.)	(US$)	(Rs.)
	(in millions)			
(Ind-AS)				
Cash and cash equivalents (included in current assets)	44.4	2,872.5	109.7	7,102.0
Bank balances other than cash and cash equivalents (included in current assets)	4.2	268.8	4.2	268.8
Bank balances other than cash and cash equivalents (included in non-current assets)	4.5	291.0	4.5	291.0
Current investments (included in financial assets)	81.1	5,248.9	81.1	5,248.9
Non-current borrowings (included in financial liabilities)	357.9	23,171.1	107.6	6,965.0
Short-term borrowings (included in financial liabilities)	3.9	250.7	3.9	250.7
Interest accrued but not due on borrowings (included in other financial liabilities)	1.2	80.7	0.1	6.3
Current maturities of long-term borrowings (included in other financial liabilities)	19.1	1,236.5	2.5	162.2
Notes offered hereby	—	—	350.0	22,659.0
Total debt	382.1	24,739.0	464.1	30,043.2
Equity attributable to equity holders of the parent	53.5	3,461.6	53.5	3,461.6
Non-controlling interest	8.6	558.4	8.6	558.4
Total equity	62.1	4,020.0	62.1	4,020.0
Total capitalization(2)	444.2	28,759.0	526.2	34,063.2

(1) The amounts considered under the "as adjusted" column do not reflect any transactions beyond June 30, 2017, including (i) the dividend payment (inclusive of dividend distribution tax) of Rs.1,137.4 million (US$17.6 million) paid in August 2017 and (ii) the repayment of Rs.122.1 million (US$1.9 million) under the Rupee Facilities in July 2017 and the repayment of US$2.2 million (Rs.142.4 million) under the ECB Facility in September 2017 and interest due thereon.

(2) Total capitalization is the sum of total debt and total equity.

(3) Reflects (i) the repayment of the outstanding amounts under the Rupee Facilities and the ECB Facility as at June 30, 2017, including interest accrued but not due on such borrowings thereon, and termination payments for the interest rate swaps in relation thereto as described under "Use of Proceeds" and (ii) the payment of estimated fees and expenses of US$6.3 million (Rs.407.9 million) relating to the offering of the Notes to be paid from our internal resources.

(4) Reflects a US$10.3 million (Rs.666.8 million) termination payment in respect of the interest rate swap facility, as at June 30, 2017, based on the valuation provided by Abu Dhabi Commercial Bank, which amount has been deducted from cash and cash equivalents under the "as adjusted" column.

Except as otherwise disclosed herein, there has been no material change in our capitalization since June 30, 2017.

SELECTED FINANCIAL AND OTHER DATA

You should read the selected financial and other data below, together with the financial statements and related notes thereto appearing elsewhere in this offering memorandum, as well as "Presentation of Financial Information." "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other financial information included elsewhere in this offering memorandum.

We are required to prepare our consolidated financial statements in accordance with Ind-AS with effect from April 1, 2016. Accordingly, we have prepared our consolidated financial statements as at and for the year ended March 31, 2017, together with the comparative period data as at and for the year ended March 31, 2016, in accordance with Ind-AS for the first time. For purposes of the financial information presented for the year ended March 31, 2016 under Ind-AS included in this offering memorandum, we prepared the March 2016 Special Purpose Ind-AS Consolidated Financial Statements. We have prepared our consolidated financial statements as at and for the three months ended June 30, 2017, together with the comparative period data for the three months ended June 30, 2016, in accordance with Ind-AS. For purposes of the financial information presented for the three months ended June 30, 2016 included in the consolidated financial statements as at and for the three months ended June 30, 2017, we prepared the June 2016 Special Purpose Ind-AS Condensed Financial Information. For periods up to and including the year ended March 31, 2016, we had prepared our consolidated financial statements in accordance with the Indian GAAP. See "Risk Factors—Risks Related to our Business—Our consolidated financial statements may not be comparable in view of changes in the applicable generally accepted accounting principles and the 2014 AERA Order."

The joint review and audit reports on all the above financial statements underlying the financial information presented in this offering memorandum contain certain qualification(s) and certain emphasis of matters. See "Presentation of Financial Information" and "Risk Factors—Risks Related to our Business—The joint review and audit reports from our independent joint auditors in respect of our consolidated financial statements contain certain qualification(s) and emphasis of matters" for further details.

In this section, the financial information presented has been (i) with respect to the three months ended June 30, 2017, prepared and presented in accordance with Ind-AS on a consolidated basis; (ii) with respect to the three months June 30, 2016, derived from the June 2016 Special Purpose Ind-AS Consolidated Financial Information which are not included in this offering memorandum; (iii) with respect to the year ended March 31, 2017, prepared and presented in accordance with Ind-AS on a consolidated basis; (iv) with respect to the year ended March 31, 2016 (except where specified as under Indian GAAP), derived from the March 2016 Special Purpose Ind-AS Consolidated Financial Statements, which are not included in this offering memorandum; and (v) with respect to the years ended March 31, 2016 (where specified as under Indian GAAP) and 2015, prepared and presented in accordance with Indian GAAP on a consolidated basis.

Our financial statements have been prepared and presented in accordance with Ind-AS and/or Indian GAAP, each of which may differ in material respects from generally accepted accounting principles in other jurisdictions. See "Risk Factors—Risks Related to India—Indian accounting principles differ from those which prospective investors may be familiar with in other countries" for further details. Ind-AS differs in certain respects from IFRS. See "Summary of Certain Significant Differences Between Ind-AS and IFRS" for further details.

Statement of Profit and Loss Data (Ind-AS)	Three months ended June 30,			Year ended March 31,		
	2017		2016	2017		2016
	(US$ in millions)	(Rs. in millions)		(US$ in millions)	(Rs. in millions)	
Revenue						
Revenue from operations	55.8	3,610.8	3,224.0	211.1	13,667.3	8,754.6
Other income	0.3	19.0	27.4	1.5	99.8	81.0
Total revenue	**56.1**	**3,629.8**	**3,251.4**	**212.6**	**13,767.1**	**8,835.6**
Expenses						
Concession fee	1.9	124.2	104.3	7.1	462.0	257.9
Purchase of traded goods	1.7	113.2	140.8	8.6	558.9	421.6
Decrease/(increase) in traded goods	0.1	8.8	(28.4)	(1.1)	(68.9)	(25.9)
Employee benefits expense	5.0	321.1	297.5	19.7	1,272.2	1,195.9
Other expenses	11.8	765.7	683.6	46.4	3,001.4	2,652.9
Total expenses	**20.5**	**1,333.0**	**1,197.8**	**80.7**	**5,225.6**	**4,502.4**
Earnings before interest, tax, depreciation and amortization (EBITDA)	35.6	2,296.8	2,053.6	131.9	8,541.5	4,333.2
Finance income	(4.6)	(300.4)	(85.8)	(15.3)	(987.9)	(248.8)
Finance costs	9.9	641.7	678.0	40.0	2,588.7	2,466.3
Depreciation and amortization expenses	9.0	584.1	624.8	38.2	2,472.5	2,532.8
Profit/(loss) before share of profit in joint ventures and tax	21.3	1,371.4	836.6	69.0	4,468.2	(417.1)
Share of profit in joint venture	0.2	15.6	3.6	0.6	40.6	21.6
Profit/(loss) before tax	**21.5**	**1,387.0**	**840.2**	**69.6**	**4,508.8**	**(395.5)**
Tax expense:						
Current tax — Minimum alternate tax	4.9	318.1	223.0	16.6	1,071.6	114.4
Tax of earlier years	—	—	—	0.0	(0.3)	0.6
Deferred tax						
Deferred tax expense	4.7	304.7	309.2	23.6	1,525.8	21.8
Minimum alternate tax credit entitlement	(3.6)	(234.9)	(209.7)	(15.6)	(1,010.3)	(4.6)
Total tax expense	**6.0**	**387.9**	**322.5**	**24.6**	**1,586.8**	**132.2**
Profit/(loss) for the year/period	**15.5**	**999.1**	**517.7**	**45.0**	**2,922.0**	**(527.7)**
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Re-measurement gains/(losses) on defined benefit plans	(0.1)	(5.3)	(0.7)	(0.1)	(4.2)	0.5
Total comprehensive income for the year, net of tax	**15.4**	**993.8**	**517.0**	**44.9**	**2,917.8**	**(527.2)**
Profit/(loss) attributable to:						
Equity holders of the parent	15.0	965.6	499.4	43.7	2,838.1	(565.1)
Non controlling interests	0.5	33.5	18.3	1.3	83.9	37.4
Total comprehensive income attributable to:						
Equity holders of the parent	14.9	960.9	499.2	43.6	2,834.2	(564.8)
Non controlling interests	0.5	32.9	17.8	1.3	83.6	37.6
Earnings per equity share:						
Basic and diluted	0.4	25.5	13.2	1.2	75.1	(15.0)

Statement of Profit and Loss Data (Indian GAAP)	Year ended March 31, 2016	2015
	(Rs. in millions)	
Income		
Revenue from operations	8,834.6	6,263.2
Other income	262.7	245.5
Total (A)	**9,097.3**	**6,508.7**
Expenses		
Concession fees	257.9	177.2
Purchase of traded goods	361.8	274.1
Increase in traded goods	(25.9)	(14.9)
Employee benefits expense	1,208.3	1,084.9
Other expenses	2,695.3	2,495.3
Total (B)	**4,497.4**	**4,016.6**
Earnings before interest, tax, depreciation and amortization (EBITDA) (A) — (B)	**4,599.9**	**2,492.1**
Finance costs	2,453.4	2,465.5
Depreciation and amortization expenses	2,541.7	2,488.7
Loss before tax expense, exceptional items and minority interest	**(395.2)**	**(2,462.1)**
Exceptional Items (Net)	27.7	—
Loss before tax expenses and minority interest	**(422.9)**	**(2,462.1)**
Tax expenses		
Current tax	117.9	83.7
Minimum alternate tax credit entitlement	(8.1)	—
Deferred tax	(393.5)	(103.4)
Tax of earlier year	0.6	(4.8)
Minimum alternate tax credit entitlement of earlier years	—	4.6
Total tax expense	**(283.1)**	**(19.9)**
Loss after tax expenses and before minority interest	**(139.8)**	**(2,442.2)**
Minority interest — share of profit	106.4	87.5
Loss for the year	**(246.2)**	**(2,529.7)**
Earnings per equity share (Rs)		
Basic and diluted	(0.65)	(6.69)

Balance Sheet Data (Ind-AS)	As at June 30, 2017		As at March 31, 2017		2016
	(US$ in millions)	(Rs. in millions)	(US$ in millions)	(Rs. in millions)	
I. Assets					
Non-current assets					
Property, plant and equipment	313.4	20,288.7	321.1	20,790.8	22,737.3
Capital work-in-progress	26.6	1,722.1	17.9	1,158.3	692.3
Intangible assets	8.2	528.0	8.2	533.2	545.1
Intangible assets under development	0.1	3.8	0.0	0.0	6.3
Investment in joint venture	1.3	85.5	1.1	69.9	29.3
Financial assets:					
Loans	0.7	46.7	0.7	47.6	57.6
Bank balances other than cash and cash equivalents	4.5	291.0	4.5	291.0	45.1
Other non current financial assets	1.6	104.5	1.5	98.1	80.9
Non current tax assets	5.0	320.6	6.8	437.9	657.0
Deferred tax asset (net)	29.6	1,917.5	26.0	1,682.6	1,007.3
Other non-current assets	11.0	710.6	11.2	725.6	887.6
	402.0	**26,019.0**	**399.0**	**25,835.0**	**26,745.8**
Current assets					
Inventories	8.0	520.1	7.9	511.8	483.5
Financial assets:					
Investments	81.1	5,248.9	59.8	3,873.4	2,238.6
Trade receivables	14.7	951.3	16.2	1,049.3	1,312.5
Bank balances other than cash and cash equivalents	4.2	268.8	5.0	322.9	262.0
Cash and cash equivalents	44.4	2,872.5	50.6	3,277.3	252.4
Loans	0.1	8.3	0.2	9.9	8.0
Other current financial assets	4.1	263.6	3.3	211.7	129.2
Current tax assets	1.0	67.3	4.4	286.2	22.1
Other current assets	4.1	266.2	2.1	134.5	109.0
	161.7	**10,467.0**	**149.5**	**9,677.0**	**4,817.3**
Total assets	**563.7**	**36,486.0**	**548.5**	**35,512.0**	**31,563.1**
II. Equity and Liabilities					
Equity					
Equity share capital	58.4	3,780.0	58.4	3,780.0	3,780.0
Other equity:					
Capital reserve	16.5	1,070.0	16.5	1,070.0	1,070.0
Retained earnings	(21.4)	(1,388.4)	(36.3)	(2,349.3)	(5,162.1)
Equity attributable to equity holders of the parent	**53.5**	**3,461.6**	**38.6**	**2,500.7**	**(312.1)**
Non-controlling interest	**8.6**	**558.4**	**8.1**	**525.5**	**441.9**
Total Equity	**62.1**	**4,020.0**	**46.7**	**3,026.2**	**129.8**

Balance Sheet Data	**As at June 30,**		**As at March 31,**		
(Ind-AS)	**2017**		**2017**		**2016**
	(US$ in millions)	**(Rs. in millions)**	**(US$ in millions)**	**(Rs. in millions)**	
Liabilities					
Non-current liabilities					
Financial liabilities:					
Borrowings	357.9	23,171.1	372.5	24,116.7	24,824.6
Other financial liabilities	45.5	2,946.8	44.6	2,890.1	3,017.4
Government grants	5.5	355.0	5.0	321.1	120.8
Deferred tax liability (net)	23.3	1,508.0	18.6	1,203.2	12.3
Other non-current liabilities	4.9	315.9	5.0	321.3	351.2
Long term provisions	0.5	29.9	0.4	24.0	18.4
	437.6	**28,326.7**	**446.1**	**28,876.4**	**28,344.7**
Current liabilities					
Financial liabilities:					
Borrowings	3.9	250.7	3.3	210.5	276.6
Trade payables	19.0	1,232.8	17.1	1,108.8	955.9
Other financial liabilities	30.4	1,966.2	28.6	1,850.7	1,481.7
Government grants	0.4	26.0	0.2	11.3	11.3
Other current liabilities	5.0	323.2	2.9	187.8	163.8
Short term provisions	1.7	106.9	1.7	107.8	82.4
Current tax liability (net)	3.6	233.5	1.9	132.5	116.9
	64.0	**4,139.3**	**55.7**	**3,609.4**	**3,088.6**
Total Equity and Liabilities	**563.7**	**36,486.0**	**548.5**	**35,512.0**	**31,563.1**

Balance Sheet Data (Indian GAAP)	As at March 31, 2016	As at March 31, 2015
	(Rs. in millions)	
Shareholders' funds		
Equity share capital	3,780.0	3,780.0
Reserves and surplus	(2,868.8)	(2,574.5)
	911.2	**1,205.5**
Preference share capital issued by subsidiary	**180.0**	**180.0**
Minority interest	**248.9**	**215.2**
Non-current liabilities		
Long-term borrowings	25,009.1	24,529.8
Deferred tax liability (net)	—	14.9
Other long-term liabilities	2,541.0	2,152.6
Long-term provisions	16.6	15.0
	27,566.7	**26,712.3**
Current liabilities		
Short-term borrowings	276.6	274.2
Trade Payables:		
Total outstanding dues of micro enterprises and small enterprises	—	0.5
Total outstanding dues of creditors of other than micro enterprises and small enterprises	894.3	675.4
Other current liabilities	1,652.7	1,308.1
Short-term provisions	123.2	97.5
	2,946.8	**2,355.7**
TOTAL	**31,853.6**	**30,668.7**
Assets		
Non-current Assets		
Fixed Assets		
Tangible assets	22,967.1	23,648.3
Intangible assets	561.9	643.9
Capital work-in-progress	699.7	555.1
Deferred tax assets (net)	378.6	—
Long-term loans and advances	2,297.7	3,237.1
Other non-current assets	45.1	66.3
	26,950.1	**28,150.7**
Current Assets		
Current investments	2,235.7	294.2
Inventories	485.7	440.0
Trade receivables	1,349.5	884.0
Cash and bank balances	523.0	537.4
Short-term loans and advances	158.0	252.8
Other current assets	151.6	109.6
	4,903.5	**2,518.0**
TOTAL	**31,853.6**	**30,668.7**

Cash Flow Statement Data (Ind-AS)	Three months ended June 30, 2017 (US$ in millions)	2017 (Rs. in millions)	2016 (Rs. in millions)	Year ended March 31, 2017 (US$ in millions)	2017 (Rs. in millions)	2016 (Rs. in millions)
Net cash flow from operating activities	41.6	2,690.7	2,003.7	132.3	8,562.6	4,644.2
Net cash flow used in investing activities	(29.9)	(1,933.3)	(1,1368)	(38.7)	(2,513.4)	(2,535.9)
Net cash flow used in financing activities	(22.9)	(1,484.8)	(728.1)	(46.8)	(3,023.9)	(2,182.9)

Cash Flow Statement Data (Indian GAAP)	Year ended March 31, 2016	2015
	(Rs. in millions)	
Net cash flow from operating activities	4,695.9	3,201.6
Net cash flow from/(used) in investing activities	(2,575.6)	1,276.3
Net cash flow used in financing activities	(2,196.2)	(4,514.3)

Other Financial Data (Ind-AS)	Three months ended June 30, 2017	2016	Year ended March 31, 2017	2016
Capital expenditures (addition to property, plant and equipment and intangible assets) (in Rs. millions)(2)	88.3	28.8	600.1	1,461.5
Adjusted EBITDA(3)/Total revenue (%)	63.3	63.2	62.0	49.0
Total Indebtedness(4)/Adjusted EBITDA(3)	—	—	3.0	6.0
Net Indebtedness(5)/Adjusted EBITDA(3)	—	—	2.1	5.4
Profit/(loss) before tax/Total revenue (%)	38.2	25.8	32.8	(4.5)

Other Financial Data (Indian GAAP)	Year ended March 31, 2016	2015
Capital expenditures (addition to tangible and intangible assets) (in Rs. millions)(2)	1,463.9	218.8
Adjusted EBITDA(3)/Total Income (%)	50.6	38.3
Total Indebtedness(4)/Adjusted EBITDA(3)	5.7	10.3
Net Indebtedness(5)/Adjusted EBITDA(3)	5.1	9.9
Profit/(loss) before tax/Total Income (%)	(4.6)	(37.8)

	Three months ended June 30,		Year ended March 31,		
	2017	**2016**	**2017**	**2016**	**2015**
Operating Data					
Total passengers (in millions of persons)	**4.1**	**3.4**	**15.1**	**12.4**	**10.4**
International	0.9	0.8	3.4	3.2	2.8
Domestic	3.2	2.6	11.7	9.2	7.6
Total air traffic movements	**34,722**	**30,379**	**130,713**	**105,772**	**94,057**
International	5,711	5,554	22,261	20,693	18,361
Domestic	29,011	24,825	108,452	85,079	75,696
Total cargo (in metric tons)	**32,791**	**28,267**	**121,882**	**110,033**	**98,899**
International	19,562	16,195	68,946	59,578	55,023
Domestic	13,229	12,072	52,936	50,455	43,876

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(1) A significant portion of our revenues are earned from aeronautical services, and the aeronautical service fees we charge to airlines, passengers and other users for such services are regulated by AERA in accordance with the AERA Act, 2008 and our Concession Agreement. Any adverse change in AERA's determinations of our aeronautical charges would have a material and adverse effect on our results of operations. See "Risk Factors—Risks Related to Our Business—The fees we charge for aeronautical services - which comprise a significant portion of our revenues - are regulated by the Government of India, through AERA, in accordance with the terms of our Concession Agreement. Accordingly, government regulations and the terms of our Concession Agreement have materially affected our historical results of operations and financial condition, and will continue to affect our future results of operations and financial condition, which could be materially and adversely affected by the to-be-announced rate determinations for our aeronautical services" and "Indian Regulatory Environment—The Airports Economic Regulatory Authority of India Act, 2008" for further details. In addition, as a result of the restoration of our user development fee and passenger service fee (facilitation component), which comprise a substantial portion of our aeronautical revenue and which had been discontinued pursuant to the 2014 AERA Order, in fiscal year 2016 with effect from November 3, 2015, our consolidated financial statements as at and for the years ended March 31, 2016 and 2015 prepared in accordance with Indian GAAP are not comparable with our consolidated financial statements as at and for the year ended March 31, 2017 prepared in accordance with Ind-AS. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information" for further details.

(2) See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital expenditures" for historical information regarding our capital expenditures.

(3) Adjusted EBITDA is calculated as earnings before interest, tax expense, depreciation and amortization and share of profit in joint ventures. Adjusted EBITDA is a supplemental measure of our performance and liquidity, and although Adjusted EBITDA are widely used financial indicators of a company's ability to service and incur debt, we caution you that Adjusted EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating activities. Below is a reconciliation of profit/loss for the year/period to Adjusted EBITDA:

(Ind-AS)	Three months ended June 30,			Year ended March 31,		
	2017		**2016**	**2017**		**2016**
	(US$ in millions)	(Rs. in millions)		(US$ in millions)	(Rs. in millions)	
Profit/Loss for the year/period	**15.5**	**999.1**	**517.7**	**45.0**	**2,922.0**	**(527.7)**
Add:						
Finance costs	9.9	641.7	678.0	40.0	2,588.7	2,466.3
Tax expense						
Current tax — minimum alternate tax	4.9	318.1	223.0	16.6	1,071.6	114.4
Tax of earlier years	—	—	—	0.0	(0.3)	0.6

(Ind-AS)	Three months ended June 30,		Year ended March 31,		
	2017		2016	2017		2016
	(US$ in millions)	(Rs. in millions)		(US$ in millions)	(Rs. in millions)	
Deferred tax						
Deferred tax expense	4.7	304.7	309.2	23.6	1,525.8	21.8
Minimum alternate tax credit entitlement	(3.6)	(234.9)	(209.7)	(15.6)	(1,010.3)	(4.6)
Total tax expense	6.0	387.9	322.5	24.6	1,586.8	132.2
Depreciation and amortization expenses	9.0	584.1	624.8	38.2	2,472.5	2,532.8
Less:						
Finance income	(4.6)	(300.4)	(85.8)	(15.3)	(987.9)	(248.8)
Share of profit in joint ventures	0.2	15.6	3.6	0.6	40.6	21.6
Adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA)	**35.6**	**2,296.8**	**2,053.6**	**131.9**	**8,541.5**	**4,333.2**

(Indian GAAP)	Year ended March 31,	
	2016	2015
	(Rs. in millions)	
Loss for the year	**(246.2)**	**(2,529.7)**
Add:		
Finance costs	2,453.4	2,465.5
Tax expense		
Current tax	117.9	83.7
Minimum alternate tax credit entitlement	(8.1)	—
Deferred tax	(393.5)	(103.4)
Tax of earlier year	0.6	(4.8)
Minimum alternate tax credit entitlement of earlier years	—	4.6
Total tax expense	(283.1)	(19.9)
Depreciation and amortization	2,541.7	2,488.7
Minority interest - share of profit	106.4	87.5
Adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA)	**4,572.2**	**2,492.1**

(4) Total Indebtedness with respect to our financial statements prepared in accordance with Ind-AS represents (i) non-current borrowings (included in financial liabilities), (ii) short-term borrowings (included in financial liabilities), (iii) current maturities of long-term borrowings (included in other financial liabilities) and (iv) interest accrued but not due on borrowings (included in other financial liabilities). Total Indebtedness with respect to our financial statements prepared in accordance with Indian GAAP represents (i) long-term borrowings, (ii) short-term borrowings, (iii) current maturities of long-term borrowings (included in other current liabilities) and (iv) interest accrued but not due on borrowings (included in other current liabilities). Below is a calculation of total indebtedness for the periods presented:

(Ind-AS)	As at June 30,		As at March 31,		
	2017		2017		2016
	(US$ in millions)	(Rs. in millions)	(US$ in millions)	(Rs. in millions)	
Non-current borrowings (included in financial liabilities)	357.9	23,171.1	372.5	24,116.7	24,824.6
Short-term borrowings (included in financial liabilities)	3.9	250.7	3.3	210.5	276.6
Interest accrued but not due on borrowings (included in other financial liabilities)	1.2	80.7	1.0	62.0	3.0

(Ind-AS)	As at June 30,		As at March 31,		
	2017		2017		2016
	(US$ in millions)	(Rs. in millions)	(US$ in millions)	(Rs. in millions)	
Current maturities of long-term borrowings (included in other financial liabilities)	19.1	1,236.5	18.6	1,205.3	993.6
Total Indebtedness	**382.1**	**24,739.0**	**395.4**	**25,594.5**	**26,097.8**

(Indian GAAP)	As at March 31,	
	2016	2015
	(Rs. in millions)	
Long-term borrowings	25,009.1	24,529.8
Short-term borrowings	276.6	274.2
Current maturities of long-term borrowings (included in other current liabilities)	1,022.9	819.7
Interest accrued but not due on borrowings (included in other current liabilities)	3.0	2.9
Total Indebtedness	**26,311.6**	**25,626.6**

(5) Net Indebtedness with respect to our financial statements prepared in accordance with Ind-AS represents (a) (i) Total Indebtedness, less (b) (i) cash and cash equivalents (included in current assets), (ii) bank balances other than cash and cash equivalents (included in current assets), (iii) bank balances other than cash and cash equivalents (included in non-current assets) and (iv) current investments (included in financial assets). Net indebtedness with respect to our financial statements prepared in accordance with Indian GAAP represents (a) (i) Total Indebtedness, less (b) (i) cash and bank balances (included in current assets), (ii) non current bank balances (included in other assets) and (iii) current investments (included in current assets). Below is a calculation of net indebtedness for the periods presented:

(Ind-AS)	As at June 30,		As at March 31,		
	2017		2017		2016
	(US$ in millions)	(Rs. in millions)	(US$ in millions)	(Rs. in millions	(Rs. in millions)
Total Indebtedness	382.1	24,739.0	395.4	25,594.5	26,097.8
Less:					
Cash and cash equivalents (included in current assets)	44.4	2,872.5	50.6	3,277.3	252.4
Bank balances other than cash and cash equivalents (included in current assets)	4.2	268.8	5.0	322.9	262.0
Bank balances other than cash and cash equivalents (included in non-current assets)	4.5	291.0	4.5	291.0	45.1
Current investments (included in financial assets)	81.1	5,248.9	59.8	3,873.4	2,238.6
Net Indebtedness	**247.9**	**16,057.8**	**275.5**	**17,829.9**	**23,299.7**

(Indian GAAP)	As at March 31,	
	2016	2015
	(Rs. in millions)	
Total Indebtedness	26,311.6	25,626.6
Less:		
Cash and bank balances (included in current assets)	523.0	537.4
Non-current bank balances (included in other assets)	45.1	64.5
Current investments (included in current assets)	2,235.7	294.2
Net Indebtedness	**23,507.8**	**24,730.5**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes thereto appearing elsewhere in this offering memorandum, as well as "Presentation of Financial Information" and "Selected Financial and Other Data."

We are required to prepare our consolidated financial statements in accordance with Ind-AS with effect from April 1, 2016. Accordingly, we have prepared our consolidated financial statements as at and for the year ended March 31, 2017, together with the comparative period data as at and for the year ended March 31, 2016, in accordance with Ind-AS for the first time. For purposes of the financial information presented for the year ended March 31, 2016 under Ind-AS included in the offering memorandum, we prepared the March 2016 Special Purpose Ind-AS Consolidated Financial Statements. We have prepared our consolidated financial statements as at and for the three months ended June 30, 2017, together with the comparative period data for the three months ended June 30, 2016, in accordance with Ind-AS. For purposes of the financial information presented for the three months ended June 30, 2016 included in the consolidated financial statements as at and for the three months ended June 30, 2017, we prepared the June 2016 Special Purpose Ind-AS Condensed Financial Information. For periods up to and including the year ended March 31, 2016, we had prepared our consolidated financial statements in accordance with the Indian GAAP. See "Risk Factors—Risks Related to our Business—Our consolidated financial statements may not be comparable in view of changes in the applicable generally accepted accounting principles and the 2014 AERA Order."

The joint review and audit reports on all the above financial statements underlying the financial information presented in this offering memorandum contain certain qualification(s) and certain emphasis of matters. See "Presentation of Financial Information" and "Risk Factors—Risks Related to our Business—The joint review and audit reports from our independent joint auditors in respect of our consolidated financial statements contain certain qualification(s) and emphasis of matters" for further details.

In this section, the financial information presented has been (i) with respect to the three months ended June 30, 2017, prepared and presented in accordance with Ind-AS on a consolidated basis; (ii) with respect to the three months June 30, 2016, derived from the June 2016 Special Purpose Ind-AS Consolidated Financial Information which are not included in the offering memorandum; (iii) with respect to the year ended March 31, 2017, prepared and presented in accordance with Ind-AS on a consolidated basis; (iv) with respect to the year ended March 31, 2016 (except where specified as under Indian GAAP), derived from the March 2016 Special Purpose Ind-AS Consolidated Financial Statements, which are not included in the offering memorandum; and (v) with respect to the years ended March 31, 2016 (where specified as under Indian GAAP) and 2015, prepared and presented in accordance with Indian GAAP on a consolidated basis.

Our financial statements have been prepared and presented in accordance with Ind-AS and/or Indian GAAP, each of which may differ in material respects from generally accepted accounting principles in other jurisdictions. See "Risk Factors—Risks Related to India—Indian accounting principles differ from those which prospective investors may be familiar with in other countries" for further details. Ind-AS differs in certain respects from IFRS. See "Summary of Certain Significant Differences Between Ind-AS and IFRS" for further details.

This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in or implied by any of the forward-looking statements as a result of various factors, including but not limited to those listed under "Risk Factors" and "Forward-Looking Statements."

OVERVIEW

We hold the exclusive right to operate, manage and develop Rajiv Gandhi International Airport (the "Airport") — the sixth busiest airport in India in terms of passenger traffic, according to data compiled by the Airports Authority of India ("AAI"). Our core activities include the development, management, maintenance and operation of the Airport and the management of commercial and other activities conducted at the Airport, including commercial property development and the provision of maintenance, repair and overhaul ("MRO") services to air carriers, and we also own the five-star rated Novotel Hyderabad Airport Hotel located in the vicinity of the Airport. The Airport serves Hyderabad, which is the fourth most populous city in India and currently the joint capital of Telangana and Andhra Pradesh, making it the regional hub while the new capital of Andhra Pradesh is under construction. The Airport is strategically located in central India, with the majority of India's territory reachable within two hours' flight time and the major population centers of the Middle East, Central and Southeast Asia reachable within five hours' flight time. The Airport serves 25 airlines operating connections to 49 destinations, comprising 16 international destinations and 33 domestic destinations as at June 30, 2017. The Airport is one of the fastest growing non-metro airports in India with air passenger traffic having grown at a compound annual growth rate ("CAGR") of 11.7% between fiscal year 2009 and fiscal year 2017, according to AAI.

Located at Shamshabad, Hyderabad, the Airport is connected to parts of South-central India by two major highways and to Hyderabad by an eight-lane expressway encircling the entire city. The Government has also announced plans to connect the Airport to the city through the MMTS, suburban rail link and Hyderabad metro rail. Accordingly, we expect to benefit from the projected increase in international and domestic passenger traffic to Hyderabad, which is projected to reach 5.1 million and 16.3 million, respectively, by fiscal year 2021 according to the industry report entitled "Forecast Update: July 2016 Traffic Updates for DIAL and GHIAL" dated August 3, 2016 that we had commissioned from ICF Limited (the "ICF Report"). See "Industry" for additional information about the aviation sector in India. See "Risk Factors—Risks Related to our Business—The Government of India could grant new concessions that compete with the Airport."

GHIAL was incorporated on December 17, 2002 following a competitive bidding process in which a consortium, led by the GMR Group, was awarded an exclusive concession to design, finance, build, operate and maintain the Airport. On December 20, 2004, we entered into the Concession Agreement with MoCA, Government of India, which governs our rights and obligations under the Concession. Under the terms of the Concession Agreement, (i) we were granted the exclusive right to operate, manage and develop the Airport for a 30-year period until March 23, 2038, with an option to extend the term for an additional 30 years, which we have already exercised and (ii) we are required to pay a concession fee equivalent to 4.0% of our gross revenue annually to the Government of India.

We have also entered into other agreements such as the State Support Agreement (the "SSA"), the Land Lease Agreement and Agreement for the Provision of Communication, Navigation and Surveillance and Air Traffic Management Facilities and Services (the "CNS/ATM Agreement") with the relevant authorities in relation to the operation of the Airport. The SSA entered into with the State Government provides for certain support services and incentives to us for the development of the Airport, subject to certain parameters.

The Airport was commissioned within a period of 31 months from the commencement of construction and became commercially operational on March 23, 2008 with an initial design capacity of 12 million passengers per year and 150,000 metric tons of cargo handling capacity per year. The Airport has facilities and infrastructure which are in line with International Civil Aviation Organization ("ICAO") standards and practices to handle large aircrafts and international traffic. The Airport's facilities include two runways, one cargo terminal and one passenger terminal with a total of 146 check-in counters and 42 aircraft parking stands, comprising 30 remote stands and 12 aerobridges. The Airport houses a 13,500 kiloliter fuel farm facility that operates on an "open access" fuel policy where any oil marketing company under a contract with an airline can supply fuel using this facility. The Airport has the flexibility to increase capacity to accommodate up to 40 million passengers per year on a more cost-efficient basis due to the modular design of the existing infrastructure. Such expansion is proposed to be developed in a phased manner in line with the expected growth in passenger traffic. The current phase of our long-term Master Plan, the Phase 1B Expansion, entails expansion of the Airport to increase the passenger capacity to 20 million passengers per year from the current passenger capacity of 12 million passengers per year. See "Business—The Master Plan" for further details.

We have also developed a "cargo village" (the "Cargo Village") at the Airport, which includes an integrated cargo terminal with domestic, pharmaceutical and international zones within a single terminal. This integrated cargo terminal is spread over an area of 15,000 square meters, containing three aircraft parking bays and a total cargo handling capacity of 150,000 metric tons per year. In addition to these facilities, the Cargo Village also includes a dedicated domestic express terminal operated by Blue Dart and a dedicated cargo satellite building with offices for cargo agents, airlines, regulatory bodies and warehousing space adjacent to the cargo terminal.

The Airport is currently India's only airport-based free trade zone, which provides companies an opportunity to undertake trading, distribution, minor assembly, value additions such as packaging and labelling and warehousing for effective re-export of commodities with facilities for sorting, grading, kitting and repacking.

Passenger traffic at the Airport has grown substantially from 6.2 million passengers in fiscal year 2009 (when it began commercial operations) to 15.1 million passengers in fiscal year 2017, a CAGR of 11.7%. Cargo volume has also increased significantly, from 54,245 metric tons in fiscal year 2009 to 121,882 metric tons in fiscal year 2017, a CAGR of approximately 10.6%, higher than India's average of 7.3%. For the three months ended June 30, 2017 and 2016 and fiscal years 2017, 2016 and 2015, (i) total passenger traffic at the Airport was 4.1 million, 3.5 million, 15.1 million, 12.4 million and 10.4 million, respectively, (ii) total cargo traffic at the Airport was 32,791 metric tons, 28,265 metric tons, 121,882 metric tons, 110,033 metric tons and 98,899 metric tons, respectively, and (iii) the Airport handled 34,722, 30,379, 130,713, 105,772 and 94,057 air traffic movements ("ATMs"), which are all aircraft arrivals and departures to and from the Airport.

Under the Land Lease Agreement, the State Government has leased us 5,492 acres of land for the development of the Airport in accordance with the Concession Agreement along with the exclusive right to develop (or sub-lease the land for) non-airport activities on the site, of which we have designated 1,500 acres for commercial property development in the Master Plan. The initial term of the lease is 30 years and thereafter will be extended for such period for which the Concession is extended under the Concession Agreement. We are in the process of developing the commercial site in a phased manner. Out of the 1,500 acres of land designated for commercial development, we have designated 250 acres for a multi-product special economic Zone ("SEZ"), which will include a "Free Trade Warehousing Zone" of 20 acres, and an additional 250 acres for a logistics park. The remaining 1,000 acres is available for development of a theme-based airport city ("airport city"), which is expected to include, among others, a multi-specialty hospital, convention center and exhibition facility, an amusement park, an international business school and an international school. As at June 30, 2017, we have monetized approximately 90 acres of this land, including land leased to Indian Rotorcraft Ltd. (Tata Augusta), United Technologies Corporation India Pvt. Ltd. (Pratt & Whitney), CFM Training, Amazon Seller Services Private Limited, Casper Pharma Private Limited, Cronus Pharma Specialties India Private Limited, Ryan International School, Schulich Business School, SAS Applied Research & Lab Materials Ltd, SAAZ Imaging Systems Private Limited, Decathlon and Turbo Jet Private Limited. See "Business—Our Sources of Revenue—Non-aeronautical Services—Commercial Property Development" for further details.

In fiscal year 2017, we had total revenue of Rs.13,767.1 million (US$212.6 million) and Adjusted EBITDA of Rs.8,541.5 million (US$131.9 million), an increase of 55.8% and 97.1%, respectively, from total revenue of Rs.8,835.6 million and Adjusted EBITDA of Rs.4,333.2 million in fiscal year 2016. For the three months ended June 30, 2017, we had total revenue of Rs.3,629.8 million (US$56.1 million) and Adjusted EBITDA of Rs.2,296.8 million (US$35.6 million), an increase of 11.6% and 11.8%, respectively, from total revenue of Rs.3,251.4 million and Adjusted EBITDA of Rs.2,053.6 million for the three months ended June 30, 2016.

Our majority shareholder is a subsidiary of GMR Group, a leading diversified infrastructure group in India with substantial experience in the development and operation of airports including the Indira Gandhi International Airport in Delhi, power plants, roads and urban infrastructure. Our other shareholders include AAI, the State Government and Malaysia Airports Holdings Berhad, a leading international airport operator. See "Principal Shareholders" for more information about our shareholders.

Overview of our Sources of Revenues

Our revenue from operations is derived from (a) aeronautical operations, which comprises user development fees, passenger service fees (facilitation component), landing charges, parking and housing charges and common infrastructure charges, and are regulated by AERA and (b) non-aeronautical operations and related services, which comprises revenue earned by us from (i) non-aeronautical operations including, among others, commercial property development, aircraft MRO services, revenue sharing arrangements with our joint venture, Laqshya Hyderabad Airport Media Private Limited, which provides advertising services at the Airport, rent and/or revenue sharing from leasing of terminal space, retail goods and services, food and beverage, fuel farm throughput fees, ground handling services, car park, car rental services, automatic teller machines, lounge rental fees, foreign exchange counters and others, (ii) cargo operations and (iii) hospitality and retail services comprising our hotel and duty free operations.

Revenue from aeronautical operations was Rs.1,864.7 million (US$28.8 million), Rs.1,661.1 million, Rs.7,082.7 million and Rs.2,874.5 million for the three months ended June 30, 2017 and 2016 and fiscal years 2017 and 2016, respectively, accounting for 51.6%, 51.5%, 51.8% and 32.8% of our revenue from operations in those periods. Revenue from non-aeronautical operations and related services was Rs.1,746.1 million (US$27.0 million), Rs.1,562.9 million, Rs.6,584.6 million and Rs.5,880.1 million for the three months ended June 30, 2017 and 2016 and fiscal years 2017 and 2016 and, respectively, accounting for 48.4%, 48.5%, 48.2% and 67.2% of our revenue from operations in those periods.

For more information regarding our sources of revenues, see "Business—Our Sources of Revenues."

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Volatility and Unpredictability of Our Results of Operations Due to Regulation and Implementation of Our Aeronautical Charges

A significant portion of our revenues are earned from aeronautical services. Accordingly, our results of operations, cash flows and financial condition are significantly affected by the aeronautical charges we may charge, which are regulated by AERA and include landing and parking charges, user development fees, passenger service fees and common infrastructure charges. AERA's determinations for our aeronautical charges are for a "control period" of five years, following which AERA may increase or decrease our aeronautical charges for the subsequent five-year control period. See "Business—Our Concession—Concession Agreement" for further details on the primary components to be used by AERA in setting the aeronautical tariffs at the Airport.

AERA determines the rates we charge for aeronautical services through a consultative process involving us and other stakeholders, such as relevant government agencies, airlines and passenger advocacy groups, and we do not have the ability to unilaterally change or increase the aeronautical service fees we charge to airlines or passengers. AERA's rate determinations are based on, among other things, our submissions of forecasts for our traffic, our operation and maintenance expenses, our capital expenditure and our revenue from non-aeronautical operations and related services on a standalone basis. While AERA's determination of rates for aeronautical services is a consultative process, AERA may not agree with our forecasts and the rates determined by AERA for any control period could be revised downwards. Additionally, we bear the risk for adverse changes in our operation and maintenance expenses, our revenue from non-aeronautical operations and related services and our finance costs. Accordingly, if there are unanticipated increases in our operating costs, or shortfalls in our non-aeronautical operations and related services revenue, AERA may not allow us to make compensatory adjustments in our aeronautical service fees in the next tariff control period. Any adverse change in AERA's determinations of our aeronautical service fees would have a material adverse effect on our results of operations, cash flow and financial condition and our ability to meet our debt servicing requirements.

In addition to the regulation of our aeronautical charges, the principles adopted and the effective dates of AERA's rate determinations have had, and will continue to have, a material impact on our results of operations. For example, in our first control period, AERA had passed the 2014 AERA Order determining the tariff structure of GHIAL with a significant reduction in the target aeronautical revenue. This was mainly on account of adoption of the 2014 AERA Order Assumptions, including the adoption of a "single" till methodology. The 2014 AERA Order further contended that due to over-recovery of user development fees and passenger service fees (facilitation component) by us in the initial three years of the first control period, we were not eligible to recover such fees for the remaining two years in the first control period. We filed a writ petition challenging the 2014 AERA Order Assumptions with the Honorable High Court at Hyderabad. Following this, MoCA issued the 2015 MOCA Order, which directed AERA to adopt a hybrid till with 30.0% cross subsidization from GHIAL's standalone non-aeronautical operations and related services revenue (which includes revenue earned from revenue sharing arrangements with our joint ventures) for the determination of our tariff in respect of the Airport and consequently, the DGCA, through an AIC dated November 3, 2015, restored our user development fee and passenger service fee (facilitation component) at the rates existing before April 1, 2014. As a result of the 2014 AERA order, our revenue from aeronautical services for fiscal year 2015 and part of fiscal year 2016 experienced substantial declines. Such variations in our revenue due to the amount and timing of AERA's rate determinations may lead to substantial volatility and unpredictability in our results of operations and could make period-on-period comparisons of our results of operations not reflective of longer-term trends. See "Risk Factors—Risks Related to Our Business—The fees we charge for aeronautical services — which comprise a significant portion of our revenues — are regulated by the Government of India, through AERA, in accordance with the terms of our Concession Agreement. Accordingly, government regulations and the terms of our Concession Agreement have materially affected our historical results of operations and financial condition, and will continue to affect our future results of operations and financial condition, which could be materially and adversely affected by the to-be-announced rate determinations for our aeronautical services."

In March 2016, we filed our tariff submission with AERA for the second control period spanning fiscal years 2017 through 2021 on the basis of a hybrid till with 30.0% cross subsidization from GHIAL's standalone non-aeronautical revenue. AERA is in the final stages of appraising our application and we expect that the consultation paper will be published in the third quarter of fiscal year 2018 and the final tariff order will be issued in the fourth quarter of fiscal year 2018.

Economic Conditions in India and Globally and Seasonality

Aggregate passenger traffic at the Airport and in turn, our results of operations, are linked closely to macroeconomic and political conditions prevailing from time to time in India and globally. As we rely to a significant extent on business and tourist-passenger traffic, domestic and global economic conditions, risks affecting or reducing air travel and adverse political conditions have materially and adversely impacted in the past — and likely could impact in the future — passenger traffic in the Airport and, in turn, our revenues and profitability. The air transportation industry is also cyclical and seasonal in nature. In addition, the Airport typically experiences higher passenger traffic, in particular international passenger traffic, and ATMs in the second half of each fiscal year as travelers visit southern India during school holidays and the festive seasons, and lower passenger traffic and ATMs in the first half of each fiscal year. While passenger traffic at the Airport has increased in the aggregate over the last several years (other than in fiscal year 2013 when, like many airports in the world, it decreased compared to fiscal year 2012) and coincided with the growth of the Indian and global economies, India's GDP recently has contracted as a result of high inflation, political conditions and the demonetization and introduction of the goods and services tax regime. Though we are unable to determine if these recent conditions in India will adversely affect our results of operations in our current fiscal year, any sustained decrease in India's GDP or lack of improvement in domestic political conditions could have an adverse impact on our business and results of operations going forward. See "Risk Factors—Risks Related to Our Business—We are subject to changes in the Government's policy on direct and indirect taxation" and "Risk Factors—Risks Related to India—A prolonged slowdown in economic growth in India or financial instability in other countries could cause our business to suffer."

Passenger and Aircraft Traffic and Cargo Volumes

Passenger and aircraft traffic volumes at the Airport impact our revenues from aeronautical and non-aeronautical operations and related services. For the three months ended June 30, 2017 and 2016 and fiscal years 2017, 2016 and 2015, total passenger traffic and ATMs at the Airport were 4.1 million, 3.5 million, 15.1 million, 12.4 million and 10.4 million, respectively, and 34,722, 30,379, 130,713,105,772 and 94,057, respectively. Our aeronautical charges for international flights and passengers generally are higher than those for domestic flights and passengers. A substantial majority of our passenger traffic is domestic passengers and the aggregate number of both domestic and international passengers using the Airport has increased in each of the last three fiscal years. The types of aircraft and flight schedules used by our airline customers also impact our revenue from aeronautical operations as a given quantum of passengers can be transported on fewer flights if our airline customers use larger planes that carry more passengers per flight, which results in lower aggregate landing charges, as compared to if our airline customers were to transport the same number of passengers on smaller planes that can carry fewer passengers per flight. We seek to increase passenger traffic at the Airport by attracting new airline customers to use the Airport and encouraging existing airline customers to increase the number of routes and flights servicing the Airport. In addition, we believe that our non-aeronautical operations and related services revenues are positively affected by the increasing number of passengers, especially tourist passengers, that travel through the Airport. We believe that tourist passengers tend to arrive at the Airport further in advance of their flights, which contributes to a tendency to spend more money in, among others, duty-free and other retail outlets and food and beverage outlets, in turn increasing our non-aeronautical operations and related services revenues. Accordingly, our management has taken account of these tendencies in progressing plans to develop the Airport by working with our concessionaires, subsidiaries and joint ventures to offer an array of restaurants, shops — including duty-free shops — and other amenities. There are several other factors which could affect the volume, nature and mix of passenger and aircraft traffic in the Airport, almost all of which are beyond our control. See "Risk Factors—Risks Related to Our Business—Our revenue is highly dependent on levels of air traffic, which depend in part on factors beyond our control, including economic and political conditions and regulatory environment."

In addition, as the passenger traffic at the Airport has exceeded the passenger capacity of the Airport, increasing our revenue beyond the constraints imposed by the current facilities of the Airport will depend on the successful implementation of the Phase 1B Expansion, which includes, among others, (i) modular expansion of the existing terminal on both the east and west sides, (ii) pier expansion (east and west side), (iii) apron expansion for stands and excess taxi provisions and (iv) modification of the departure forecourt and ramp modification. Implementation of the Phase 1B Expansion will involve complex construction planning, passenger traffic diversion and the incurrence of a significant amount of additional indebtedness. The failure to successfully implement any aspect of the Phase 1B Expansion could result in failure to capture additional revenue from increased passenger traffic or loss of revenue from disruption to current passenger traffic.

We also earn, to a lesser extent, revenue from cargo operations derived primarily from Hyderabad Menzies Air Cargo Private Limited, our subsidiary in which we own 51.0%, for which we have granted the exclusive right to operate and maintain the cargo terminal at the Cargo Village at the Airport. For the three months ended June 30, 2017 and 2016 and fiscal years 2017, 2016 and 2015, total cargo handled at the Airport was 32,791 metric tons, 28,267 metric tons, 121,882 metric tons, 110,033 metric tons and 98,899 metric tons, respectively. The majority of cargo traffic through the Airport is international — for the three months ended June 30, 2017 and 2016 and fiscal years 2017, 2016 and 2015, international cargo accounted for approximately 59.7%, 57.3%, 56.6%, 54.1% and 55.6%, respectively, of cargo traffic through the Airport. Cargo traffic is principally affected by the level of international and domestic commercial activity. In recent years we have focused on growing our cargo business, including by expanding cargo-handling capacity, with the aim of increasing cargo traffic and related revenues, and though we believe cargo traffic will continue to increase over the long-term, we may experience period-to-period fluctuations that could affect our non-aeronautical operations and related services revenues related to cargo traffic.

The following tables set forth certain statistical data relating to passenger and cargo traffic, ATMs and our revenue for the periods indicated.

	Three months ended June 30,		Year ended March 31,	
	2017	**2016**	**2017**	**2016**
Passenger Traffic (in millions of persons)				
Domestic passengers	3.2	2.6	11.7	9.2
International passengers	0.9	0.8	3.4	3.2
Total passengers	**4.1**	**3.4**	**15.1**	**12.4**
Revenue from user development fees and passenger service fees (in millions of Rs.)(1)(2)	1,454.4	1,306.6	5,553.8	1,592.5
Percentage of total revenue(2)	40.1%	40.2%	40.3%	18.0%
Cargo Traffic (in metric tons)				
Domestic cargo	13,229	12,072	52,936	50,455
International cargo (in metric tons)	19,562	16,195	68,946	59,578
Total cargo	**32,791**	**28,267**	**121,882**	**110,033**
Revenue from cargo operations (in millions of Rs.)(2)	222.8	208.9	825.7	805.2
Percentage of total revenue(2)	6.1%	6.4%	6.0%	9.1%
Air Traffic Movements (ATMs)				
Domestic	29,011	24,825	108,452	85,079
International	5,711	5,554	22,261	20,693
Total ATMs	**34,722**	**30,379**	**130,713**	**105,772**

(1) We use user development fees and passenger services fees as a measure of direct revenue from passenger traffic.

(2) Amounts considered in each of the periods have been prepared in accordance with Ind-AS.

	Year ended March 31, 2015
Passenger Traffic	
(in millions of persons)	
Domestic passengers	7.6
International passengers	2.8
Total passengers	**10.4**
Revenue from user development fees and passenger service fees (in millions of Rs.)(1)(2)	0.0(3)
Percentage of total income(2)	0.0%(3)
Cargo Traffic (in metric tons)	
Domestic cargo	43,876
International cargo (in metric tons)	55,023
Total cargo	**98,899**
Revenue from cargo operations (in millions of Rs.)(2)	713.9
Percentage of total income(2)	11.0%
Air Traffic Movements (ATMs)	
Domestic	75,696
International	18,361
Total ATMs	**94,057**

(1) We use user development fees and passenger services fees as a measure of direct revenue from passenger traffic.

(2) Amounts considered have been prepared in accordance with Indian GAAP.

(3) Our user development fee and passenger service fee (facilitation component), which comprise a substantial portion of our aeronautical revenue, was discontinued pursuant to the 2014 AERA Order and was only restored in fiscal year 2016 with effect from November 3, 2015.

Commercial Property Development

Under the Land Lease Agreement, the State Government has leased us 5,492 acres of land for the development of the Airport in accordance with the Concession Agreement along with the exclusive right to develop (or sub-lease the land for) non-airport activities on the site, for which we have designated 1,500 acres for commercial property development under the Master Plan. We are in the process of developing the commercial site in a phased manner. Out of the 1,500 acres of land designated for commercial development, we have designated 250 acres for a multi-product special economic zone ("SEZ"), which will include a "Free Trade Warehousing Zone" of 20 acres, and an additional 250 acres for a logistics park. The establishment of the SEZ has been approved of India in accordance with the approval mechanism under the SEZ Act, 2005. The remaining 1,000 acres is available for development of a theme-based airport city, which is expected to include, among others, a multi-specialty hospital, convention center and exhibition facility, an amusement park, an international business school and an international school. As of June 30, 2017, we have monetized approximately 90 acres of this land, including land leased to Indian Rotorcraft Ltd. (Tata Augusta), United Technologies Corporation India Pvt. Ltd. (Pratt & Whitney), CFM, Amazon Seller Services Private Limited, Casper Pharma Private Limited, Cronus Pharma Specialties India Private Limited Ryan International School, Schulich Business School, SAS Applied Research & Lab Materials Ltd, SAAZ Imaging Systems Private Limited, Decathlon and Turbo Jet Private Limited.

We believe that this 1,500 acre site presents a significant real estate development opportunity for us, in particular as our commerical property development business is largely delinked from air travel. The business environment in Hyderabad has also improved significantly over the past few years with gradual economic recovery aided by the industry-friendly policies of the State Government which has brought the likes of Amazon, Apple, Google and Microsoft to set up campuses in Hyderabad. With such ongoing developments in and around Hyderabad, the demand for land in our land bank has gained traction and is expected to contribute significantly to our revenues going forward.

Concession Fee

Under the Concession Agreement, in consideration for the Government of India granting us the Concession, we agreed to pay the Government of India an annual concession fee throughout the term of the Concession equal to 4.0% of our standalone pre-tax gross revenue, excluding (i) payments made (if any) for services undertaken by the Government of India related to customs, immigration, quarantine, security and meteorological services under the Concession Agreement, (ii) insurance proceeds, (iii) any amount accruing from the sale of any capital assets or items, (iv) payments and or monies received in respect of air navigation and air traffic management services, and (v) payments and/or monies collected for and on behalf of the relevant governmental authorities under applicable law, for each financial year. We have agreed with the Government of India to defer payment of the annual concession fee in respect of the first 10 financial years after the Airport Opening Date to the 11th financial year after the Airport Opening Date, to be paid in 20 equal half-yearly instalments with the first instalment being payable on June 30, 2018. However, the annual concession fee in respect of the 11th financial year after the Airport Opening Date and each succeeding financial year thereafter will be payable annually in arrears on December 31st of each year. We recognize the fair value (discounted) amount of the concession fee payable to the Government of India as an expense in our statement of profit and loss and the deferred obligation as a financial liability on our balance sheet. The closing balance of concession fees payable will include (i) accretion of the interest cost on the opening balance which was carried at fair value and (ii) current year concession fees at fair value (discounted). As at March 31, 2017, our accrued concession fee payable to the Government of India was Rs.1,959.8 million (US$30.3 million). Following the 11th financial year after the Airport Opening Date, the payment of the annual concession fee, as well as the annual concession fee in respect of the first 10 financial years to the Government of India, is expected to have an impact on our cash flow. See “Business—Our Concession—Concession Agreement” for further details.

Access to and Cost of Funding

Borrowings are an important source of funding for our development and operation of the Airport. As of June 30, 2017, our Total Indebtedness was Rs.24,739.0 million (US$382.1 million). On a pro forma basis giving effect to the offering of the Notes and the application of the gross proceeds thereof to repay existing indebtedness described in “Use of Proceeds,” as of June 30, 2017, on a consolidated basis, we would have had Rs.30,043.2 million (US$464.1 million) of outstanding indebtedness.

Under the Concession Agreement, we are obligated to develop and implement detailed proposals for the expansion of the Airport, taking into account increased demand, the availability of funding, profitability and the reasonable requirements of the users of the Airport. As of the date of this offering memorandum, our material contracted and budgeted capital expenditures for the next three to five years consist primarily of capital expenditure associated with the Phase 1B Expansion. We currently estimate the total capital expenditures required for the Phase 1B Expansion to be in the range of Rs.20

billion (US$308.9 million) to Rs.25 billion (US$386.2 million), which will be made in the next three years following receipt of approval from AERA, depending on the formal project specifications. We also incur, and expect to incur in the future, capital expenditures to develop certain of the properties on the land sub-leased out to our commercial property tenants. We expect that such capital expenditures will be financed through cash flow from operations, existing surplus cash and the incurrence of additional indebtedness, including the gross proceeds from the offering of the Notes. Because most of our Indian Rupee-denominated loans link the interest rates on such borrowings to various benchmark lending rates of the relevant Indian lenders, any increase in such benchmark lending rates will increase our funding costs. We enter into hedging transactions in connection with certain of our U.S. dollar-denominated debt. Our access to capital, including foreign currency-denominated funds, and cost of financing are further affected by restrictions imposed from time to time by the RBI.

We made our last submission of the Master Plan to MoCA in fiscal year 2015, which included the Airport's developmental need in greater details for the five-year period between fiscal year 2015 and fiscal year 2019 and the broad plans for the period between fiscal year 2019 and fiscal year 2039. In light of the growth of low-cost carriers ("LCCs"), higher traffic growth than was previously assumed, changes in flight and passenger demand and other factors, we have reviewed the Master Plan and expect to submit to MoCA a revised Master Plan consisting indicative planning and implementation periods beyond 2020 for Phase 1C, Phase 2A and Phase 2B, each phase of expansion for which we will be required to raise additional indebtedness to fund the capital expenditures thereof.

See "Risk Factors—Risks Related to Our Business—Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations and prevent us from meeting our obligations under our Concession Agreement, particularly our obligations to undertake our development plans at the Airport in accordance with the Master Plan, including Phase 1B of the Master Plan."

COMPONENTS OF OUR INCOME AND EXPENDITURES

Revenue

We classify our revenue into two primary categories — revenue from operations and other income.

The following table sets forth under Ind-AS our revenue from operations and other income as well as the percentage of total revenue they represented for the periods indicated.

	Three months ended June 30,				Year ended March 31,			
	2017		2016		2017		2016	
	(Rs. in millions except percentages)							
(Ind-AS)								
Revenue								
Aeronautical	1,864.7	51.4%	1,661.1	51.1%	7,082.7	51.4%	2,874.5	32.5%
Non-aeronautical	1,085.6	29.9%	993.7	30.6%	4,140.1	30.1%	3,715.5	42.1%
Cargo operations	222.8	6.1%	208.9	6.4%	825.7	6.0%	805.2	9.1%
Hospitality and retail services	437.7	12.1%	360.3	11.1%	1,618.8	11.8%	1,359.4	15.4%
Revenue from operations	**3,610.8**	**99.5%**	**3,224.0**	**99.2%**	**13,667.3**	**99.3%**	**8,754.6**	**99.1%**
Other income	**19.0**	**0.5%**	**27.4**	**0.8%**	**99.8**	**0.7%**	**81.0**	**0.9%**
Total revenue	**3,629.8**	**100.0%**	**3,251.4**	**100.0%**	**13,767.1**	**100.0%**	**8,835.6**	**100.0%**

Revenue from operations is further divided into two primary categories: (i) revenue from aeronautical operations and (ii) revenue from non-aeronautical operations and related services (comprising revenue from non-aeronautical operations, cargo operations and hospitality and retail services).

Revenue from Aeronautical Operations

Revenue from aeronautical operations is primarily derived from the use of the Airport's facilities by aircraft and passengers. We collect revenue from aeronautical operations in the form of domestic and international landing and parking fees, user development fees, passenger service fee (facilitation component) and common infrastructure charges. Under the regulatory system applicable to our revenue from aeronautical operations, AERA sets the specific prices, in the form of tariffs for five-year "control periods," that we can charge for each of the aeronautical services we provide. See "—Factors Affecting our Results of Operations—Volatility and Unpredictability of Our Results of Operations Due to Regulation and Implementation of Our Aeronautical Charges" for further details.

Landing charges are assessed on airlines for each flight that lands at the Airport and vary depending on whether the flight is international or domestic and the weight of the aircraft. We charge landing fees on all aircrafts with a maximum certified seat capacity of over 80 seats. Parking and housing charges are also assessed on airlines and are calculated based on the weight of the aircraft and the duration of the aircraft's stay at the Airport. User development fees and passenger service fees are charged to each departing passenger. These fees vary depending on whether the passenger's flight is international or domestic and if the passenger is transferring to another flight. Common infrastructure charges are collected for usage of common infrastructure such as CUTE counters, CUSS terminals, aerobridges, visual docking guidance systems and baggage reconciliation systems on a per passenger basis for international airlines and on a per passenger or per flight basis for domestic airlines at their option.

The following table sets forth under Ind-AS the amount of revenue from each type of aeronautical operations and the percentage of total revenue from aeronautical operations they represented for the given periods.

	Three months ended June 30,				**Year ended March 31,**			
	2017		**2016**		**2017**		**2016**	
	(Rs. in millions except percentages)							
(Ind-AS)								
Revenue from Aeronautical Operations								
Landing charges	277.5	14.9%	239.7	14.4%	1,035.9	14.6%	857.8	29.8%
Parking charges	5.6	0.3%	4.9	0.3%	21.5	0.3%	17.4	0.6%
User development fee(1)								
Domestic	650.9	34.9%	541.0	38.5%	2,414.3	34.1%	721.1	25.1%
International	658.4	35.3%	639.8	32.6%	2,587.6	36.5%	713.3	24.8%
Passenger service fee(1)	145.1	7.8%	125.8	7.6%	551.9	7.8%	158.1	5.5%
Common infrastructure charges	127.2	6.8%	109.9	6.6%	471.5	6.7%	407.8	14.2%
Total	**1,864.7**	**100.0%**	**1,661.1**	**100%**	**7,082.7**	**100%**	**2,874.5**	**100%**

(1) Our user development fee and passenger service fee (facilitation component), which comprise a substantial portion of our aeronautical revenue, was discontinued pursuant to the 2014 AERA Order and was only restored in fiscal year 2016 with effect from November 3, 2015.

Revenue from Non-aeronautical Operations and Related Services

Revenue from non-aeronautical operations and related services comprises revenue earned by us from (i) non-aeronautical operations including, among others, commercial property development, aircraft MRO services, revenue sharing arrangements with our joint venture, Laqshya Hyderabad Airport Media Private Limited, which provides advertising services at the Airport, rent and/or revenue sharing from leasing of terminal space, retail goods and services, food and beverage, fuel farm throughput fees, ground handling services, car park, car rental services, automatic teller machines, lounge rents, flight kitchen, foreign exchange counters and others, (ii) cargo operations and (iii) hospitality and retail services comprising our hotel and duty free operations. None of our non-aeronautical operations and related services is subject to tariff structures set by AERA, although 30.0% of our revenue from non-aeronautical operations and related services on a standalone basis is included among the building blocks used by AERA in determining our aeronautical charges. See "Indian Regulatory Environment—The Airports Economic Regulatory Authority of India Act, 2008" for further details. The charges for our non-aeronautical operations and related services are determined bilaterally between our subsidiaries and/or joint ventures and the third party concessionaires.

The following table sets forth under Ind-AS the amount of revenue from each type of non-aeronautical operations and related services and the percentage of total revenue from non-aeronautical operations and related services they represented for the given periods.

	Three months ended June 30,				Year ended March 31,			
	2017		2016		2017		2016	
	(Rs. in millions except percentages)							
(Ind-AS)								
Revenue from Non-Aeronautical Operations and Related Services								
Non-aeronautical[1]	1,085.6	62.2%	993.7	63.6%	4,140.1	62.9%	3,715.5	63.2%
Cargo operations	222.8	12.7%	208.9	13.3%	825.7	12.5%	805.2	13.7%
Hospitality and retail services	437.7	25.1%	360.3	23.1%	1,618.8	24.6%	1,359.4	23.1%
Total	**1,746.1**	**100.0%**	**1,562.9**	**100.0%**	**6,584.6**	**100.0%**	**5,880.1**	**100.0%**

(1) Includes revenue from commercial property development, aircraft MRO services, advertisement and related services, rent and leasing inside the terminal, retail goods and services, food and beverage, fuel farm throughput fees, leasing of terminal space, ground handling services, car park, car rental services, automatic teller machines, lounge rents, flight kitchen, foreign exchange counters and others.

For a more detailed description of the components of our revenue from aeronautical operations and non-aeronautical operations and related services, see "Business—Our Sources of Revenue" in this offering memorandum.

Other Income

Other income under Ind-AS consists primarily of gain on account of foreign exchange fluctuations, income from government grant, provisions no longer required and written back and other non-operating income such as income from sale of scrap.

Expenses

Our expenses primarily consist of the concession fee payable to the Government of India, purchase of traded goods, employee benefit expenses, and other expenses including, among others, operating and maintenance expenses, power and fuel, consumption of stores and spares, repair and maintenance expenses and management fees.

The following table sets forth under Ind-AS our total expenses as well as the percentage of total expenses represented by each category of total expenses for the periods indicated.

	Three months ended June 30,				Year ended March 31,			
	2017		2016		2017		2016	
	(Rs. in millions except percentages)							
(Ind-AS)								
Expenses								
Concession fee	124.2	9.3%	104.3	8.7%	462.0	8.8%	257.9	5.7%
Purchase of traded goods	113.2	8.5%	140.8	11.8%	558.9	10.7%	421.6	9.4%
Increase in traded goods	8.8	0.7%	(28.4)	(2.4)%	(68.9)	(1.2)%	(25.9)	(0.6)%
Employee benefits expense	321.1	24.1%	297.5	24.8%	1,272.2	24.3%	1,195.9	26.6%
Other expenses	765.7	57.4%	683.6	57.1%	3,001.4	57.4%	2,652.9	58.9%
Total expenses	**1,333.0**	**100.0%**	**1,197.8**	**100.0%**	**5,225.6**	**100.0%**	**4,502.4**	**100.0%**

Concession Fee

One of our largest expenses is the concession fee payable to the Government of India in accordance with the Concession Agreement. Under the Concession Agreement, in consideration for the Government of India granting us the Concession, we agreed to pay the Government of India an annual concession fee throughout the term of the Concession equal to 4.0% of our standalone pre-tax gross revenue, excluding (i) payments made (if any) for services undertaken by the Government of India related to customs, immigration, quarantine, security and meteorological services under the Concession Agreement, (ii) insurance proceeds, (iii) any amount accruing from the sale of any capital assets or items, (iv) payments and or monies received in respect of air navigation and air traffic management services, and (v) payments and/or monies collected for and on behalf of the relevant governmental authorities under applicable law, for each financial year. We have agreed with the Government of India to defer payment of the annual concession fee in respect of the first 10 financial years after the Airport Opening Date to the 11th financial year after the Airport Opening Date, to be paid in 20 equal half-yearly instalments with the first instalment being payable on June 30, 2018. However, the annual concession fee in respect of the 11th financial year after the Airport Opening Date and each succeeding financial year thereafter will be payable annually in arrears on December 31st of each year. See "Business—Our Concession—Concession Agreement" for further details.

Our management is of the view that certain income/credits arising from the adoption of Ind-AS and also mark-to-market gain on valuation of the interest rate swap were not in contemplation of parties in December 2004 when the Concession Agreement was executed. Further, such income/credits in our statement of profit and loss do not represent receipts from business operations or from any external sources and therefore, are not treated as gross revenue for calculation of the concession fee payable to the Government of India. Accordingly, we have made provisions for the concession fee payable to the Government of India based on gross revenue under our financial statements prepared in accordance with Ind-AS after making adjustments for such income/credits. See "Risk Factors—Risks Related to our Business—Our concession fee payable to the Government of India may be higher as a result of the adoption of Ind-AS."

Purchase of Traded Goods

Our purchase of traded goods consists of the cost of traded items purchased by our wholly-owned subsidiary, GMR Hospitality and Retail Limited, that owns our hotel and conducts our duty free operations.

Increase in Traded Goods

Increase in traded goods refers to the difference between the opening and closing inventory amounts of our traded goods of our wholly-owned subsidiary, GMR Hospitality and Retail Limited.

Employee Benefits

Our employee benefits expenses consist primarily of salaries, wages and bonuses and, to a lesser extent, other costs such as welfare and provident fund payments.

Other Expenses

Our other expenses consist of, among others, repairs and maintenance expenses, consumption of stores and spares, operating and maintenance expenses, power and fuel, management fees paid (i) by GMR Hospitality and Retail Limited to AAPC Hotels Management Pte. Ltd. for the management of our Novotel Hyderabad Airport Hotel pursuant to the terms of the management agreement signed by us with AAPC Hotels Management Pte. Ltd. in November 2006 and (ii) to GMR Airports Limited and GMR Infrastructure Limited for the provision of common corporate services to the business for strategic leadership and governance, business sustenance support and functional and managerial expertise, as well as other administrative expenses such as security expenses, legal and professional expenses, traveling and conveyance expenses, housekeeping charges, advertising and business promotion expenses, communication costs, license fees, rent, office maintenance and other miscellaneous expenses.

Finance Income

Finance income comprises primarily of interest income from bank deposits, loans to our joint venture entity, Laqshya Hyderabad Airport Media Private Limited, and others, interest on interest rate swap arrangements and a gain on account of fair valuation of interest rate swap arising from the transition to Ind-AS.

Finance Costs

Our finance costs consist of interest on financial liabilities held at amortized cost, other interest, bank charges and other borrowing costs. See "Description of Material Indebtedness" for further details.

Depreciation and Amortization Expenses

Depreciation and amortization expenses relate to the depreciation of property, plant and equipment and amortization of intangible assets. See "Critical Accounting Policies—Depreciation on Property, Plant and Equipment" for further details.

Share of Profit in Joint Venture

Share of profit in joint venture represents our share of profit of our joint venture entity, Laqshya Hyderabad Airport Media Private Limited, which provides advertising services at the Airport.

RESULTS OF OPERATIONS

Results of Operations — Three Months ended June 30, 2017 and 2016 and Year ended March 31, 2017 and 2016

The following table sets forth a summary of our results of operations for the three months ended June 30, 2017 and 2016 and the year ended March 31, 2017 and 2016 prepared in accordance with Ind-AS.

Statement of Profit and Loss Data (Ind-AS)	Three months ended June 30,			Year ended March 31,		
	2017		2016	2017		2016
	(US$ in millions)	(Rs. in millions)		(US$ in millions)	(Rs. in millions)	
Revenue						
Revenue from operations	55.8	3,610.8	3,224.0	211.1	13,667.3	8,754.6
Other income	0.3	19.0	27.4	1.5	99.8	81.0
Total revenue	**56.1**	**3,629.8**	**3,251.4**	**212.6**	**13,767.1**	**8,835.6**
Expenses						
Concession fee	1.9	124.2	104.3	7.1	462.0	257.9
Purchase of traded goods	1.7	113.2	140.8	8.6	558.9	421.6
Decrease/(increase) in traded goods	0.1	8.8	(28.4)	(1.1)	(68.9)	(25.9)
Employee benefits expense	5.0	321.1	297.5	19.7	1,272.2	1,195.9
Other expenses	11.8	765.7	683.6	46.4	3,001.4	2,652.9
Total expenses	**20.5**	**1,333.0**	**1,197.8**	**80.7**	**5,225.6**	**4,502.4**
Earnings before interest, tax, depreciation and amortization (EBITDA)	35.6	2,296.8	2,053.6	131.9	8,541.5	4,333.2
Finance income	(4.6)	(300.4)	(85.8)	(15.3)	(987.9)	(248.8)
Finance costs	9.9	641.7	678.0	40.0	2,588.7	2,466.3
Depreciation and amortization expenses	9.0	584.1	624.8	38.2	2,472.5	2,532.8
Profit/(loss) before share of profit in joint ventures and tax	21.3	1,371.4	836.6	69.0	4,468.2	(417.1)
Share of profit in joint venture	0.2	15.6	3.6	0.6	40.6	21.6
Profit/(loss) before tax	**21.5**	**1,387.0**	**840.2**	**69.6**	**4,508.8**	**(395.5)**
Tax expense:						
Current tax — Minimum alternate tax	4.9	318.1	223.0	16.6	1,071.6	114.4
Tax of earlier years	—	—	—	0.0	(0.3)	0.6
Deferred tax						
Deferred tax expense	4.7	304.7	309.2	23.6	1,525.8	21.8
Minimum alternate tax credit entitlement	(3.6)	(234.9)	(209.7)	(15.6)	(1,010.3)	(4.6)
Total tax expense	**6.0**	**387.9**	**322.5**	**24.6**	**1,586.8**	**132.2**
Profit/(loss) for the year/period	**15.5**	**999.1**	**517.7**	**45.0**	**2,922.0**	**(527.7)**
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Re-measurement gains/(losses) on defined benefit plans	(0.1)	(5.3)	(0.7)	(0.1)	(4.2)	0.5
Total comprehensive income for the year, net of tax	**15.4**	**993.8**	**517.0**	**44.9**	**2,917.8**	**(527.2)**
Profit/(loss) attributable to:						
Equity holders of the parent	15.0	965.6	499.4	43.7	2,838.1	(565.1)
Non controlling interests	0.5	33.5	18.3	1.3	83.9	37.4
Total comprehensive income attributable to:						
Equity holders of the parent	14.9	960.9	499.2	43.6	2,834.2	(564.8)
Non controlling interests	0.5	32.9	17.8	1.3	83.6	37.6
Earnings per equity share:						
Basic and diluted	0.4	25.5	13.2	1.2	75.1	(15.0)

Three months ended June 30, 2017 compared to the three months ended June 30, 2016 (Ind-AS)

Total Revenue

Total revenue was Rs.3,629.8 million (US$56.1 million) for the three months ended June 30, 2017, an 11.6% increase from Rs.3,251.4 million in for the three months ended June 30, 2016.

Revenue from operations

Revenue from operations was Rs.3,610.8 million (US$55.8 million) for the three months ended June 30, 2017, a 12.0% increase from Rs.3,224.0 million for the three months ended June 30, 2016, as a result of an increase in both revenue from aeronautical operations and revenue from non-aeronautical operations and related services.

- Revenue from aeronautical operations was Rs.1,864.7 million (US$28.8 million) for the three months ended June 30, 2017, a 12.3% increase from Rs.1,661.1 million for the three months ended June 30, 2016. The increase in our revenue from aeronautical operations was primarily on account of an increase in air and passenger traffic, resulting in an increase in landing and parking fees, user development fees, passenger service fee (facilitation component) and common infrastructure charges.

- Revenue from non-aeronautical operations and related services was Rs.1,746.1 million (US$27.0 million) for the three months ended June 30, 2017, an 11.7% increase from Rs.1,562.9 million for the three months ended June 30, 2016, due to (i) an increase of Rs.91.9 million, or 9.2%, in revenue from non-aeronautical operations from the three months ended June 30, 2016 to the three months ended June 30, 2017 as a result of an increase in air and passenger traffic, (ii) an increase of Rs.13.9 million, or 6.7%, in revenue from cargo operations from the three months ended June 30, 2016 to the three months ended June 30, 2017 and (iii) an increase of Rs.77.4 million, or 21.5%, in income from hospitality and retail services from the three months ended June 30, 2016 to the three months ended June 30, 2017, primarily due to an increase in sales from our duty free business as a result of an increase in passenger traffic and passenger spend.

Other income

Other income was Rs.19.0 million (US$0.3 million) for the three months ended June 30, 2017, a 30.7% decrease from Rs.27.4 million for the three months ended June 30, 2016, primarily due to (i) a decrease of Rs.9.1 million in gain on account of foreign exchange fluctuations and (ii) a decrease of Rs.4.2 million in other non-operating income from the three months ended June 30, 2016 to the three months ended June 30, 2017, partially offset by (a) an increase of Rs.2.4 million in amortization of deferred income from the three months ended June 30, 2016 to the three months ended June 30, 2017 and (b) an increase Rs.2.6 million in income from government grant from the three months ended June 30, 2016 to the three months ended June 30, 2017.

Total Expenses

Total expenses were Rs.1,333.0 million (US$20.5 million) for the three months ended June 30, 2017, an 11.3% increase from Rs.1,197.8 million for the three months ended June 30, 2016.

Concession fee

Concession fee payable to the Government of India under the Concession Agreement was Rs.124.2 million (US$1.9 million) for the three months ended June 30, 2017, a 19.1% increase from

Rs.104.3 million for the three months ended June 30, 2016, as a result of an increase in our standalone pre-tax gross revenue for the three months ended June 30, 2017. See "Business—Our Concession—Concession Agreement" for further details of how the concession fee payable to the Government of India is calculated.

Purchase of traded goods

Purchase of traded goods was Rs.113.2 million (US$1.7 million) for the three months ended June 30, 2017, a 19.6% decrease from Rs.140.8 million for the three months ended June 30, 2016, primarily due to a decrease in the cost of traded items purchased by our wholly-owned subsidiary, GMR Hospitality and Retail Limited, that conducts our duty free operations.

Increase in traded goods

Increase in traded goods of GMR Hospitality and Retail Limited was Rs.8.8 million (US$0.1 million) for the three months ended June 30, 2017 as compared to a decrease of Rs.28.4 million for the three months ended June 30, 2016 as a result of an increase in value and volume of our inventory due to increased purchases attributable to the growth in our duty free business and increase in product offerings.

Employee benefit expense

Employee benefit expense was Rs.321.1 million (US$5.0 million) for the three months ended June 30, 2017, a 7.9% increase from Rs.297.5 million for the three months ended June 30, 2016, primarily due to an increase of Rs.15.3 million, or 6.0%, in salaries, wages and bonus from the three months ended June 30, 2016 to the three months ended June 30, 2017 as a result of an increase in employee headcount from 1,681 as of June 30, 2016 to 1,735 as of June 30, 2017 and employee remuneration.

Other expenses

Other expenses were Rs.765.7 million (US$11.8 million) for the three months ended June 30, 2017, a 12.0% increase from Rs.683.6 million for the three months ended June 30, 2016. This increase was primarily due to increase in operating and maintenance expenses, power and fuel, repairs and maintenance expenses, security expenses and management fee.

Finance Income

Finance income was Rs.300.4 million (US$4.6 million) for the three months ended June 30, 2017 as compared to Rs.85.8 million for the three months ended June 30, 2016, primarily due to (i) an increase of Rs.61.0 million in interest income from bank deposits from the three months ended June 30, 2016 to the three months ended June 30, 2017, (ii) an increase of Rs.70.1 million in interest income on others from the three months ended June 30, 2016 to the three months ended June 30, 2017, (iii) an increase of Rs.59.8 million on gain on account of fair valuation of the interest rate swap from the three months ended June 30, 2016 to the three months ended June 30, 2017 (the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observables yield curve) and (iv) an increase of Rs.28.0 million in gain on fair valuation of financial assets (mutual fund) from the three months ended June 30, 2016 to the three months ended June 30, 2017 (the fair values of quoted mutual funds and commercial paper are based on price quotations at the reporting date).

Finance Costs

Finance costs were Rs.641.7 million (US$9.9 million) for the three months ended June 30, 2017, a 5.4% decrease from Rs.678.0 million for the three months ended June 30, 2016, primarily due to (i) a decrease of Rs.9.9 million, or 1.7%, in interest on debt and borrowings from the three months ended

June 30, 2016 to the three months ended June 30, 2017, (ii) an increase in bank charges of Rs.11.1 million and other borrowing cost of Rs.3.8 million from the three months ended June 30, 2016 to the three months ended June 30, 2017 and (iii) a mark to market loss on derivative instruments of Rs. 51.8 million for the three months ended June 30, 2016.

Depreciation and Amortization Expenses

Depreciation and amortization expenses were Rs.584.1 million (US$9.0 million) for the three months ended June 30, 2017, a 6.5% decrease from Rs.624.8 million for the three months ended June 30, 2016, due to a decrease in depreciation on tangible assets and amortization of intangible assets from the three months ended June 30, 2016 to the three months ended June 30, 2017.

Share of Profit in Joint Venture

Share of profit in joint venture was Rs.15.6 million (US$0.2 million) for the three months ended June 30, 2017 as compared to Rs.3.6 million for the three months ended June 30, 2016, due to an increase in profit at Laqshya Hyderabad Airport Media Private Limited from the three months ended June 30, 2016 to the three months ended June 30, 2017 on account of increased demand for advertisement sites by the telecommunications, banking and automobile sectors at the Airport.

Tax Expenses

We incurred a tax expense of Rs.387.9 million (US$6.0 million) for the three months ended June 30, 2017, a 20.3% increase from Rs.322.5 million for the three months ended June 30, 2016, primarily due to (i) an increase of Rs.95.1 million in Minimum Alternate Tax ("MAT") from Rs.223.0 million, offset by an MAT credit entitlement of Rs.234.9 million for the three months ended June 30, 2017 as compared to Rs.209.7 million for the three months ended June 30, 2016.

Profit for the Period

As a result of the factors described above, we earned a profit of Rs.999.1 million (US$15.5 million) for the three months ended June 30, 2017 as compared to a profit of Rs.517.7 million for the three months ended June 30, 2016.

Fiscal year 2017 compared to fiscal year 2016 (Ind-AS)

Total Revenue

Total revenue was Rs.13,767.1 million (US$212.6 million) in fiscal year 2017, a 55.8% increase from Rs.8,835.6 million in fiscal year 2016.

Revenue from operations

Revenue from operations was Rs.13,667.3 million (US$211.1 million) in fiscal year 2017, a 56.1% increase from Rs.8.754.6 million in fiscal year 2016, as a result of an increase in both revenue from aeronautical operations and revenue from non-aeronautical operations and related services.

- Revenue from aeronautical operations was Rs.7,082.7 million (US$109.4 million) in fiscal year 2017, a 146.4% increase from Rs.2,874.5 million in fiscal year 2016. The increase in our revenue from aeronautical operations was primarily on account of a 248.7% increase in user development fee and passenger service fee (facilitation component) from Rs.1,592.5 million in fiscal year 2016 to Rs.5,553.8 million (US$85.8 million) in fiscal year 2017 due to the restoration of such fees with effect from November 3, 2015 at the rates existing before April 1, 2014 following their discontinuation pursuant to the 2014 AERA Order.

- Revenue from non-aeronautical operations and related services was Rs.6,584.6 million (US$101.7 million) in fiscal year 2017, a 12.0% increase from Rs.5,880.1 million in fiscal year 2016, due to (i) an increase of Rs.424.6 million, or 11.4%, in revenue from non-aeronautical operations from fiscal year 2016 to fiscal year 2017 as a result of an increase in air and passenger traffic, (ii) an increase of Rs.20.5 million, or 2.5%, in revenue from cargo operations from fiscal year 2016 to fiscal year 2017 and (iii) an increase of Rs.259.4 million, or 19.1%, in income from hospitality and retail services from fiscal year 2016 to fiscal year 2017, primarily due to an increase in sales from our duty free business as a result of an increase in passenger traffic and passenger spend.

Other income

Other income was Rs.99.8 million (US$1.5 million) in fiscal year 2017, a 23.2% increase from Rs.81.0 million in fiscal year 2016, primarily due to (i) an increase of Rs.16.0 million in income from government grant from fiscal year 2016 to fiscal year 2017 and (ii) an increase of Rs.13.3 million in other non-operating income from fiscal year 2016 to fiscal year 2017.

Total Expenses

Total expenses were Rs.5,225.6 million (US$80.7 million) in fiscal year 2017, a 16.1% increase from Rs.4,502.4 million in fiscal year 2016.

Concession fee

Concession fee payable to the Government of India under the Concession Agreement was Rs.462.0 million (US$7.1 million) in fiscal year 2017, a 79.1% increase from Rs.257.9 million in fiscal year 2016, as a result of an increase in our standalone pre-tax gross revenue in fiscal year 2017. See "Business—Our Concession—Concession Agreement" for further details of how the concession fee payable to the Government of India is calculated.

Purchase of traded goods

Purchase of traded goods was Rs.558.9 million (US$8.6 million) in fiscal year 2017, a 32.6% increase from Rs.421.6 million in fiscal year 2016, primarily due to increased purchases by our wholly-owned subsidiary, GMR Hospitality and Retail Limited, that conducts our duty free operations, as a result of growth in our duty free business in line with passenger traffic growth.

Increase in traded goods

Increase in traded goods was Rs.68.9 million (US$1.1 million) in fiscal year 2017, a 166.0% increase from Rs.25.9 million in fiscal year 2016, as a result of an increase in value and volume of our inventory due to increased purchases attributable to the growth in our duty free business in line with passenger traffic growth from fiscal year 2016 to fiscal year 2017.

Employee benefit expense

Employee benefit expense was Rs.1,272.2 million (US$19.7 million) in fiscal year 2017, a 6.4% increase from Rs.1,195.9 million in fiscal year 2016, primarily due to an increase of Rs.63.5 million, or 6.2%, in salaries, wages and bonus from fiscal year 2016 to fiscal year 2017 as a result of an increase in employee headcount from 1,647 as of March 31, 2016 to 1,689 as of March 31, 2017 and employee remuneration.

Other expenses

Other expenses were Rs.3,001.4 million (US$46.4 million) in fiscal year 2017, a 13.1% increase from Rs.2,652.9 million in fiscal year 2016. This increase was primarily due to increase in operating and maintenance expenses, repairs and maintenance expenses, security expenses and management fee, partially offset by decrease in power and fuel.

Finance Income

Finance income was Rs.987.9 million (US$15.3 million) in fiscal year 2017 as compared to Rs.248.8 million in fiscal year 2016, primarily due to (i) an increase of Rs.182.0 million in gain on sale of financial assets comprising mutual funds from fiscal year 2016 to fiscal year 2017, (ii) an increase of Rs.467.1 million in gain on account of the fair valuation of the interest rate swap from fiscal year 2016 to fiscal year 2017 and (iii) an increase of Rs.67.9 million in interest on currency and interest swap arrangements due to a full year of interest in fiscal year 2017 as compared to about a month of interest in fiscal year 2016.

Finance Costs

Finance costs were Rs.2,588.7 million (US$40.0 million) in fiscal year 2017, a 5.0% increase from Rs.2,466.3 million in fiscal year 2016, primarily due to (i) an increase of Rs.20.9 million, or 0.9%, in interest on financial liabilities held at amortised cost from fiscal year 2016 to fiscal year 2017 and (ii) an increase of Rs.87.6 million, or 325.7%, in other borrowing costs relating to the refinancing of our term loans in October 2016 from fiscal year 2016 to fiscal year 2017.

Depreciation and Amortization Expenses

Depreciation and amortization expenses were Rs.2,472.5 million (US$38.2 million) in fiscal year 2017, a 2.4% decrease from Rs.2,532.8 million in fiscal year 2016, as a result of higher depreciation on property, plant and equipment in fiscal year 2016 primarily due to the adoption of component accounting as required under Schedule II of the Companies Act, 2013 from April 1, 2015, which resulted in a one-time additional depreciation expense during fiscal year 2016.

Share of Profit in Joint Venture

Share of profit in joint venture was Rs.40.6 million (US$0.6 million) in fiscal year 2017, an 88.0% increase from Rs.21.6 million in fiscal year 2016, due to an increase in profit at Laqshya Hyderabad Airport Media Private Limited from fiscal year 2016 to fiscal year 2017 due to the utilization of a majority of our advertisement sites on account of increased demand for advertisement sites by the telecommunications, banking and automobile sectors at the Airport.

Tax Expenses

We incurred a tax expense of Rs.1,586.8 million (US$24.6 million) in fiscal year 2017 as compared to Rs.132.2 million in fiscal year 2016, primarily due to (i) an increase of Rs.957.2 million in MAT charged from Rs.114.4 million in fiscal year 2016 to Rs.1,071.6 million (US$16.6 million) in fiscal year 2017 and (ii) an increase of Rs.1,504.0 million in deferred tax expense from Rs.21.8 million in fiscal year 2016 to Rs.1,525.8 million (U$23.6 million) in fiscal year 2017, partially offset by an MAT credit entitlement of Rs.1,010.3 million (US$15.6 million) in fiscal year 2017 as compared to Rs.4.6 million in fiscal year 2016.

Profit for the Year

As a result of the factors described above, we earned a profit of Rs.2,922.0 million (US$45.0 million) in fiscal year 2017 as compared to a loss of Rs.527.7 million in fiscal year 2016.

Results of Operations — Year ended March 31, 2016 and 2015

Our consolidated financial statements presented in this offering memorandum as at and for the year ended March 31, 2016, together with the comparative period data as at and for the year ended March 31, 2015, have been prepared in accordance with Indian GAAP.

The following table sets forth a summary of our results of operations for the year ended March 31, 2016 and 2015 prepared in accordance with Indian GAAP.

	Year ended March 31,	
	2016	2015
	(Rs. in millions)	
Statement of Profit and Loss Data (Indian GAAP)		
Income		
Revenue from operations	8,834.6	6,263.2
Other income	262.7	245.5
Total (A)	**9,097.3**	**6,508.7**
Expenses		
Concession fees	257.9	177.2
Purchase of traded goods	361.8	274.1
Increase in traded goods	(25.9)	(14.9)
Employee benefits expense	1,208.3	1,084.9
Other expenses	2,695.3	2,495.3
Total (B)	**4,497.4**	**4,016.6**
Earnings before interest, tax, depreciation and amortization (EBITDA) (A) — (B)	**4,599.9**	**2,492.1**
Finance costs	2,453.4	2,465.5
Depreciation and amortization expenses	2,541.7	2,488.7
Loss before tax expense, exceptional items and minority interest	**(395.2)**	**(2,462.1)**
Exceptional Items (Net)	**27.7**	**—**
Loss before tax expenses and minority interest	**(422.9)**	**(2,462.1)**
Tax expenses		
Current tax	117.9	83.7
Minimum alternate tax credit entitlement	(8.1)	—
Deferred tax	(393.5)	(103.4)
Tax of earlier year	0.6	(4.8)
Minimum alternate tax credit entitlement of earlier years	—	4.6
Total tax expense	(283.1)	(19.9)
Loss after tax expenses and before minority interest	(139.8)	(2,442.2)
Minority interest — share of profit	106.4	87.5
Loss for the year	**(246.2)**	**(2,529.7)**
Earnings per equity share (Rs)		
Basic and diluted	(0.65)	(6.69)

Fiscal year 2016 compared to fiscal year 2015 (Indian GAAP)

Total Income

Total Income was Rs.9,097.3 million in fiscal year 2016, a 39.8% increase from Rs.6,508.7 million in fiscal year 2015.

Revenue from operations

Revenue from operations was Rs.8,834.6 million in fiscal year 2016, a 41.1% increase from Rs.6,263.2 million in fiscal year 2015, as a result of an increase in both revenue from aeronautical operations and revenue from non-aeronautical operations and related services.

- Revenue from aeronautical operations was Rs.2,874.4 million in fiscal year 2016, a 260.2% increase from Rs.797.9 million in fiscal year 2015. The increase in our revenue from aeronautical operations was primarily on account of an increase in user development fee and passenger service fee (facilitation component) from nil in fiscal year 2015 to 1,592.0 million in fiscal year 2016 due to the restoration of such fees with effect from November 3, 2015 at the rates existing before April 1, 2014 following their discontinuation pursuant to an order passed by AERA on February 24, 2014.

- Revenue from non-aeronautical operations and related services was Rs.5,960.2 million in fiscal year 2016, a 9.1% increase from Rs.5,465.4 million in fiscal year 2015, due to (i) an increase of Rs.129.5 million, or 3.5%, in revenue from non-aeronautical operations from fiscal year 2015 to fiscal year 2016 as a result of an increase in air and passenger traffic, (ii) an increase of Rs.91.3 million, or 12.8%, in revenue from cargo operations attributable primarily to Hyderabad Menzies Air Cargo Private Limited, our 51.0%-owned subsidiary, which operates and maintains the cargo terminal, from fiscal year 2015 to fiscal year 2016 (iii) an increase of Rs.210.4 million, or 35.7%, in sales of duty free items from fiscal year 2015 to fiscal year 2016 as a result of an increase in passenger traffic and overall passenger spend and (iv) an increase of Rs.63.6 million, or 12.8%, in income from hospitality services from fiscal year 2015 to fiscal year 2016 primarily due to an increase in passenger traffic at the Airport resulting in an increase in airline crews, transit passengers and certain business travelers staying at our five-star rated Novotel Hyderabad Airport Hotel.

Other income

Other income was Rs.262.7 million in fiscal year 2016, a 7.0% increase from Rs.245.5 million in fiscal year 2015, primarily due to (i) an increase of Rs.15.8 million, or 20.9%, in profit on sale of current investments from fiscal year 2015 to fiscal year 2016, (ii) an increase of Rs.9.3 million in liabilities/provisions no longer required and written back from fiscal year 2015 to fiscal year 2016 and (iii) an increase of Rs.2.1 million, or 10.3%, in foreign exchange gain attributable to forward covers undertaken in connection with payments under the ECB Facility from fiscal year 2015 to fiscal year 2016.

Total Expenses

Total expenses were Rs.4,497.4 million in fiscal year 2016, a 12.0% increase from Rs.4,016.6 million in fiscal year 2015.

Concession fee

Concession fee payable to the Government of India under the Concession Agreement was Rs.257.9 million in fiscal year 2016, a 45.5% increase from Rs.177.2 million in fiscal year 2015, as a result of an increase in our standalone pre-tax gross revenue in fiscal year 2016. See "Business—Our Concession—Concession Agreement" for further details of how the concession fee payable to the Government of India is calculated.

Purchase of traded goods

Purchase of traded goods was Rs.361.8 million in fiscal year 2016, a 32.0% increase from Rs.274.1 million in fiscal year 2015, primarily due to increased purchases by our wholly-owned subsidiary, GMR Hospitality and Retail Limited (formerly Hyderabad Duty Free Retail Limited), that conducts our duty free operations, as a result of growth in our duty free business.

Increase in traded goods

Increase in traded goods was Rs.25.9 million in fiscal year 2016, a 73.8% increase from Rs.14.9 million in fiscal year 2015, by our wholly-owned subsidiary, GMR Hospitality and Retail Limited (formerly Hyderabad Duty Free Retail Limited) as a result of an increase in value and volume of our inventory due to the increased purchases attributable to the growth in our duty free business from fiscal year 2015 to fiscal year 2016.

Employee benefit expense

Employee benefit expense was Rs.1,208.3 million in fiscal year 2016, an 11.4% increase from Rs.1,084.9 million in fiscal year 2015, primarily due to an increase of Rs.134.8 million, or 15.0%, in salaries, wages and bonus as a result of an increase in employee headcount from 1,454 as of March 31, 2015 to 1,647 as of March 31, 2016 and employee remuneration.

Other expenses

Other expenses, comprising operating, administrative and other expenses, were Rs.2,695.3 million in fiscal year 2016, an 8.0% increase from Rs.2,495.3 million in fiscal year 2015. This increase was primarily due to an increase in lease rent payable to the State Government which commenced from fiscal year 2016, operations, maintenance and manpower outsourcing expenses, repairs and maintenance expenses, stores and spare parts consumed, power, water and fuel, license fees and security charges, partially offset by decrease in rates and taxes.

Finance Costs

Our finance costs were Rs.2,453.4 million in fiscal year 2016, a 0.5% increase from Rs.2,465.5 million in fiscal year 2015, primarily due to a mark-to-market loss on derivative instruments of Rs.17.7 million in fiscal year 2016 relating to one of our subsidiaries, GAEL, partially offset by a decrease of Rs.35.2 million, or 56.1%, in other borrowing costs relating to the re-financing of our loans.

Depreciation and Amortization Expenses

Depreciation and amortization expenses were Rs.2,541.7 million in fiscal year 2016, a 2.1% increase from Rs.2,488.7 million in fiscal year 2015, as a result of higher depreciation on property, plant and equipment in fiscal year 2016 due to the adoption of component accounting as required under Schedule II of the Companies Act, 2013 from April 1, 2015, which resulted in a one-time additional depreciation expense during fiscal year 2016.

Exceptional Items

In fiscal year 2016, an exceptional item of Rs.27.7 million of capital work-in-progress pertaining to one of our subsidiaries, GMR Hyderabad Aerotropolis Limited, was charged to our statement of profit and loss.

Tax Expenses

We recorded a tax credit of Rs.283.1 million in fiscal year 2016 as compared to Rs.19.9 million in fiscal year 2015, primarily due to (i) an increase of Rs.290.1 million, or 280.6%, in deferred tax and (ii) an MAT credit entitlement of Rs.8.1 million in fiscal year 2016, offset partially by an increase of Rs.34.2 million, or 40.9%, in current tax.

Minority Interest — Share of Profit

Minority interest — share of profit was Rs.106.4 million in fiscal year 2016, a 21.6% increase from Rs.87.5 million in fiscal year 2015, due to an increase in profit from fiscal year 2015 to fiscal year 2016 at Hyderabad Menzies Air Cargo Private Limited, our 51.0%-owned subsidiary, which operates and maintains the cargo terminal.

Loss for the Year

As a result of the factors described above, we incurred a loss of Rs.246.2 million in fiscal year 2016 as compared to a loss of Rs.2,529.7 million in fiscal year 2015.

LIQUIDITY AND CAPITAL RESOURCES

Our financial condition and liquidity has been and will continue to be influenced by a variety of factors, including:

- our ability to generate cash flow from our operating activities;
- the level of our outstanding indebtedness and the prevailing domestic and international interest rates, which impact the interest that we are obligated to pay on our indebtedness, which together affect our overall finance costs; and
- our investment and capital expenditure commitments under our Master Plan consisting of several phases of infrastructure development, which will likely require significant additional borrowings in the future.

Our principal cash requirements consist of the following:

- operating and working capital requirements;
- the servicing of our indebtedness; and
- our investment commitments under our Master Plan, as well as additional capital expenditures.

Historically, our operations have been funded through cash flow from operation and the incurrence of indebtedness. See "Description of Material Indebtedness." Under the Concession Agreement, we are required to undertake our development plans at the Airport in accordance with the Master Plan. In particular, we are obligated to design, procure, construct, complete, test, commission and remedy any defects at the Airport in accordance with the Master Plan. We are also obligated to develop and implement detailed proposals for the expansion of the Airport, taking into account increased demand, the availability of funding, profitability and the reasonable requirements of the users of the Airport. As and when we are required to construct additional infrastructure or other capital projects at the Airport, including pursuant to the Phase 1B Expansion, we will need to raise additional indebtedness, as we will not be able to fund much of these required capital expenditures solely with our operating cash flows. See "Risk Factors—Risks Related to Our Business—Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations and prevent us from meeting our obligations under our Concession Agreement, particularly our obligations to undertake our development plans at the Airport in accordance with the Master Plan, including Phase 1B of the Master Plan" and "Risk Factors—Risks Related to Our Business—The fees we charge for aeronautical services — which comprise a significant portion of our revenues — are regulated by the Government of India, through AERA, in accordance with the terms of our Concession Agreement. Accordingly, government regulations and the terms of our Concession Agreement have materially affected our historical results of operations and financial condition, and will continue to affect our future results of operations and financial condition, which could be materially and adversely affected by the to-be-announced rate determinations for our aeronautical services."

As of June 30, 2017 and March 31, 2017 and 2016, our cash and cash equivalents, bank balances other than cash and cash equivalents (both current and non-current) and current investments (included in financial assets) totaled Rs.8,681.2 million (US$134.2 million), Rs.7,764.6 million (US$119.9 million) and Rs.2,798.1 million, respectively.

We did not pay any dividends in fiscal years 2017, 2016 and 2015. Following our annual general meeting held on August 21, 2017, we paid dividends amounting to Rs.945.0 million (US$14.6 million) to our shareholders.

Working Capital

Our current liabilities primarily arise from current maturities of long-term borrowings, short-term borrowings, trade payables and other financial liabilities. We believe that we have adequate working capital for our present requirements, and we expect that if current market conditions prevail, our cash flows from operations and available cash on hand will be sufficient to fund our operating needs and debt service obligations for the foreseeable future. We may, however, incur additional indebtedness to finance all or a portion of any capital expenditures and working capital.

Cash Flows

The following table sets forth a summary of our cash flows for the given periods.

	Three months ended June 30,		Year ended March 31,	
	2017	2016	2017	2016
	(Rs. in millions)		(Rs. in millions)	
(Ind-AS)				
Cash Flow Statement Data				
Net cash flow from operating activities.	2,690.7	2,003.7	8,562.6	4,644.2
Net cash flow used in investing activities	(1,933.3)	(1,136.8)	(2,513.4)	(2,535.9)
Net cash flow used in financing activities	(1,484.8)	(728.1)	(3,023.9)	(2,182.9)

Cash Flows from Operating Activities

For the three months ended June 30, 2017, our net cash flows from operating activities were Rs.2,690.6 million (US$41.6 million) as compared to Rs.2,003.7 million for the three months ended June 30, 2016. This was primarily a result of an increase in profit before tax and decrease in trade receivables for the three months ended June 30, 2017 as compared to the three months ended June 30, 2016, partially offset by a decrease in other financial liabilities for the three months ended June 30, 2017 as compared to the three months ended June 30, 2016.

In fiscal year 2017, our net cash flows from operating activities were Rs.8,562.6 million (US$132.3 million) as compared to Rs.4,644.2 million in fiscal year 2016. This was primarily a result of a profit before tax in fiscal year 2017 as compared to a loss before tax in fiscal year 2016 and decrease in trade receivables in fiscal year 2017 as compared to fiscal year 2016, partially offset by an increase in direct taxes paid in fiscal year 2017 as compared to fiscal year 2016.

Cash Flows from Investing Activities

For the three months ended June 30, 2017, our net cash flows used in investing activities were Rs.1,933.3 million (US$29.9 million) as compared to Rs.1,136.8 million for the three months ended June 30, 2016. For the three months ended June 30, 2017, we (i) purchased property, plant and equipment and intangible assets of Rs.526.4 million as compared to Rs.167.8 million for the three months ended June 30, 2016, (ii) purchased financial assets comprising mutual funds of Rs.7,895.0 million as compared to Rs.12,937.3 million in fiscal year 2016 and (iii) invested in deposits including margin money deposits amounting to Rs.268.8 million as compared to a withdrawal of Rs.105.1 million for the three months ended June 30, 2016.

In fiscal year 2017, our net cash flows used in investing activities were Rs.2,513.4 million (US$38.7 million) as compared to Rs.2,535.9 million in fiscal year 2016. In fiscal year 2017, we (i) purchased property, plant and equipment and intangible assets of Rs.1,005.4 million as compared to Rs.756.8 million in fiscal year 2016 and (ii) purchased financial assets comprising mutual funds of Rs.30,234.6 million as compared to Rs.13,736.9 million in fiscal year 2016.

Cash Flows from Financing Activities

For the three months ended June 30, 2017, our net cash flows used in financing activities were Rs.1,484.8 million (US$22.9 million) as compared to net cash flows used in financing activities of Rs.728.1 million for the three months ended June 30, 2016. The increase in net cash used in financing activities was primarily due to an increase in the repayment of borrowings and interest paid.

In fiscal year 2017, our net cash flows used in financing activities were Rs.3,023.9 million (US$46.8 million) as compared to net cash flows used in financing activities of Rs.2,182.9 million in fiscal year 2016. The increase in net cash used in financing activities was primarily due to an increase in the repayment of borrowings and interest paid, partially offset by an increase in proceeds from borrowings.

Contractual Obligations

The following table summarizes our contractual obligations as at March 31, 2017:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
			(Rs. in millions)			
(Ind-AS)						
Borrowings	210.5	306.0	918.6	8,148.5	16,085.7	25,669.3
Trade and other payables	225.4	883.5	131.9	—	—	1,240.8
Other financial liabilities	25.8	261.1	357.5	1,166.7	1,665.4	3,476.5
Total	**461.7**	**1,450.6**	**1,408.0**	**9,315.2**	**17,751.1**	**30,386.6**

Contingent Liabilities

Other than provisions that we have made in connection with certain legal proceedings, we have no contingent liabilities other than as disclosed, (i) in accordance with Ind-AS 37 (*Provisions, Contingent Liabilities and Contingent Assets*) with respect to our consolidated financial statements prepared in accordance with Ind-AS and (ii) in accordance with AS 29 (*Provisions, Contingent Liabilities and Contingent Assets*) with respect to our consolidated financial statements prepared in accordance with Indian GAAP, included elsewhere in this offering memorandum. See "Business—Legal Proceedings".

Capital Expenditures

Capital expenditures comprises addition to property, plant and equipment/tangible assets and intangible assets. We had capital expenditures of Rs.88.3 million (US$1.4 million), Rs.28.8 million (US$0.4 million), Rs.600.1 million (US$9.3 million) and Rs.1,461.5 million (US$22.6 million), for the three months ended June 30, 2017 and 2016 and the fiscal years ended March 31, 2017 and 2016, respectively. We have planned capital expenditures of approximately Rs.2,000.0 million (US$30.9 million) for fiscal year 2018.

Under the Concession Agreement, we are obligated to develop and implement detailed proposals for the expansion of the Airport, taking into account increased demand, the availability of funding, profitability and the reasonable requirements of the users of the Airport. As of the date of this offering memorandum, our material contracted and budgeted capital expenditures for the next three to five years consist primarily of capital expenditure associated with the Phase 1B Expansion which includes, among others (i) modular expansion of the existing terminal on both the east and west sides, (ii) pier expansion (east and west side), (iii) apron expansion for stands and excess taxi provisions and (iv) modification of the departure forecourt and ramp modification. In addition to the Phase IB Expansion, our capital expenditure would also include expenditure on new projects which are part of our green initiative including the construction of solar power plants and a reservoir at the Airport, expenditure on major maintenance works like runway re-carpeting as well as routine expenditure undertaken from time to time for general upkeep of the Airport. We currently estimate the total capital expenditures required for the Phase 1B Expansion to be in the range of Rs.20 billion (US$308.9 million) to Rs.25 billion (US$386.2 million), which will be made between the next one to three years, depending on the formal project specifications. We expect that such capital expenditures will be financed through cash flow from operations, existing surplus cash and the incurrence of additional indebtedness, including a portion of the gross proceeds from the offering of the Notes. We will seek to manage our increased leverage and debt servicing needs by capturing additional revenue through increased passenger traffic, and by preserving our existing cash flow by minimizing disruptions to existing passenger traffic and promptly executing the construction plan for Phase 1B Expansion. In connection with the approval of the capital expenditures for the Phase 1B Expansion, we have conducted consultations with key stakeholders such as major airlines, IATA, AAI, MoCA and others. AERA has completed its assessment of our capital expenditure plan for the Phase 1B Expansion, which was filed with our tariff submission to AERA for the second control period in March 2016 and we expect AERA's assessment of our capital expenditure plan to be published in a consultation paper to be issued by AERA in the third quarter of fiscal year 2018 and we expect that the final tariff order will be issued by the fourth quarter of fiscal year 2018. See "Business—The Master Plan."

See "Risk Factors—Risks Related to Our Business—Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations and prevent us from meeting our obligations under our Concession Agreement, particularly our obligations to undertake our development plans at the Airport in accordance with the Master Plan, including Phase 1B of the Master Plan."

OFF-BALANCE SHEET TRANSACTIONS

As of June 30, 2017, we did not have any off-balance sheet arrangements, which are assets or debts or financing activities that are not reflected on our balance sheet.

QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in currency exchange rates. This market risk principally involves the possibility that changes in currency exchange rates will adversely affect the value of our financial assets and liabilities or future cash flows and earnings.

Foreign Currency Exchange Rate Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Our exposure to the risk of changes in foreign exchange rates relates primarily to our external commercial borrowings and operating activities.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our exposure to the risk of changes in market interest rates relates primarily to our long-term debt obligations with floating interest rates.

We manage our interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. Our policy is to convert variable rate loan to fixed rate loan if the perceived uncertainty of such variable market rates is for a long term. To manage this, GHIAL and GAEL entered into interest rate swap by converting floating interest rate to fixed interest rate.

SEASONALITY

Our industry tends to be seasonal in nature, and we typically experience increased passenger traffic, in particular international passenger traffic, and ATMs in the second half of each fiscal year as travelers visit southern India during school holidays and the festive seasons, and lower passenger traffic and ATMs in the first half of each fiscal year. Our business, financial condition and results of operations could be adversely affected by seasonal changes in our passenger traffic.

CRITICAL ACCOUNTING POLICIES

We are required to prepare our consolidated financial statements in accordance with Ind-AS with effect from April 1, 2016. Accordingly, we have prepared our consolidated financial statements (i) as at and for the three months ended June 30, 2017 and 2016, and (ii) as at and for the year ended March 31, 2017, together with the comparative period data as at and for the year ended March 31, 2016, in accordance with Ind-AS. Our consolidated financial statements as at and for the year ended March 31, 2016, together with the comparative period data as at and for the year ended March 31, 2015, have been prepared in accordance with Indian GAAP.

The preparation of our consolidated financial statements requires that our management make judgments, estimates and assumptions that affect reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures and disclosure of contingent liabilities, at the end of each reporting period. Although these estimates are based on our management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods. For detailed accounting policies, see our financial statements for the year ended March 31, 2017 included elsewhere in this offering memorandum.

We consider an accounting policy critical if it (i) requires our management to make judgments and estimates about matters that are inherently uncertain and (ii) is important to an understanding of our financial condition and operating results. We believe the following accounting policies are most critical to our business operations and to an understanding of our financial condition and results of operations, and reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

You should read the following descriptions of critical accounting policies under Ind-AS and estimates in conjunction with our consolidated financial statements prepared in accordance with Ind-AS and the related notes thereto appearing elsewhere in this offering memorandum.

Business Combinations and Goodwill

In accordance with Ind-AS 101 provisions related to first time adoption, the Group has elected to apply Ind-AS accounting for business combinations prospectively from April 1, 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward with minimal adjustment. The same first time adoption exemption is also used for joint ventures.

Business combinations other than common control business combinations are accounted for using the acquisition method. The cost of an acquisition other than in a common control business combination is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. Business combination involving entities under common control are accounted for using the pooling of interests method.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

i. Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements, are recognized and measured in accordance with Ind-AS 12 'Income Tax' and Ind-AS 19 'Employee Benefits,' respectively.

ii. Liabilities or equity instruments related to share based payment arrangements of the acquiree or share-based payments arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind-AS 102 'Share-based Payments' at the acquisition date.

iii. Assets (or disposal groups) that are classified as held for sale in accordance with Ind-AS 105 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that standard.

iv. Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind-AS 109 'Financial Instruments' is measured at fair value with changes in fair value recognized in profit or loss. If the contingent consideration is not within the scope of Ind-AS 109, it is measured in accordance with the appropriate Ind-AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

Investment in Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over the subsidiaries.

Our investments in our joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in our share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit and loss reflects our share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of our other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, we recognise our share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between us and the joint venture are eliminated to the extent of the interest in the joint venture.

If an entity's share of losses of a joint venture equals or exceeds its interest in the joint venture (which includes any long term interest that, in substance, form part of our net investment in the joint venture), the entity discontinues recognising its share of further losses. If the joint venture subsequently reports profits, the entity resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The aggregate of our share of profit or loss of a joint venture is shown on the face of the statement of profit and loss.

The financial statements of the joint venture are prepared for the same reporting period as us. When necessary, adjustments are made to bring the accounting policies in line with ours.

After application of the equity method, we determine whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, we determine whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, we calculate the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognize the loss as "share of profit of a joint venture" in the statement of profit or loss.

Property, Plant and Equipment

On transition to Ind-AS, the Group has elected to continue with the carrying value of all of its property, plant and equipment as at March 31, 2015, measured as per Indian GAAP, and use that carrying value as the deemed cost of the property, plant and equipment as on April 1, 2015.

Freehold land is carried at historical cost less impairment loss, if any. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Capital work in progress includes cost of property, plant and equipment under installation/under development as at the balance sheet date. Property, plant and equipment under installation or under construction as at balance sheet are shown as capital work-in-progress and the related advances are shown as loans and advances.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. Further, when each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

On transition to Ind-AS, we have availed the optional exemption on "long term foreign currency monetary items" and have accordingly continued with the policy to adjust the exchange differences arising on translation/settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset recognized in the financial statements for the year ended March 31, 2017 (as per Indian GAAP) to the cost of the property, plant and equipment and depreciates the same over the remaining life. In accordance with the Ministry of Corporate Affairs ("MCA") circular dated August 9, 2012, exchange differences adjusted to the cost of property, plant and equipment are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the year. In other words, we do not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange differences.

We identify and determine cost of each component/part of the asset separately, if the component/part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.

All spare parts, stand-by and servicing equipment qualify as plant, property and equipment if they meet the definition of property, plant and equipment (i.e. if we intend to use these during more than a period of 12 months). The spare parts capitalized in this manner are depreciated as per useful life period, not exceeding a period of five years based on management estimate supported by technical evaluation.

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

Depreciation on Property, Plant and Equipment

Depreciation on property, plant and equipment is calculated on a straight-line basis using the rates arrived at, based on useful lives estimated by our management, which coincides with the lives prescribed under Schedule II of the Companies Act, 2013, and certain items of building, plant and equipment. Based on technical assessment made by technical expert and management estimate, we believe that the useful lives of such assets are different from the useful life prescribed in Schedule II to the Companies Act, 2013. Our 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.

We used the following useful lives to provide depreciation on our property, plant and equipment:

Particulars	Useful lives estimated by the management (years)
Improvements to leasehold land	15-30
Buildings on lease hold land*	10-30
Other Buildings	30-60
Runways and taxiways	30
Roads — Other than RCC**	10
Electrical installations**	10-15
Plant and machinery	15
Office Equipment	5
Computer equipment and IT systems	3-6
Furniture and fixtures	8-10
Vehicles	8-10

Depreciation on adjustments to the historical cost of the assets on account of foreign exchange fluctuations is provided prospectively over the residual useful life of the asset.

* The useful lives of modifications to buildings on leasehold land are estimated as 10 years.

** The useful lives of internal roads — other than RCC and certain electrical installations (transformers) are estimated as 10 years and 15 years respectively. These lives are longer than those indicated in Schedule II of the Companies Act, 2013.

Leasehold Improvements and buildings on leasehold land are amortized over the shorter of estimated useful lives or lease period.

On June 12, 2014, AERA 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 it proposed 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 of the airport sector. AERA has initiated the process to enable it to issue a notification as appropriate, pursuant to the provisions of Part B of Schedule II of the Companies Act, 2013 for this purpose. Pending issuance of final notification by AERA of the useful lives of airport specific assets (i.e. runways, taxiways and apron), in the absence of any specific mention of useful lives of these assets in Schedule II to the Companies Act, 2013, we have continued to depreciate these assets over their estimated useful lives as determined by our management based on a technical evaluation. The impact, if any, based on the useful lives as may be notified by AERA will be considered as per the order of AERA.

GHIAL has assessed the components except in the case of Runways and Taxiways, which is pending issuance of final notification by AERA.

In the case of GAEL, buildings on leasehold land are amortized on a straight line basis over the period of lease (i.e., 27 years).

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

Intangible Assets

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

Goodwill arising on consolidation is not amortized but tested for impairment.

Service Concession Arrangements

Hyderabad Menzies Air Cargo Private Limited ("HMACPL") 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 a public-to-private service concession arrangement for its entire useful life.

Under Appendix A to Ind AS 11 — Service Concession Arrangements, these arrangements are accounted for based on the nature of the consideration. The intangible asset model is used to the extent that HMACPL receives a right (i.e. a concessionaire) to charge users of the public service. The financial model is used when HMACPL has an unconditional contractual right to receive cash or other financial assets from or at the direction of the grantor for the construction service. When the unconditional right to receive cash covers only part of the service, the two models are combined to account separately for each component. If HMACPL performs more than one service (i.e. construction, upgrade services and operation services) under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the service delivered, when the amounts are separately identifiable.

The concession arrangement is a service concession arrangement under Appendix A to Ind-AS 11. Through the concession agreement, GHIAL has granted further concession to HMACPL along with sub-leasing of the part of cargo infrastructure facility to HMACPL and since it has a right to charge the users for the services, the same has been classified under Intangible assets model.

The intangible asset is amortized over the shorter of the estimated period of future economic benefits which the intangible assets are expected to generate or the concession period, beginning from the date they are available for use.

An asset carried under concession arrangements is derecognized on disposal or when no future economic benefits are expected from its future use or disposal.

Amortization of Intangible Assets

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each year. Costs relating to software licenses, which are acquired, are capitalized and amortized on a straight-line basis over their useful life not exceeding six years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss.

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

Amortization of Intangible Assets under Service Concession Arrangements

The intangible asset created as per service concession arrangements are amortized using the straight-line method based on the remaining useful life of the related assets which ranges from three to 15 years or the concession period (i.e., 15 years, whichever is lower).

Impairment of Non-Financial Assets

We assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, we estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units' (CGUs) fair value less cost to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses are recognized in the statement of profit and loss. An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, we estimate the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

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

Investment Property

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

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

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

Provisions, Contingent Liabilities and Commitments

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

Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will not be required to settle the obligation

- A present obligation arising from past events, when it cannot be measured reliably

- A possible obligation arising from past events, unless the probability of outflow of resources is remote

The Group does not recognize a contingent liability but discloses its existence in the financial statements.

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

Financial Instrument

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

A. **Financial Assets**

Initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date (i.e. the date that we commit to purchase or sell the asset).

Subsequent measurement

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

- Debt instruments at amortized cost

- Debt instruments at fair value through other comprehensive income ("FVTOCI")

- Debt instruments, derivatives and equity instruments at fair value through profit or loss ("FVTPL")

- Equity instruments measured at FVTOCI

Debt instruments at amortized cost

A "debt instrument" is measured at the amortized cost if both the following conditions are met:

(a) the asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and

(b) contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

This category is the most relevant to us. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate ("EIR") method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the profit or loss. This category generally applies to trade and other receivables.

Debt instrument at FVTOCI

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

(a) the objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and

(b) the asset's contractual cash flows represent SPPI.

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

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, we may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as "accounting mismatch").

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

Derecognition

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

(a) the rights to receive cash flows from the asset have expired; or

(b) we have transferred our rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (i) we have transferred substantially all the risks and rewards of the asset, or (ii) we have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

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

Impairment of financial assets

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

(a) financial assets that are debt instruments, and are measured at amortized cost (e.g. loans, debt securities, deposits, trade receivables and bank balance);

(b) financial assets that are debt instruments and are measured as at FVTOCI;

(c) lease receivables under Ind-AS 17;

(d) trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind-AS 11 and Ind-AS 18;

(e) loan commitments which are not measured as at FVTPL; and

(f) financial guarantee contracts which are not measured as at FVTPL.

We follow the "simplified approach" for recognition of impairment loss allowance on:

(a) trade receivables or contract revenue receivables; and

(b) all lease receivables resulting from transactions within the scope of Ind-AS 17.

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

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

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

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

(a) all contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument; and

(b) cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

As a practical expedient, we evaluate individual balances to determine impairment loss allowance on its trade receivables. The evaluation is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

Financial assets measured as at amortized cost and contractual revenue receivables: ECL is presented as an allowance (i.e. as an integral part of the measurement of those assets in the balance sheet). The allowance reduces the net carrying amount. Until the asset meets write-off criteria, we do not reduce impairment allowance from the gross carrying amount.

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

Equity investments

All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognized by an acquirer in a business combination to which Ind-AS 103 applies are classified as at FVTPL. For all other equity instruments, we may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. We make such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If we decode to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to statement of profit and loss, even on sale of investment. However, we may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

B. **Financial liabilities**

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

Our financial liabilities include trade and other payables, loans and borrowings including cash credit, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by us that are not designated as hedging instruments in hedge relationships as defined by Ind-AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind-AS 109 are satisfied.

For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk is recognized in OCI. These gains/losses are not subsequently transferred to profit and loss. However, we may transfer the cumulative gain or loss within equity. All other changes in the fair value of such liability are recognized in the statement of profit or loss. We have not designated any financial liability as at fair value through profit and loss.

Loans and borrowings

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

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

Financial guarantee contracts

Financial guarantee contracts issued by us are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind-AS 109 and the amount recognized less cumulative amortization.

Derecognition

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

C. **Reclassification of financial assets**

We determine classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. Our senior management determines change in the business model as a result of external or internal changes which are significant to our operations. Such changes are evident to external parties. A change in the business model occurs when we either begin or cease to perform an activity that is significant to its operations. If we reclassify financial assets, it applies the reclassification prospectively from the reclassification date (which is the first day of the immediately next reporting period following the change in business model). We do not restate any previously recognized gains, losses (including impairment gains or losses) or interest."

D. **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

E. **Derivative financial instruments**

We use derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts, as they are considered an integral part of the Group's cash management.

Cash Dividends to Equity Holders of the Parent

The Group recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Companies Act, 2013, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

Foreign Currency Transactions

Our consolidated financial statements are presented in Indian Rupees, which is also the functional currency of GHIAL. For each entity, we determine the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by us at their respective functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, we use an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of the following: GHIAL treats foreign currency monetary item as "long-term foreign currency monetary item," if it has a term of 12 months or more at the date of its origination. In accordance with MCA circular dated August 9, 2012, exchange differences for this purpose, are total differences arising on long-term foreign currency monetary items for the period. In other words, we do not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference. Exchange difference arising on long term foreign currency monetary items related to acquisition of property, plant and equipment are capitalized and depreciated over the remaining useful life of the asset.

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

Fair Value Measurement

We measure financial instruments such as derivatives at fair value at each balance sheet date.

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

(i) In the principal market for the asset or liability; or

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

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

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

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

We use valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Our management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value, and for non-recurring measurement, such as assets held for distribution in discontinued operations.

External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Our management decides, after discussions with our external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, our management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per our accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Our management, in conjunction with our external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

This note summarizes accounting policy for fair value. Other fair value related disclosures are given in the relevant notes:

(a) Disclosures for valuation methods, significant estimates and assumptions

(b) Quantitative disclosures of fair value measurement hierarchy

(c) Financial instruments (including those carried at amortized cost)

Revenue Recognition

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

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

1) **Income from service**

i. Revenue from airport operations (i.e. aeronautical and non-aeronautical operations) are recognized on an accrual basis, net of service tax and applicable discounts, when services are rendered and it is possible that an economic benefit will be received which can be quantified reliably. Revenue from aeronautical operations includes landing and parking charges of aircraft, operation and maintenance of passenger boarding and other allied services. Revenue from non-aeronautical operations include granting rights to use land and space primarily for catering to the needs of passengers, air traffic services and air transport services.

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

ii. In case of cargo handling revenue, revenue from outbound cargo is recognized at the time of acceptance of cargo with respect to non-airline customers and at the time of departure of aircraft with respect to airline customers and revenue from inbound cargo is recognized at the time of arrival of aircraft in case of airline customers and at the point of delivery of cargo in case of non-airline customers.

iii. Income from the concession arrangements earned under the intangible asset model consists of :

(a) fair value of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset; and

(b) payments actually received from the users.

iv. Revenue from commercial property development rights granted to concessionaires is recognized on accrual basis, as per the terms of the agreement entered into with the customers.

v. Revenue earned in excess of billings has been included under 'other assets' as unbilled revenue and billings in excess of revenue has been disclosed under 'other liabilities' as unearned revenue.

vi. Revenue from hotel operations comprises of income by way of hotel room rent, sale of food, beverages and allied services relating to the hotel and is recognized net of taxes and discounts as and when the services are provided and products are sold.

vii. Income from management / technical services is recognized as per the terms of the agreement on the basis of services rendered.

2) **Sale of goods**

Revenue from sale of goods at the duty free outlets operated by us is recognized at the time of delivery of goods to customers which coincides with transfer of risks and rewards to its customers. Sales are stated net of returns and discounts.

3) **Revenues and cost of improvements to concession assets**

In conformity with appendix A of Ind-AS 11, HMACPL recognizes revenues and the associated costs of improvements to concession assets which it is obligated to perform at the airports as established by the concession agreement. Revenues represent the value of the exchange between HMACPL and the government with respect to the improvements, given that HMACPL constructs or provides improvements to the cargo terminal as obligated under the concession agreement and in exchange, the government grants HMACPL the right to obtain benefits for services provided using those assets. HMACPL has determined that its obligations per the concession agreement should be considered to be a revenue earning activity as all expenditures incurred to fulfill the concession agreement are included in the maximum tariff it charges its customers and therefore it recognizes the revenue and expense in profit and loss when the expenditures are performed.

The cost for such additions and improvements to concession assets is based on actual costs incurred by HMACPL in the execution of the additions or improvements, considering the requirements in the concession agreement. The amount of revenues for these services is equal to the amount of costs incurred, as HMACPL do not obtain any profit margin for these construction services. The amounts paid are set at market value.

4) **Interest income**

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

ii. Interest for delayed payments from customers is accounted only when it is unconditionally accepted by the customers.

5) **Dividend Income**

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

Government Grants

GHIAL has a deferred payment arrangement on the concession fee payable to the Ministry of Civil Aviation without interest. The effect of this assistance is treated as a government grant.

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset (i.e. by equal annual instalments). When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

Taxes

1) **Current income tax**

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

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

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Current and deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2) **Deferred tax**

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii. In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

i. When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii. In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The Entities (GHIAL, GATL and HMACPL) are entitled to claim tax holiday for any ten consecutive years out of 15 years, from the year of commencement of commercial operations in 2007-08, under Section 80-IA of the Income Tax Act, 1961, with regard to income from airport operations. Accordingly, deferred tax on items reversing within the tax holiday period is not considered.

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

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The Group recognizes a deferred tax asset for MAT credit available only to the extent that it is probable that the Group will pay normal income tax during the specified period (i.e., the period for which MAT credit is allowed to be carried forward). In the year in which the Group recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown a deferred tax asset. The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is probable that it will pay normal tax during the specified period.

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

i. When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

ii. When receivables and payables are stated with the amount of tax included.

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

Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, if any.

Measurement of EBIDTA

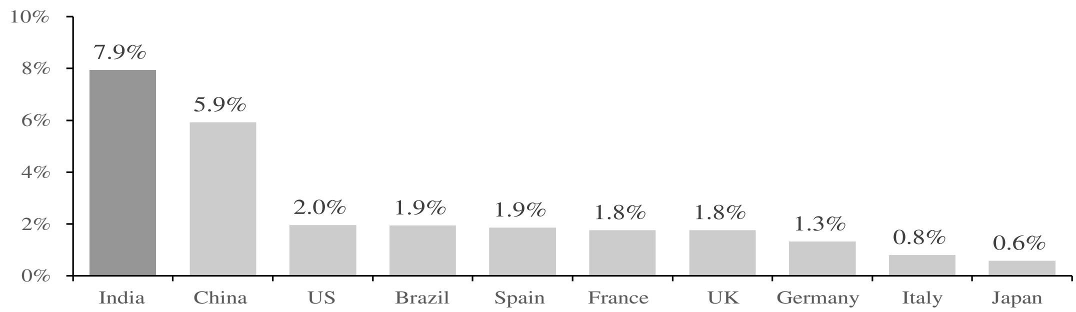
The Group has elected to present earnings before interest, tax, depreciation and amortization (EBIDTA) as a separate line item on the face of the statement of profit and loss. The Group measures EBIDTA on the basis of profit/(loss) from continuing operations. In its measurement, the Group does not include finance income, depreciation and amortization expenses, finance cost and tax expense.

This section contains information concerning the aviation industry in India, including industry data and forecasts that we have obtained from industry publications and surveys, reports of governmental agencies, publicly available corporate information and internal company surveys, as well as from industry reports prepared by ICF Limited, IATA, and Knight Frank. No representation or warranty, express or implied, is made by the Company, the Joint Lead Managers and Co-Manager, ICF Limited, IATA or Knight Frank as to the accuracy or completeness of the information set forth in this section, and nothing contained in this section shall be relied upon as a promise or representation, whether as to the past or future. This information has not been independently verified by of the Company or the Joint Lead Managers and Co-Manager or any of the advisors of the foregoing and should not be unduly relied on.

India Macroeconomic Overview

India's economy was the seventh largest in the world by nominal GDP and the third largest by purchasing power parity in 2016, according to the World Bank. India's real GDP has grown at an average rate of over 6.7% per annum from 2011 to 2016, led by increased domestic consumption, infrastructure spending and private capital expenditure. The IMF estimates 7.9% Real GDP compound annual growth rate ("CAGR") for India over 2017-22. The below chart sets out expected growth rates in GDP per capita over 2017-22 for select countries.

Real GDP CAGR (2017E-2022E) of Select Countries



Source: IMF

Indian Aviation Industry Overview

According to IATA, the Indian aviation industry is the seventh largest in the world. There are 464 airports and airstrips in India, of which 125 are managed by the Airport Authority of India ("AAI") (not including concession airports such as the Airport). In the last decade, India has seen considerable growth in aviation. According to CRISIL Research, passenger traffic grew to 265 million and cargo traffic to 3.0 million metric tons in fiscal year 2017, registering 10% and 5% CAGR, respectively, for the period ranging from fiscal years 2012 to 2017.

Future Growth Potential

Over the next few years, improving economic growth in India along with favorable demographic factors such as an expanding middle class resulting in higher disposable incomes are expected to result in higher spending on travel as well as increased trade activity and freight traffic. Additionally, revival in the global economy is also likely to lead to greater traffic flow between India and the rest of the world. Other growth drivers for passenger and freight traffic include:

- Upgrading of smaller airports and commissioning of green field airports, which will improve air connectivity and provide a boost to domestic traffic growth

- Development of Indian airports as transit hubs to serve traffic between Europe and the Middle East, and East and Southeast Asia

- The Government of India's focus on increasing exports and manufacturing as a share of GDP

- Upgraded cargo-handling infrastructure at major airports and the increased focus of Indian airlines on cargo operations

The Indian aviation industry is also expected to benefit from recently announced government policies and initiatives. The Government of India announced the Aviation Policy 2016 with the aim of making flying affordable and convenient for the masses along with establishing an integrated eco-system that will lead to significant growth of the sector in the longer term. The policy covers all key aviation subsectors including airlines, airports, cargo, maintenance, repairs and overhaul services, general aviation, aerospace manufacturing and skill development and emphasized the need to enhance regional connectivity by providing fiscal support, infrastructure development and enhancing the ease of doing business through deregulation, simplified procedures and e-governance. The key objectives of the Aviation Policy 2016 include:

- Making India among the global top three nations in terms of domestic and international passenger traffic

- Increasing domestic ticketing to 300 million (by number of passengers) by 2022 and 500 million (by number of passengers) by 2027

- Increasing international ticketing to 200 million (by number of passengers) by 2027

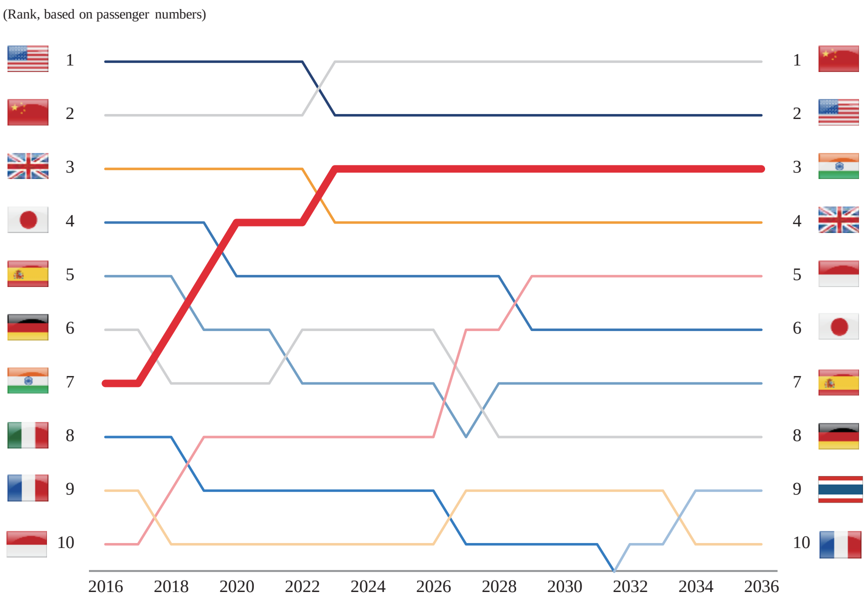
- Increasing cargo volumes to 10 million tonnes by 2027

- Removing the minimum five years domestic operations requirement for flying on international routes. However, airlines will still have to utilize at least 20 aircrafts or 20% of their total capacity on domestic routes

The Government of India also announced a regional connectivity scheme ("RCS") in 2016 aimed at improving civil aviation regional connectivity across the country. The RCS will focus on reviving unserved/underserved airports across the country and on incentivizing airline operators to operate in regional routes through concessions to reduce operating costs and other forms of financial support.

These factors are expected to result in continued high growth for the Indian aviation industry. According to IATA, the Indian aviation market is expected to become the third largest aviation market by 2023.

10 Largest Air Passenger Markets Over 2016-2036

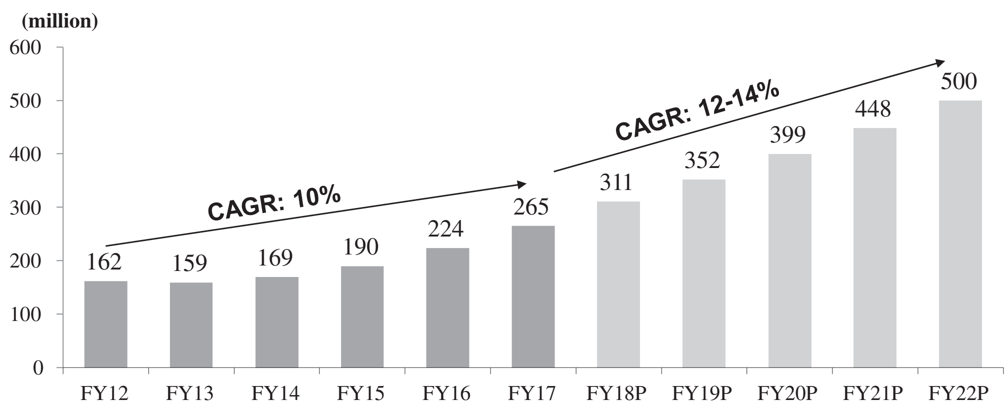


Source: IATA

Indian Air Traffic Outlook

According to CRISIL Research, passenger air traffic in India grew at a CAGR of 10% from fiscal year 2012 to fiscal year 2017, driven by economic growth and growing availability of low cost air travel options. Passenger air traffic is projected to grow at CAGR of 12-14% from fiscal year 2017 to fiscal year 2022, according to CRISIL Research. CRISIL Research also expects growth to be led by domestic traffic, which is projected to grow at 13-15% during this period, while international traffic is projected to grow at 9-10% over this period. According to CRISIL Research, economic growth and improved connectivity to tier 2 and tier 3 cities will be the key drivers behind domestic passenger air traffic growth.

Total Passengers Handled (millions) at Indian Airports, fiscal years 2012 – 2022



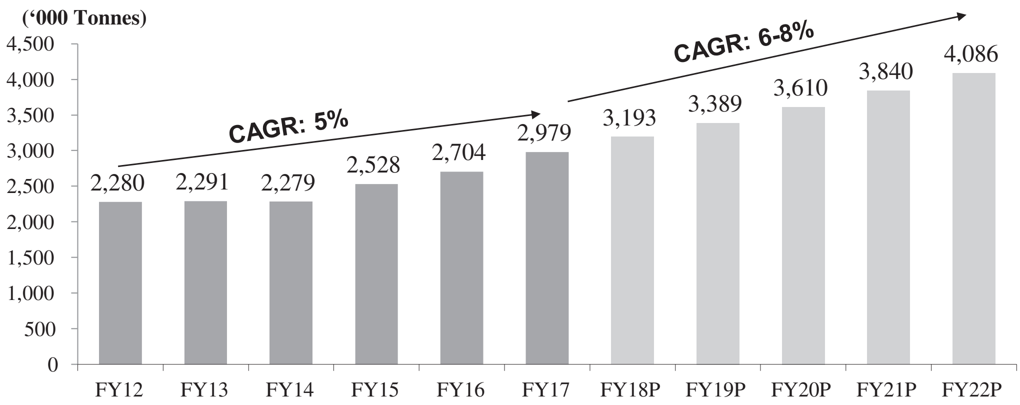
Break-up of overall passenger traffic handled at Indian airports

	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Domestic	75%	73%	72%	73%	76%	78%	79%	80%	80%	81%	81%
International	25%	27%	28%	27%	24%	22%	21%	20%	20%	19%	19%

Source: Airport Authority of India (AAI), CRISIL Research

According to CRISIL Research, Indian freight traffic grew at a CAGR of 5% from fiscal year 2012 to fiscal year 2017. Freight traffic is projected to grow at a CAGR of 6-8% from fiscal year 2017 to fiscal year 2022, according to CRISIL Research. CRISIL Research expects growth to be driven by improved domestic and global economic conditions, which would result in increased Indian trade. . According to CRISIL Research, key sectors expected to drive the growth in freight traffic are ecommerce, pharmaceuticals, auto components, and electrical and electronic goods.

Total Freight Traffic (‘000 Metric Tons) at Indian Airports, Fiscal Years 2012 – 2022



Break-up of overall freight traffic handled at Indian airports

	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Domestic	36%	36%	37%	39%	39%	38%	37%	37%	37%	36%	36%
International	64%	64%	63%	61%	61%	62%	63%	63%	63%	64%	64%

Source: Airport Authority of India (AAI), CRISIL Research

Hyderabad Overview

Hyderabad is India’s fourth most populous city with a population of approximately 6.8 million people, according to the 2011 census. Hyderabad is the joint capital of the Indian states of Telangana and Andhra Pradesh, and is a leading financial and industrial center in South India.

The city’s economy growth has been led by the services and manufacturing sectors, primarily the information technology, e-commerce, biotechnology and pharmaceuticals industries. Hyderabad has emerged as one of the preferred cities for information technology operations and is home to large offices and research and development centers of many global information technology, information technology enabled services and business process outsourcing firms. The city is also a leading bulk drug producer and exporter.

The city also benefits from the availability of world-class road and airport infrastructure. In addition, Hyderabad is also seeing the development of a mass rapid transit system — the Hyderabad metro for better intra-city connectivity. Other major infrastructure projects that are proposed to be developed include dedicated manufacturing clusters for electronics companies, an integrated pharmaceutical city, an information technology investment region, industrial corridors connecting other key cities. These projects will continue to spur economic growth in the region and enable further investment and labour migration to the city.

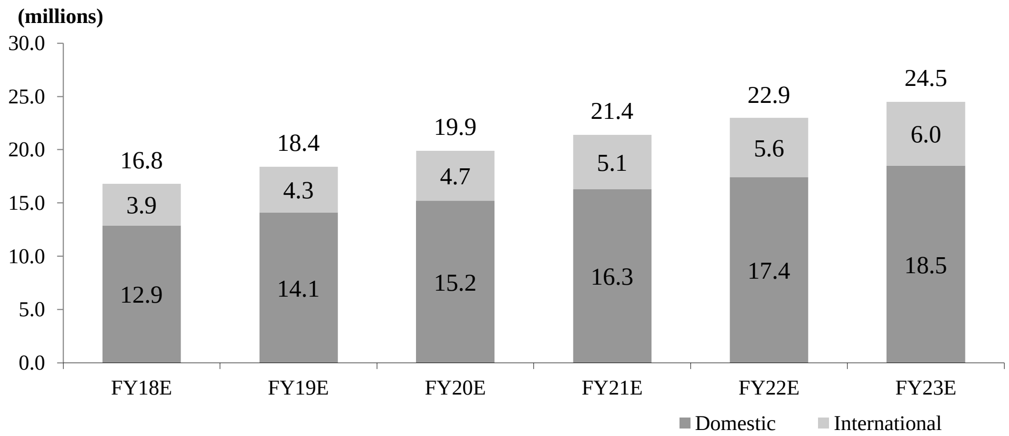
Rajiv Gandhi International Airport

The Airport is the sixth busiest airport in India in terms of passenger traffic year to date 2017, according to AAI. It is located in Shamshabad and serves as an aviation hub for the entire region, providing connectivity to south and central India. The Airport is strategically located in central India, and with the majority of India located within a flight time of two hours and the majority of Asia and the Middle East located within a flight time of five hours.

The Airport handled total traffic of approximately 15 million passengers and approximately 120,000 metric tons of cargo in fiscal year 2017 and has an ultimate design and scaling capacity to handle 40 million passengers per annum and 500,000 metric tons of cargo every year.

ICF International expects passenger traffic at the Airport to grow at a CAGR of 7.8% from fiscal year 2018 to fiscal year 2023 and reach 24.5 million, with international traffic and domestic traffic growing at CAGRs of 9.0% and 7.5%, respectively.

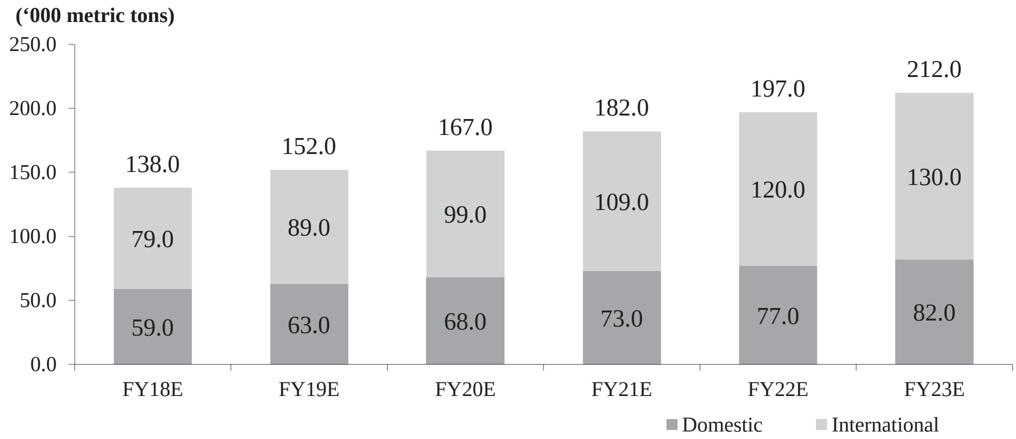
Passenger Traffic Forecast at GHIAL (millions), Fiscal Years 2018 — 2023



Source: ICF International

According to ICF International, cargo traffic at the Airport is expected to grow at a CAGR of 9.0% and reach 212,000 metric tons by fiscal year 2023, with international cargo and domestic cargo growing at 10.5% and 6.8%, respectively.

Cargo Traffic Forecast at GHIAL (thousands), Fiscal Years 2018 — 2023



Source: ICF International

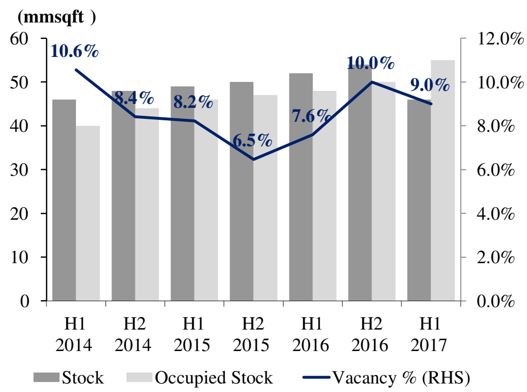
Hyderabad Commercial Real Estate Market Overview

Key drivers for growth in the Indian real estate industry include economic growth, liberalization of government policies, access to bank financing, increasing urbanization and expansion in industrial and commercial activities.

Hyderabad is one of the primary office regions in south and central India, with a strong reputation for ease of doing business. The information technology and information technology enabled services sectors contribute significantly to the Hyderabad office market, with financial services and other service sectors also driving strong demand. Its central location also makes it ideally suited for acting as a logistics hub, resulting in significant recent demand for warehousing space, especially by e-commerce and pharmaceutical companies.

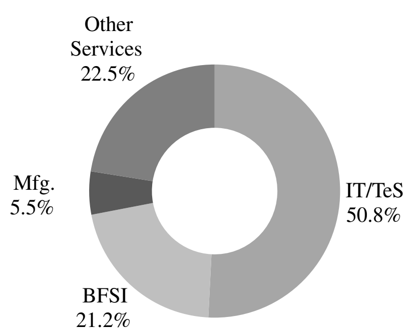
High demand for office space in 2017 has resulted in declining vacancies and an increase in the weighted average rentals in the Hyderabad commercial real estate market.

Office Space Stock and Vacancy Levels



Source: Knight Frank Research

Sector-Wise Transaction Mix



Source: Knight Frank Research

Note: IT/ITeS-Information Technology/Informational Technology Enabled Services; BFSI- Banking, Financial Services and Insurance

BUSINESS

You should read this section in conjunction with our financial statements and related Notes thereto appearing elsewhere in this offering memorandum. Our financial statements have been prepared and presented in accordance with Ind-AS or Indian GAAP, which differ in certain respects from IFRS. See "Presentation of Financial Information," "Risk Factors—Risks Related to our Business—The joint review and audit reports from our independent joint auditors in respect of our consolidated financial statements contain a qualification and emphasis of matters" and "Risk Factors—Risks Related to India—Indian accounting principles differ from those which prospective investors may be familiar with in other countries" for further details.

OVERVIEW

We hold the exclusive right to operate, manage and develop Rajiv Gandhi International Airport (the "Airport") — the sixth busiest airport in India in terms of passenger traffic, according to data compiled by the Airports Authority of India ("AAI"). Our core activities include the development, management, maintenance and operation of the Airport and the management of commercial and other activities conducted at the Airport, including commercial property development and the provision of maintenance, repair and overhaul ("MRO") services to air carriers, and we also own the five-star rated Novotel Hyderabad Airport Hotel located in the vicinity of the Airport. The Airport serves Hyderabad, which is the fourth most populous city in India and currently the joint capital of Telangana and Andhra Pradesh, making it the regional hub while the new capital of Andhra Pradesh is under construction. The Airport is strategically located in central India, with the majority of India's territory reachable within two hours' flight time and the major population centers of the Middle East, Central and Southeast Asia reachable within five hours' flight time. The Airport serves 25 airlines operating connections to 49 destinations, comprising 16 international destinations and 33 domestic destinations as at June 30, 2017. The Airport is one of the fastest growing non-metro airports in India with air passenger traffic having grown at a CAGR of 11.7% between fiscal year 2009 and fiscal year 2017, according to AAI.

Located at Shamshabad, Hyderabad between National Highway 7 ("NH7") and Srisailam Highway, the Airport is connected to parts of South-central India by NH7 and Srisailam Highway and to Hyderabad city by the Outer Ring Road, an eight-lane expressway encircling the entire city, and by the PV Narasimha Rao elevated road to the city center. The government has also announced plans to connect the Airport to the city through the multi-modal transport system ("MMTS"), suburban rail link and Hyderabad metro rail. Pursuant to the Concession Agreement, no new or existing airport permitted to be developed as, or improved or upgraded into, an international or a domestic airport within an aerial distance of 150 km of the Airport before March 23, 2033 (the 25th anniversary of March 23, 2008, being the opening date of the Airport). Accordingly, we expect to benefit from the projected increase in international and domestic passenger traffic to Hyderabad, which is projected to reach 5.1 million and 16.3 million, respectively, by fiscal year 2021 according to the ICF Report. See "Industry" for additional information about the aviation sector in India. See "Risk Factors—Risks Related to our Business—The Government of India could grant new concessions that compete with the Airport."

GHIAL was incorporated on December 17, 2002 following a competitive bidding process in which a consortium, led by the GMR Group, was awarded an exclusive concession to design, finance, build, operate and maintain the Airport. On December 20, 2004, we entered into the Concession Agreement with MoCA, Government of India, which governs our rights and obligations under the Concession. Under the terms of the Concession Agreement, (i) we were granted the exclusive right to operate, manage and develop the Airport for a 30-year period until March 23, 2038, with an option to extend the term for an additional 30 years, which we have already exercised and (ii) we are required to pay a concession fee equivalent to 4.0% of our gross revenue annually to the Government of India.

We have also entered into other agreements such as the SSA, the Land Lease Agreement and the CNS/ATM Agreement with the relevant authorities in relation to the operation of the Airport. The SSA entered into with the State Government provides for certain support services and incentives to us for the development of the Airport, subject to certain parameters.

The Airport was commissioned within a period of 31 months from the commencement of construction and became commercially operational on March 23, 2008 with an initial design capacity of 12 million passengers per year and 150,000 metric tons of cargo handling capacity per year. The Airport has facilities and infrastructure which are in line with ICAO standards and practices to handle large aircrafts and international traffic. The Airport's facilities include two runways, one cargo terminal and one passenger terminal with a total of 146 check-in counters and 42 aircraft parking stands, comprising 30 remote stands and 12 aerobridges. The Airport houses a 13,500 kiloliter fuel farm facility that operates on an "open access" fuel policy where any oil marketing company under a contract with an airline can supply fuel using this facility. The Airport has the flexibility to increase capacity to accommodate up to 40 million passengers per year on a more cost-efficient basis due to the modular design of the existing infrastructure. Such expansion is proposed to be developed in a phased manner in line with the expected growth in passenger traffic. The current phase of our long-term Master Plan, the Phase 1B Expansion, entails expansion of the Airport to increase the passenger capacity to 20 million passengers per year from the current passenger capacity of 12 million passengers per year. See "—The Master Plan" for further details.

We have also developed Cargo Village at the Airport, which includes an integrated cargo terminal with domestic, pharmaceutical and international zones within a single terminal. This integrated cargo terminal is spread over an area of 15,000 square meters, containing three aircraft parking bays and a total cargo handling capacity of 150,000 metric tons per year. In addition to these facilities, the Cargo Village also includes a dedicated domestic express terminal operated by Blue Dart and a dedicated cargo satellite building with offices for cargo agents, airlines, regulatory bodies and warehousing space adjacent to the cargo terminal.

The Airport is currently India's only airport-based free trade zone, which provides companies an opportunity to undertake trading, distribution, minor assembly, value additions such as packaging and labelling and warehousing for effective re-export of commodities with facilities for sorting, grading, kitting and repacking.

Passenger traffic at the Airport has grown substantially from 6.2 million passengers in fiscal year 2009 (when it began commercial operations) to 15.1 million passengers in fiscal year 2017, a CAGR of 11.7%. Cargo volume has also increased significantly, from 54,245 metric tons in fiscal year 2009 to 121,882 metric tons in fiscal year 2017, a CAGR of approximately 10.6%, higher than India's average of 7.3%. For the three months ended June 30, 2017 and 2016 and fiscal years 2017, 2016 and 2015, (i) total passenger traffic at the Airport was 4.1 million, 3.5 million, 15.1 million, 12.4 million and 10.4 million, respectively, (ii) total cargo traffic at the Airport was 32,791 metric tons, 28,265 metric tons, 121,882 metric tons, 110,033 metric tons and 98,899 metric tons, respectively, and (iii) the Airport handled 34,722, 30,379, 130,713, 105,772 and 94,057 air traffic movements, which are all aircraft arrivals and departures to and from the Airport.

Under the Land Lease Agreement, the State Government has leased us 5,492 acres of land for the development of the Airport in accordance with the Concession Agreement along with the exclusive right to develop (or sub-lease the land for) non-airport activities on the site, of which we have designated 1,500 acres for commercial property development in the Master Plan. The initial term of the lease is 30 years and thereafter will be extended for such period for which the Concession is extended under the Concession Agreement. We are in the process of developing the commercial site in a phased manner. Out of the 1,500 acres of land designated for commercial development, we have designated 250 acres for a multi-product SEZ, which will include a "Free Trade Warehousing Zone" of 20 acres, and an additional 250 acres for a logistics park. The remaining 1,000 acres is available for development of a theme-based airport city, which is expected to include, among others, a multi-specialty hospital, convention center and exhibition facility, an amusement park, an international business school and an international school. As at June 30, 2017, we have monetized approximately 90 acres of this land, including land leased to Indian Rotorcraft Ltd. (Tata Augusta), United Technologies Corporation India Pvt. Ltd. (Pratt & Whitney), CFM Training, Amazon Seller Services Private Limited, Casper Pharma Private Limited, Cronus Pharma Specialties India Private Limited, Ryan International School, Schulich Business School, SAS Applied Research & Lab Materials Ltd, SAAZ Imaging Systems Private Limited, Decathlon and Turbo Jet Private Limited. See "—Our Sources of Revenue—Non-aeronautical Services—Commercial Property Development" for further details.

In fiscal year 2017, we had total revenue of Rs.13,767.1 million (US$212.6 million) and Adjusted EBITDA of Rs.8,541.5 million (US$131.9 million), an increase of 55.8% and 97.1%, respectively, from total revenue of Rs.8,835.6 million and Adjusted EBITDA of Rs.4,333.2 million in fiscal year 2016. For the three months ended June 30, 2017, we had total revenue of Rs.3,629.8 million (US$56.1 million) and Adjusted EBITDA of Rs.2,296.8 million (US$35.6 million), an increase of 11.6% and 11.8%, respectively, from total revenue of Rs.3,251.4 million and Adjusted EBITDA of Rs.2,053.6 million for the three months ended June 30, 2016.

Our majority shareholder is a subsidiary of GMR Group, a leading diversified infrastructure group in India with substantial experience in the development and operation of airports including the Indira Gandhi International Airport in Delhi, power plants, roads and urban infrastructure. Our other shareholders include AAI, the State Government and Malaysia Airports Holdings Berhad, a leading international airport operator. See "Principal Shareholders" for more information about our shareholders.

Overview of our Sources of Revenues

Our revenue from operations is derived from (a) aeronautical operations, which comprises user development fees, passenger service fees, landing charges, parking and housing charges and common infrastructure charges, and are regulated by AERA and (b) non-aeronautical operations and related services, which comprises revenue earned by us from (i) non-aeronautical operations including, among others, commercial property development, aircraft MRO services, revenue sharing arrangements with our joint venture, Laqshya Hyderabad Airport Media Private Limited, which provides advertising services at the Airport, rent and/or revenue sharing from leasing of terminal space, retail goods and services, food and beverage, fuel farm throughput fees, ground handling services, car park, car rental services, automatic teller machines, lounge rents, flight kitchen, foreign exchange counters and others, (ii) cargo operations and (iii) hospitality and retail services comprising our hotel and duty free operations.

Revenue from aeronautical operations was Rs.1,864.7 million (US$28.8 million), Rs.1,661.1 million, Rs.7,082.7 million and Rs.2,874.5 million for the three months ended June 30, 2017 and 2016 and fiscal years 2017 and 2016, respectively, accounting for 51.6%, 51.5%, 51.8% and 32.8% of our revenue from operations in those periods. Revenue from non-aeronautical operations and related services was Rs.1,746.1 million (US$27.0 million), Rs.1,562.9 million, Rs.6,584.6 million and Rs.5,880.1 million for the three months ended June 30, 2017 and 2016 and fiscal years 2017 and 2016 and, respectively, accounting for 48.4%, 48.5%, 48.2% and 67.2% of our revenue from operations in those periods.

For more information regarding our sources of revenues, see "Business—Our Sources of Revenues."

Overview of our Concession

On December 20, 2004, we entered into the Concession Agreement with MoCA which governs our rights and obligations under the Concession. Under the terms of the Concession Agreement, (i) we were granted the exclusive right to operate, manage and develop the Airport (excluding the right to carry out certain reserved activities and to provide communication, navigation and surveillance ("CNS") and air traffic management services which are required to be provided by AAI) for a 30-year period until March 23, 2038, with an option to extend the term for an additional 30 years, which we have already exercised and (ii) we are required to pay a concession fee equivalent to 4.0% of our gross revenue annually to the Government of India, which we believe is one of the lowest concession fee structures among PPP airports in India. The concession fee in respect of the first 10 financial years is payable in 20 equal half-yearly instalments on June 30th and December 31st starting from fiscal year 2019.

We have also entered into other agreements such as the SSA, the Land Lease Agreement and the CNS/ATM Agreement with the relevant authorities in relation to the operation of the Airport. The SSA entered into with the State Government provides for certain support services and incentives to us for the development of the Airport, subject to certain parameters. The Land Lease Agreement provides for the lease to us by State Government of 5,492 acres of land for the development of the Airport in accordance with the Concession Agreement along with the exclusive right to develop (or sub-lease the land for) non-airport activities on the site, of which we have designated 1,500 acres for commercial property development in the Master Plan. The CNS/ATM Agreement entered into with AAI sets out the terms and conditions for the provision of CNS and ATM services at the Airport by AAI.

COMPETITIVE STRENGTHS

We believe our competitive strengths include the following:

Attractive Industry Dynamics

India, with an estimated population of 1,282 million (as of July 2017), had an estimated GDP adjusted for purchasing power parity of approximately US$8.67 trillion in 2016 according to the CIA World Factbook. This makes it the third largest economy by GDP in the world after the U.S. and China. India has been the world's fastest growing domestic travel market for the 22nd time in a row, recording a 26.6 per cent year-on-year growth in January 2017, according to the IATA.

As a result of strong economic growth and other positive macroeconomic indicators in India, there has been an overall growth in passenger traffic in India and at our Airport, although passenger traffic has also been partly driven by low fares. We believe that the expansion of India's middle class, coupled with increased disposable incomes due to an expanding economy, is projected to help achieve some of the fastest growth in the world over the next 20 years. The Indian civil aviation industry has also ushered in a new era of expansion, driven by factors such as LCCs, modern airports, FDI in domestic airlines, advanced IT interventions and the growing emphasis on regional connectivity. In fiscal years 2015, 2016 and 2017, passenger traffic in India was 190 million, 223 million and 264 million, respectively, representing a CAGR of 17.9% over the three fiscal years, and passenger traffic at our Airport was 10.5 million, 15.3 million and 12.5 million, respectively, representing a CAGR of 20.4% over the three fiscal years.

The growth in domestic passenger traffic, substantial strengthening through Government initiatives, decrease in global crude oil prices and airlines showing profits indicate a significantly positive transformation for the Indian civil aviation market. Passenger air traffic is projected to grow at a CAGR of 12-14% from fiscal year 2017 to fiscal year 2022, according to CRISIL Research, driven by growth in domestic traffic and improved connectivity between tier 2 and tier 3 cities. Indian cargo traffic is projected to grow at a CAGR of 6-8% from fiscal year 2017 to fiscal year 2022, according to CRISIL Research, driven by improved domestic and global economic conditions and increased trade from India.

Strategic Location with a Superior Catchment Area

With a population of 6.8 million people, Hyderabad is India's fourth most populous city and a leading financial and industrial center. Hyderabad has been ranked as the number one city in India in terms of quality of living and has been named by National Geographic 'Traveler' magazine as a top rated destination. Further, the State of Telangana has been ranked number one in terms of doing business in India with an increasing industrial presence in the immediate catchment areas. The State of Telangana also accounts for one third of national bulk drug production. As Hyderabad is currently the joint capital of Telangana and Andhra Pradesh, the Airport serves as an aviation hub for the region. Moreover, under the Concession Agreement, no new or existing airport is permitted to be developed as, or improved or upgraded into, an international or a domestic airport within an aerial distance of 150 km of the Airport before March 23, 2033. Hyderabad's central Asian location is one of the Airport's greatest strengths, with the majority of India's territory reachable within two hours' flight time and the major population centers of the Middle East, Central and Southeast Asia reachable within five hours' flight time. The Airport services airlines operating connections to 16 international and 33 domestic destinations and as a result of increased flight routes, increased flight frequencies and large and fuller aircrafts, passenger traffic at the Airport has increased significantly from 6.2 million passengers in fiscal year 2009, the Airport's first year of commercial operations, to 15.1 million passengers in fiscal year 2017, a CAGR of 11.7%. ICF International expects passenger traffic at the Airport to grow at a CAGR of 9.6% from fiscal year 2018 to fiscal year 2023 and reach 27.8 million, with international traffic and domestic traffic growing at CAGRs of 9.9% and 9.6%, respectively, and expects cargo traffic at the Airport to grow at a CAGR of 10.4% and reach 229,059 metric tons by fiscal year 2023, with international cargo and domestic cargo growing at 11.8% and 8.3%, respectively.

Strong Operating and Financial Performance

The Airport has experienced substantial traffic growth since beginning commercial operations in 2009. Passenger traffic at the Airport increased from 6.2 million passengers in fiscal year 2009 to 15.1 million passengers in fiscal year 2017, a CAGR of 11.7%. Cargo volume has also increased significantly, from 54,245 metric tons in fiscal year 2009 to 121,882 metric tons in fiscal year 2017, a CAGR of approximately 10.6%, higher than India's average of 7.3%. For the three months ended June 30, 2017 and 2016 and fiscal years 2017, 2016 and 2015, (i) total passenger traffic at the Airport was 4.1 million, 3.5 million, 15.1 million, 12.4 million and 10.4 million, respectively, of which 0.9 million, 0.8 million, 3.4 million, 3.2 million and 2.8 million, respectively, were international passengers, (ii) total cargo traffic at the Airport was 32,791 metric tons, 28,265 metric tons, 121,882 metric tons, 110,033 metric tons and 98,899 metric tons, respectively, of which 19,562 metric tons, 16,195 metric tons, 68,946 metric tons, 59,578 metric tons and 55,023 metric tons, respectively, represented international cargo and (iii) the Airport handled 34,722, 30,379, 130,713, 105,772 and 94,057 ATMs, of which 5,711, 5,554, 22,261, 20,693 and 18,361, respectively, represented international ATMs. As a result of growth in traffic at the Airport, we increased our declared runway capacity in fiscal year 2017 to 33 peak hour movements from 30 peak hour movements in prior years.

In fiscal year 2017, we had total revenue of Rs.13,767.1 million (US$212.6 million) and Adjusted EBITDA of Rs.8,541.5 million (US$131.9 million), an increase of 55.8% and 97.1%, respectively, from total revenue of Rs.8,835.6 million and Adjusted EBITDA of Rs.4,333.2 million in fiscal year 2016. For the three months ended June 30, 2017, we had total revenue of Rs.3,629.8 million (US$56.1 million) and Adjusted EBITDA of Rs.2,296.8 million (US$35.6 million), an increase of 11.6% and 11.8%, respectively, from total revenue of Rs.3,251.4 million and Adjusted EBITDA of Rs.2,053.6 million for the three months ended June 30, 2016.

Diversified Revenue Base

The Airport benefits from a diversified passenger base from various markets, including the Asia Pacific region, the Middle East, Europe and the United States. The Airport serves 25 passenger airlines and five cargo freighters as at June 30, 2017. Of the international passengers that came through the Airport during the three months ended June 30, 2017 and fiscal year 2017, 47.0% and 48.0%, respectively, were from Middle East, 23.0% and 22.0%, respectively, were from North America, 17.0% and 16.0%, respectively, were from Asia, 8.0% and 9.0%, respectively, were from Europe, 3.0% and 3.0%, respectively, were from Australasia and 2.0% and 2.0%, respectively, were from Africa. In addition, international cargo accounted for approximately 59.7%, 57.3%, 56.6%, 54.1% and 55.6% of cargo traffic for the three months ended June 30, 2017 and 2016 and in fiscal years 2017, 2016 and 2015, respectively.

Our revenue from operations is derived from (a) aeronautical operations, which comprise user development fees, passenger service fees, landing charges, parking and housing charges and common infrastructure charges, and are regulated by AERA and (b) Revenue from non-aeronautical operations and related services comprises revenue earned by us from (i) non-aeronautical operations including, among others, commercial property development, aircraft MRO services, revenue sharing arrangements with our joint venture, Laqshya Hyderabad Airport Media Private Limited, which provides advertising services at the Airport, rent and/or revenue sharing from leasing of terminal space, retail goods and services, food and beverage, fuel farm throughput fees, ground handling services, car park, car rental services, automatic teller machines, lounge rents, flight kitchen, foreign exchange counters and others, (ii) cargo operations and (iii) hospitality and retail services comprising our hotel and duty free operations.

We have a balanced mix of revenue from aeronautical operations and non-aeronautical operations and related services. Revenue from aeronautical operations was Rs.1,864.7 million, Rs.1,661.1 million, Rs.7,082.7 million and Rs.2,874.5 million for the three months ended June 30, 2017 and 2016 and fiscal years 2017 and 2016, respectively, accounting for 51.6%, 51.5%, 51.8% and 32.8% of our revenue from operations in those periods. Revenue from non-aeronautical operations and related services was Rs.1,746.1 million, Rs.1,562.9 million, Rs.6,584.6 million and Rs.5,880.1 million for the three months ended June 30, 2017 and 2016 and fiscal years 2017 and 2016 and, respectively, accounting for 48.4%, 48.5%, 48.2% and 67.2% of our revenue from operations in those periods. We believe that we have a robust revenue model with a stable aeronautical revenue stream and the potential for significant upside through our non-aeronautical revenue stream, which is not subject to regulatory control, in particular due to our commercial property development business which provides a non-aeronautical revenue stream largely delinked from air travel and which is set to grow as we sub-lease the remainder of the 1,500 acres of land that we have designated for development in the Master Plan.

We believe that our diversified operations and sources of revenues help create a solid revenue generation.

Significant Real Estate Development Opportunity

Under the Land Lease Agreement, the State Government has leased us 5,492 acres of land for the development of the Airport in accordance with the Concession Agreement along with the exclusive right to develop (or sub-lease the land for) non-airport activities on the site, of which we have designated 1,500 acres for commercial property development in the Master Plan.

We are in the process of developing the commercial site in a phased manner. Out of this 1,500 acres, we have designated 250 acres for a multi-product SEZ, which will include a “Free Trade Warehousing Zone” of 20 acres, and an additional 250 acres for a logistics park. The developers in the multi-product SEZ will be entitled to fiscal incentives together with “single window” clearances for regulatory approvals and 24-hour power and other utilities. The remaining 1,000 acres is available for development of a theme-based airport city, which is expected to include, among others, a multi-specialty hospital, convention center and exhibition facility, an amusement park, an international business school and an international school. As at June 30, 2017, we have monetized approximately 90 acres of this land, including land leased to Indian Rotorcraft Ltd. (Tata Augusta), United Technologies Corporation India Pvt. Ltd. (Pratt & Whitney), CFM, Amazon Seller Services Private Limited, Casper Pharma Private Limited, Cronus Pharma Specialties India Private Limited, Ryan International School, Schulich Business School, SAS Applied Research & Lab Materials Ltd, SAAZ Imaging Systems Private Limited, Decathlon and Turbo Jet Private Limited.

We believe that this 1,500 acre site presents a significant real estate development opportunity for us and an additional source of cash flow for our business.

Stable Regulatory Framework

Our business operations fulfill a number of socio-economic goals that are important to the Indian government, such as employment and infrastructure development, and our operational, development and expansion plans are closely aligned with the government's objectives, including supporting the economic development of India and encouraging the growth of tourism. In addition, 13.0% of our shares are currently owned by the State Government and 13.0% of our shares are owned by AAI, making the Government of India one of our key shareholders. In this regard, we have received financial support from State Government in the form of development grants and interest free loans with deferred payment terms and the Concession Agreement provides for a modest revenue-sharing of 4.0% of gross revenues with the Government of India.

On June 15, 2016, the Government of India released the Aviation Policy 2016, introducing various measures to make flying affordable and convenient for the Indian public and promote the growth of the Indian civil aviation sector. The Aviation Policy 2016 seeks to enhance regional connectivity by providing fiscal support and infrastructure development while improving the ease of doing business through deregulation, use of electronic platforms and simplified procedures. The Aviation Policy 2016 endorsed the adoption of the 30% hybrid till tariff model for all airports in India, which helps ensure that AERA will continue to approve our current 30% hybrid till tariff model in subsequent control periods, providing valuable visibility for our future financial planning, in addition to contributing to uniformity and fairer competition among airports in India. The policy has also encouraged the development of MRO, ground handling, cargo and aviation turbine fuel infrastructure facilities located at the Airport by designating the companies rendering such services as infrastructure companies, which entitles them to certain tax and other fiscal benefits available to the infrastructure sector. Going forward, the Government of India will seek to enter into "open sky" air service agreements on a reciprocal basis with member countries of the South Asian Association for Regional Cooperation and countries that are more than 5,000 km from India. The Aviation Policy 2016 targets to increase annual domestic air passengers to 500 million, international air passengers to 200 million and cargo volumes to 10 million by 2027.

The policy also endorsed the Regional Connectivity Scheme, under which the Government of India will seek to make improvements to smaller airports across India to connect small and mid-sized cities with major airports such as the Airport. Under the Regional Connectivity Scheme, MoCA will levy a small charge on domestic flights and will use it to fund a subsidy given to airlines which provide capped airfares for certain under-served regional routes at a target rate of Rs.2,500 per passenger per hour of flight time. Following the counter-bidding for routes under the Regional Connectivity Scheme, 128 routes have been awarded to five airlines. The Regional Connectivity Scheme also eliminates the existing requirement that airlines must fly domestic routes for at least five years before they fly international routes, so that airlines with at least 20 aircraft can immediately start flying internationally. Three new routes from the Airport are now operational under the Regional Connectivity Scheme, and we expect many more such routes to become operational given the Airport's strong catchment area.

The Government of India also plays a range of other important roles with respect to our business, including through regulatory, supervisory, operational coordination and contractual counterparty roles across many aspects of our airport operations and other activities. We believe that due to the pivotal importance of air travel to the economic development of India, we will benefit from the ongoing initiatives of the Government of India.

Our revenue from aeronautical services, which is generated from fees we collect from airlines and passengers, is set by AERA, an independent regulator established by the Government of India. Our expansion plans, including our plans for future capital expenditures in subsequent control periods, is subject to AERA's review and approval in connection with its tariff decisions. As a result, we believe that AERA's tariff decisions provide assurances that sufficient revenue will be available from aeronautical services to fund our intended capital expenditures in line with the plans we have submitted to AERA. We have the right to appeal AERA's tariff rates to a separate appellate tribunal, which provides us with an avenue to address potential concerns. See "Business—Regulatory Bodies—AERA" for further details.

Independent Company with Strong Oversight Controls

We exercise independence in our managerial and financial operations while also enjoying the support of reputable shareholders. Our shareholders include private sector sponsors GMR Infrastructure Limited and Malaysia Airports Holding Berhad (through MAHB Mauritius Private Limited) and public sector entities AAI and the State Government. Under the SHA, the role of our private sector shareholders is to manage the operations of the Airport while our public sector shareholders provide the relevant support, particularly by ensuring reliable transport infrastructure, power and utilities, ensuring security at the Airport, and advising on policy with regard to the regulatory till and other regulatory matters. Certain fundamental decisions with respect to our strategy and business require the approval of directors from each of our public-sector shareholders, as does any approval of agreements relating to engineering, procurement and construction, operations and management, or communications and air traffic control that we enter into with affiliates of our shareholders. Our public sector shareholders also provide financial support, particularly with regard to development grants and interest free loans with deferred payment terms, from the State Government, and the Concession Agreement provides for a modest revenue-sharing of 4.0% of gross revenues with the Government of India, which is one of the lowest concession fee structures among PPP airports in India.

Our board is comprised of 14 directors, of which five are nominated by GMR Group, one is nominated by Malaysia Airports Holding Berhad, two are nominated by AAI, two are nominated by the State Government and four are independent directors. Our key board committees include nominees from our public sector shareholders and independent directors. See "Management" for further details.

Our majority shareholder is a subsidiary of the GMR Group, which has substantial experience in the development and operation of airports, including the Indira Gandhi International Airport in Delhi. The GMR Group believes in contributing its industry expertise to the companies it invests in while establishing for each a clear and independent management structure. GHIAL's financing documents do not include cross-default provisions with respect to the GMR Group, which further strengthens GHIAL's insulation from the GMR Group. As a regulated entity, legislative, regulatory and structural restrictions prohibit GHIAL from supporting the GMR Group to extent that would in turn impair GHIAL's standalone creditworthiness. Another of our shareholders is Malaysia Airports Holding Berhad, a subsidiary of Malaysia Airports Limited, a leading international airport operator with very strong domain expertise in airport operations and management, which takes a passive role in managing our operations while providing advice on strategic matters to our board. We are a separate legal entity from our shareholders, do not permit co-mingling of cash flows and enter into transactions with our affiliates on an arm's-length basis, and we have independent directors on the board who have effective influence on decision making. As a result, we enjoy significant independence from our shareholders in managing and operating the Airport.

Excellent Reputation and Highly Experienced Management

We believe our competitive position compared to other world-class airport operators and a continuing reputation for operational excellence within the airport services industry is a significant competitive advantage. GMR Group has been in the airports business for more than a decade and has established itself as a leading airport developer. Our majority shareholder, GMR Airports Limited, which is part of the GMR Group, is a full service airport developer, providing end-to-end solutions across construction, financing, development, operation and management of airports. Our highly experienced management team has leveraged that experience at the GMR Group to make substantial infrastructure and operational improvements at the Airport and greatly improve the Airport's reputation. Our management team is composed of experienced professionals with extensive knowledge of airport safety and operations, finance, business development, infrastructure projects and human resources management in airport-related operations. We believe our management team's capabilities and core understanding of our business, as well as the related regulatory environment, enable us to operate efficiently and manage risk effectively.

As a result of our management's continued efforts, coupled with that of our partners, the Airport and/or GHIAL have been recognized by several industry observers and have earned a number of awards, including the following:

- Ranked number one in 2009, 2010 and 2016, number two in 2012 and 2013 and number three in 2011, 2014 and 2015 for "Best Airport in the World" among 5-15 million passenger size airports by the Airport Council International;

- "Best Airport Awards" in India by SKYTRAX in 2010 and 2013;

- "Best Regional Airport in India and Central Asia" in 2016 at the SKYTRAX World Airport Awards;

- "Best Cargo Airport" and "Best Air Cargo Terminal" in 2012 and 2013 by ACAAI;

- "Best Greenfield Airport" in 2009 by the Air Passenger Association of India;

- "National Tourism Award" by the Ministry of Tourism between 2010 and 2013;

- "Emerging Cargo Airport of the Year" in 2014 and 2015 by STAT TIMES;

- "Best Airport Marketing Award" in 2013 by CAPA;

- The "Routes Airport Marketing Award" in the Indian sub-continent category in 2010 by The Routes Asia;

- "Fastest Growing Cargo Airport" in 2016 at the India Cargo Awards West and South;

- LEED "silver" rating for the Airport's eco-friendly design;

- 5-star certification and the "Sword of Honor" from the British Safety Council;

- Level 3 accreditation by ACI in relation to airport carbon emission;

- First place in the "Large Scale — Service" category of the CII SR 5S Excellence Award 2015;

- "ASSOCHAM 2nd Corporate Governance Excellence Award" in 2015 and 2016 — as runner up under Unlisted Private Sector Company of Less than Rs.5 billion Turnover category;

- "Best Management Award" from the Government of Andhra Pradesh;

- "Active Customer Engagement Award" in the inaugural edition of "CII Award for Customer Obsession 2016";

- "Best Landscape" in 2015 at the Garden Festival;

- "Golden Peacock Environment Management Award" in 2015;

- "Golden Peacock Business Excellence Award 2017" under the "Large Scale Industry — Transportation — Aviation" category; and

- Our cargo subsidiary, Hyderabad Menzies Air Cargo Private Limited, received the award for "Best Cargo Terminal Workforce 2016" at the Warehousing Excellence Awards.

STRATEGIES

We intend to seek to increase revenues and improve efficiencies through the following key measures:

Develop the Airport into South and Central India's Gateway of Choice

A key driver of our revenue growth is related to passenger traffic. We are therefore committed to developing new air routes at our Airport by encouraging new airlines to call on the Airport and existing airline customers to add further routes to and from the Airport, with a particular focus on key international routes and airlines with high growth potential. Since June 30, 2016, we have added two new airlines, Air Asia India and Go Air, and several airlines, including Indigo, SpiceJet and Go Air, have announced new routes, including routes to Trivandrum, Mangalore, Pondicherry, Surat, Patna, Jabalpur, Bhopal, Cudappah and Nandeed. Due in part to our catchment area and centralized location, we believe that we are the preferred airport for travelers to south India as compared to other airports in south India such as Bangalore and Chennai.

We intend to enhance our market position as a transit point for domestic flights and promote Hyderabad as the preferred hub for immediately addressable markets and routes. The geographic location of Hyderabad makes it suitable as a hub for domestic passenger traffic, especially as it provides easy access to and from various major cities in South and Central India. We have developed a comprehensive route development strategy, backed by our team of experienced professionals, with the goal of developing new routes, optimizing the scheduling of existing routes, building flight connections, attracting new airlines and increasing overall passenger traffic at Hyderabad. We are working closely with airlines to align their schedules of departures and arrivals to maximize connection options and minimize connecting times for passengers. We also aim to increase the number of aircraft based at the Airport by offering night parking and other facilities, and to establish routes with attract larger aircraft to help increase passenger traffic.

We also aim to develop Hyderabad as a tourism gateway through the introduction of integrated tourism packages and collaborating with the tourism departments of neighboring states. For example, we have introduced loyalty programs for travel agents and route development initiatives with airlines for certain routes. We believe that these efforts will facilitate the development of additional routes and further increase passenger traffic and revenues.

Develop the Airport as a Preferred Logistics Hub

We seek to develop the Airport into an air traffic hub for cargo in India by pursuing several initiatives, including increasing traffic to the Middle East, Africa, China and Europe by developing new facilities such as perishable cargo, express cargo and trans-shipment facilities and expanding the domestic zone facilities, enhancing our air cargo logistics center to attract new freight forwarders, leveraging our state-of-the-art cargo terminal with advanced temperature-controlled facilities for the storage and handling of pharmaceutical products from receipt until dispatch to the aircrafts, and developing new revenue streams for renting warehouse and commercial cargo space.

We have developed the Cargo Village at the Airport, which includes an integrated cargo terminal with domestic, pharmaceutical and international zones within a single terminal. This integrated cargo terminal is spread over an area of 15,000 square meters and has a cargo handling capacity of 150,000 metric tons per year. The Cargo Village also includes a cargo apron with three dedicated aircraft parking bays for freighters approximately 50 meters away from the cargo terminal, which enhances the quality of handling of freighters by avoiding temperature excursions and reducing turnaround time. The Cargo Village has a dedicated cargo satellite building with warehousing space and offices for cargo agents, airlines and regulatory bodies, all available at a single facility proximate to the cargo terminal. In addition, Blue Dart operates a dedicated Domestic Express Terminal from the Cargo Village.

To strengthen our catchment connectivity, we have launched an "Air Freight Stations" initiative at Nagpur, Chennai, Goa and Vishakhapatnum to provide location convenience to our customers in these locations so that they can utilize our cargo infrastructure and services directly from their business regions. We have also linked several cities in South, Central and Western India through our "Road Feeder Services" initiative. We believe that these initiatives have demonstrated the quality of our infrastructure and connectivity and associated benefits of shipping through the Airport to customers within our catchment area, which has contributed to the consistent increase in our transit cargo in recent years.

We plan to leverage our Cargo Village and core cargo business to explore new cargo opportunities. We plan to further expand our capacity for pharmaceuticals with a dedicated "Pharma Zone" containing additional temperature-controlled warehouses, attract trunk route freighters and establish additional Free Trade Zones. Leveraging the growth of our airport city, we plan to ultimately establish an integrator hub, with a new express cargo terminal, additional bonded and non-bonded warehouses and a greenfield cargo airline based at the Airport.

Drive Growth in Commercial Property Development and Non-Aeronautical Operations and Related Services Revenue

We earn revenue in our commercial property development segment from sub-leasing parcels out of our total land bank of approximately 1,500 acres. All land monetization activities are being undertaken through our wholly-owned subsidiaries which in turn provide lease rent and revenue share to GHIAL. We are currently focused on increasing the percentage contribution from commercial property development and non-aeronautical operations and related services to our overall operating revenue. The terms of our Concession also provide us with flexibility and control in developing non-aeronautical operations and related services, which are generally not subject to government tariff regulation. These non-aeronautical operations and related services, including various retail and food and beverage outlets in the Airport, advertising in Airport premises, the leases of commercial space such as offices and airline lounges, operation of car parks and retail operations consisting of the sale of dutiable and non-dutiable goods, are all provided through various partner concessionaires, subsidiaries and joint ventures. Non-aeronautical operations and related services include the cargo facility and services provided at the Airport as well as non-airport services like hospitality services provided by our five-star rated Novotel Hyderabad Airport Hotel, commercial property development activities, MRO services and flight training services provided by our subsidiaries. Our revenue from non-aeronautical operations and related services has increased to Rs.6,584.6 million in fiscal year 2017 from Rs.5,880.1 million in fiscal year 2016.

With the increasing consumer purchasing power in India, we believe there are significant opportunities to increase non-aeronautical operations and related services revenue per passenger. We expect to focus on this objective through a range of initiatives, including:

- *Generate revenue from commercial property development*. The State Government has leased us 5,492 acres of land for the development of the Airport along with the exclusive right to develop (or sub-lease the land for) non-airport activities, of which we have designated 1,500 acres for commercial property development in the Master Plan. Commercial property development at the Airport is being undertaken in phases. Our aim is to progressively develop a multi-product SEZ spread across 250 acres, a logistics park spread across 250 acres and a theme-based, anchor-led, mixed-use airport city spread across 1,000 acres. As at June 30, 2017, we have monetized approximately 90 acres of this land, including land leased to Indian Rotorcraft Ltd. (Tata Augusta), United Technologies Corporation India Pvt. Ltd. (Pratt & Whitney), CFM, Amazon Seller Services Private Limited, Casper Pharma Private Limited, Cronus Pharma Specialties India Private Limited, Ryan International School, Schulich Business School, SAS Applied Research & Lab Materials Ltd, SAAZ Imaging Systems Private Limited, Decathlon and Turbo Jet Private Limited.

  The business environment in Hyderabad has also improved significantly over the past few years with gradual economic recovery aided by the industry-friendly policies of the state government which has brought the likes of Amazon, Apple, Google and Microsoft to set up campuses in Hyderabad. With such ongoing developments in and around Hyderabad, the demand for land in our land bank has gained traction and is expected to contribute significantly to our revenues.

- *Create stronger commercial focus*. We are in the process of optimizing our retail and other service offerings. In connection with these initiatives, we are seeking to reorganize, reposition and diversify our retail, food and beverage and other commercial offerings in our Airport to maximize customer traffic and visibility and minimize the distance and processing times from retail or other shops to boarding gates. Some of the key initiatives that we have undertaken, or plan to undertake, include (i) the development of new retail spaces in underpenetrated areas at the Airport by designing and executing new projects, bringing in new brands such as Swarovski, Mont Blanc, Porsche Design, Lacoste, Tommy Hilfiger and United Colors of Benetton and improving processes around concessionaire coordination, (ii) bringing new concessionaires onboard and tracking the sales performance of concessionaires through the improvement in account management, the implementation of close-ended Electronic Point of Sale (“EPOS”) and closed-circuit television (“CCTV”) systems and mystery audits and performance monitoring audits, (iii) utilizing visual merchandising and in-store promotions to improve impulse purchases with increased awareness and engagement with potential customers through social media, (iv) the introduction of new food and beverage offerings such as food festivals, take-away options and developing the food court, (v) encouraging the growth of the Airport as a leisure and destination venue by working on arena concepts, improving the leisure offerings at the Airport and promoting the activities at the Airport in the city and (vi) modifying the car park with a focus on the smooth entry and exit of vehicles through forecourt management and the introduction of valet and premium parking. We utilize extensive benchmarking through best practices learned from the leading airports in the world to enhance our optimization process. We are also working with our concessionaires to better differentiate and diversify our offerings in order to target the contrasting needs of full-service and LCC passengers and widen our overall product and services ranges to enhance passenger experience in our airports. Furthermore, we seek to promote our Airport branding through extensive marketing and communication of our products and services.

- *Enhance retail operations*. Through our subsidiary, we operate a full-range duty-free products business in the Airport. We are focused on enhancing the revenue contribution from our duty-free retail operations through initiatives including (i) the enhancement of brand and product offerings and the introduction of new categories of products beyond the core categories, (ii) improving the lay-out of our duty-free stores to better engage passengers, (iii) customizing offerings to better cater to target customers, (iv) focusing on visual merchandising, marketing and communication to attract customers, (vii) attracting festive celebrations, (viii) achieving efficient inventory management, (ix) rolling out in-store promotions and strategic product tie-ups and (x) focusing on staff training and development. We can also leverage our existing infrastructure to offer additional services for parking, taxis and food and beverage offerings to drive additional revenue growth.

- *Enhance our business capabilities*. We seek to expand commercial airport operations by supporting better business decision-making methodologies through the improvement of our business intelligence analytics, point-of-sales data analysis, business relationship management and customer relationship management systems. We believe that enhancing our business management capabilities will allow us to leverage the expansion of our commercial operations infrastructure into compounding business growth.

We believe the above steps have resulted in a significant increase in revenue from non-aeronautical operations and related services since the start of our Concession and we will continue to implement these strategies. Revenue from non-aeronautical operations and related services was Rs.1,746.1 million, Rs.1,562.9 million, Rs.6,584.6 million and Rs.5,880.1 million for the three months ended June 30, 2017 and 2016 and fiscal years 2017 and 2016 and, respectively, accounting for 48.4%, 48.5%, 48.2% and 67.2% of our revenue from operations in those periods.

Sustain Service Quality and Customer Experience

As the first Indian airport to be named "Best Airport in the World" among 5-15 million passenger size airports by the Airport Council International in 2016, we aim to continue to improve service levels and overall passenger satisfaction by working with our stakeholders and regulatory partners to introduce passenger friendly policies. GHIAL's existing passenger throughput has exceeded the terminal capacity leading to capacity constraints during peak hours. To cater to the present level of growth, we have undertaken various de-bottlenecking measures such as including additional entry points to the terminal, re-orientation of security checkpoints, modification of the baggage handling system, kerb side expansion, ramp expansion, including additional remote gates by extending the bus lounge and de-peaking of passengers to maximize the utilization of our current facilities. Other initiatives include the introduction of an e-boarding facility and express security check facility for passengers travelling with hand baggage. These initiatives are expected to reduce waiting times for security checks, increase available time for retail activities and reduce our operating costs.

By aligning our airport infrastructure planning with the expected growth in passenger levels, we hope to satisfy the changing needs and expectations of passengers at the Airport. In addition to building a customer-focused organization, we are continually implementing initiatives to develop and train our human capital, including employee engagement and welfare initiatives, to ensure that we have the capabilities to deliver the highest service standards.

Further Enhance Operational Efficiency

In an effort to optimize the operating efficiency of the Airport, we have implemented several initiatives designed to manage costs while maintaining the quality of the airport experience. We intend to continue exploring and implementing similar initiatives in the future in order to improve our operational efficiencies, which we believe are already among the best in the airport industry. Examples of initiatives we have recently implemented that we intend to continue exploring in the future include the following:

- *Rationalizing energy consumption at the Airport.* The Airport has implemented various energy saving measures as part of its environmental sustainability management. The Airport has been designed with this energy conservation objective through the establishment of environment-friendly infrastructure like the LEED-certified passenger terminal building and energy efficient equipment and practices, including rainwater harvesting through a reservoir onsite. The Airport has also received the 5- Star Certification and the "Sword of Honor" from the British Safety Council. GHIAL has been operating the Airport by adopting best energy conservation practices with the involvement and support of the airport community. Further, we have commissioned a 5.0 MW solar power plant at the Airport, resulting in 10.0% to 15.0% of the Airport's energy requirements being met from renewable energy as at March 31, 2017 and we have plans to implement an additional 5.0 MW of solar power generation capacity. These environmental-friendly practices have helped GHIAL to manage its carbon emissions and become a carbon neutral airport under the Airport Carbon Accreditation program.

- *Improving air traffic movements and on-time performance.* We implemented certain recommendations from an air traffic study we commissioned, which resulted in the increase of maximum ATMs per hour that we are able to handle from 30 in fiscal year 2012 to 33 in fiscal year 2017.

- *Maintaining effective headcount and controlling administrative expenses.* We are continuously assessing efficiency initiatives and targeting these measures to achieve economies of scale through the consolidation of our core corporate functions and administrative expenses. We will continue to analyze our headcount requirements as permitted by our operations in an effort to optimize efficiency without adversely affecting the airport experience.

Successfully Implement the Phase 1B Expansion

As the passenger traffic at the Airport has exceeded the passenger capacity of the Airport, we have initiated the process to increase the passenger capacity through the construction of additional facilities, which we expect will contribute to an increase in both aeronautical revenues and non-aeronautical operations and related services revenues. Under the terms of the Concession Agreement, we are required to update and re-submit the Master Plan to the Government of India every five years or more frequently if justified by traffic growth or other reasons covering the anticipated demands.

We have proposed to expand the terminal and associated facilities to augment passenger processing capacity in order to meet the demand of the projected traffic growth. Our current phase of development, the Phase 1B Expansion, includes, among others, (i) the addition of a modular expansion to the east and west sides approximately 0.9 times the size of the existing terminal, (ii) pier expansion (east and west side), (iii) apron expansion for stands and excess taxi provisions and (iv) modification of the departure forecourt and ramp modification. Upon completion of the Phase 1B Expansion, we expect passenger capacity of the Airport to increase from 12 million passengers per year to 20 million passengers per year.

CORPORATE HISTORY AND STRUCTURE

Corporate History

As part of its policy to encourage private sector participation in the development of airport infrastructure, the Government of India granted its approval and support for the development of a greenfield airport through the public private partnership ("PPP") model. Following the invitation of bids for the airport project and an international competitive bidding process, the State Government selected a consortium led by the GMR Group as developer to design, finance, build, operate and maintain the Airport on a build, own and operate basis in July 2003.

To implement the airport project, the State Government incorporated an SPV company (the "SPV") named "Hyderabad International Airport Limited" on December 17, 2002 with government officials as directors and subscribers in the Memorandum of Association of the SPV and with an initial paid-up capital of Rs.5 lakhs divided into 50,000 equity shares of Rs.10 each. On September 30, 2003, a shareholders' agreement was entered into between the State Government, AAI, MAHB and GIL to record their agreement on the structure, scope, management and operation of the SPV and setting out their respective rights, obligations and relationship as shareholders and joint venture partners. AAI, MAHB and GIL became shareholders of the SPV by way of the transfer of existing shares/allotment of new shares, resulting in the following shareholding: GIL (63.0%), MAHB Mauritius Private Limited (11.0%), AAI (13.0%) and the State Government (13.0%). The name of the SPV was changed to "GMR Hyderabad International Airport Limited" with effect from November 29, 2005.

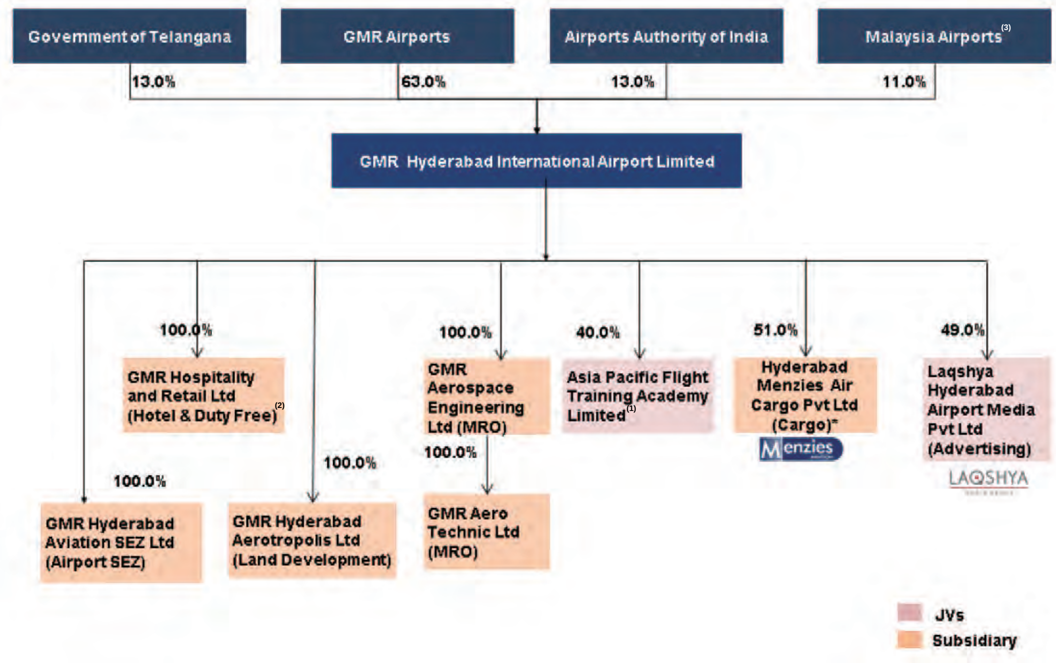
Under the Concession Agreement, we are responsible for the development, design, financing, construction, commissioning, maintenance, operation and management of the Airport, but we are permitted to sub-contract, sub-lease and license out certain functions, such as those related to non-aeronautical operations and related services, which we have done so through our subsidiaries, joint ventures and third party concessionaires. See "—Our Concession" for further details. In addition to exercising overall management control and supervision of the Airport, we directly perform, among others, the following activities: vehicle rental service, travel agency, offices for freight consolidators/forwarders or agents and a bus terminal for local and regional buses.

We have also entered into other agreements such as the SSA, the Land Lease Agreement and the CNS/ATM Agreement with the relevant authorities in relation to the operation of the Airport.

We commenced construction of the Airport in 2004 with the construction of the boundary wall followed by the first concrete pour shortly thereafter in 2005. In October 2006, construction of the air traffic control building was completed and the first runway was commissioned. The Airport was inaugurated on March 14, 2008 and commenced commercial operations from March 23, 2008.

Corporate Structure

The chart below sets forth the corporate structure and ownership of GHIAL and its operating subsidiaries and joint ventures as at June 30, 2017.



(1) On September 8, 2017, we entered into a share purchase agreement with APFT Sdn Bhd, our joint venture partner in Asia Pacific Flight Training Academy Limited, to purchase its entire 60% stake in the joint venture, which share transfer was consummated on October 9, 2017 and since which time Asia Pacific Flight Training Academy Limited has been our wholly-owned subsidiary. See "Risk Factors—Risks Related to Our Business—Our strategy to consolidate and expand operations at Asia Pacific Flight Training Academy Limited may be unsuccessful."

(2) The National Company Law Tribunal passed an order on April 18, 2017 approving a Scheme of Arrangement for merger filed under Sections 391 and 394(1) of the Companies Act, 1956, for the merger of Hyderabad Duty Free Retail Ltd. ("HDFRL"), until such time a wholly-owned subsidiary of GHIAL, into GMR Hotels and Resorts Ltd. ("GHRL"). Pursuant to the order, HDFRL merged into GHRL and ceased to have an independent legal existence effective April 01, 2016. Subsequently, GHRL's name was changed to GMR Hospitality and Retail Limited.

(3) Malaysia Airports Refers to MAHB Mauritius Private Limited.

(4) This chart does not include GMR Hyderabad Power Distribution Limited, our wholly-owned subsidiary, which does not currently have active operations.

For further information about our subsidiaries and joint ventures, see "—Subsidiaries and Joint Ventures."

THE MASTER PLAN

Our first Master Plan was prepared during 2004 and was submitted to MoCA on December 20, 2004 at the time of signing the Concession Agreement. As a result of significant changes in the socio-economic landscape and operational circumstances from the time of the first Master Plan which recommended the development of the Airport to cater for just five million passengers per year, the passenger capacity of the Airport was revised to seven million and subsequently 12 million passengers per year in the Master Plan.

The Master Plan represents the direction that GHIAL will take in the future, recognizing the strategic location of the Airport within an extended and expanding population within its vicinity. The Master Plan update has been developed using a technical review and consultative process with community and stakeholder input on issues that the Airport needs to address. We made our last submission of the Master Plan to MoCA in fiscal year 2015, which included the Airport's developmental need in greater details for the five-year period between fiscal year 2015 and fiscal year 2019 and the broad plans for the period between fiscal year 2019 and fiscal year 2039. In light of the growth of LCCs, higher traffic growth than was previously assumed, changes in flight and passenger demand and other factors, we have revisited the Master Plan and expect to submit to MoCA a revised Master Plan consisting indicative planning and implementation periods beyond 2020 for Phase 1C, Phase 2A and Phase 2B.

As the passenger traffic at the Airport has exceeded the current passenger capacity of the Airport, we have initiated the process to increase the passenger capacity to 20 million passengers per year through the construction of additional facilities, which we expect will contribute to an increase in both aeronautical revenues and revenues from non-aeronautical operations and related services. We have proposed to expand the terminal and associated facilities to augment passenger processing capacity in order to meet the demand of the projected traffic growth. Our current phase of development, the Phase 1B Expansion, includes, among others, (i) the addition of a modular expansion to the east and west sides approximately double the size of the existing terminal, (ii) pier expansion (east and west side), (iii) apron expansion for stands and excess taxi provisions and (iv) modification of the departure forecourt and ramp modification. Upon completion of the Phase 1B Expansion, we expect passenger capacity of the Airport to increase from 12 million passengers per year to 20 million passengers per year.

We currently estimate the total capital expenditures required for the Phase 1B Expansion to be in the range of Rs.20 billion to Rs.25 billion, which will be made between the next one to three years, depending on the formal project specifications. We expect that such capital expenditures will be financed through cash flow from operations, existing surplus cash and the incurrence of additional indebtedness. We will seek to manage our increased leverage and debt servicing needs by capturing additional revenue through increased passenger traffic, and by preserving our existing cash flow by minimizing disruptions to existing passenger traffic and promptly executing the construction plan for Phase 1B Expansion. We believe that a successful implementation of the Phase 1B Expansion will allow us to capture additional revenue through increased tariff rates and increased passenger traffic. In connection with the approval of the capital expenditures for the Phase 1B Expansion, we have conducted consultations with key stakeholders such as major airlines, IATA, AAI, MoCA and others.

The next phase of our expansion, the Phase 1C expansion, contemplates (i) expansion of the terminal capacity to 25 million passengers per year, (ii) expansion of our cargo facilities from 150,000 metric tons to 350,000 metric tons per year, (iii) further modular expansion of the existing terminal to accommodate new check-in counters, baggage claim units and contact stands and (iv) additional parking stands and car parking facilities. We expect to commence the Phase 1C expansion in 2020.

THE AIRPORT

The Airport operates 24 hours daily and it is the sixth busiest airport in India in terms of passenger traffic, according to data compiled by AAI. The Airport serves Hyderabad, which is the fourth most populous city in India and currently the joint capital of Telangana and Andhra Pradesh, making it an aviation hub for the region. Hyderabad is developing a regional infrastructure that is expected to tie the Airport to the regional population of approximately 7.7 million. The Airport is strategically located in central India, and is well-positioned with the majority of India's territory reachable within two hours' flight time and the major population centers of the Middle East, Central and Southeast Asia reachable within five hours' flight time. The Airport serves 25 airlines operating connections to 49 destinations, comprising 16 international destinations and 33 domestic destinations as at June 30, 2017. The Airport is emerging as a leading aviation hub in South and Central India.

In fiscal year 2017, the Airport served 15.1 million passengers, as compared with approximately 45.2 million, 57.7 million, 22.9 million, 18.4 million and 15.8 million passengers served by the airports in Mumbai, Delhi, Bangalore, Chennai and Kolkata, respectively, according to AAI, and also supported 121,882 metric tons of cargo traffic and accounted for 130,713 ATMs.

The following tables set forth certain statistical data relating to passenger and cargo traffic, ATMs and our revenue for the periods indicated.

	Three months ended June 30,		Year ended March 31,	
	2017	**2016**	**2017**	**2016**
Passenger Traffic (in millions of persons)				
Domestic passengers	3.2	2.6	11.7	9.2
International passengers	0.9	0.8	3.4	3.2
Total passengers	**4.1**	**3.5**	**15.1**	**12.4**
Revenue from user development fees and passenger service fees (in millions of Rs.)(1)(2)	1,454.4	1,306.6	5,553.8	1,592.5
Percentage of total revenue(2)	40.1%	40.2%	40.3%	18.0%
Cargo Traffic (in metric tons)				
Domestic cargo	13,229	12,072	52,936	50,455
International cargo	19,562	16,195	68,946	59,578
Total cargo	**32,791**	**28,267**	**121,882**	**110,033**
Revenue from cargo operations (in millions of Rs.)(2)	222.8	208.9	825.7	805.2
Percentage of total revenue(2)	6.1%	6.4%	6.0%	9.1%
Air Traffic Movements (ATMs)				
Domestic	29,011	24,825	108,452	85,079
International	5,711	5,554	22,261	20,693
Total ATMs	**34,722**	**30,379**	**130,713**	**105,772**

(1) We use user development fees and passenger services fees as a measure of direct revenue from passenger traffic.

(2) Amounts disclosed for each for each of the periods have been prepared in accordance with Ind-AS. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year ended March 31, 2015
Passenger Traffic (in millions of persons)	
Domestic passengers	7.6
International passengers	2.8
Total passengers	**10.4**
Revenue from user development fees and passenger service fees (in millions of Rs.)[1][2]	0.0[3]
Percentage of total revenue[2]	0.0%[3]
Cargo Traffic (in metric tons)	
Domestic cargo	43,876
International cargo (in metric tons)	55,023
Total cargo	**98,899**
Revenue from cargo operations (in millions of Rs.)[2]	713.9
Percentage of total revenue[2]	11.0%
Air Traffic Movements (ATMs)	
Domestic	75,696
International	18,361
Total ATMs	**94,057**

(1) We use user development fees and passenger services fees as a measure of direct revenue from passenger traffic.

(2) Amounts considered have been prepared in accordance with Indian GAAP.

(3) Our user development fee and passenger service fee (facilitation component), which comprise a substantial portion of our aeronautical revenue, was discontinued pursuant to the 2014 AERA Order and was only restored in fiscal year 2016 with effect from November 3, 2015.

International passengers accounted for 22.0% and 22.5% of our total passenger traffic for the three months ended June 30, 2017 and fiscal year 2017, respectively. Since fiscal year 2009 (when the Airport began commercial operations), the number of international passengers using the Airport has increased by nearly 115.2%. Of the international passengers that came through the Airport during the three months ended June 30, 2017 and fiscal year 2017, 47.0% and 48.0%, respectively, were from Middle East, 23.0% and 22.0%, respectively, were from North America, 17.0% and 16.0%, respectively, were from Asia, 8.0% and 9.0%, respectively, were from Europe, 3.0% and 3.0%, respectively, were from Australasia and 2.0% and 2.0%, respectively, were from Africa. In accordance with the tariffs set by AERA, we have historically received higher landing charges from airlines for international flights than domestic flights, and collected higher user development fees from international passengers than domestic passengers.

The total number of passengers using the Airport from its commencement of operations in fiscal year 2009 through fiscal year 2017 was 6.2 million, 6.5 million, 7.6 million, 8.4 million, 8.3 million, 8.7 million, 10.4 million, 12.4 million and 15.1 million, respectively. From fiscal year 2009 and fiscal year 2017, the total number of passengers at the Airport grew at a CAGR of 11.7%, as compared with a CAGR of 12.7%, 12.3%, 8.5%, 10.8% and 8.1% for the airports in Bangalore, Delhi, Mumbai, Kolkata and Chennai, respectively, according to AAI. In fiscal year 2017, the Airport accounted for

5.7% of the total passengers in India, while the airports serving Delhi, Mumbai, Bangalore, Chennai, Kolkata and Cochin accounted for 21.8%, 17.0%, 8.6%, 6.9%, 6.0% and 3.4%, respectively, according to AAI. Airports owned by the Government of India, excluding Kolkata and Chennai, accounted for nearly all of the remainder of total passengers.

From fiscal year 2009 through fiscal year 2017, the total number of transfer passengers using the Airport was 0.05 million, 0.05 million, 0.1 million, 0.3 million, 0.2 million, 0.2 million, 0.3 million, 0.3 million and 0.2 million, which accounted for approximately 0.8%, 0.8%, 1.4%, 3.1%, 2.5%, 2.6%, 2.5%, 2.2% and 1.5% respectively, of all passenger traffic. Transfer passengers are an indicator of an airport's function as an aviation hub and provide opportunities for us to increase revenues from duty-free, retail and food and beverage services. As transfer passengers do not typically use our check-in counters and certain other facilities which origination and destination passengers use, the costs associated with handling increased numbers of transfer passengers is generally lower than for origination and destination passengers. We believe that the Airport's central location and efficient operational track record positions it well to become one of the main air travel hubs in India.

The Airport is located on approximately 5,490 acres of land, of which we have designated 1,500 acres for commercial property development in the Master Plan. The Airport was commissioned within a period of 31 months from the commencement of construction and became commercially operational on March 23, 2008 with an initial capacity of 12 million passengers per year and 150,000 metric tons of cargo handling capacity per year. The Airport has a main runway which is code-F compliant, 4,260 meters long and 60 meters wide (including the paved shoulders) which can accommodate code-F aircrafts and a secondary runway which is 3,707 meters long and 45 meters wide which can be used for the operations of code-E aircrafts. The main runways can accommodate 33 peak hour movements. The Airport has facilities and infrastructure which are in line with ICAO standards and practices to handle large aircrafts and international traffic. The Airport's facilities include one cargo terminal and one passenger terminal with a total of 96 check-in counters (including common user terminal equipment ("CUTE"), common-use self-service ("CUSS"), non-baggage and baggage counters) and 42 aircraft parking stands, comprising 30 remote stands and 12 aerobridges. The Airport houses a 13,500 kiloliter fuel farm facility that operates on an "open access" fuel policy where any oil marketing company ("OMC") under a contract with an airline can supply fuel using this facility. Under the current system prevalent in India, only an OMC with its own facility at the respective airport can supply the fuel. This leads to duplication of infrastructure as multiple OMCs set up their facilities at each of the airports. The advantages of an "open access" model adopted by the Airport over the prevalent system in India are (i) it leads to substantial savings in infrastructure costs for OMCs and (ii) it increases competition among OMCs leading to better prices for airlines. The current phase of our long-term Master Plan, Phase 1B, entails expansion of the Airport to increase the passenger capacity to 20 million passengers per year from the current passenger capacity of 12 million passengers per year. The Airport has the flexibility to increase capacity to accommodate up to 40 million passengers per year and 500,000 metric tons or cargo per year without incurring significant additional capacity expenditure due to the modular design of the existing infrastructure. Such expansion is proposed to be developed in a phased manner in line with the growth in passenger traffic.

We have also developed the Cargo Village at the Airport, which includes an integrated cargo terminal with domestic, pharmaceutical and international zones within a single terminal. This integrated cargo terminal is spread over an area of 15,000 square meters and has a cargo handling capacity of 150,000 metric tons per year. We have granted to Hyderabad Menzies Air Cargo Private Limited, our 51.0%-owned subsidiary, the exclusive right to operate and maintain the cargo terminal. The Cargo Village also includes a cargo apron with three dedicated aircraft parking bays for freighters approximately 50 meters away from the integrated cargo terminal, which enhances the quality of freight handling by avoiding temperature excursions and reducing turnaround time. In addition to these facilities, the Cargo Village also includes a dedicated domestic express terminal operated by Blue Dart and a dedicated cargo satellite building with offices for cargo agents, airlines, regulatory bodies and warehousing space adjacent to the cargo terminal. The Airport is the fifth busiest international cargo hub and the sixth busiest for domestic cargo in India by tonnage. From fiscal year 2009 (when the Airport began commercial operations) to fiscal year 2017, the amount of cargo handled at the Airport as measured in metric tons has increased at a CAGR of 10.6%. International cargo accounted for approximately 59.7%, 57.3%, 56.6%, 54.1% and 55.6% of cargo traffic for the three months ended June 30, 2017 and 2016 and fiscal years 2017, 2016 and 2015, respectively. We earn more significantly more revenue to per metric ton on international cargo as compared to domestic cargo, with yields per ton of Rs.6,119 and Rs.3,813, respectively. With state-of-the-art facilities like temperature-controlled unit load device, air freight station and road feeder service network providing multi-modal transport connectivity, we believe that the Airport is well-positioned to become the logistics hub for India and the South Asia region.

The Airport is also India's only airport-based free-trade zone, which provides companies an opportunity to undertake trading, distribution, minor assembly, value additions such as packaging and labelling and warehousing for effective re-export of commodities with facilities for sorting, grading, kitting and repacking.

Located at Shamshabad, Hyderabad between NH7 and Srisailam Highway, the Airport is connected to parts of South-central India by NH7 and Srisailam Highway and the city by the Outer Ring Road, an eight-lane expressway encircling the entire city, and by the PV Narasimha Rao elevated road to the city center. The government has also announced plans to connect the Airport to the city through the MMTS, suburban rail link and Hyderabad metro rail. The Airport has surface car parking with a capacity of 3,200 cars.

As at June 30, 2017, regularly-scheduled direct flights departing from the Airport were available to 49 locations, including 16 international destinations and 33 domestic destinations, and 25 passenger airlines use the Airport, including major global carriers in each of the three major passenger airline alliances, Star Alliance, Sky Team and Oneworld. IndiGo offers the largest number of routes to and from the Airport. Other major airlines utilizing the Airport include British Airways, Cathay Pacific, Emirates, Etihad, Fly Dubai, Gulf Air, Malaysian Airlines, Oman Air, Silkair, Thai Airways and Qatar Airways, among others, each of which operates international flights. Domestic routes are served primarily by Indigo, SpiceJet, Air India, Jet Airways, Air Asia India, Truejet, Go Air and Vistara. See "—Our Sources of Revenue—Main Aeronautical Services Customers" for more information.

As a result of our management's continued efforts, coupled with that of our partners, the Airport and/or GHIAL have been recognized by several industry observers and have earned a number of awards, including the following:

- Ranked number one in 2009, 2010 and 2016, number two in 2012 and 2013 and number three in 2011, 2014 and 2015 for "Best Airport in the World" among 5-15 million passenger size airports by the Airport Council International;
- "Best Airport Awards" in India by SKYTRAX in 2010 and 2013;
- "Best Regional Airport in India and Central Asia" in 2016 at the SKYTRAX World Airport Awards;
- "Best Cargo Airport" and "Best Air Cargo Terminal" in 2012 and 2013 by ACAAI;
- "Best Greenfield Airport" in 2009 by the Air Passenger Association of India;
- "National Tourism Award" by the Ministry of Tourism between 2010 and 2013;
- "Emerging Cargo Airport of the Year" in 2014 and 2015 by STAT TIMES;
- "Best Airport Marketing Award" in 2013 by CAPA;
- The "Routes Airport Marketing Award" in the Indian sub-continent category in 2010 by The Routes Asia;

- “Fastest Growing Cargo Airport” in 2016 at the India Cargo Awards West and South;
- LEED “silver” rating for the Airport’s eco-friendly design;
- 5-star certification and the “Sword of Honor” from the British Safety Council;
- Level 3 accreditation by ACI in relation to airport carbon emission;
- First place in the “Large Scale — Service” category of the CII SR 5S Excellence Award 2015;
- “ASSOCHAM 2nd Corporate Governance Excellence Award” in 2015 and 2016 — as runner up under Unlisted Private Sector Company of Less than Rs.5 billion Turnover category;
- “Best Management Award” from the Government of Andhra Pradesh;
- “Active Customer Engagement Award” in the inaugural edition of “CII Award for Customer Obsession 2016”;
- “Best Landscape” in 2015 at the Garden Festival;
- “Golden Peacock Environment Management Award” in 2015;
- “Golden Peacock Business Excellence Award 2017” under the “Large Scale Industry — Transportation — Aviation” category; and
- Our cargo subsidiary, Hyderabad Menzies Air Cargo Private Limited, received the award for “Best Cargo Terminal Workforce 2016” at the Warehousing Excellence Awards.

OUR SOURCES OF REVENUE

Our revenue from operations is derived from (a) aeronautical operations, which comprise user development fees, passenger service fees, landing charges, parking and housing charges and common infrastructure charges, and are regulated by AERA, and (b) non-aeronautical operations and related services, which are derived primarily from commercial and other activities including commercial property development, the provision of MRO services, the provision of advertising services attributable to our 49.0%-owned joint venture, Laqshya Hyderabad Airport Media Private Limited, hospitality and retail services attributable to our five-star rated Novotel Hyderabad Airport Hotel, which is managed and operated by AAPC India Hotel Management Private Limited (part of the Accor Group), and our duty free stores at the Airport, and cargo operations attributable primarily to Hyderabad Menzies Air Cargo Private Limited, our 51.0%-owned subsidiary, which operates and maintains the cargo terminal and provides a full scope of cargo handling services encompassing both physical handling as well as documentation services.

Revenue from aeronautical operations was Rs.1,864.7 million, Rs.1,661.1 million, Rs.7,082.7 million and Rs.2,874.5 million for the three months ended June 30, 2017 and 2016 and fiscal years 2017 and 2016, respectively, accounting for 51.6%, 51.5%, 51.8% and 32.8% of our revenue from operations in those periods. Revenue from non-aeronautical operations and related services was Rs.1,746.1 million, Rs.1,562.9 million, Rs.6,584.6 million and Rs.5,880.1 million for the three months ended June 30, 2017 and 2016 and fiscal years 2017 and 2016 and, respectively, accounting for 48.4%, 48.5%, 48.2% and 67.2% of our revenue from operations in those periods.

Aeronautical Services

Under the current tariff structure applicable to the Airport, our aeronautical services consist of user development fees, passenger service fees, landing charges, parking and housing charges and common infrastructure charges. All aeronautical charges are assessed and paid to us in Indian Rupees, except for passenger service fees from international passengers who purchase airline tickets in a foreign currency, which are paid to us in U.S. dollars. When determining our aeronautical charges, AERA takes into account our forecasts for traffic, our operating costs, capital expenditures, depreciation expenses and tax expenses, as well as our revenues from non-aeronautical operations and related services and our desired return on capital. In addition, AERA may take into account viewpoints from government agencies, the airline industry and passenger advocacy groups as well as other public policy considerations. AERA's determinations for our aeronautical charges are for a "control period" of five years, following which AERA may increase or decrease our aeronautical charges for the subsequent five-year control period. See "Indian Regulatory Environment—The Airports Economic Regulatory Authority of India Act, 2008" and "—Our Concession" for further details about the regulation of aeronautical services.

In the first control period spanning fiscal years 2011 through 2016, AERA had passed an order on February 24, 2014 determining the tariff structure of GHIAL to be based on a single till methodology with a significant reduction in the target aeronautical revenue. This was mainly on account of adoption of a single till, consideration of return on equity at 16.0%, disallowance of pre-control period entitlement for the period (when AERA was not in existence), disallowance of capitalization of foreign exchange loss and consideration of cargo, ground handling and fuel farm services as part of aeronautical services. The order further contended that due to over-recovery of user development fees and passenger service fees (facilitation component) by us in the initial three years of the first control period, we were not eligible to recover such fees for the remaining two years in the first control period. We filed a writ petition challenging the single till methodology adopted by AERA, consideration of return on equity at 16.0%, disallowance of pre-control period entitlement for the period (when AERA was not in existence), disallowance of capitalization of foreign exchange loss and consideration of cargo, ground handling and fuel farm services as part of aeronautical services with the Honorable High Court at Hyderabad. Following this, MoCA issued directions under section 42(2) of the AERA Act and directed AERA to adopt a hybrid till with 30.0% cross subsidization from GHIAL's standalone non-aeronautical revenue for the determination of our tariff in respect of the Airport and consequently, the Directorate General of Civil Aviation, through aeronautical information circular ("AIC") dated November 3, 2015, restored our user development fee and passenger service fee (facilitation component) at the rates existing before April 1, 2014. As a result of this order of AERA, our revenue from aeronautical services for fiscal year 2015 and part period of fiscal year 2016 experienced substantial declines during the first control period. Such variations in our revenue due to the amount and timing of AERA's rate determinations may lead to substantial volatility and unpredictability in our results of operations and could make period-on-period comparisons of our results of operations potentially misleading. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors—Risks Related to Our Business—The fees we charge for aeronautical services - which comprise a significant portion of our revenues - are regulated by the Government of India, through AERA, in accordance with the terms of our Concession Agreement. Accordingly, government regulations and the terms of our Concession Agreement have materially affected our historical results of operations and financial condition, and will continue to affect our future results of operations and financial condition, which could be materially and adversely affected by the to-be-announced rate determinations for our aeronautical services."

In March 2016, we filed our tariff submission with AERA for the second control period spanning fiscal years 2017 through 2021 on the basis of a hybrid till with 30.0% cross subsidization from GHIAL's standalone non-aeronautical revenue since inception. AERA is in the final stages of appraising our application and we expect that the consultation paper will be published by the end of the third quarter of fiscal year 2018 and the final tariff order will be issued in the fourth quarter of fiscal year 2018.

User development fees and passenger service fees are charged to each departing passenger. These fees vary depending on whether the passenger's flight is international or domestic and if the passenger is transferring to another flight. Landing charges are assessed on airlines for each flight that lands at the Airport and vary depending on whether the flight is international or domestic and the weight of the aircraft. We charge landing fees on all aircrafts with a maximum certified seat capacity of over 80 seats. Common infrastructure charges are collected for usage of common infrastructure such as CUTE counters, CUSS terminals, aerobridges, visual docking guidance systems and baggage reconciliation systems on a per passenger basis for international airlines and on a per passenger or per flight basis for domestic airlines at their option. Parking and housing charges are also assessed on airlines and are calculated based on the weight of the aircraft and the duration of the aircraft's stay at the Airport.

We invoice the airlines operating at the Airport on a bi-monthly basis for aeronautical charges, including the user development fees which they collect directly from passengers and transfer to us. The airlines provide us with bank guarantees, security deposits or both to cover certain amounts of the aeronautical charges they owe us. In certain circumstances, we may require airlines to pay us in cash prior to the departure of each flight all aeronautical charges owed to us for such flight. See "Risk Factors—Risks Related to Our Business—We are exposed to certain credit risks and we may be unable to collect on our receivables."

The tables below set forth the amount of revenue and percentage of total revenue derived from each type of aeronautical service for the given periods/years.

(Ind-AS)	**Three months ended June 30,**				**Year ended March 31,**			
	2017		**2016**		**2017**		**2016**	
	(millions of Rs. except percentages)							
Revenue from Aeronautical Operations								
Landing Charges	277.5	14.9%	239.7	14.4%	1,035.9	14.6%	857.8	29.8%
Parking Charges	5.6	0.3%	4.9	0.3%	21.5	0.3%	17.4	0.6%
User Development Fee(1)								
Domestic	650.9	34.9%	541.0	38.5%	2,414.3	34.1%	721.1	25.1%
International	658.4	35.3%	639.8	32.6%	2,587.6	36.5%	713.3	24.8%
Passenger Service Fee(1)	145.1	7.8%	125.8	7.6%	551.9	7.8%	158.1	5.5%
Common Infrastructure Charges	127.2	6.8%	109.9	6.6%	471.5	6.7%	407.8	14.2%
Total	**1,864.7**	**100%**	**1,661.1**	**100%**	**7,082.7**	**100%**	**2,874.5**	**100%**

(1) Our user development fee and passenger service fee (facilitation component), which comprise a substantial portion of our aeronautical revenue, was discontinued pursuant to the 2014 AERA Order and was only restored in fiscal year 2016 with effect from November 3, 2015.

(Indian GAAP)	**Year ended March 31,**	
	2015	
	(millions of Rs. except percentages)	
Revenue from Aeronautical Operations		
Landing Charges	771.6	66.3%
Parking Charges	17.2	1.5%
User Development Fee(1)		
Domestic	—	—
International	—	—
Passenger Service Fee(1)	—	—
Common Infrastructure Charges(2)	375.0	32.2%
Total	**1,164.3**	**100%**

(1) Our user development fee and passenger service fee (facilitation component), which comprise a substantial portion of our aeronautical revenue, was discontinued pursuant to the 2014 AERA Order and was only restored in fiscal year 2016 with effect from November 3, 2015.

(2) Common infrastructure charges have been regrouped into aeronautical operations from non-aeronautical operations.

Non-aeronautical Operations and Related Services

Revenue from non-aeronautical operations and related services comprises revenue earned by us from (i) non-aeronautical operations including, among others, commercial property development, aircraft MRO services, revenue sharing arrangements with our joint venture, Laqshya Hyderabad Airport Media Private Limited, which provides advertising services at the Airport, rent and/or revenue sharing from leasing of terminal space, retail goods and services, food and beverage, fuel farm throughput fees, ground handling services, car park, car rental services, automatic teller machines, foreign exchange counters and others, (ii) cargo operations and (iii) hospitality and retail services comprising our hotel and duty free operations. None of our non-aeronautical service is subject to tariff structures set by AERA, although 30.0% of our standalone revenue from non-aeronautical operations and related services is included among the building blocks considered by AERA in determining our aeronautical charges. See "Indian Regulatory Environment—The Airports Economic Regulatory Authority of India Act, 2008" for further details. Although, fuel farm, ground handling and cargo handling charges are typically considered aeronautical services and are listed as such in the AERA Act, our Concession Agreement classifies them as non-aeronautical services. These charges are determined bilaterally between our subsidiaries and/or joint ventures and the third-party concessionaires.

We have granted concessions, sub-leases and licenses to our subsidiaries, joint ventures or third parties to provide most of our non-aeronautical and related services. See "—Subsidiaries and Joint Ventures" and "Related Party Transactions" for more information about our subsidiaries and joint ventures. The fee structures under the concession and licensing arrangements with our subsidiaries, joint ventures and third party operators are based on a revenue-sharing model and fluctuate according to their revenue, subject to minimum monthly guarantees that each subsidiary, joint venture and third-party operator must pay us. Through our equity investments in our subsidiaries and joint ventures, we also receive dividend income from our subsidiaries and joint ventures, in addition to revenue sharing under their respective concession or licensing arrangements. Most of our shareholder and/or joint venture agreements include rights of first refusal and standard termination provisions, and we may be required to contribute additional capital in certain circumstances to maintain our current shareholding percentages. Unlike the revenue sharing model under our concession and licensing arrangements, the rental fees we collect from the leasing of terminal space, ground-handling services, car rental services and automatic teller machines and lounges rent are fixed with annual escalations. All of our revenue from non-aeronautical operations and related services is in Indian Rupees, except for revenue sharing from duty-free sales, which are paid to us in U.S. dollars.

We have adopted several initiatives focused on increasing our revenue from this segment. For example, we have expanded and reconfigured the commercial space available in the Airport's terminals and also redirected the flow of passengers through the Airport so as to increase passengers' exposure to the duty-free, retail and other services available at the Airport. The Airport has approximately 18,034 square meters of space available for retail shops and other services. Similarly, we have entered into sub-concessions with established, internationally recognized businesses, such as Parcos, Shoppers Stop, Mont Blanc, Lacoste, Tommy Hilfiger, Porsche Design, McDonalds, KFC, Pizza Hut, Subway and HMS Host, ensuring abundant service offerings for food and beverage and retail outlets available to passengers. Most of our food and beverage and retail agreements include terms for fixed revenue sharing and/or minimum alternate guarantee arrangements.

The tables below set forth the amount of revenue and percentage of total revenue derived from our non-aeronautical operations and related services for the given periods/years.

(Ind-AS)	Three months ended June 30,				Year ended March 31,			
	2017		2016		2017		2016	
	(millions of Rs. except percentages)							
Revenue from Non-Aeronautical Operations and Related Services[3]								
Non-Aeronautical[1]	1,085.6	62.2%	993.7	63.6%	4,140.1	62.9%	3,715.5	63.2%
Hospitality and retail services	222.8	12.7%	208.9	13.3%	1,618.8	24.6%	1,359.4	23.1%
Cargo operations	437.7	25.1%	360.3	23.1%	825.7	12.5%	805.2	13.7%
Total	**1,746.1**	**100%**	**1,562.9**	**100%**	**6,584.6**	**100%**	**5,880.1**	**100%**

(1) Includes revenue from advertisement and related services, commercial property development, aircraft MRO services, flight training services, rent and leasing inside the terminal, retail goods and services, food and beverage, fuel farm throughput fees, leasing of terminal space, ground handling services, car park, car rental services, automatic teller machines, lounge rents, flight kitchen, foreign exchange counters and others.

(2) Duty-free revenues have been regrouped into hospitality and retail services from fiscal year 2016 as a result of the merger of Hyderabad Duty Free Retail Ltd. into GMR Hotels and Resorts Ltd. See "—Corporate History and Structure—Corporate Structure" for further details.

(3) Revenue from non-aeronautical operations and related services comprises revenue from non-aeronautical operations, cargo operations and hospitality and retail services. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Components of our Income and Expenditures."

(Indian GAAP)	Year ended March 31,	
	2015[2]	
	(millions of Rs. except percentages)	
Revenue from Non-Aeronautical Operations and Related Services[3]		
Non-Aeronautical[1]	3,666.2	67.1%
Income from hospitality services	496.0	9.0%
Duty free items	589.3	10.8%
Cargo operations	713.9	13.1%
Total	**5,465.4**	**100%**

(1) Includes revenue from advertisement and related services, commercial property development, aircraft MRO services, flight training services, rent and leasing inside the terminal, retail goods and services, food and beverage, fuel farm throughput fees, leasing of terminal space, ground handling services, car park, car rental services, automatic teller machines, lounge rents, flight kitchen, foreign exchange counters and others.

(2) Common infrastructure charges have been regrouped into aeronautical operations from non-aeronautical operations with respect to fiscal year 2015.

(3) Revenue from non-aeronautical operations and related services comprises revenue from non-aeronautical services, cargo operations, duty free items and income from hospitality services. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Components of our Income and Expenditures."

Commercial Property Development

Revenue from commercial property development includes lease rental fees from developers who are developing commercial properties at the Airport. Under the Land Lease Agreement, the State Government has leased us 5,492 acres of land for the development of the Airport in accordance with the Concession Agreement along with the exclusive right to develop (or sub-lease the land for) non-airport activities on the site, of which we have designated 1,500 acres for commercial property development in the Master Plan. Under our Master Plan, we have identified the following segments for developing such property at the Airport: (i) commercial office (IT), (ii) commercial office (non-IT), (iii) retail, (iv) hospitality, (v) a logistics park and (vi) convention and exhibition centers.

Commercial property development at the Airport is being undertaken in phases through two of our subsidiaries, GMR Hyderabad Aviation SEZ Limited and GMR Hyderabad Aerotropolis Limited. Our aim is to progressively develop a multi-product SEZ spread across 250 acres, a logistics park spread across 250 acres and a theme-based, anchor-led, mixed-use airport city spread across 1,000 acres.

- The multi-product SEZ currently houses, among others, (i) our MRO facility, which covers 25 acres and includes three bays, (ii) a training center with CFM International, an aircraft engine manufacturer, and (iii) the Aviation Academy established by our wholly-owned subsidiary Asia Pacific Flight Training Academy Limited, which offers courses for commercial pilot licensing, private pilot licensing and simulator training. We plan to develop a world-class Aerospace Park through an "outsourcing model" which will include airframe and engine MROs, manufacturing of components and sub-systems as well as design, engineering and technical support services, and aim to leverage the advantages of clustering several aviation industry segments. The approval was granted to GHIAL on July 26, 2007 and transferred to GHASL on March 3, 2010.

- We plan to develop the logistics park as a cargo trans-shipment hub through an "outsourcing model". We have appointed Dutch engineering firm NACO ("Netherlands Airports Consultants") to develop the air cargo master plan.

- We plan to develop a 1,000-acre airport city comprising of the following:

    - Healthport — Multi-specialty hospital focused on medical tourism as the anchor/co-developer as well as research, clinical trial, medical education and training facilities.

    - Commercial District — Convention center and exhibition facility as the anchor/co-developer as well as office space, hotels, restaurants and supporting retail facilities.

    - Funport — Amusement park with destination retail and a multi-purpose arena as the anchor.

    - Eduport — International business school and an international school as anchors, supporting retail and sports facilities.

As at June 30, 2017, we have monetized approximately 90 acres of this land. The table below sets forth the details of some of our key existing commercial tenants.

Tenant	Activity	Leased Area (acres)
GHRL	5-star Novotel hotel	4.5
SAS Applied Research	Research facility	0.1
Turbo Jet Engines	Repair & testing facility	1.5
Pratt & Whitney	Engine training center	2.0
SAAZ Imaging Systems Pvt. Ltd.	High-end imaging camera production	1.0
CFM Training	Engine maintenance training center	0.3
Indian Rotorcraft Limited	Helicopter assembly & testing	9.5
GAEL	Aircraft MRO facility	16.5
Global Aerotech India Pvt. Ltd.	Parts bank for Bombardier	0.5
Ryan Business School	International school	8.0
Schulich Business School	International business school	1.1
Decathalon	Sports equipment retail	2.0
Amazon Seller Services Pvt. Ltd.	Fulfillment Center	17.0
Casper Pharma Pvt. Ltd.	Pharmaceuticals	13.0
Cronus Pharma Specialties India Pvt. Ltd.	Pharmaceuticals	10.0
Multisorb Technologies India Pvt. Ltd.	Moisture Absorbant Packaging	2.0

Maintenance, Repair and Overhaul

Our wholly-owned subsidiary, GMR Aero Technic Limited ("GATL") provides airframe maintenance services such as C-checks for narrow-bodied aircrafts such as the Airbus A320, Boeing B737-NG, ATR 42/72 series and Bombardier Q400 from our 25-acre MRO facility located within the multi-product SEZ, thereby saving aircraft downtime for airline companies. GATL also provides line maintenance support at the Airport which includes transit checks and any aircraft-on-ground support. GATL has signed airframe maintenance contracts with Indigo, GoAir, Jet Airways, AirAsia and Oman Airlines.

We have the capability to conduct airframe maintenance for aircraft manufactured by Boeing, Airbus and Bombardier, and we have received the certification of foreign and domestic certifying agencies, including DGCA, EASA, the Myanmar Department of Civil Aviation, the Civil Aviation Authority of the Cayman Islands, the Department of Civil Aviation of Malaysia, the Ministry of Transportation and Telecommunications of the Kingdom of Bahrain, and the Public Authority for Civil Aviation of the Sultanate of Oman. The certification process for each agency and adherence to the same is stringent and subject to suspension or cancellation under certain circumstances. See "Risk Factors—Risks Related to our Business—Our business is subject to extensive and evolving Indian law and regulations" and "—Our MRO business faces substantial and increasing competition" and "Risk Factors—Risks Related to our Business—The joint review and audit reports from our independent joint auditors in respect of our consolidated financial statements contain certain qualification(s) and emphasis of matters" for further details.

Hospitality and Retail Services

Revenue from hospitality and retail services is attributable to our wholly-owned subsidiary, GMR Hospitality and Retail Limited (formerly known as GMR Hotels and Resorts Limited) ("GHRL"), which owns the five-star rated Novotel Hyderabad Airport Hotel which is located on five acres of land and is managed and operated by AAPC India Hotel Management Private Ltd. (part of the Accor Group) under the Novotel Brand pursuant to management agreement dated November 30, 2006.

GHRL also has a retail division which develops, operates, maintains and manages duty free outlets within the terminal. GHRL sells a variety of different "duty free" product categories, including liquor, tobacco, cosmetics, perfumes, confectionery, souvenirs and fashion accessories.

Cargo Operations

Revenue from cargo operations is derived primarily from (i) Hyderabad Menzies Air Cargo Private Limited, our subsidiary in which we own 51.0%, for which we have granted the exclusive right to operate and maintain the cargo terminal and (ii) the other businesses comprising our Cargo Village. See "—Legal Proceedings" for further details on the arbitration proceedings invoked by us to buy back the equity held by Menzies Aviation plc in Hyderabad Menzies Air Cargo Private Limited.

The table below sets forth the volume of cargo traffic at the Airport for the given periods.

	Three months ended June 30,		Year ended March 31,		
	2017	**2016**	**2017**	**2016**	**2015**
Cargo Traffic (in metric tons)					
Domestic cargo	13,229	12,072	52,936	50,455	43,876
International cargo	19,562	16,195	68,946	59,578	55,023
Total cargo	**32,791**	**28,267**	**121,882**	**110,033**	**98,899**

Main Aeronautical Services Customers

As at June 30, 2017, regularly-scheduled direct flights departing from the Airport were available to 49 locations, comprising 16 international destinations and 33 domestic destinations, and 25 passenger airlines use the Airport, including major global carriers in each of the three major passenger airline alliances, Star Alliance, Sky Team and Oneworld.

Our top five aeronautical services customers by revenue contribution are Interglobe Aviation Limited (which operates IndiGo flights), Emirates Airlines, Air India Limited, Spice Jet Limited and Jet Airways. Revenue from aeronautical operations includes landing, parking and common infrastructure charges, which are collected from the airlines, and user development fee and passenger service fee (facilitation component), which is collected by the airlines on behalf of the Company from the passengers. For the three months ended June 30, 2017 and fiscal year 2017, (i) our top five aeronautical services customers accounted for 63.7% and 64.4% of our total revenue from aeronautical operations, respectively, and 33.0% and 33.4% of our revenue from operations, respectively, and (ii) our largest aeronautical services customer, Interglobe Aviation Limited, accounted for 28.8% and 27.1% of our total revenue from aeronautical operations, respectively, and 14.9% and 14.0% of our revenue from operations, respectively.

The tables below set forth our top ten aeronautical service customers for the given periods.

(Ind-AS)	Three months ended June 30,		Year ended March 31,	
	2017	2016	2017	2016
	(Rs. In millions)			
Customers				
Interglobe Aviation Limited	536.5	417.6	1,916.5	764.6
Air India Limited	177.6	198.5	738.8	415.7
Emirates Airlines	185.8	182.0	774.8	324.7
Spice Jet Limited	163.2	184.2	694.3	279.0
Jet Airways	125.1	84.7	440.0	211.7
Etihad Airways	75.5	74.7	305.5	93.8
Saudi Arabian Airlines	61.8	56.5	227.4	89.9
Oman Air	62.8	50.9	209.7	75.0
AirAsia India	45.2	—	—	—
Thai Airways	41.4	—	137.6	61.3
British Airways	—	—	155.9	61.7

(Indian GAAP)	Year ended March 31,
	2015
	(Rs. In millions)
Customers	
Interglobe Aviation Limited	205.0
Air India Limited	153.8
Emirates Airlines	99.8
Spice Jet Limited	63.7
Jet Airways	—
Etihad Airways	22.9
Saudi Arabian Airlines	30.1
Oman Air	—
AirAsia India	—
Thai Airways	—
British Airways	25.2

Main Non-Aeronautical Services Customers

Our key standalone non-aeronautical service customers include Indian Oil Corporation Ltd, which supplies fuel to airlines at the Airport using the fuel farm facility, revenues from our car park (which is managed by Tenaga Parking), revenues from Laqshya Hyderabad Airport Media Private Limited, our 49.0%-owned joint venture which provides advertising services at the Airport, Bharat Petroleum Corporation, which supplies fuel to airlines at the Airport using the fuel farm facility and HMS Host Services, which provides food and beverage services in the terminal building. We also earn revenues from numerous concessionaires, including airline lounges, forex services, food and beverage outlets and retailers such as Tommy Hilfiger, Lacoste, Mont Blanc, Swarovski, Hidesign and Samsonite.

OUR CONCESSION

Our exclusive rights to operate, maintain and develop the Airport and the rights and obligations of AAI, the Government of India, the State Government and other state bodies in respect of the Concession are provided in a series of agreements executed between 2003 and 2005. In addition to Concession Agreement, the other primary concession agreements include the Land Lease Agreement, the SSA and SHA. The following summaries set forth certain key terms of these agreements.

Concession Agreement

We entered into the Concession Agreement in December 2004 with the Ministry of Civil Aviation of the Government of India, pursuant to which we were granted the exclusive right and privilege to operate, maintain, develop, design, construct, commission, finance and manage the Airport, as well as perform certain aeronautical and non-aeronautical operations and related services at the Airport, as more fully described below. Specifically, the Concession Agreement provides that GoI recognizes our exclusive rights to:

- carry out any activity or business related or ancillary to the operation, maintenance, development, design, construction, commissioning, financing and management of the Airport or which we consider desirable or appropriate to be carried on or engaged in connection therewith (including any infrastructure service);

- carry out any activity or business in connection with or related to the arrival, departure and/or handling of aircraft, passengers, baggage, cargo and/or mail at the Airport;

- carry out any activity or business in connection with or related to the development or operation of the Airport to generate revenue including the development of commercial ventures such as hotels, restaurants, conference venues, meeting facilities, business centers, trade fairs, real estate, theme parks, amusement arcades, golf courses and other sports and entertainment facilities, banks, exchanges and shopping malls; and

- contract or sub-contract with third parties to undertake functions on our behalf and sub-lease or license the land and facilities leased to us in accordance with the Concession Agreement, provided that the grant of such rights will not absolve us of any of our responsibilities, duties and obligations under the Concession Agreement.

The rights granted to us under the Concession Agreement do not include the right to carry out activities related to customs, immigration, quarantine, security, meteorological services, navigation, surveillance and air traffic management services. The rights to perform such services have been retained by GoI (AAI, DGCA, BCAS, Department of Immigration of the Ministry of Home Affairs, Department of Customs of the Ministry of Finance or any other subdivision or instrumentality thereof). Any variation to the scope of rights conferred under the Concession Agreement may only be made subject to the mutual agreement of the parties and applicable law.

Master Plan

For further details, see "—The Master Plan."

Term

The term of the Concession Agreement is 30 years beginning on March 23, 2008 (the "Airport Opening Date") until March 23, 2038 (the 30th anniversary of the Airport Opening Date), with an option to extend the term for an additional 30 years, which we have already exercised. Upon our exercise of the right of extension and commencing on the expiry of the 55th anniversary of the Airport Opening Date, we must mutually agree the revised terms and conditions of the extended Concession Agreement by March 23, 2065 (the expiry of the 57th anniversary of the Airport Opening Date), failing which, (i) the Concession Agreement will expire on March 23, 2068 (the 60th anniversary of the Airport Opening Date) and GoI or its nominee will acquire all of our rights, title and interests to the Airport, and (ii) GoI may negotiate a new concession agreement with third parties on terms no more favorable than those offered to us.

Indemnification

In the Concession Agreement, we have agreed to bear sole responsibility for any cost, expense, loss, liability or damage suffered or incurred by any Airport user or any other person arising out of or in connection with the design, construction, maintenance and operation of the Airport and the provision of non-aeronautical activities without recourse to GoI, to the extent that such cost, expense, loss, liability or damage arises as a result of our negligence (or the negligence of our employees, servants and agents). GoI has agreed to indemnify us, up to an aggregate amount of Rs.1 billion, against (i) claims related to any breach or default under provisions relating to (a) the allocation of slots to airline operators, (b) operating the Airport during both daytime and night time hours (including permitting the take-off and landing of aircrafts) or (c) the imposition of any charge or fee in respect of any facilities and/or services at the Airport or in respect of the movement of passenger or vehicular traffic at the Airport; and (ii) any change in law that causes us to suffer a financial burden, loss, liability or damage exceeding Rs.10 million in any financial year (and in which no proposed amendment to address such change in law was agreed to between the parties). "Change in law" is broadly defined to include, among others, (1) the enactment of any new Indian law, (2) the amendment, modification or repeal of any existing Indian law, and (3) a material change in the terms and conditions, or imposition of new terms and conditions, applicable to any outstanding consents, licenses, approvals, permits and other authorizations or permissions.

Airport Economic Regulatory Authority ("AERA") and Tariffs

The Government of India established AERA in May 2009 as the economic regulatory authority responsible for the regulation of aeronautical tariffs and other matters for certain airports in India, including the Airport. See "Indian Regulatory Environment—The Airports Economic Regulatory Authority of India Act, 2008" for further information about AERA.

Under the regulatory system, AERA sets the specific prices for aeronautical services of the Company in the form of tariffs for five-year "control periods." The primary components to be used by AERA in setting the aeronautical tariffs at the Airport are returns on the asset base, fair rate of return, operating costs, depreciation, taxes and 30.0% of the gross revenue generated from non-aeronautical operations and related services on a standalone basis. Through considering those factors, AERA determines the net present value of our target aeronautical revenue requirement for each control period, which equals the net present value of our projected revenue from aeronautical operations according to the relevant traffic forecasts and aeronautical services rates over the same period, and then sets the tariffs based on that target.

The formula AERA uses to calculate our target revenue is presented below:

$$ARR_t = (RAB_t \times FROR) + O_t + D_t + T_t - S_t$$

Where:

ARR_t	=	Aggregate revenue requirement for year t.
RAB_t	=	Aeronautical regulatory asset base for year t, excluding capital works in progress to the extent that they are not capitalized.
FROR	=	Fair rate of return for the control period.
O_t	=	Aeronautical operation and maintenance expenditure for year t, which include all expenditure incurred by the airport operator towards aeronautical activities, including expenditure incurred on statutory operating costs and mandatory operating costs.
D_t	=	Depreciation corresponding to the aeronautical regulatory asset base for year t.
T_t	=	Tax in year t, which includes payments by the airport operator in respect of corporate tax on income from assets/amenities/facilities/services taken into consideration for determination of ARR for year t.
S_t	=	30.0% of the revenue generated by us from the non-aeronautical services at the airport for year t.

While determining the user development fee for subsequent control periods, AERA considers providing a 'true-up' or a 'claw back' to account for the differences in the projections for each building block underlying the tariff determination made for the prior period against the actual figures for each year in the prior period. These building blocks include regulated asset base, weighted average cost of capital, depreciation, operating and maintenance costs and taxes, as well as key variables such as passenger traffic, ATM levels, non-aeronautical revenues and allocation of capital expenditure incurred towards regulated asset base. AERA computes the impact on ARR of differences in the actual values of each building block of the prior period as compared to the estimates or projections of the building blocks of prior period. Based on the future value attributable to any differences on the applicable FROR for the prior period, AERA adds to or subtracts from ARR when determining the tariff for the subsequent period. Accordingly, we expect that AERA will allow us recover losses of previous control period attributable to these building blocks through allowance of a higher ARR (for example, through higher user development fees, landing fees or parking fees) when determining tariff for the subsequent control period. See "Risk Factors—Risks Related to our Business—Our revenue is highly dependent on levels of air traffic, which depend in part on factors beyond our control, including economic and political conditions and the regulatory environment" for further details.

Government of India Services and Obligations

Under the terms of the Concession Agreement, GoI agreed to provide, or cause to provide, services related to customs, immigration, quarantine, meteorology and security, in addition to navigation, surveillance and air traffic management services, at the Airport during the Concession period. We, in turn, agreed to provide the necessary operational space, at no cost, and back office space, at the Airport in order for the GoI to perform such services, as well as the required security systems and equipment. Any variation to the scope of activities to be performed by us and the GoI, respectively, under the Concession Agreement may only be made subject to the mutual agreement of the parties and applicable law.

Further, as part of the support services and incentives provided to us by GoI for the development of the Airport, GoI has agreed that it shall not permit the development, improvement or upgrade of any new or existing international or domestic airport within a radius of 150 kilometers of the Airport at any time before the 25th anniversary of the opening date of the Airport. In addition, GoI has also agreed to endeavor to grant all clearances that are within its direct control which are required for or in connection with the Airport within a time period ending on the later of (i) the end of the relevant statutory period (if any) and (ii) 45 days after the relevant application has been duly submitted by us, our shareholders or our respective contractors, servants or agents.

Performance Standards

We are responsible for ensuring that passengers at the Airport are satisfied with their overall traveling experience. As required under the Concession Agreement, we participate in IATA surveys and ensure that a survey is conducted each year in accordance with IATA's requirements. In the event we fail to achieve a rating of 3.5 (in the current IATA scale of 1 to 5) for three consecutive surveys, we will be required to produce an action plan to improve the Airport's performance and implement such plan within one year. If we still fail to achieve a rating of 3.5 following the implementation of the action plan, GoI may direct us to produce and implement a further action plan to improve the Airport's performance within one year. Should we fail to produce such an action place or if we continue to be rated below 3.5, GoI shall have the right to impose liquidated damages and/or give directives to the Joint Coordination Committee (formed under the Concession Agreement) to assist us in improving our rating. The amount of any liquidated damages payable shall be agreed between the parties taking into account factors leading to a drop in ratings, and shall be payable into an Airport development fund set up for the purposes of funding improvements at the Airport at the direction of GoI.

In the event the Airport continues to be rated lower than 3.5 in the two years following the date that we first become liable to pay such liquidated damages due to our poor performance in the passenger surveys, GoI shall have the right to terminate the Concession Agreement. However, if GoI terminates a concession agreement in respect of any major airport (with a capacity of 1.5 MPPA) with a rating lower than 3.5 (but not lower than 3) as the rating threshold for the purposes of terminating the concession agreement with GoI, then such lower rating shall also apply to us.

We achieve passenger satisfaction by monitoring our Airport's performance through conducting annual passenger surveys using the criteria set out by the Airport Council International — Airport Service Quality Passenger Satisfaction Survey Program (the "ASQ Survey"), which replaced the IATA Global Airport Monitor program in 2005 but provides ratings based on the IATA scale of 1 to 5. In the year 2009, 2010 and 2016 we were ranked World's Best Airport in its category of airports handling 5- 15 million passengers per annum. The Airport's ratings were 4.824, 4.91 and 4.936 in 2014, 2015 and 2016.

Maintenance of Insurance

The Concession Agreement requires us to maintain appropriate insurance policies to cover loss or damage to property, third party liability and a workmen's compensation policy during the operation phase of the Concession. See "—Property and Insurance—Insurance" for further details about our insurance policies.

Fees to GoI

In consideration for GoI granting us the Concession, we agreed to pay GoI an annual concession fee throughout the term of the Concession equal to 4.0% of our standalone pre-tax gross revenue, excluding (i) payments made (if any) for services undertaken by GoI related to customs, immigration, quarantine, security and meteorological services under the Concession Agreement, (ii) insurance proceeds, (iii) any amount accruing from the sale of any capital assets or items, (iv) payments and or monies received in respect of air navigation and air traffic management services, and (v) payments and/or monies collected for and on behalf of the relevant governmental authorities under applicable law, for each financial year. We have agreed with GoI to defer payment of the annual concession fee in respect of the first 10 financial years after the Airport Opening Date to the 11th financial year after the Airport Opening Date, to be paid in 20 equal half-yearly instalments with the first instalment being payable on June 30, 2018. However, the annual concession fee in respect of the 11th Financial Year after the Airport Opening Date and each succeeding Financial Year thereafter will be payable annually in arrears on December 31 of each year and such payments will be treated as part of the operating expenses of the Airport. No interest shall be levied or due in respect of any annual concession fee payable by us to GoI, including the deferred payments, unless such payment is late, in which case a default interest at the State Bank of India Prime Lending Rate plus 2% shall apply.

Charges

The Concession Agreement permits us, the AAI and any third party service provider appointed by us to determine and impose any charge or fee in respect of the provision of any facilities or services at the Airport or in respect of the movement of passenger or vehicular traffic at the Airport, except for services and facilities in respect of which regulated charges are levied (such as parking charges, passenger service fees and user development fees).

Assignment and Security

Under the terms of the Concession Agreement, we may not assign the Concession Agreement or pledge as security our interests in the Concession Agreement or any right or obligation arising under or pursuant to it or any benefit or interest in it. We may only assign and transfer our rights and obligations under the Concession Agreement for the purposes of providing security to our Lenders if GoI does not object within 10 days after being notified of such transfer and assignment.

Applicable Law and Disputes

The Concession Agreement is governed by and construed in accordance with the laws of India. The parties to the Concession Agreement agreed to use their reasonable endeavors to settle any disputes amicably, with any unresolved disputes to be finally determined by arbitration under the Indian Arbitration and Conciliation Act, 1996 and in accordance with the UNCITRAL rules (the "Rules") by a tribunal of three arbitrators, appointed in accordance with the Rules. New Delhi will be the venue of any arbitration.

Our Ownership Structure

The Concession Agreement places certain restrictions on the transfer, pledge and dealing in our equity shares. GMR and MAHB were required to subscribe to and hold at least 45% shareholding until the expiration of the third year of the Concession period, and in no event less than 26% shareholding until the seventh year of the Concession period. Similarly, the State Government and AAI were required to subscribe and hold at least 26% shareholding until the seventh year of the Concession period. Beginning in the eighth year of the Concession period, our initial shareholders are allowed to transfer shares more freely, subject to the assignment and security provisions of the Concession Agreement. See "—Our Concession—Financing Arrangement and Security" for further details about the assignment and security provisions under the Concession Agreement.

Force Majeure

Under the terms of the Concession Agreement, if we or GoI are unable to perform our respective obligations under the Concession Agreement due to a force majeure event, we or GoI, as applicable, are entitled to suspend or excuse such performance. Any party claiming a force majeure event must give notice to the other party and take steps to mitigate the effects of such an event. Force majeure is defined in the Concession Agreement as any act, event or circumstance or a combination of acts, events and circumstances which are beyond the control of the affected party and which the affected party could not have prevented by Good Industry Practice (as defined in the Concession Agreement) or by the exercise of reasonable skill and care in relation to the construction of any facilities, and which, or any consequences of which prevent, hinder or delay in whole or in part the performance by any party of its obligations under the Concession Agreement. The Concession Agreement lists certain events and circumstances as potentially constituting a force majeure if they occurred within, or affected, India, such as acts of war, invasion, revolution, riot, terrorism, lightning, earthquake or other extreme adverse weather or environmental conditions, loss or serious accidental damage to the Airport, epidemic and the occurrence of a crash, explosion, fire or other disaster involving an aircraft during landing, parking, servicing or taking-off, among others, and specifies that a strike, lock-outs or other industrial action or labor disputes involving any party or its contractors or their respective sub-contractors, servants or agents, in any such case employed on the execution of work or the supply of goods or services within India, constitutes a force majeure event. Failure or inability to make any payment or the effect of market conditions unless such market conditions were themselves caused by or were a result of a force majeure event are excluded from the purview of force majeure events under the Concession Agreement, however an act, event or circumstance referred to as an exclusion which primarily affects a third party or third parties (including without limitation the construction contractor or operator of the Airport or an affiliate) of a party which prevents, impedes or delays a party in the performance of its obligations, shall constitute force majeure under the Concession Agreement with respect to such party as appropriate if and to the extent that it is of a kind or character that, if it had happened to the party wishing to rely on such an event, would have come within the definition of force majeure event defined under the Concession Agreement.

Events of Default

Summarized below are the primary events or circumstances, to the extent not caused by a default of GoI or a force majeure, that, among others, constitute our events of default under the Concession Agreement if not cured within various stipulated cure periods (each a "GHIAL Event of Default"):

- any material breach by us of our obligations under the Concession Agreement;
- a transfer of shares or voting rights by any of our shareholders in breach of the restrictions in the Concession Agreement;
- a suspension by us to operate (whether by act or omission) for more than 14 consecutive days or for an aggregate of more than 30 days in any calendar year without the written consent of GoI;
- any sum due and payable by us under the Concession Agreement is not paid;
- an order is made or a resolution is passed for our liquidation, bankruptcy or dissolution;
- a breach of any material representation or warranty given by us in the Concession Agreement is incorrect; and
- any failure by us to operate and maintain the Airport to certain service standards.

Summarized below are the primary events or circumstances, to the extent not caused by a default on our part or a force majeure, that, among others, constitute events of default of GoI under the Concession Agreement following various cure periods (each an "GoI Event of Default"):

- any material breach by GoI of its obligations under the Concession Agreement;
- a breach of any material representation or warranty given by us in the Concession Agreement is incorrect;
- If the aggregate outstanding claims made by us related to (i) the breach or default from the allocation of slots to airline operators, (ii) operating the Airport during both daytime and night time hours (including permitting the take-off and landing of aircrafts), (iii) the imposition of any charge or fee in respect of any facilities and/or services at the Airport or

in respect of the movement of passenger or vehicular traffic at the Airport; or (iv) a change in law that causes us to suffer a financial burden, loss, liability or damage exceeding Rs.10 million (and in which no proposed amendment to address such change in law was agreed to between the parties), exceeds Rs.1 billion; and

- if the CNS/ATM Agreement is terminated at the direction of GoI.

Termination under the Concession Agreement

If a GHIAL Event of Default occurs, GoI has the right to notify of such event and require us to remedy it within 120 days, failing which GoI may issue to us a notice of termination of the Concession Agreement. In the event GoI exercises its right to terminate the Concession Agreement, GoI will acquire all our rights, title and interests in and to the Airport and in any Non-Airport Activities (which GoI opts to take over) by making payment, which shall be no later than 180 days following issue of such termination notice, of an amount equal to 100% of the Debt (as defined above), plus the value of our Non-Airport Activities which GoI opts to take over, less any insurance monies received by us or due and paid to us in respect of claims made since the occurrence of the GHIAL Event of Default which led to termination. Any applicable transfer costs and taxes shall be borne by us in the event of a GHIAL Event of Default. See “Risk Factors—Risks Related to Our Business—The Government of India may impose liquidated damages on us and/or terminate the Concession Agreement under certain circumstances.”

If a GoI Event of Default occurs, we have the right to notify GoI of such event and require them to remedy it within 120 days, failing which we may issue to GoI a notice of termination of the Concession Agreement. In the event we exercise our right to terminate the Concession Agreement, GoI will acquire all our rights, title and interests in and to the Airport and in any Non-Airport Activities (which GoI opts to take over) by making payment, which shall be no later than 180 days following issue of such termination notice, of an amount equal to the higher of (i) the Settlement Amount or (ii) 100% of the Debt (as defined below), less any insurance monies received by us or due and paid to us in respect of claims made since the occurrence of the GoI Event of Default which led to termination, plus transfer costs and taxes, if applicable. “Settlement Amount” is defined under the Concession Agreement to mean (i) the gross fixed assets, (ii) the net current assets, (iii) the capital work in progress, (iv) intangible assets of GHIAL and (v) pre-operating costs and expenses as may be incurred by GHIAL prior to the Airport Opening Date as recorded in the last quarterly balance sheet of GHIAL at the date of the relevant termination notice. “Debt” is defined under the Concession Agreement to include the outstanding debt payable to our “Lenders” under the financing agreements relating to the development and operation of the Airport. “Lenders” is defined under the Concession Agreement as the financial institutions, banks, non-banking financial company ad similar bodies to whom debt is owed under the financing agreements for financing of the development and expansion of the Airport. See “Risk Factors—Risks Related to Our Business—The Government of India may impose liquidated damages on us and/or terminate the Concession Agreement under certain circumstances.”

State Support Agreement

Pursuant to the Concession Agreement, we entered into a state support agreement (the “SSA”) in September 2003 with the State Government. Under the terms of the SSA, the State Government agreed to, among others, (a) provide and handover physical, vacant, peaceful, unencumbered possession of approximately 5,000 acres of land for the construction of the Airport, (b) provide financial support in the form of development grants and interest free loans with deferred payment terms, (c) convert and maintain existing access roads to and from the Airport, namely NH7, as well as using best efforts to procure the provision of an appropriate railway connection and safe, efficient and regular modes of public transport to and from the Airport, (d) provide sufficient utility services to the Airport, such as water and electricity, (e) be solely responsible for the rehabilitation and resettlement of any affected or displaced persons as a result of any land acquisition by the State Government in connection with the Airport, and (f) provide us with all consents, licenses, approvals, permits and other authorizations or permissions required from the State Government under applicable law that we properly apply for and that are required for or in connection with the Airport. The effective period of the SSA is co-terminus with the Concession Agreement, and it has the same applicable law and similar dispute resolution clauses as the Concession Agreement.

Indemnification

Under the SSA, the State Government has agreed to indemnify us, for any claims that exceed of Rs.10 million, and which relate to (i) any breach of or default of the SSA and the Land Lease Agreement by the State Government which materially and adversely affects our rights under the SSA, (ii) the commission by the State Government of any action that would result in us being treated less favorably than any other operator in India or, with respect to the Airport, less favorably than any other airport or project in India, (iii) the failure by the State Government to grant, revoke or attach to any consents, licenses, approvals, permits and other authorizations or permissions required by us or any of our contractors, servants or agents; or (iv) the failure by the State Government to enact any new law or issue or impose any new directive in respect of tax relating to exemption from stamp duty, registration charges, property tax, inland air travel tax, foreign travel tax and the ability charge user development fee, or (v) a change in law that causes us to suffer a financial burden, loss, liability or damage exceeding Rs.10 million (and in which no proposed amendment to address such change in law was agreed to between the parties). "Change in law" is broadly defined to include, among others, (a) the enactment of any new Indian law, (b) the amendment, modification or repeal of any existing Indian law, (c) a material change in the terms and conditions, or imposition of new terms and conditions, applicable to any outstanding consents, licenses, approvals, permits and other authorizations or permissions, and (d) any act of omission by the State Government which materially and adversely affects our rights under the SSA.

Default by the State Government under the SSA

If the State Government is in breach of its obligations under the SSA which results in the termination of the Concession Agreement, we have the right to notify GoI of such event and require them to remedy it within 30 days, failing which the State Government shall pay to us the State Government Default Amount within 15 days of the expiry of the 30 day period, which amount shall be reduced by an amount equal to the indemnification amount paid by the State Government in respect of any breach or default by the State Government which is the same as that leading to the results from a State Government default event. The State Government Default Amount is an amount in the aggregate of (i) such outstanding debt and interest as is not repaid by GoI under the Concession Agreement, (ii) all transfer costs, transfer taxes and contingent liabilities under the project agreements and financing agreements, and (iii) the fair market value of our equity shares as on the date of default as determined by a reputable chartered accountant who has not been engaged by either the State Government or us in the last five years.

Termination of SSA

The SSA is co-terminus with the Concession Agreement and will terminate immediately upon termination of the Concession Agreement.

Shareholders Agreement

Pursuant to the Concession Agreement, we entered into a SHA in September 2003 with the State Government, AAI and our other initial shareholders, namely, GMR Infrastructure Limited. and Malaysia Airports Holdings Berhad, providing for the terms and conditions that govern their respective rights as our shareholders and their respective responsibilities regarding our management.

Future Capitalization

Under the terms of the SHA, the initial shareholders are required under certain circumstances to contribute additional capital pro rata, or as otherwise agreed, beyond their initial subscriptions in our share capital.

Rights of First Refusal and Right of First Offer

In the event we decide to issue any new shares, except for shares issued on a preferential allotment basis or for financing cost overruns or as a result of a decision of the shareholders at a general meeting, the initial shareholders shall have the right of first refusal on a pro rata basis (on a fully converted and fully diluted basis).

If any of the initial shareholders decide to sell any or all of our shares that it holds, it is required under the SHA to first offer them to all the other initial shareholders pro rata (on a fully converted and fully diluted basis). The selling shareholder may offer shares to outside investors only if the initial shareholders do not exercise their option to purchase or if they do not purchase all the offered shares, and any such sale must not be on terms and conditions more favorable than those offered to the initial shareholders.

Board of Directors and Reserved Matters

Under the terms of the SHA, the State Government and AAI has the right to nominate such number of directors as is proportionate to its shareholding and the Board will initially comprise 12 directors. So long as the State Government and AAI hold at least 26% of our shares, then each of the State Government and AAI has the right to nominate two directors each. GMR and MAHB have the right to nominate all other directors. If the combined shareholding percentage of the State Government and AAI falls below 26%, each of the State Government and AAI has the additional right to nominate at least one director each irrespective of their shareholding and even if they cease to hold any of our shares. The minimum quorum necessary for a meeting of the board of directors shall include at least three directors nominated by GMR and MAHB and, so long as the State Government and AAI hold at least 10% of our share, include two directors nominated by the State Government and AAI. All decisions of the board shall be made by simple majority of the directors present and voting. However, in respect of reserved matters, (i) so long as GMR, its affiliates and other investors hold more than or equal to 10% of our share, any decision of (a) the board may only be taken by majority vote, which majority decision must include an affirmative vote by at least one director nominated by GMR, and (b) the shareholders may only be taken with the consent of a representative of GMR, and (ii) so long as the State Government and AAI (together with their affiliates) individually hold not less than or equal to 5% of our shares, any decision of (a) the board may only be taken by majority vote, which majority decision must include an affirmative vote by at least one director nominated by each of the State Government and AAI, and (b) the shareholders may only be taken with the consent of a representative of each of the State Government and AAI. Reserved matters include borrowing, incurring any indebtedness to an aggregate limit in excess of Rs.250 million, certain disposals of our substantial undertakings or assets, the IPO or listing of our shares or securities and the terms thereof and substantially reducing or expanding our business other than expansions covered under the detailed project report and the Concession Agreement.

Miscellaneous

The SHA envisages that in a situation where: (i) GMR and MAHB cease to hold less than 5% of our shares or (ii) if the State Government and AAI cease to hold less than 5% of our shareholding, the SHA will stand terminated. However, such termination will not prejudice the right of AAI to appoint nominee directors, as stipulate above. In addition, GMR, AAI or the State Government are also entitled to terminate the SHA in case of termination of the Concession Agreement by giving a 30-days' prior notice to the other parties. The SHA reiterates certain restrictions on the transfer and holding of our shares provided in the Concession Agreement. See "—Concession Agreement—Our Ownership Structure" for further details. The applicable law and dispute resolution provisions in the SHA are also consistent with those in the Concession Agreement, with specific performance additionally available. See "—Concession Agreement—Applicable Law and Disputes" for further details.

Land Lease Agreement

Pursuant to the Concession Agreement, we entered into a land lease agreement with the State Government in September 2003 (the "Land Lease Agreement") under which the State Government granted to us for the term of the Concession, an irrevocable and indeterminable lease (except as otherwise terminable under the Land Lease Agreement) over the contiguous, unobstructed, unencumbered and freehold land underlying the Airport of approximately 5,492 acres at Shamshabad, near Hyderabad, India, owned and possessed by the State Government for the purposes of building, developing and operating the Airport. The lease rent is 2.0% of Rs.1.55 billion, which compounds at the rate of 5% per annum commencing from the eighth anniversary of the Airport Opening Date, and is payable by us to the State Government on a yearly basis starting from the eighth year after the Airport Opening Date, within 45 days after the end of the relevant year.

The Land Lease Agreement provides us with the right to build, own and operate the Airport in accordance with the Concession Agreement, and the exclusive right to develop facilities that are capable of being developed and operated in conjunction with the Airport, including but not limited to hotels, resorts, flight catering, aircraft maintenance, cargo and logistics center, convention center, golf courses, recreational and entertainment facilities, fuel farms, power plants, water treatment facilities and commercial and residential complexes. We also have the right to assign, sub-lease, under-let, franchise, underlease, sub-underlease or license any part of the leased property to third parties for both aeronautical and non-aeronautical activities, not to exceed the term of the Concession. Further, we can assign the rights and benefits arising out of the Land Lease Agreement in favor of any person to whom our rights, benefits, mortgages and charges over our interests in the Concession Agreement have been assigned. The Land Lease Agreement also requires us to ensure that such third parties are bound by the terms of the Land Lease Agreement and that we inform the State Government of any such assignment, sub-lease, under-letting, franchise, underlease, sub-underlease or license following registration under the Indian Registration Act, 1908. In addition, under the Land Lease Agreement, the State Government recognizes our right to assign, create, mortgage or secure our interest and/or rights in the land or any part or portion thereof, to secure any amounts due and payable by us to any banking company or a banking institution notified by the Government of India under section 51 of the Banking Regulation Act, 1949 or a corresponding new bank as defined in clause (d) of section 2 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or a co-operative bank as defined in clause (b)(ii) of section 2 of the Reserve Bank of India Act, 1934 or a finance company or public financial institution that may be notified by the Government of India in consultation with the RBI or any other lender in India or abroad. The Land Lease Agreement also provides us with the right to terminate it upon termination of the Concession Agreement by providing a written notice of 90 days and if the Concession Agreement is not renewed or extended within such notice period, the Land Lease Agreement will be deemed to have been terminated therefrom.

Support and Services Provided by AAI

Pursuant to the Concession Agreement, we entered into the CNS/ATM Agreement in August 2005 with AAI. Under the terms of the CNS/ATM Agreement, AAI is required to provide communication, navigation and surveillance and air traffic management services at the Airport for the term of the Concession Agreement. AAI must provide such services in accordance with certain international standards, including those issued by the International Civil Aviation Organization, in exchange for the right to collect route navigation facilities charges and terminal navigational landing charges directly from airlines operating at the Airport. In turn, we have agreed to maintain the runway, taxiway and surrounding areas, ensure that the obstacle limitation surfaces of the Airport, the approach and take-off areas, as well as other sensitive and critical areas (as identified by AAI) are clear of obstructions, provide rescue and fire crews, prevent animal and bird nuisances, prepare for various emergencies such as fires and bomb threats and to support AAI by providing utilities and space as well as by executing AAI's orders with respect to AAI equipment or certain airport operations.

LEGAL PROCEEDINGS

General

We are involved in certain legal proceedings from time to time that are incidental to the normal conduct of our business and the nature of our Concession. The material proceedings are described below and are currently pending at various stages of adjudication.

GMR Hyderabad International Airport Limited ("GHIAL")

1. Pursuant to our joint venture agreement ("JVA") with Menzies Aviation PLC, wherein we have the right to buy-back the shares held by Menzies Aviation PLC ("MAP") in our subsidiary Hyderabad Menzies Air Cargo Private Limited ("HMACPL"), we made a proposal for a share buy-back from MAP. MAP did not accept our proposal, and we subsequently invoked arbitration as agreed under the JVA to buy back the shares. The arguments have been completed in respect of the arbitration proceeding and the award is pending.

2. We filed three writ petitions challenging the 2014 AERA Order in the matter of determination of aeronautical tariffs to be charged from the operations of the Airport. The first writ petition was filed before the Honorable High Court at Hyderabad against the decision of AERA to charge zero user development fee ("UDF") for the duration between April 1, 2014 and March 31, 2016. However, this writ petition was disposed of on June 10, 2014, directing the Government of India to take a decision on the same within four weeks. Our Company was also permitted to challenge the 2014 AERA Order on merits before the appellate tribunal constituted under the AERA Act, 2008 ("AERA Appellate Tribunal"). Thereupon, consequent to the direction of the Honorable High Court at Hyderabad in the first writ petition, an appeal was filed before the AERA Appellate Tribunal, which refused to hear the same in light of the AERA Appellate Tribunal's insufficient composition . Hence, our Company approached the Honorable High Court at Hyderabad with a second writ petition for transferring the appeal from the AERA Appellate Tribunal to the Honorable High Court at Hyderabad. This appeal has been transmitted and the Honorable High Court at Hyderabad will hear the matter in due course. Subsequently, the Government of India issued a policy directive on June 10, 2015 adopting a hybrid till mechanism for the collection of UDF with 30% hybrid till, In light of this policy, our Company filed a third writ petition, claiming that pursuant to the policy directive, the order of AERA dated February 24, 2014 should be set aside and the position of tariff applicability prior to this order needs to be restored until it is re-determined by AERA. On October 6, 2015, the Honorable High Court at Hyderabad granted interim relief restricting the application of the 2014 AERA Order until re-determination of the tariff. Pursuant to the order of the Honorable High Court at Hyderabad, the DGCA issued an order for restoration of UDF at the Airport at Rs.430 per embarking domestic passenger and Rs.1,700 per embarking international passenger, reflecting the rates in effect prior to April 1, 2014.

3. The Air Passengers Association of India ("APAI") filed a writ petition challenging the 2015 MoCA Order wherein MoCA had directed AERA to employ 30% hybrid till mechanism for collection of UDF for the Airport. The APAI challenged the the 2015 MoCA Order before the Honorable High Court at Hyderabad on the grounds that since GHIAL has over-satisfied its investment in the Airport, any UDF being collected by the Airport is illegal. Prior to this challenge, APAI had approached AERA in relation to this issue, upon which AERA had ordered for single till mechanism to be adopted for calculated of UDF at the Airport and had directed our Company not to collect and levy the UDF between April 01, 2014 and March 31, 2016. In addition to the challenge raised by APAI against the order of MoCA, it has also requested to be impleaded in the writ petition filed by us wherein our Company had pleaded to set aside of the AERA order dated February 24, 2014 and restoration of the tariffs applicable to our Company prior to this AERA order. The said writ petition filed by APAI has been admitted and will be listed for hearing in due course.

4. A demand letter had been issued by the Commissioner of Labour & Joint Commissioner of Labour dated November 02, 2007 to our Company demanding payment of building cess at the rate of 1% of the Airport construction cost on the grounds that the Building and Other Construction Workers (Regulation and Employment and Conditions of Service) Act, 1996 ("BOCW Act") is applicable to our Company. Alleging non-compliance of the said letter, the Cess Assessing Officer and Joint Commissioner of Labour, Hyderabad issued a notice dated April 11, 2008 to our Company asking us to show cause as to why should an action not be taken against our Company for a violation of the BOCW Act. Subsequently, having heard our Company on the issue, the Commissioner of Labour pursuant to its order dated July 21, 2008 held that the BOCW Act is not applicable to our Company and directed Larsen & Toubro in its capacity as the civil contractor for the Airport to pay the impugned building cess. However, without any reference to this direction dated July 21, 2008, the Joint Commissioner of Labour, Ranga Reddy zone, Hyderabad dated October 29, 2009 directing our Company to pay the said building cess. Challenging the demand letter dated November 02, 2007 and the notice dated October 29, 2009 as illegal, a writ petition has been filed by the Company before the Honorable High Court at Hyderabad whereby the Company was granted an interim stay on November 13, 2009 and the responded is yet to file its counter.

5. The Company, pursuant to the order of Government of India dated March 6, 2002, constructed a residential township for the Central Industrial Security Force personnel deployed at the Airport. Upon completion of the township project, the cost of the township and land was capitalized in the books of account collecting the security component of the passenger service fee ("the PSF (SC) Fund") and notice of the same was given by our company to MoCA. However, MoCA subsequently issued an order, dated February 18, 2014, which required all airport operators to reverse or reimburse back to their respective PSF (SC) Fund all the expenditure incurred towards procurement and maintenance of the security systems and equipment and on creation of fixed assets out of the PSF (SC) Fund, together with the interest that would have accrued in the normal course had such amount not been debited against the PSF (SC) Fund. A writ petition was filed by the Company, challenging this order before the Honorable High Court at Hyderabad. Similar petitions are also pending before the Honorable High Court at Bombay, the Honorable High Court at Bangalore and Honorable High Court at Delhi, where the proceedings were initially stayed for three months and were subsequently stayed until further orders. On similar grounds, the Company has also obtained an interim relief on December 24, 2014 in its favor staying the impugned order of MoCA. The Honorable High Court at Hyderabad has also clarified that in case the decision in this writ petition is decided against the Company, it may be required to reimburse all the amounts quantified in the impugned proceedings.

6. On January 29, 2010, the Company received an order (the "Order") from Commissioner of Customs, Central Excise and Service Tax on irregular availment of the central value added tax credit availed on cement, steel and other goods and services used in construction activity amounting to Rs.311.1 million. Against the said demand of Rs.311.1 million, an amount of Rs.65.6 million has already been appropriated and adjusted by the tax authorities. In addition to the pending demand of Rs.245.4 million towards irregular availment of central value added tax credit, tax authorities have also claimed interest and assessed a penalty of Rs.311.1 million against the Company. We have filed an appeal before the Customs, Excise and Service Tax Appellate Tribunal ("CESTAT") against the Order. We have received a stay order from CESTAT, modified by the order of the High Court of Andhra Pradesh, against the Order, subject to our making a deposit of Rs.122.0 million. In compliance of the order of the High Court of Andhra Pradesh, we have had deposited the same amount with the service tax department within the stipulated time. The hearing on the merits of the case is pending before CESTAT.

PROPERTY AND INSURANCE

Real and Personal Property

Pursuant to the Concession Agreement and the Land Lease Agreement, the State Government has leased to us all the land underlying the Airport of approximately 5,492 acres around the Airport in Shamshabad, near Hyderabad, India, owned and possessed by the State Government for the purposes of building, developing and operating the Airport. We have the right to sub-lease or license any part of the leased property for a period not to exceed the term of the Concession. Following the expiration or termination of the Concession Agreement and only after payment of all monies to us pursuant to the Land Lease Agreement, the SSA and/or the Concession Agreement, all new construction, buildings, structures, additions and/or improvements owned by us and or any third party will become part of the land and will vest in the State Government. See "—Our Concession—Concession Agreement" for further details.

Insurance

Under the terms of the Concession Agreement, we are required to maintain (i) during the construction phase, appropriate insurance policies to cover loss or damage to the civil works and equipment (contractors' "all-risks" policy, erection "all-risks" policy and marine cargo policy), third party liability insurance and workmen's compensation insurance and (ii) during the operation phase, appropriate insurance policies to cover loss or damage to our property, third party liability insurance and workmen's compensation insurance, as well as the insurance required under the relevant financing agreements.

In this regard, we maintain mega risk/property insurance risk policy to cover the risk of material damage to the properties, airport operators' risk policy to cover the risk from operation of the Airport, terrorism insurance policy to cover the loss arising from terrorism attacks, special contingency policy to cover the risk to airside operational vehicles and the risk of contamination of aviation turbine fuel, motor vehicle insurance policy, airport operators liability policy and money insurance policy to cover the risk of loss to cash in transit and cash in safe.

EMPLOYEES

As at June 30, 2017, GHIAL employed 513 employees, of which 322 worked on activities such as airport operations, firefighting, security, and customer services; 29 performed commercial activities such as business development; and 162 worked in finance, administration, human resources, legal department and other activities, and through our subsidiaries we employed an additional 1,222 employees.

The following table provides information in respect of the number of our employees as at June 30, 2017 and March 31, 2017, 2016 and 2015:

	June 30, 2017		March 31, 2017		March 31, 2016		March 31, 2015	
	Employees	**% of employees**	**Employees**	**% of employees**	**Employees**	**% of employees**	**Employees**	**% of employees**
GHIAL								
Airport Operations, Firefighting, Security and Customer Services.	322	18.6%	325	19.2%	314	19.1%	317	21.8%
Commercial, Cargo, Business Development .	29	1.7%	28	1.7%	28	1.7%	30	2.1%
Support Services (F&A, HR, Legal, FMS, Transport)	162	9.3%	161	9.5%	156	9.5%	157	10.8%
GHIAL TOTAL	**513**	**29.6%**	**514**	**30.4%**	**498**	**30.2%**	**504**	**34.7%**
SUBSIDIARIES								
GHRL (Hotel division and Duty free division)	404	23.3%	398	23.6%	356	21.6%	337	23.2%
GAEL (including GATL) .	363	20.9%	370	21.9%	441	26.8%	347	23.9%
HMACPL	455	26.2%	407	24.1%	352	21.4%	266	18.3%
SUBSIDIARIES TOTAL.	**1,222**	**70.4%**	**1,175**	**69.6%**	**1,149**	**69.8%**	**950**	**65.3%**
TOTAL EMPLOYEES . .	**1,735**	**100.0%**	**1,689**	**100.0%**	**1,647**	**100.0%**	**1,454**	**100.0%**

SUBSIDIARIES AND JOINT VENTURES

The following table sets forth our subsidiaries and joint ventures as at June 30, 2017.

Name of Company	GHIAL equity shareholding	Classification	Other partners	Primary Business
Hyderabad Menzies Air Cargo Private Limited ("HMACPL")	51.0%	Subsidiary	Menzies Aviation plc	HMACPL was incorporated to operate the cargo terminal on behalf of GHIAL. See "—Legal Proceedings—GMR Hyderabad International Airport Limited (GHIAL)".
Hyderabad Airport Security Services Limited ("HASSL")	100.0%	Subsidiary	—	HASSL was incorporated to carry out certain security related duties and activities to be otherwise discharged the airport operator and to carry out any other security related services at GHIAL. HASSL ensured the construction of office space and residential quarters for the Central Industrial Security Force personnel and other security personnel.
GMR Hyderabad Aerotropolis Limited ("GHAL")	100.0%	Subsidiary	—	GHAL was set up to monetize the Airport land. 492 acres has been subleased by GHIAL for commercial development to this subsidiary.

Name of Company	GHIAL equity shareholding	Classification	Other partners	Primary Business
GMR Hyderabad Aviation SEZ Limited ("GHASL")	100.0%	Subsidiary	—	GHASL was established to carry on the business of investment and development of infrastructure for special economic zones including planning, designing, operating and marketing a multi-product SEZ. Its main objective is to provide infrastructure facilities such as developed plots, buildings, roads, utilities such as power, water, drainage, communication network, infrastructure facilities to the industrial clusters or any other industrial group and aviation and aerospace companies to set up their units. This multi-product SEZ is being marketed under the brand "GMR Aerospace Park." 250 acres has been subleased by GHIAL for commercial development to this subsidiary.
GMR Hyderabad Airport Power Distribution Limited ("GHAPDL")	100.0%	Subsidiary	—	GHAPDL was incorporated with an objective to develop, operate and maintain a power distribution network for supply of power within the Airport premises.
GMR Hospitality and Retail Limited (formerly known as GMR Hotels and Resorts Limited) ("GHRL")	100.0%	Subsidiary	—	GHRL owns the five-star rated Novotel Hyderabad Airport Hotel. It also has a retail division which operates duty free retail activities in the international area of the Airport terminal and has two multi-brand stores, one at departure and one at arrival, which trade in liquor, confectionery, tobacco, perfumes etc.
GMR Aerospace Engineering Limited ("GAEL")	100.0%	Subsidiary	—	GAEL developed infrastructure facilities for carrying out the business of MRO of aircraft and allied services.
GMR Aero Technic Limited ("GATL")	100.0%	Subsidiary	—	GAEL's wholly-owned subsidiary GATL runs the MRO Unit. GATL offers base maintenance services starting with C-checks for narrow bodied aircraft like Airbus A 320 and Boeing 737 including the B-737 Classic and B-737 next generation aircraft.
Laqshya Hyderabad Airport Media Private Limited ("LHAMPL")	49.0%	Joint venture	Laqashya Media Group	LHAMPL is a joint venture between Laqshya Media Private Limited (51.0%) and us (49.0%). LHAMPL develops, operates, markets and manages the advertising media units inside and outside the terminal building. The advertising display rights are awarded for the external access road and the passenger terminal building.

Name of Company	GHIAL equity shareholding	Classification	Other partners	Primary Business
Asia Pacific Flight Training Academy Limited[(1)] ("APFTAL")	40.0%	Joint venture	APFT Sdn Bhd	APFTAL was established to provide pilot training. The Academy was set up in 2012 as a joint venture between us and APFT Sdn Bhd, Malaysia. It carries out the business of flight training academy for pilot training CPL (Commercial Pilot License), PPL (Private Pilot License) and simulator training etc. APFTAL has good infrastructure, experienced flying and ground instructors (all approved by the Directorate General of Civil Aviation) and has taken on lease three state-of-the-art Diamond DA 40 D and one-state-of-the-art Diamond DA 42 Glass cockpit aircraft.

(1) On September 8, 2017, we entered into a share purchase agreement with APFT Sdn Bhd, our joint venture partner in Asia Pacific Flight Training Academy Limited, to purchase its entire 60% stake in the joint venture, which share transfer was consummated on October 9, 2017 and since which time Asia Pacific Flight Training Academy Limited has been our wholly-owned subsidiary. See "Risk Factors—Risks Related to Our Business—Our strategy to consolidate and expand operations at Asia Pacific Flight Training Academy Limited may be unsuccessful."

As part of our business plan and strategy, we in the future may enter into new shareholder and/or joint venture agreements or arrangements as well as amend, modify or replace such new and/or our existing shareholder and/or joint venture agreements or arrangements.

INDIAN REGULATORY ENVIRONMENT

The following is a brief overview of certain laws and regulations that are relevant to our business. The information set out below has been obtained from various sources available in the public domain, including various legislations and rules and regulations promulgated by regulatory bodies and local authorities.

The overview below is based on the current provisions of Indian law and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions. It is not exhaustive and should not be a substitute for professional legal advice. Prospective investors should seek independent legal advice on the laws and regulations applicable to our business.

AVIATION SECTOR

The Government of India has formulated various regulations which specifically apply to companies operating in the aviation sector. The AAI Act, the Aircraft Act, AERA Act, and various rules thereunder and other regulations and orders made pursuant thereto govern the aviation sector in India. The oversight over the aviation sector in India is distributed among the Ministry of Civil Aviation ("MoCA"), the Director General of Civil Aviation ("DGCA"), the Bureau of Civil Aviation Security ("BCAS"), the Airports Authority of India ("AAI"), and Airports Economic Regulatory Authority of India ("AERA"). The Ministry of Defense undertakes airspace protection in coordination with AAI.

There are three categories of airports in India:

(i) International airports from which international flights can operate;

(ii) Domestic airports from which only domestic flights can operate; and

(iii) Customs airports from which imported goods can be unloaded or goods can be exported.

The AAI manages all airports in India other than certain private airports which are managed by private operators either independently or along with the AAI and certain military airports that are managed by the Ministry of Defense. The AAI also administers the use of terminal building facilities at military airports by civilian aircraft, while air traffic control ("ATC") and scheduled clearances at these airports are the responsibility of the defense authorities.

The civil aviation sector in India is also broadly governed by two policies: the Domestic Air Transport Policy and the Policy on Airport Infrastructure, which includes the Greenfield Airports Policy.

APPLICABLE LEGISLATION, INTERNATIONAL CONVENTIONS AND SECTORAL POLICY

The Airports Authority of India Act, 1994

The AAI Act was enacted for the constitution of AAI and for the transfer and vesting of the undertakings of the International Airports Authority of India and the National Airports Authority of India to and in AAI for the better administration and cohesive management of airports and civil enclaves.

The AAI Act applies to all airports from where air transport services are operated or are intended to be operated (other than airports and airfields belonging to, or subject to the control of, any armed force of India), all civil enclaves (which are areas allotted at airports belonging to any armed force of India, for use by persons availing of any air transport services from such airports or for the handling of baggage or cargo by such service, and include land with any building and structure or such areas); all aeronautical communication stations; and all training stations, establishments and workshops relating to air transport services.

The AAI Act was amended in 2003 to extend its application to private airports (which are airports owned, developed or managed by any person or agency other than AAI or any state government; or any person or agency jointly with AAI or any state government or both where the share of such person or agency as the case may be in the assets of the private airport is more than fifty percent). The provisions of the AAI Act apply to private airports, including the Company, insofar as they relate to, inter alia, providing air traffic service, eviction of unauthorized occupants, and compliance with certain directions of AAI issued in view of the security interests of India or the security of an aircraft.

The 2003 Amendment to the AAI Act also permits AAI, in the public interest or in the interest of better management of airports, to lease the airport premises with prior approval of the Central Government to carry out some of AAI's functions under the AAI Act.

With the enactment of AERA Act in 2008, the AAI Act was further amended to empower AAI to levy and collect from the embarking passengers at airports, the development fees. The development fees are levied for the purpose of funding or financing the cost of upgrade, expansion or development of the airport at which the fee is collected; establishment or development of a new airport in lieu of the airport at which the fee is collected; or investment in the equity in respect of shares to be subscribed by AAI in companies engaged in establishing, owning, developing, operating or maintaining a private airport in lieu of the airport at which the fee is collected or advancement of loans to such companies or other persons engaged in such activities.

In pursuance of the powers conferred by the AAI Act, various rules and regulations have been framed, including the Airports Authority of India (Management of Airports) Regulations, 2003; the Airports Authority of India (General Management, Entry for Ground Handling Services) Regulations, 2007; the Airports Authority of India (Storage and Processing of Cargo, Courier and Express Goods and Postal Mail) Regulations, 2003; and the Airports Authority of India (Major Airports) Development Fees Rules, 2011.

The Aircraft Act, 1934 (the "Aircraft Act")

The Aircraft Act makes provisions for the control of the manufacture, possession, use, operation, sale, import and export of aircrafts. It empowers the Central Government to make rules, inter alia, with respect to the regulation of the air transport services and the prohibition of the use of aircraft in such services except under the authority of and in accordance with a license authorizing the establishment of the service; the economic regulation of the civil aviation and air transport services (other than those to which AERA Act applies); and registration and marking of the aircraft. The Aircraft Act also empowers the Central Government to make rules as may be necessary to give effect to the Chicago Convention on International Civil Aviation, 1944 (the "Chicago Convention"). The licensing, inspection and regulation of aerodromes is also provided for under the Aircraft Act.

The Aircraft Act has been amended from time to time in view of developments in technology, communication, navigation, surveillance, air traffic management standards laid down by the ICAO for safety and security of the civil aviation; and to give effect to the various provisions of the Chicago Convention.

Pursuant to the powers conferred by the Aircraft Act, the Central Government has promulgated the Aircraft Rules, 1937 (the "Aircraft Rules") which, inter alia, stipulate that no aerodrome will be used as a regular place for landing and departure by a scheduled air transport service or for a series of landing and departures by any aircraft carrying passengers or cargo for hire or reward unless it has been licensed.

The other rules framed pursuant to the Aircraft Act include the Aircraft (Public Health) Rules, 1954; the Aircraft (Demolition of Obstructions Caused by Building and Trees, etc.) Rules, 1994; the Aircraft (Carriage of Dangerous Goods) Rules, 2003; the Aircraft (Security) Rules, 2011; and the Aircraft (Investigation of Accidents and Incidents) Rules, 2012.

The Airports Economic Regulatory Authority of India Act, 2008 (the "AERA Act")

The AERA Act has been enacted to provide for the establishment of AERA to regulate tariff and other charges for the aeronautical services rendered at airports and to monitor performance standards of airports. AERA was established on May 12, 2009 and is the economic regulator of the airport infrastructure sector and air navigation services in India.

The AERA Act applies to all airports from where air transport services are operated or are intended to be operated (other than airports and airfields belonging to, or subject to the control of, the armed forces and paramilitary forces of India); all private airports and leased airports; all civil enclaves; and all major airports (which are airports which have, or are designated to have, annual passenger throughput in excess of one and a half million or any other airport as the Central Government may decide).

Tariffs for the aeronautical services at major airports is to be determined by AERA after taking into consideration the capital expenditure incurred and timely investment in improvement of airport facilities; the service provided, its quality and other relevant factors; the cost for improving efficiency; economic and viable operations of major airports; revenue received from services other than the aeronautical services; the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise; and any other factor which may be relevant for the purposes of the AERA Act.

Pursuant to the Concession Agreement and the AERA Act, AERA follows a hybrid-till model for determining the aeronautical tariffs for the Airport. In a hybrid-till model, a percentage share of non-aeronautical operations and related services revenues are used to subsidize the revenues from aeronautical operations of an airport — 30% of non-aeronautical operations and related services revenues in the case of the Airport. The main building blocks used when determining the tariff are:

- returns on the asset base;
- fair rate of return;
- depreciation;
- operating and maintenance costs;
- taxes; and
- 30.0% of the gross revenue generated from non-aeronautical operations and related services at the Airport on a standalone basis.

Other key factors in determining the aeronautical tariffs are the forecasted passenger traffic and ATMs levels over the relevant period and the capital expenditures made in developing the applicable asset base.

The tariff is determined by AERA for a period of five years, but it may be amended according to the public interest from time to time. The AERA Act provides for different tariff structures to be determined for different airports based on considerations specified therein.

Further, under the Aircraft Rules, the airport licensee is entitled to collect the passenger service fees from embarking passengers and to levy and collect user development fees at all major airport at the rates determined by AERA.

The Airports Economic Regulatory Authority Appellate Tribunal (the "AERA Appellate Tribunal") was established under the AERA Act to adjudicate disputes between two or more service providers or between a service provider and a group of consumers, and to hear and dispose of appeals against any direction, decision or order of AERA under the AERA Act. Pursuant to the amendments to the Finance Bill, 2017, the functions of the AERA Appellate Tribunal have been transferred to the Telecom Disputes Settlement and Appellate Tribunal ("TDSAT"), which now also must to decide on matters related to pricing of airport services.

In pursuance of the powers conferred by the AERA Act, AERA has issued various orders and guidelines, including the Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011, and the Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft) Guidelines, 2011.

The Carriage by Air Act, 1972: enacted to give effect to the convention for the unification of certain rules relating to international carriage by air signed at Warsaw on October 12, 1929 (the "Warsaw Convention") and the Hague Protocol signed on September 28, 1955, and to make provision for applying the rules contained in the Warsaw Convention, as amended from time to time, to non-international carriage by air. The said Act was amended by the Carriage by Air (Amendment) Act, 2009 to give effect to the Montreal Convention signed on the May 28, 1999.

Tokyo Convention Act, 1975: a convention on offences and certain other acts committed on board an aircraft was signed on September 14, 1963 at Tokyo (the "Tokyo Convention"). In order to enable India to accede to the Tokyo Convention the Tokyo Convention Act, 1975 was enacted by the Indian Parliament.

The Suppression of Unlawful Acts against Safety of Civil Aviation Act, 1982: a statute giving effect to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation (Montreal Convention) signed at Montreal on September 23, 1971 and acceded to by India. The Montreal Convention regulates the law relating to unlawful acts that jeopardize the safety of persons and property, seriously affect the operation of air services, and undermine the confidence of the people of the world in the safety of civil aviation.

Other legislations relevant to the aviation sector include the Anti-Hijacking Act, 1982 and the Convention on International Civil Aviation, 1944 (Chicago Convention).

Airport Infrastructure Policy

The MoCA introduced a policy on airport infrastructure in August 2011 (the "Airport Infrastructure Policy 2011"), which consolidated the Airport Infrastructure Policy 1997 and the policy for Greenfield Airports and guidelines framed thereunder in 2008. The Airport Infrastructure Policy 2011 relates to the use and development of airport infrastructure.

The Airport Infrastructure Policy 2011 deals with issues such as capacity enhancement, augmentation of the existing facilities, reclassification of airports, safety and security of aircraft operations through the introduction of state-of-art air traffic, security and related services, and encourages transparency and clarity in the decision-making processes of Central Government and its public sector units.

The Airport Infrastructure Policy 2011 also envisages the setting up of an independent statutory body called the Airport Approval Commission. This body would assist the Central Government in examining the new airport proposals, and submit its recommendations on aspects such as the requirements of a greenfield airport, the appropriateness of the site for the new airport and whether the new airport project should be undertaken in the public sector, private sector or as a mixed development.

National Civil Aviation Policy, 2016

With an aim to develop and improve airports, cargo sectors, maintenance, repair and overhaul facilities, and helicopter aviation, and to rationalize the cost of aviation turbine fuel, enhance regional connectivity, modernize the Air Navigation Services ("ANS") and introduce overall institutional reforms in the civil aviation space, the MoCA released the National Civil Aviation Policy, 2016 (the "Aviation Policy 2016") on June 15, 2016. The Aviation Policy 2016 introduces various measures aimed at promoting the growth of the Indian civil aviation sector. Under its Regional Connectivity Scheme, the MoCA will levy a small charge on domestic flights and will use it to fund a subsidy given to airlines which provide capped airfares for certain under-served regional routes at a target rate of Rs.2,500 per passenger per hour of flying time. The MoCA also proposes to revive old airstrips and airports as "no-frills airports" at an indicative cost of Rs.500 million to Rs.1 billion and provides incentives for investing in maintenance, repair and overhauls. The Aviation Policy 2016 also provides for Viability Gap Funding ("VGF") to airline operators to fly to regional locations. The policy also eliminates the existing requirement that airlines must fly domestic routes for at least five years before they fly international routes and thus, now airlines with at least 20 aircraft can immediately start flying internationally. Going forward, the Government of India will seek to enter into "open sky" air service agreements on a reciprocal basis with member countries of the South Asian Association for Regional Cooperation and countries that are more than 5,000 km away from India. The policy also envisages the framework for a new ground handling policy. Moreover, the policy requires that the tariff at all future airports be calculated on a hybrid-till model, under which a percentage share of revenues from non-aeronautical services are used to subsidize the revenues from aeronautical operations of an airport.

Policy on Regional Connectivity Scheme (UDAN)

Pursuant to the National Civil Aviation Policy, 2016 released by MoCA, which envisages to develop and improve airports, cargo sectors, maintenance, repair and overhaul ("MRO") facilities, and helicopter aviation, to rationalize the cost of aviation turbine fuel, to modernize the air navigation services ("ANS") and to introduce overall institutional reforms in the civil aviation space, including enhancement of regional connectivity through fiscal support and infrastructure development, the Government of India has launched a regional connectivity scheme (the "Regional Connectivity Scheme"), known as 'UDAN' (*Ude Desh ka Aam Nagrik*). See "—Regulatory Bodies—National Civil Aviation Policy, 2016" for further details. The operation of this scheme is proposed to be through a market mechanism where, among others, operators will assess demand on routes and submit proposals for operating / providing connectivity on such routes. Broadly, this scheme focuses on promoting affordability of regional air connectivity by supporting airline operators through (a) concessions by the GoI, state governments (including Union Territories) and airport operators to reduce the cost of airline operations on regional routes / other support measures; and (b) financial support in the form of viability gap funding to meet the gap, if any, between the cost of airline operations and expected revenues on such routes. The scheme is applicable, subject to periodic review, for a period of 10 years from the date of its notification by the MoCA.

The scheme envisages a market based mechanism for selection of an airline operator to operate on a designated route or a network, wherein the initial proposal and any counter proposals will be evaluated as per the mechanism presented herein. Pursuant to such evaluation of proposals, a selected airline operator will be identified and a 3 year contract will be entered into by the selected airline operator with AAI for operations on the designated route. At the time of its inception, total 128 routes were identified and declared to be under the purview of this scheme, connecting 70 airports across the country.

The norms relating to this scheme have been relaxed in August 2017 whereby provisions relating to dilution of the exclusivity clause have been envisaged mandating that only one airline may fly on one route in the initial years. Also, a selected airline operator of a particular route may issue a no-objection certificate to other airlines which want to operate on a route designated under the scheme. In addition, norms restricting two airports in close proximity from participating in the bidding have also been relaxed and operations through fixed wing aircrafts on routes with a stage length less than 150 kilometers has also been permitted.

Open Sky Policy

Under the Aviation Policy 2016, the Government of India has introduced the “Open Sky Policy,” which aims at removing all restrictions on the number of flights to and from destinations in SAARC countries (comprising India, Nepal, Bangladesh, Butan, Sri Lanka, Afghanistan, Maldives and Pakistan) and those located beyond a radius of 5,000 kilometres from New Delhi. Pursuant to this policy, the Government of India is expected to enter into open sky service agreements on a reciprocal basis with contracting countries, which will provide for airlines from the participating countries to have an unlimited number of flights as well as seats to each other’s jurisdictions and, specifically, to six airports in India: Delhi, Mumbai, Hyderabad, Kolkata, Bengaluru and Chennai.

India has also signed open sky service agreements with Jamaica, Guyana, the Czech Republic, Finland, Spain, Sri Lanka and Japan. The implementation of this policy in India would enable European airlines and SAARC airlines (which fall outside a radius of 5,000 kilometres from New Delhi) to have unlimited access, in terms of number of flights and seats, to airports in India.

Route Dispersal Guidelines for Scheduled Air Operations

With a view to achieving better regulation of air transport services and taking into account the need for air transport services of different regions in the country, the Government of India pursuant to its order dated March 1, 1994, has laid down Route Dispersal Guidelines. According to these guidelines, all scheduled airline operators are required to deploy in the North Eastern region, Jammu & Kashmir, Andaman & Nicobar Islands and Lakshadweep (Category-II routes) at least 10% of their deployed capacity on trunk routes (Category-I routes). Further, at least 10% of the capacity thus required to be deployed on Category-II routes is required to be deployed for connectivity exclusively within these regions. In addition, airline operators are required to deploy 50% of the capacity deployed on Category-I routes on routes other than Category-I and Category-II routes.

REGULATORY BODIES

Domestic aviation in India is jointly regulated by several Government departments and regulators, including the MoCA and its attached office, the Bureau of Civil Aviation Security (“BCAS”) — which is the central agency for aviation security; the DGCA (an attached office of the MoCA) — which is responsible for the regulation of air transport services in India and for the enforcement of civil air regulations, air safety and airworthiness standards; AAI — which is responsible for the infrastructure in respect of airports; and AERA.

MoCA

The Ministry of Civil Aviation (MoCA) is responsible for formulation of national policies and programs for the development and regulation of the civil aviation sector in the country. It is responsible for the administration of the Aircraft Act, the Aircraft Rules, and various other legislations pertaining to the civil aviation sector in India.

The MoCA has issued a policy on Regional and Remote Area Connectivity dated March 4, 2014, which aims to regulate and promote better air transportation services in regional and remote locations in India by providing incentives such as exemptions from landing and parking charges, waivers of electricity charges, etc.

The MoCA has also issued "Policy Guidelines on Air Freight Stations" dated October 28, 2014 to develop air freight stations in order to de-congest airports by shifting cargo and custom related activities outside airport areas and promote international air cargo operations in remote regions of the country.

Directorate General of Civil Aviation

The Directorate General of Civil Aviation is the principal regulatory body in the field of civil aviation in India and functions under the supervision of the Ministry of Civil Aviation. The DGCA, among other things, promulgates, implements and monitors standards relating to the operations and airworthiness of an aircraft, the licensing of personnel such as flight crew, cabin crew, flight dispatchers and aircraft maintenance engineers, the licensing of air transport operations, the licensing of civil aerodromes, the investigation of minor accidents, etc. The detailed terms and conditions of these standards, including, without limitation, the authorities involved, the application processes and the requirements of renewal, are prescribed by the Aircraft Act, the Aircraft Rules, the Civil Aviation Requirements ("CAR") and the Air Transport Advisory Circulars ("ATAC").

The primary responsibilities of the Directorate General of Civil Aviation include:

- registration of civil aircraft;
- formulation of standards of airworthiness for civil aircraft registered in India and grant of certificates of airworthiness to such aircraft;
- licensing of pilots, aircraft maintenance engineers and flight engineers;
- licensing of air traffic controllers;
- certification of aerodromes and communication navigation and surveillance / air traffic management facilities;
- granting air operator's certificates to Indian carriers and regulation of air transport services operating to/from/within/over India by Indian and foreign operators, including clearance of scheduled and non-scheduled flights of such operators;
- conducting investigation into incidents and serious incidents involving aircraft up to 2250 kg AUW;
- carrying out amendments to the Aircraft Act, the Aircraft Rules and the civil aviation requirements ("Civil Aviation Requirements") in compliance with the amendments to ICAO annexes, and initiating proposals for amendments to any other act or for the passing of new acts in order to give effect to international conventions;
- rendering advice to the Central Government on matters relating to air transport, including bilateral air services agreements, and to act as an overall regulatory and developmental body for civil aviation in the country; and
- co-ordination at the national level for the flexible use of air space by civil and military air traffic agencies and interaction with ICAO for the provision of more air routes for civil use through Indian air space.

Pursuant to the provisions of the Aircraft Act and the Aircraft Rules, the DGCA has issued various Civil Aviation Requirements in relation to the minimum operational requirements of an airport, air safety, the airworthiness of aircraft, air transport and flight crew.

The Company is required to comply with the provisions of the Civil Aviation Requirements as it is in the business of developing and maintaining the Airport.

BCAS

BCAS is the regulator for civil aviation security in India. It lays down and ensures compliance with standards and measures in respect of the security of civil flights at international and domestic airports in India and the security of Indian aircraft operators at foreign airports and the pre-embarkation security and anti-sabotage measures for civil flights. BCAS is also responsible for the development, implementation and maintenance of the National Civil Aviation Security Programme.

The primary responsibilities of BCAS include:

- Laying down aviation security standards in accordance with Annex 17 to the Chicago Convention for airport operators and their security agencies responsible for implementing aviation security measures.

- Monitoring the implementation of security rules and regulations and carrying out surveys of security needs.

- Ensuring that the persons implementing security controls are appropriately trained and that they possess all competencies required to perform their duties.

- Planning and coordinating aviation security matters.

- Conducting checks to test the professional efficiency and alertness of security staff including mock exercises to test efficacy of contingency plans and operational preparedness of the various agencies.

AERA

AERA regulates tariffs and other aeronautical charges and monitors the performance standards of airports. It aims to foster healthy competition among all major airports (government owned, public private partnership based and private). It encourages investment in airport facilities, protects the reasonable interests of users, and promotes the operation of efficient, economic and viable airports.

The statutory functions of the AERA as described in the AERA Act include:

- Determining the tariff for aeronautical services, taking into consideration various factors, including the amount and timeliness of capital expenditure incurred to improve airport facilities, the type and quality of service provided and other relevant factors.

- Determining the amount of the development fees for major airports.

- Determining the amount of the passengers' service fee levied under rule 88 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934.

- Monitoring the set Performance Standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any authorized entity on its behalf.

AERA performs such other functions relating to tariffs as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of the AERA Act.

OTHER RELEVANT REGULATIONS

Environmental

Environmental regulations in India require compliance by the airports with the existing environmental policy(s) and standards, including maintenance of noise levels at the airports within the prescribed regulatory standards. The key national environmental agencies are the Ministry of Environment and Forests, which is responsible for policy formulation, planning and coordination of all issues related to environmental protection, and the Central Pollution Control Board, which is the enforcing body at the national level. The Central Pollution Control Board also coordinates the activities of State Pollution Control Boards, establishes environmental standards, and plans and executes nationwide programs for prevention, control and abatement of pollution.

Under the Environment (Protection) Act, 1986, the regulations on environmental impact assessment were released by the Ministry of Environment, Forest and Climate Change ("MoEF") on September 14, 2006 (the "Environmental Impact Assessment Notification 2006"), in which the Central Government directed that construction of new projects (including airports) or activities or the expansion or modernization of existing projects or activities listed in the schedule of the Environmental Impact Assessment Notification 2006 will be undertaken only after the prior environmental clearance (as the project may require) from the Central Government or from the State or Union Territory Level Environment Impact Assessment Authority, constituted by the Central Government in consultation with the State Government or Union Territory Administration under the Environment (Protection) Act, 1986.

The Water (Prevention and Control of Pollution) Act, 1974 provides for the constitution of the Central Pollution Control Board (the "CPCB") and the State Pollution Control Boards (the "SPCB"). The primary functions of the CPCB include advising the Central Government on any matter concerning the prevention and control of water pollution, coordinating activities of the SPCBs and resolving disputes among them. The Air (Prevention and Control of Pollution) Act, 1981 has brought all matters relating to air pollution within the ambit of the CPCB and SPCBs. The CPCB and SPCBs lay down the regulatory standards for controlling air and water pollution from time to time.

The Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016 aims to control the collection, reception, treatment and storage of hazardous waste. The Hazardous Waste Rules require every person or entity who is engaged in the generation, treatment, processing, packaging, storage, transportation, use, collection, destruction, conversion, recycling, offering for sale, import, export, transfer or other similar activity of hazardous and other wastes to obtain an authorization from applicable SPCBs.

With respect to the noise pollution the MoEF has issued the Noise Pollution (Regulation and Control) Rules, 2000 in exercise of its powers under the Environment (Protection) Act, 1986. The rules provide for standards in respect of noise levels for different area/zones as specified in the rules. The noise levels in any area will not exceed the specified levels, and the CPCB and SPCBs are entrusted with the responsibility of devising effective measures for the prevention, control and abatement of noise pollution. The DGCA has, through its various environment circulars issued from time to time, mandated adoption of several measures by the airlines, airport service providers and airports to ensure protection of the environment. Provided below are brief details of some of the key circulars:

The DGCA, through environment Circular 1 of 2010, issued on June 1, 2010 and subsequently revised on June 14, 2011, has provided guidance for the restricted use of APU/GPU/PCA by airports to reduce its impact on the environment. Additionally, the DGCA, pursuant to environment Circular 2 of 2010, issued on July 14, 2010 and subsequently revised on July 14, 2011, has set forth certain conditions to reduce or minimize aircraft noise through an established noise management program. The circular lays down guidelines to be followed while carrying out ground run-ups at all domestic and international airports in the country.

The DGCA, through environment Circular 1 of 2011, dated February 15, 2011, has prescribed limits for noise levels at the Airport. Aircraft operators are directed not to undertake any activity that exceeds the maximum permissible noise limits as contained in the circular. Additionally, the DGCA, through circular 3 of 2011, dated August 10, 2011, as part of overall noise reduction program, has prescribed additional instructions for restricted usage of thrust reverser.

The DGCA, through environment Circular 2 of 2013, dated June 13, 2013, has established a comprehensive approach to address aviation related climate change challenges as well as to ensure that organizations establish necessary organizational structures to effectively address environmental issues. This circular also encourages airlines and airport operators to track their carbon footprint on an annual basis and to prepare a multipronged strategy to comply with the relevant regulations and policies. Further, through environment Circulars 3 and 4 of 2013, dated June 13, 2013 and July 4, 2013, the DGCA has provided for the management of aviation noise and monitoring of local air quality at Indian airports.

Foreign Exchange Management Act, 1999

The objective of the Foreign Exchange Management Act, 1999 (the "FEMA") is to facilitate external trade, payments and promotion of orderly development and maintenance of foreign exchange market in India. RBI is responsible for administration of the FEMA.

Indian companies are allowed to take on external commercial borrowings ("ECB"), including commercial-bank loans, buyers' credit, suppliers' credit, and to raise loans overseas through secured instruments under the Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2000, read with the Master Direction - External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers dated January 1, 2016 issued by the RBI as modified from time to time, wherein the guidelines for raising of Indian rupee denominated ECBs have been set out (the "ECB Guidelines"). ECBs under the ECB Guidelines can be accessed under two routes: (i) the automatic route; and (ii) the approval route. The automatic route does not require a borrower to obtain any RBI approvals, whereas the approval route requires a prior RBI approval. The ECB Guidelines classify ECBs under the following categories:

(i) medium term foreign currency denominated ECBs with minimum average maturity of three to five years ("Track I ECBs");

(ii) long-term foreign currency denominated ECBs with minimum average maturity of ten years ("Track II ECBs"); and

(iii) Rupee denominated ECBs with minimum average maturity of three to five years ("Track III ECBs").

This offering of the Notes is authorized under the automatic route of the RBI in accordance with and pursuant to the provisions of the ECB Guidelines.

Automatic route

The following entities have been classified as recognized borrowers for raising Track I ECBs: (i) companies in the manufacturing and software development sectors; (ii) shipping and airline companies; (iii) Small Industries Development Bank of India; (iv) units in special economic zones in India; and (v) companies in the infrastructure sector, Non-banking financial company ("NBFC") - Infrastructure Finance Companies NBFCs-Asset Finance Companies, holding companies and core investment companies. For Track II ECBs, all entities eligible under Track I ECBs can raise ECBs in addition to real estate investment trusts and infrastructure investment trusts coming under the regulatory framework of SEBI. In the case of Track III ECBs, all entities eligible under Track II ECBs can raise ECBs in addition to (i) all NBFCs coming under the purview of RBI; (ii) NBFCs-micro finance institutions, not for profit companies registered under the companies act 1956 or 2013, societies, trusts and co-operatives, non-government organizations engaged in micro-finance activities; (iii) companies engaged in miscellaneous services such as research and development, companies supporting infrastructure and companies providing logistics services; and (iv) developers of special economic zones and national manufacturing and investment zones.

The following lenders are eligible to provide ECBs for Track I ECBs: (i) international banks; (ii) international capital markets; (iii) multilateral financial institutions or regional financial institutions and Government-owned financial institutions; (iv) export credit agencies; (v) suppliers of equipment; (vi) foreign equity holders (vii) overseas long term investors and (viii) overseas branches or subsidiaries of Indian banks. For Track II ECBs, all entities listed under Track I ECBs, other than overseas branches or subsidiaries of Indian banks. For Track III ECBs, all entities listed under Track I ECBs, other than overseas branches or subsidiaries of Indian banks. In the case of NBFCs-MFIs, other eligible MFIs, not for profit companies and non-government organizations. ECBs can also be availed from overseas organizations and individuals. ECB proceeds under Track I can be utilized for, *inter alia* (i) capital expenditure in the form of import and local sourcing of capital goods, new projects and modernization or expansion of existing units; (ii) overseas direct investment; (iii) acquisition of shares in the Government's disinvestment program of public sector units; (iv) refinancing of existing ECBs, provided the residual maturity is not reduced. The proceeds of Track II ECBs and Track III can be used for all any purpose, except (i) real estate activities; (ii) investing in capital markets or equity in the domestic market; (iii) on-lending to other entities for the above mentioned objectives; and (iv) purchase of land.

NBFCs, under Track III ECBs, can use ECB proceeds only for (i) on-lending to infrastructure sector; (ii) providing hypothecated loans to domestic entities for acquisition of capital goods and equipment; and (iii) providing capital goods and equipment to domestic entities by way of lease and hire-purchases.

Further, the maximum amount that can be raised every fiscal year under the automatic route is US$750 million or its equivalent for companies in the infrastructure and manufacturing sector, NBFC — infrastructure finance companies, NBFC — asset finance companies, holding companies and core investment companies, US$200 million or its equivalent for companies in the software development sector, US$100 million or its equivalent for entities engaged in micro-finance activities and US$500 million or its equivalent for remaining entities. The all-in cost (which includes rate of interest, other fees and expenses in foreign currency or Rupees but does not include commitment fees, prepayment fees, payments for withholding tax in Rupees) ceilings for (i) Track I ECBs is (A) 300 basis points per annum over six month LIBOR for ECBs with minimum average maturity between three and five years and (B) 450 basis points per annum over six month LIBOR for ECBs with minimum average maturity of more than five years; (ii) Track II ECBs is 500 basis points per annum over the benchmark; and (iii) Track III ECBs will be in compliance with market conditions.

Approval route

All ECBs falling outside the automatic route limits are considered by the RBI under the approval route.

Under the Ministry of Commerce's Consolidated FDI Policy (effective from August 28, 2017), as modified from time to time, 100% foreign direct investment is allowed for greenfield and existing airport projects.

Filing and regulatory requirements in relation to issuance of Notes

ECB Borrowers, including us, are required to obtain a loan registration number ("LRN") from the RBI before an issuance of Notes is effected. To obtain this, ECB borrowers are required to submit a completed Form 83 certified by a company secretary or a chartered accountant to the Authorised

Dealer ("AD") Bank of the ECB borrower. The AD Bank is then required to forward the completed Form 83 to the RBI. Any ECB borrower, including us, is required to submit an ECB-2 Return on a monthly basis via its AD Bank to the RBI. Security creation for ECBs require prior approval from the AD Bank.

Hedging requirements in relation to issuance of ECB

All entities raising ECB under Track II are required to follow guidelines for hedging that may be issued by any sectoral and/or prudential regulators (including RBI) from time to time, including following operational aspects of hedging as may be stipulated by RBI from time to time.

Procedure in relation to any change to the Terms and Conditions of the Notes

Any change in the terms and conditions of the Notes after obtaining the LRN requires the prior approval of the RBI or AD Bank, as the case may be. Certain changes (such as amendments to the repayment date, currency, the name of the borrower, recognized lender, the purpose for which the ECB is utilized, all-in costs, cancellation of LRN, reduction in amount of the ECB or any change to the AD Bank) may be approved by the AD Bank under a delegated authority from the RBI subject to certain conditions being complied with. Any redemption of the Notes prior to their stated maturity, including on occurrence of an early redemption event, event of default or for taxation reasons (as further described in the Terms and Conditions of the Notes) will require the prior approval of the RBI or the AD Bank, as the case may be.

Indemnity

Remittances of funds outside of India by us pursuant to indemnity clauses under the terms and conditions of the Notes, or any other agreements in relation to the Notes, requires prior RBI approval.

The Insolvency and Bankruptcy Code, 2016

The Insolvency and Bankruptcy Code, 2016 (the "Bankruptcy Code") was passed by both houses of the Indian parliament of India on May 11, 2016 and received the assent of the President of India on May 28, 2016. The Bankruptcy Code primarily consolidates the existing insolvency laws, *inter alia*, relating to companies, bodies corporate and individuals with the objective of providing clarity and consistency, in treatment, to all the stakeholders in the insolvency process. The Bankruptcy Code seeks to establish an Insolvency and Bankruptcy Board of India (Board) which will, *inter alia*, function as a regulator to oversee functioning of insolvency professionals, insolvency professional agencies and information utilities. The Board will exercise a range of legislative, administrative and quasi-judicial functions. The Bankruptcy Code classifies creditors into, *inter alia*, financial creditors and operational creditors which include creditors of financial debts for interest and debts arising from the operational nature of the debtor, respectively. The Bankruptcy Code proposes to appoint specialized insolvency professionals to assist companies and corporate bodies through the insolvency process. The Bankruptcy Code provides a 180 day timeline for insolvency resolution applications which may be extended by 90 days. As part of the insolvency resolution process, the insolvency resolution plan prepared by the insolvency professionals has to be approved by 75% of the financial creditors and by the adjudicating authority and, if rejected, the adjudicating authority will pass an order for liquidation.

The National Company Law Tribunal will be the adjudicating authority with jurisdiction over companies and limited liability entities. However, the provisions and sections under the Bankruptcy Code are being promulgated in a staggered manner and some provisions and sections are not effective yet. To the extent promulgated, the Bankruptcy Code amended relevant provisions of the Companies Act, 2013 and the other legislations as specified therein, and will further amend relevant provisions of the Companies Act, 2013 and such specified legislations upon future notification of the Bankruptcy Code.

Employment Legislation

The employment of workers in the Company is regulated by a wide variety of generally applicable labor laws, including the Contract Labour (Regulation and Abolition) Act, 1970, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, the Payment of Wages Act, 1936, the Payment of Gratuity Act, 1972, the Employees' Provident Funds and the Miscellaneous Provisions Act, 1952.

Skill Development Initiatives of the Government of India

The Government of India has introduced several initiatives to promote the development of skills among the Indian population in a structured manner catering to all levels of the workforce. These include, among others, the National Policy on Skill Development and Entreprenuership and the National Skill Development Mission.

The objectives of the National Policy on Skill Development and Entrepreneurship, 2015, are to provide an umbrella framework for all skills-based activities being carried out within the country in order to align them to common standards and to the relevant demand centers. In addition to providing the objectives and expected outcomes, the policy also aims at identifying the various institutional frameworks which can act as vehicles to reach the expected outcomes and to link skill development to improved employability and productivity. Similarly, the National Skill Development Mission introduced in 2014 attempts to provide skill training to the heterogeneous labour force consisting of youth, women, school drop outs, disabled, minorities and tribal groups.

Other initiatives targeted towards the skill development of the Indian population include the following:

(i) ***The Pradhan Mantri Kaushal Vikas Yojana,*** with the primary objective of offering monetary incentives and a government certification to at least 2.4 million trainees on successful completion of a minimum of three months of training to assist them in securing a job for a better future. It envisages to enable a large number of Indian youth to take up industry-relevant skill training that will help them in securing a better livelihood.

(ii) ***The Skill Development Initiative***, with an aim of providing for skill-formation and skill up-gradation for facilitating the vertical and horizontal mobility of Indian workers, including recognition of prior learning for, for example, school dropouts and unorganized sector workers.

(iii) ***The Apprenticeship Training Scheme***, which envisages full utilisation of the facilities available in industry for imparting practical training with a view to meet the requirements of skilled manpower for the industry and thereby reducing employment mismatch.

MANAGEMENT

Our Board of Directors is responsible and has general powers for the management and conduct of our business. The following sets forth certain information with respect to our directors and other senior management.

Directors

The table below sets forth certain information regarding our board of directors as at June 30, 2017.

Name	Age	Title
Mr. G. M. Rao	67	Chairman
Mr. Srinivas Bommidala	54	Managing Director
Mr. Grandhi Kiran Kumar	41	Director
Mr. R.S.S.L.N. Bhaskarudu	76	Independent Director
Mr. H.J. Dora	73	Director
Mr. NC Sarabeswaran	72	Independent Director
Mrs. Sivakameswari Vissa	52	Independent Director
Mr. C. Prasanna	56	Director
Mr. Jayesh Ranjan IAS	49	Director
Mr. K. Ramakrishna Rao IAS	51	Director
Mr. P. Vijay Bhaskar	61	Independent Director
Mr.Venkatramana R. Hegde	46	Director
Mr. I. N. Murthy	55	Director
Datuk Badlisham Bin Ghazali	54	Director

Other than those interests and relationships disclosed in "Principal Shareholders" and "Related Party Transactions," no conflicts of interest exist between the private interests of the management team and the interests of the Company.

A description of the business experience and present employment of each of our directors is provided below.

G. M. Rao was appointed as Chairman to the Board of Directors of GHIAL in October 2003. He is the founder and Executive Chairman of the GMR Group. Prior to founding the GMR Group, he was a director on the board of Vysya Bank Limited for several years. It was around this time that India's rapidly growing economy and the government's liberalization policies attracted his interest in infrastructure development. He recognized opportunities in this sector and positioned the GMR Group as a leading players in infrastructure development in India. Under his leadership, the GMR Group has adopted a culture of professional-entrepreneurship where enterprise, speed and team excellence are critical ingredients.

He obtained a Bachelor's degree in Mechanical Engineering from Andhra University. He was conferred with the honorary doctor of laws by York University, Toronto, Canada in 2011, the honorary doctor of letters by the Andhra University, India in 2010 and honorary doctor of letters by the Jawaharlal Nehru Technological University, Hyderabad, India in 2005. He received the award for the "First Generation Entrepreneur of the Year" from CNBC TV18 in 2009. In the same year, he received the Infrastructure Person of the Year award at the Infrastructure Journal Award Ceremony held in London. He was also chosen as the "Entrepreneur of the Year" at the Economic Times Awards for Corporate Excellence 2006-07, apart from numerous other awards and public recognition throughout his career.

Srinivas Bommidala was appointed as Managing Director of GHIAL in July 2006. He is also the Chairman of the airports business at GMR Group. He entered his family tobacco export business in 1982, subsequently led the diversification into new businesses such as aerated water bottling plants, etc. and was also in charge of international marketing and management of the organization. Subsequently, he led the team as the Managing Director of GMR Power Corporation Private Limited ("GPCL") for setting up the first independent power project, the world's largest diesel engine power plant under one roof situated at Chennai. As the Managing Director of Vemagiri Power Generation Limited, he led the implementation of the gas based power project in Vemagiri, Andhra Pradesh. He has over 30 years of experience in the infrastructure, agriculture, fast moving consumer goods and services sectors. Mr. Bommidala served as the first Managing Director of DIAL and successfully handled the transition process in the initial years of the Concession. Prior to his current position, he held various senior positions in the GMR Group, including Managing Director of GPCL. Mr. Bommidala is the son-in-law of Mr. G. M. Rao.

He obtained a Bachelor's degree in Commerce from Nagarjuna University. He holds directorships in various GMR Group companies.

Grandhi Kiran Kumar was appointed as Executive Director of GHIAL in October 2003. He has also headed GMR Group's finance function and shared services, highways, construction, SEZs and allied businesses (excluding Airports SEZ) and Sports divisions. Prior to his current position, he was instrumental in taking forward the public-private partnership project development of the Airport. Under his stewardship, the GMR Group won the bid to develop the Sabiha Gokcen International Airport at Istanbul, Turkey. Mr. Kumar is the younger son of Mr. G. M. Rao.

He obtained a Bachelor's degree in Commerce from Osmania University. Among other directorships and positions, Mr. Kiran Kumar currently holds the positions of Chairman of the GMR Group's Group Finance, Corporate Strategy and GMR Sports divisions, and Managing Director of GMR Infrastructure Limited.

R. S. S. L. N. Bhaskarudu was appointed to the Board of Directors of GHIAL as an independent Director in June 2006. He is also a member of the Nomination and Remuneration Committee and the Share Transfer/Allotment Committee and the Chairman of the Audit Committee and the Corporate Social Responsibility Committee of GHIAL. Prior to joining GHIAL, he served more than 21 years at Bharat Heavy Electricals Limited ("BHEL"). During his tenure at BHEL, Mr. Bhaskarudu was involved in the development and production of turbine generator sets, including auxiliaries, all over India. He worked for over 16 years with Maruti Udyog Limited from its inception, and served as its Managing Director. He has also served as a Member and Chairman of the Public Enterprises Selection Board of the Government of India. He obtained a Bachelor's degree (first class with honors) in Electrical Engineering from the College of Engineering, Andhra University.

H. J. Dora was appointed to the Board of Directors of GHIAL as a Director in March 2009. Prior to joining GHIAL, he served as a police officer in various districts till the year 1984. Thereafter, he served the police intelligence for five years. From early 1989 to late 1992, he headed the Andhra Pradesh State Road Transport Corporation as its Vice Chairman and Managing Director. He later served as Commissioner of Police, Hyderabad from April 1993 to November 1995 and as Director General & Inspector General of Police, Andhra Pradesh from 1996 to 2002. He also worked as Director General, Central Industrial Security Force, New Delhi and as Vigilance Commissioner, Central Vigilance Commission. He is the recipient of awards such as the "Police Medal of Gallantry," "Police Medal for Meritorious Service" and "President Police Medal for Distinguished Service."

N. C. Sarabeswaran was appointed to the Board of Directors of GHIAL as an independent Director in September 2014. He is a member of the Audit Committee and Nomination and Remuneration Committee of GHIAL. He is a Chartered Accountant and the founding partner of M/s Jagannathan & Sarabeswaran, Chartered Accountants, an audit firm with more than 40 years of history. He is currently an Advisory Board member of a U.S. and Australian private equity fund, and a Director and Member of the audit committee of the largest micro finance company in Tamil Nadu. He was previously Nominee Director of Reserve Bank of India, Professional and Independent Director on the Board of Vysya Bank Limited for 13 years, and the former President of the Indo-Australian Chamber of Commerce headquartered in Chennai. He is also chairman of the audit committee and corporate governance committees of GMR Infrastructure Limited. He obtained a Bachelor's degree in Science from Madras University. He is a Fellow Member of the Institute of Chartered Accountants of India.

Sivakameswari Vissa was appointed to the Board of Directors of GHIAL as an independent Director in March 2015. She is a member of the Audit Committee of GHIAL. She has more than 24 years of experience comprising management consulting and industry sector experience. Her sector experience includes automotive, light & heavy engineering, process industries such as chemicals, petrochemicals, life sciences, FMCG, financial services, infrastructure, IT/ITES and retail. She has significant experience in the areas of business strategy, corporate planning, performance improvement, activity-based costing, supply chain, strategic cost reduction, IT strategy and implementation. At present, she is an independent management consultant and also offers financial advisory services.

C. Prasanna was appointed to the Board of Directors of GHIAL as a Director in July 2010. He is a member of the Audit Committee, Nomination and Remuneration Committee, Share Transfer/Allotment Committee and Corporate Social Responsibility Committee of GHIAL. Mr. Prasanna presently heads the corporate affairs function wherein he is responsible for government interface for GMR Group's business verticals in South India, such as Energy and Urban Infrastructure, in addition to Hyderabad and Male Airports. Mr. Prasanna has been associated with the GMR Group for about 20 years, and was associated with the Nagarjuna Group for over nine years. Before joining GMR Group, he was the Director (Finance) of GMR Industries Limited, responsible for the ferro alloys, breweries and sugar divisions. He holds a post-graduate degree in Management.

Jayesh Ranjan was appointed to the Board of Directors of GHIAL as a Director in January 2017. He is a member of the Corporate Social Responsibility Committee of GHIAL. He has been a member of the Indian Administrative Service ("IAS") since 1992. He is the Principal Secretary of the Information Technology (IT) Department, Government Telangana and also the Principal Secretary, Industries and Commerce Department, Government Telangana (Full Additional Charge). He is the All-India topper of his IAS class of 1992. He was awarded the World Bank's Social Capital Visiting Scholarship in 2002 and the British Government's Gurukul Chevening Scholarship in 2005. Mr. Ranjan holds a Master's Degree in Psychology from Delhi University, a degree in Business Management from the Indian Institute of Management, Calcutta, and a Master's in Public Management from Lee Kuan Yew School of Public Policy, National University of Singapore.

K. Ramakrishna Rao was appointed to the Board of Directors of GHIAL as a Director in April 2016. He is a member of the Audit Committee of GHIAL. Mr. Ramakrishna Rao Kudligi served in the IAS since 1991. He is at present the Principal Secretary of Finance Department of the Government of Telangana, responsible for the prudent and sustainable management of the State Finances. Mr. Rao holds the charge of States Reorganization Department dealing with all matters related to the formation of the new State of Telangana and also the charge of the Directorate General of the Centre for Good Governance. Mr. Rao has also held leadership positions in the fields of education and health care and was the Collector and District Magistrate of Adilabad and Guntur District. Mr. Rao holds Graduate and Master's Degrees in Engineering from the Indian Institute of Technology at Kanpur and Delhi respectively, and also holds an MBA in Investments.

P. Vijay Bhaskar was appointed to the Board of Directors of GHIAL as an independent Director in September 2016. Before joining GHIAL, Mr. P. Vijay Bhaskar was an Executive Director of the Reserve Bank of India ("RBI"). He has 35 years of experience in policy formulation at RBI, with close to 10 years working at the top management level, and gained international exposure as a member of important committees on International Finance. He is well known in financial circles as an author of a book on derivatives and as head of various committees formed on very sensitive issues pertaining to the sector. He is also known to provide unique institution specific solutions for the issues within the regulatory framework. He was a nominee director of RBI in a leading public sector bank.

Venkatramana R. Hegde was appointed to the Board of Directors of GHIAL as a Director by AAI in October 2013. He is presently the Deputy Secretary in the Ministry of Civil Aviation. Before joining GHIAL, he was associated with the Planning Commission of India for five years in the area of Housing and Urban Development and also associated with the Delhi Metro Rail Corporation. He also worked for the National Income Division of the Ministry of Statistics and Programme Implementation and was involved in, among other things, making GDP estimates. Mr. Venkatramana Hegde obtained a Master's degree in Science and a Master's degree in Philosophy and Statistics from Karnataka University.

I.N. Murthy was appointed to the Board of Directors of GHIAL as a Director by AAI in March 2017. He is a member of the Nomination and Remuneration Committee and the Share Transfer/Allotment Committee of GHIAL. Mr. Indrakanti Narasimha Murthy has been as Member (Operations) and Board Member of the AAI since November 23, 2016. Prior to taking over the charge of Member (Operations), he served as Regional Executive Director (Southern Region) at Chennai and Executive Director (Air Traffic Management) in Air Space Management Directorate at the corporate headquarters of AAI. Mr. Indrakanti Narasimha Murthy begin his career as an Aerodrome Officer with the government's Civil Aviation Department, which subsequently became the Airports Authority of India in August 1985. He has over 31 years of experience in the aviation sector through his service in different positions in the Directorate of Air Traffic Management, the Directorate of Aerodrome Planning and the Airport Management & Operations divisions of AAI. He holds a Post Graduate degree in Physics (Electronics).

Datuk Badlisham Bin Ghazali was appointed to the Board of Directors of GHIAL as a Director in January 2015. Datuk Badlisham bin Ghazali has been the Managing Director of Malaysia Airports Holdings Berhad since June 23, 2014. Before joining MAHB, he worked for over 18 years with Hewlett Packard Group ("HPG") and was appointed as the Director and Country General Manager of Hewlett Packard Technology Solutions Group during his tenure. In January 2006, Datuk Badlisham was appointed as the CEO of Multimedia Development Corporation ("MDeC"). At the helm of MDeC, he led the development of the National ICT Initiatives for Malaysia. Mr. Datuk Badlisham Bin Ghazali holds a Bachelor of Science degree and a Diploma in Computer Science.

Audit Committee

The Company established its audit committee (the "Audit Committee") with written terms of reference as per the requirements of the Companies Act and other regulations as applicable from time to time. The primary duties of the Audit Committee are to review the Company's financial statements on a quarterly, semi-annual and annual basis, as the case may be, before the same are submitted to the Board of Directors for approval. The Audit Committee also holds periodic discussions with the auditors regarding internal control systems, the scope of the statutory and internal audit, audit observations and other matters, makes recommendations to the Board of Directors for the appointment, remuneration and terms of appointment of the statutory auditors, reviews and monitors the auditors' independence and performance, evaluates the effectiveness of the audit process, examines the financial statements and the auditors' report thereon, approves any subsequent modification of transactions of the Company with related parties, scrutinizes intercompany transactions; carries out valuations of the undertakings or assets of the Company, evaluates the internal controls systems of the Company, monitors the end use of funds raised through public offers and other capital raising activities, and reviews any other matter as may be directed by the Board of Directors from time to time. The Audit Committee has five members comprising Mr. R. S. S. L. N. Bhaskarudu as Chairman along with Mr. K. Ramakrishna Rao, Mr. C. Prasanna, Mr. N. C. Sarabeswaran and Ms. Sivakameswari Vissa as members.

Nomination and Remuneration Committee

The Company has established a nomination and remuneration committee (the "Nomination and Remuneration Committee") with written terms of reference as per the requirements of the Companies Act and other regulations as applicable from time to time. The primary duties of the Nomination and Remuneration Committee are to assist the Board of Directors in selecting individuals qualified to become our directors and executive officers, determine the composition of the Board of Directors and its committees, review and approve the Company's compensation structure, including all forms of compensation relating to our directors and executive officers, discuss and deal with the matters as may be prescribed in the Companies Act and rules thereon and amended from time to time and in accordance with the policies adopted in the GMR Group. The Nomination and Remuneration Committee has four members comprising Mr. N.C. Sarabeswaran, Mr. C. Prasanna, Mr. R.S.S.L.N. Bhaskarudu and Mr. I N Murthy.

Corporate Social Responsibility Committee

The Company established its corporate social responsibility committee ("CSR Committee") in May 2014 with written terms of reference as per the requirements of the Companies Act, 2013. The primary duty of the CSR Committee is to recommend and monitor the corporate social responsibility policy and expenditures of the Company. The CSR Committee has three members comprising Mr. R. S. S. L. N. Bhaskarudu as Chairman, Mr. C Prasanna and Mr. Jayesh Ranjan and CSR Head are the Permanent Invitees to the CSR Committee.

Share Transfer/Allotment Committee

The Company established its share allotment and transfer committee in 2012 with written terms of reference as per the requirements of the Companies Act and other regulations as applicable from time to time. The primary duties of the Share Transfer/Allotment and Committee are to allot, transfer and return shares and adjust any share application amounts. The Share Transfer/Allotment Committee has three members comprising Mr. C. Prasanna, Mr. R.S.S.L.N. Bhaskarudu and Mr. I. N. Murthy

Senior Management

The table below sets forth certain information regarding the other members of our senior management as at June 30, 2017.

Name	Age	Title
Mr. Srinivas Bommidala.	54	Managing Director
Mr. SGK Kishore	55	Chief Executive Officer
Mr. Rajesh Arora	48	Chief Financial Officer
Mr. Anup Kumar Samal	44	Company Secretary
Mr. Manish Sinha	50	Chief Operating Officer — Airport Operations
Mr. Hemanth DP	54	Chief Operating Officer — Aero, Logistics Park & Cargo
Mr. Bharat Kamdar	47	Head — Security & Vigilance
Mr. KBS Sarma	53	Head — Legal
Mr. George Cherian	47	Chief Commercial Officer — Non Aero, Commercial
Mr. Venkatesh Palabatla	52	Head — Human Resources

Mr. Srinivas Bommidala has been the Managing Director of GHIAL since July 2006. Please see "—Directors."

SGK Kishore has been the Chief Executive Officer since 2013. He joined the GMR Group in 2006 and as the CEO of the SEZ division of GMR Group, Mr. SGK Kishore has over 30 years of corporate experience including 17 years in Government Service as an IAS Officer.

Rajesh Arora has been the Chief Financial Officer since 2015. Mr. Rajesh Arora has over 27 years of professional experience in corporate finance and treasury functions. He has been a key member of the Airport's team and has been handling the Company's joint venture portfolio. Prior to joining GMR Group, he worked for Chambal Fertilizers & Chemicals Limited.

Anup Kumar Samal has been the Company Secretary since 2016. Mr. Anup Kumar Samal has 19 years of professional experience in the area of IPO administration, compliance & corporate governance standards, fundraising (including debt listings, rights issues, issue of warrants by way of preferential issues and other activities).

Manish Sinha has been the Chief Operating Officer for Airport Operations since 2016. Mr. Manish Sinha has 25 years of experience as a professional in operations, business development, process and operational improvements.

Hemanth DP has been the Chief Operating Officer in Aero, Logistics Park & Cargo since 2010. Mr. Hemanth DP has over 24 years of experience in various companies, including Blue Dart, TNT, FedEx and Deccan 360.

Bharat Kamdar has been the head of Security and Vigilance since 2011. Mr. Bharat Kamdar has over 17 years of experience in various companies, including Motorola, ONGC and Bharath Dynamics Limited.

KBS Sarma has been the head of Legal since 2008. Mr. KBS Sarma has over 28 years of industry experience. Prior to joining GMR Group, he worked in Tanla Solutions Ltd.

George Cherian has been the Chief Commercial Officer - Non-Aero and Commercial since 2014. Mr. George Cherian has more than 26 years of experience, and has spent the last 18 years in areas of airport retail, including duty free, retail and commercial operations. He worked for various companies, including Aer Rianta International Middle East (ARI) BIAL, MIAL, Nuance Group and Muscat Duty Free, before joining GMR group. Mr. George Cherian holds a Master's Degree in Business Administration and ICWAI, with an intermediary qualification.

Venkatesh Palabatla has been Head of Human Resources since 2010. Mr. Venkatesh Palabatla has diverse experience the field of human resources. he has made contributions in various areas, such as coaching for leadership, change management, talent building, growth & management, employee engagement, and employee relations. He has previously worked for various companies, including Eicher Tractors, Widia India Ltd- Hyderabad, Strides Arcolab, Faurecia Engineering Solutions & Automotive and Ingersoll Rand Engineering Centre, Bangalore. Mr. Venkatesh Palabatla holds a Master's Degree in Personnel Management under an Executive Management Programme in 2010.

PRINCIPAL SHAREHOLDERS

The following table sets forth our shareholding as at the date of this offering memorandum.

Name of Shareholder	Number of Equity Shares	Percentage Shareholding[1]
GMR Airports Limited	238,139,000	63.0%
GMR Infrastructure Limited	1,000	—
Airports Authority of India	49,140,000	13.0%
Government of Telangana	49,140,000	13.0%
MAHB Mauritius Private Limited	41,573,540	11.0%
Malaysia Airports Holdings Berhad	6,460	—
Total	**378,000,000**	**100%**

(1) Percentages less than 1% are not shown.

GMR Group

GMR Airports Limited is a direct subsidiary of GMR Infrastructure Limited, which is controlled by GMR Enterprises Private Limited and constitutes part of the GMR Group. GMR Infrastructure Limited is publicly listed on the BSE Limited and the National Stock Exchange of India Limited. Our Chairman, Mr. G. M. Rao, founded the GMR Group in 1978 and has developed it into a leading, diversified infrastructure group in India, with substantial experience in the development and operation of airports, power plants, roads and urban infrastructure. Mr. Sidharath Kapur serves as President — Finance & Business Development, Airports at the GMR Group, responsible for managing all the GMR Group's airport investments. Mr. Kapur joined the GMR group in 2009 and has over 30 years of experience in various sectors such as airports, oil and gas, infrastructure, banking and financial services, and serves as the Asia Pacific Regional representative to the Airport Council International's World Economics Committee Meeting. In addition to its investment in GHIAL, the GMR Group is also the leading partner in the joint venture that is developing, operating and maintaining the Indira Gandhi International Airport in New Delhi, India and a member of the consortium that was awarded in April 2014 the project for the rehabilitation, expansion and operation of the Mactan-Cebu International Airport in the Philippines for a 25-year concession period.

GMR Airports Limited is contemplating economic opportunities by which it may decrease its holdings of our shares. See "Risk Factors—Risks Related to Our Business—The interests of the GMR Group, our majority shareholder, may differ from the interests of DIAL or the holders of the Notes."

Malaysia Airports Holding Berhad

Malaysia Airports Holdings Berhad ("MAHB") was created in November 1992 when the Malaysian Parliament passed a bill to segregate the functions of its Department of Civil Aviation ("DCA") into airports regulations and operations. While the regulation of the airports remains with the DCA, the airports operations in Malaysia were handed over to MAHB. The Government of Malaysia granted a 50-year concession to MAHB to operate airports in Malaysia.

MAHB has been the primary airport operator in Malaysia and manages 38 airports, of which five are major international airports, including Kuala Lumpur International Airport (KLIA), one of the world's most technologically advanced and efficient airports, which was also constructed under MAHB's supervision in 1998. MAHB invested in GHIAL through its 100% owned subsidiary MAHB (Mauritius) Private Limited.

Airports Authority of India

See "Indian Regulatory Environment—The Airports Authority of India Act, 1994" for a description of the legal background of AAI. For information about certain corporate governance rights granted to AAI under the SHA, see "Business—Our Concession—Shareholders Agreement."

Government of Telangana

As part of the SSA, the Government of Telangana has provided land and financial support to GHIAL in the form of an interest free loan and an advance development grant. It is also responsible for ensuring the availability of power, water and road infrastructure at the Airport.

Shareholders Agreement

We entered into the SHA in September 2003 with the Governor of Andhra Pradesh (to which the Government of Telangana has since acceded), AAI and our other initial shareholders, namely, GMR Infrastructure Limited and Malaysia Airports Holdings Berhad, providing for the terms and conditions that govern their respective rights as our shareholders and their respective responsibilities regarding our management. See "Business—Our Concession—Shareholders Agreement" for a description of the SHA.

CERTAIN RELATED PARTY TRANSACTIONS

The following discussion describes certain material transactions we have with related parties. Our related parties include our joint ventures, other shareholders in our subsidiaries having significant influence, our directors, other senior management, our shareholders and their affiliates.

We have undertaken in the past, and will undertake in the future, transactions with our joint ventures and the other shareholders in our 51.0%-owned subsidiary HMACPL, as well as other entities in the GMR Group, the State Government and AAI, both of which are our shareholders. We routinely enter into transactions with these related parties in the ordinary course of our business. All such transactions are entered into in accordance with the relevant terms of the Concession Agreement.

Joint Ventures

We engage in transactions with our joint ventures. In addition to the concession fees and any applicable interest from delayed payments joint ventures pay us under our revenue sharing arrangements, we also receive fees from joint ventures for space and land rentals, as well as fees for associated electric and water utility costs. Our agreements with joint ventures additionally include provisions for them to pay us security deposits.

We also receive fees from our joint ventures for services we provide or arrange on their behalf, including information technology, maintenance, security screening and marketing services. Certain joint ventures reimburse us for employee expenses in connection with our employees assigned to work in such entities. Furthermore, in our capacity as a shareholder in our joint ventures, at times we have contributed additional capital to some entities, and have extended to them interest free loans.

Shareholders of HMACPL

The other shareholders in HMACPL undertake responsibility for HMACPL's operations, for which it receives a percentage share of HMACPL's revenue, and HMACPL also pays fees to certain other related parties to its other shareholders for the provision of certain technical services, IT support services and software licensing.

GMR Group

We engage in transactions with other entities in the GMR Group, including our direct and indirect holding companies, primarily for services they provide or arrange on our behalf, including information technology, administrative, security and transportation and chartering services, and for the leasing of rental space. We also pay employee-related expenses to other entities in the GMR Group in relation to employees temporarily assigned to us or transferred from us. From time to time, we reimburse other GMR Group entities for common services rendered to all GMR Group entities, such as consulting services, on a cost allocation basis. For example, we have engaged our affiliate, GMR Airport Developer Limited, for project management and consultancy services as well as other services such as engineering maintenance (which includes airside maintenance, baggage handling, electrical systems, air-conditioning, fire protection and vertical and horizontal transporters), IT operation and maintenance at the Airport.

Airports Authority of India

We enter into transactions with AAI primarily for the renting of office space at the Airport, for which we receive fees from AAI for space rental, as well as fees for associated electric and water utility and housekeeping costs.

State Government

We have been paying annual rent to the State Government from fiscal year 2016 onwards as per the terms of Land Lease Agreement between the State Government and us.

The following table summarizes related party transactions identified in accordance with Ind-AS 24, "Related Party Disclosures" and balances with our joint ventures, other entities in the GMR Group, AAI and the State Government, as well as our directors, included in our unaudited condensed interim financial statements as at and for the three months ended June 30, 2017. For further information regarding our related party transactions, please refer to footnote 5 of our unaudited condensed interim consolidated financial statements as of and for the three months ended June 30, 2017, footnote 33 of our audited consolidated financial statements as of and for the year ended March 31, 2017, footnote 28 of our audited consolidated financial statements as of and for the year ended March 31, 2016 and footnote 27 of our audited consolidated financial statements as of and for the year ended March 31, 2015, in each case, included elsewhere in this offering memorandum.

	Joint Ventures(1)	Shareholders of HMACPL(2)	GMR Group(3)	AAI	State Government	Directors(4)
Transactions recorded on the balance sheet						
Investments in equity share-non current	85.5	—	—	—	—	—
Loans given	55.0	—	—	—	—	—
Borrowings	—	(4.3)	—	—	—	—
Trade receivables	51.8	—	10.0	19.9	—	
Trade payable	—	(65.1)	(169.4)	—	(9.5)	(8.0)
Security deposit paid	—	—	(22.4)	—	—	—
Security deposit received	4.5	—	0.2	—	—	—
Deferred income on deposits received	0.7	—	0.1	—	—	—
Equity component of related party loans	—	(5.8)	—	—	—	—
Transactions recorded on the statement of profit and loss						
Income received						
Concession fees received	62.9	—	—	—	—	—
Minimum guarantee fee	44.2	—	—	—	—	—
Landing and parking charges	0.1	—	—	—	—	—
Income from hospitality services	—	—	0.4	—	—	—
License fee/ lease rental received	3.6	—	3.8	5.6	—	—
IT services & common area maintenance charges received	0.4	—	0.8	0.9	—	—
Manpower deputation charges received	—	—	—	0.8	—	—
Interest Received	0.4	—	—	—	—	—
Interest on amortization of interest free unsecured loan given	1.7	—	—	—	—	—
Interest expense on amortization of deposit received	0.3	0.1	0.4	—	—	—

	Joint Ventures[(1)]	Shareholders of HMACPL[(2)]	GMR Group[(3)]	AAI	State Government	Directors[(4)]
Reimbursement of expenses						
Electricity and water charges recovered	4.0	—	1.1	8.7	—	—
Other expenses incurred by the Company on behalf of related parties	0.4	—	2.0	—	—	—
Reimbursement of expenses paid to related parties	—	—	—	—	—	—
Expenses incurred by related parties on behalf of the Company	—	0.8	—	—	—	—
Expenses incurred						
Employee benefits for key management personnel	—	—	—	—	—	10.6
Director sitting fees	—	—	—	0.1	—	—
Training and consultancy Fees	—	—	1.8	0.3	(0.0)	—
Management Fees	—	—	70.4	—	—	—
Manpower hire charges	—	—	—	—	—	—
Technical service fees	—	21.2	64.1	—	—	—
Travelling and conveyance	—	—	2.9	—	—	—
ERP License fee reimbursement	—	—	3.3	—	—	—
Security related expenses	—	—	28.4	—	—	—
Communication costs	—	0.2	0.9	—	—	—
Repair and maintenance	—	1.2	5.5	—	—	—
Rent paid (including lease rentals)	—	—	0.7	—	18.5	—
Other Transactions						
Deposits paid	—	—	1.0	—	—	—
Refund of unsecured loan given to related party	12.6	—	—	—	—	—

(1) Includes the following jointly controlled entities (where transactions have taken place): Laqshya Hyderabad Airport Media Private Limited and Asia Pacific Training Academy Limited. On September 8, 2017, we entered into a share purchase agreement with APFT Sdn Bhd, our joint venture partner in Asia Pacific Flight Training Academy Limited, to purchase its entire 60% stake in the joint venture, which share transfer was consummated on October 9, 2017 and since which time Asia Pacific Flight Training Academy Limited has been our wholly-owned subsidiary.

(2) Menzies Aviation (India) Private Limited, Menzies Aviation Plc (UK), and Menzies Aviation Cargo (Hyderabad) Limited, Mauritius.

(3) Includes the ultimate holding company (GMR Enterprises Private Limited), intermediate holding company (GMR Infrastructure Limited), holding company (GMR Airports Limited), and the following fellow subsidiaries (including subsidiary companies of the ultimate holding company) (where transactions have taken place): Raxa Security Services Limited, Delhi International Airport Limited, GMR Rajahmundry Energy Limited, GMR Hyderabad Vijayawada Expressways Private Limited, GMR Aviation Private Limited, GMR Airport Developers Limited, Kakinada SEZ Private Limited, GMR Energy Trading Limited, GMR Power Corporation Limited, GMR Vemagiri Power Generation Limited, GMR Highways Limited, GMR Corporate Affairs Private Limited, Geokno India Private Limited, GADL International Limited, GMR Business Process Services Private Limited, GMR Family Fund Trust, GMR Varalakshmi Foundation, Sri Varalakshmi Jute Twin Mills Private Limited, GMR Energy Trading Limited, GMR Sports Private Limited and GMR Business School.

(4) Includes Mr. Srinivas Bommidala (Managing Director) as well as the other members of our board of directors.

DESCRIPTION OF MATERIAL INDEBTEDNESS

The following is a summary of certain provisions of the instruments evidencing our material indebtedness as at the date of this offering memorandum and after giving effect to the use of proceeds from the offering of the Notes as described under "Use of Proceeds."

GMR Hyderabad International Airport Limited

Rupee Facilities

We have entered into for the purpose of financing the cost of development of the Airport, (a) a rupee term loan facility from ICICI Bank Limited for an amount of up to Rs.4,000.0 million pursuant to a Rupee Term Loan Agreement dated June 28, 2014, as amended by credit arrangement letters dated October 24, 2016 and October 20, 2016; and (b) a rupee term loan facility from Axis Bank Limited and Yes Bank Limited for an amount of up to Rs.9,054.0 million pursuant to a Rupee Term Loan Agreement dated October 26, 2016. The Rupee Facilities are secured by first ranking pari passu security interest over certain assets of the Company. See "—Security Agreements." GMR Airports Limited has also executed a non-disposal undertaking with regard to its 51.0% shareholding of the Company further to the terms and conditions of the Rupee Facilities. GMR Airports Limited had also granted a pledge over certain shares in the Company, which security has been released as of June 12, 2017 pursuant to a satisfaction of discharge received from the registrar of Companies. As at June 30, 2017, Rs.12,657.7 million was outstanding under the Rupee Facilities. We intend to use a portion of the gross proceeds of the offering of the Notes to refinance the Rupee Facilities in full. Further to the aforesaid, we have received letters dated October 6, 2017 from each of ICICI Bank Limited, Axis Bank Limited and Yes Bank Limited permitting us to issue the Notes and utilize the proceeds thereof to, inter alia, refinance the respective Rupee Facilities and create security in relation to the Notes. Once repayment of the Rupee Facilities pursuant to the offering has been made, we will arrange for the security interest created in relation to such Rupee Facilities to be released in order to create/trigger effectiveness of the security interest required to be created for securing the Notes.

Covenants

Pursuant to the Rupee Facilities, we are subject to compliance with restrictive covenants customary for facilities of this nature, including, among other things, covenants which require the prior consent of the lenders for, inter alia, (i) the creation of security over assets of the project other than that permitted under the concerned rupee term loan facilities; (ii) making changes to our capital structure; (iii) entering into any transaction of merger, demerger, consolidation or reorganization; and (iv) making loans or deposits or giving guarantees.

ECB Facility

We have entered into for the purpose of financing the cost of development of the Airport, an external commercial borrowing facility (the "ECB Facility") from Abu Dhabi Commercial Bank for an amount not exceeding US$125.0 Million pursuant to a common facility agreement dated June 29, 2015. The ECB Facility has been secured by a first ranking pari passu security interest over certain assets of the Company. See "—Security Agreements." GMR Airports Limited has also executed a non-disposal undertaking with regard to its 51.0% shareholding of the Company further to the terms and conditions of the ECB Facility. As at June 30, 2017, Rs.4,697.1 million (US$72.6 million) was outstanding under the ECB Facility.

We have also entered into an interest rate swap facility (the "ECB Hedge") from Abu Dhabi Commercial Bank to hedge the foreign currency commitment made available to us under the ECB Facility. This facility is secured by a first priority pari passu charge on (i) all the immoveable assets (including leasehold rights) of the Company; (ii) the moveable assets of the Company; (iii) certain accounts, a debt service reserve account, revenues and book debts of the Company; and (iv) an assignment over the right, title and interest of the Company in the documents executed in relation to development of the Airport. GMR Airports Limited has also executed a non-disposal undertaking regarding to 51.0% shareholding of the Company further to the terms and conditions of the ECB Hedge.

We intend to use a portion of the gross proceeds of the offering of the Notes to refinance the ECB Facility and the ECB Hedge in full. Further to the aforesaid, we have received notice on October 5, 2017 from Abu Dhabi Commercial Bank permitting us to issue the Notes and utilize proceeds thereof to, inter alia, refinance the ECB Facility and terminate the ECB Hedge and create security in relation to the Notes. Once the ECB Facility has been repaid and the ECB Hedge has been settled, we will arrange for the security interest created in relation to the ECB Facility to be released in order to create/trigger effectiveness of security interest required to be created for securing the Notes.

Covenants

Pursuant to the ECB Facility, we are subject to compliance with restrictive covenants customary for facilities of this nature, including, among other things, covenants which require the prior consent of the lenders for, *inter alia*, (i) the creation of security over assets of the project other than that permitted under the facility agreement; (ii) making changes to our capital structure; (iii) entering into any transaction of merger, demerger, consolidation or reorganization; and (iv) making loans or deposits or giving guarantees.

Working Capital Facilities

On October 26, 2016, we entered into a working capital facility agreement with Axis Bank Limited, as the lender, and IDBI Trusteeship Services Limited, as the security trustee, for an amount of up to Rs.1,300.0 million, consisting of a (i) cash credit/working capital demand loan of Rs.550.0 million, (ii) a working capital facility of Rs.750.0 million and (iii) a LER facility of Rs. 100.0 million. These facilities were secured by (a) a first ranking pari passu charge on (i) all movable assets of the Company and (ii) the accounts, debt service reserve account, revenues and book debts and reserves established under financing documents pertaining to this facility and (b) a second ranking pari passu charge over all of our immovable properties (including leasehold rights of the Company). Axis Bank Limited, vide its letter dated July 31, 2017 cancelled the aforementioned LER facility of Rs. 100.0 million. Further, pursuant to a letter dated October 3, 2017, Axis Bank Limited consented to the offering of the Notes and has waived the above security requirement in lieu of a cash margin by way of a 100% fixed deposit (and 110% in case of foreign currency exposure) in relation to the aforementioned (i) cash credit/working capital demand loan of Rs.550.0 million and (ii) working capital facility of Rs.750.0 million. Pursuant to aforementioned letters, the security interest created for these facilities has been released. As at June 30, 2017, Rs.196.3 million was outstanding under this facility.

On August 12, 2014, we entered into a working capital facility agreement with ICICI Bank for an amount up to Rs.1,300.0 million, consisting of a working capital facility for an amount of Rs.550.0 million and a working capital facility for up to Rs.750.0 million. This facility is secured by (a) a first ranking pari passu charge on (i) all movable assets of the Company and (ii) certain accounts, a debt service reserve account, revenues and book debts and reserves established under the financing documents pertaining to this facility; and (b) a second ranking pari passu charge over all of our immovable properties (including leasehold rights of the Company). See "Risk Factors—Risks Relating to the Notes and Collateral—It may be difficult to realise the value of the Collateral securing the Notes and not all of the security interests in the Collateral for the benefit of the Noteholders will be in place at the time of issuance of the Notes" for further details. Pursuant to a letter dated October 6, 2017, ICICI Bank Limited consented to the offering of the Notes and removed the above security requirement in lieu of a requirement that outstanding limits under this facility be covered by 100% cash margin.

Pursuant to this letter, we are in the process of filing with the Registrar of Companies to record the release of the security interest created for this facility. As at June 30, 2017, Rs.73.9 million was outstanding under this facility.

Covenants

Pursuant to the aforesaid working capital facilities, we are subject to restrictive covenants customary for facilities of this nature, including, among other things, covenants which require the prior consent of the lenders for, inter alia, (i) the creation of security over assets of the project other than that permitted under the concerned working capital facilities, (ii) making changes to our capital structure, (iii) entering into any transaction of merger, demerger, consolidation or reorganization, and (iv) making loans or deposits or giving guarantees.

Other Facilities

We have entered into a bank guarantee facility from Dena Bank for an amount of up to Rs.600.0 million, which is secured by a counter guarantee issued by us in favor of Dena Bank. Pursuant to this bank guarantee facility, we are required to give a prior written notice to Dena Bank before entering into borrowing arrangements from any bank, financial institution, company or other entity in an event where the debt to equity ratio of our Company increases above 6.25. Further, we are required to give a written notice to Dena Bank prior to the creation of any charge, lien or encumbrance over the assets of our Company in favour of any financial institution, bank, company, firm or persons. We have, pursuant to a letter dated September 19, 2017, notified Dena Bank about the proposed issuance of the Notes. As at June 30, 2017, Rs.410.0 million was outstanding under this facility.

GMR Hyderabad Aerotropolis Limited ("GHAL")

Credit Facilities

On July 25, 2017, GHAL entered into an agreement of loan for overall limit (the "credit facility agreement") with the State Bank of India for credit facilities for an amount of up to Rs.450.0 million. The credit facility agreement is secured by a first ranking (i) pari passu charge on all movable and immovable properties and (ii) charge by way of hypothecation of GHAL's assets, including receivables, book-debts and outstanding payments of GHAL (including assignment of lease rentals). GHIAL has executed an undertaking in favor of State Bank of India, the lender, agreeing to provide shortfall support in the event of a cash deficit at GHAL for servicing repayment obligations for the credit facility agreement.

Covenants

Pursuant to the credit facility agreement, GHAL is subject to compliance with restrictive covenants customary for facilities of this nature, including, among other things, covenants which require the prior consent of the lenders for, inter alia, (i) incurring additional debt, (ii) making changes to the capital structure, (iii) effecting any scheme of amalgamation or reconstitution, and (iv) declaring dividends.

GMR Hyderabad Aviation SEZ Limited ("GHASL")

Loan Facility

On July 10, 2017, GHASL entered into a facility agreement with Aditya Birla Finance Limited as the lender for a loan of up to Rs.600.0 million. This facility refinanced an unsecured loan availed by GHASL amounting to Rs.475.0 million as at June 30, 2017. This facility is secured by a first ranking exclusive charge over (i) all movable assets of GHASL and (ii) all rights, title, interest, claims and demands of GHASL in respect of respect of receivables arising out of the SEZ and 277.65 acres of land including the buildings and structures thereon. In addition, GHASL is required to maintain certain accounts under this facility for the benefit of the lenders, including a debt service reserve account, a security deposit account and a collection account, among others, and GHIAL has provided a corporate guarantee to guarantee the obligations of GHASL under this loan facility. As at June 30, 2017, there was no balance outstanding under this facility.

Covenants

Pursuant to the facility agreement, GHASL is subject to restrictive covenants customary for facilities of this nature, including, among other things, covenants which require the prior consent of the lenders for, inter alia, (i) effecting any scheme of merger, amalgamation or reconstitution, reorganization, takeover or compromise, (ii) varying the shareholding or the capital structure, (iii) entering into any partnership or profit sharing agreement, (iv) incurring any indebtedness except the permitted financial indebtedness and (v) declaring dividends.

GMR Hospitality And Retail Limited (formerly GMR Hotels And Resorts Limited) ("GHRL")

Foreign Currency Term Loan

On January 6, 2017, GHRL entered into a foreign currency term loan agreement with Axis Bank Limited for an amount at up to US$1.6 million. The facility is secured by a first ranking exclusive charge on all immovable and movable assets of the former Hyderabad Duty Free Retail Limited ("HDFR"), which formed a part of the assets of GHRL after the merger of Hyderabad Duty Free Retail Limited with GHRL, and as a result of which, such security is limited to the former assets of HDFR. GHIAL has provided a corporate guarantee to guarantee the obligations of GHRL under this loan facility. As at June 30, 2017, there was no balance outstanding under this facility.

Covenants

Pursuant to the term loan agreement, GHRL is subject to restrictive covenants customary for facilities of this nature, including, among other things, covenants which require GHRL to immediately inform the bank in writing before, inter alia, (i) entering into any scheme of merger, amalgamation or reconstruction or compromise, (ii) effecting a change in control of the borrower, (iii) incurring any further indebtedness and restricts GHRL from declaring dividends if any installment of payment of interest and/or principal remain unpaid on the due date.

Facility Agreement

On August 31, 2016, GHRL entered into a facility agreement with Aditya Birla Finance Limited, as the lender for an amount of up to Rs.1,250.0 million, which commitment was later novated to the extent of Rs.507.45 million in favor of India Infradebt Limited pursuant to a novation notice dated May 15, 2017. The facility is secured by (a) first ranking pari passu charge over (i) GHRL's sub-leased land; (ii) all moveable fixed assets of GHRL; (iii) revenues, book debts and bank accounts, including trust and retention accounts and (iv) all rights, title and interest under Novotel hotel project documents and (b) a pledge over 30% of the equity shares of GHRL. In addition, GHIAL provided a corporate guarantee in respect of GHRL's obligations under this facility. As at June 30, 2017, Rs.1,239.0 million was outstanding under this facility.

Covenants

Pursuant to the facility agreement, GHRL is subject to financial covenants and restrictive covenants customary for facilities of this nature, including, among other things, covenants which require the prior consent of the lenders for, inter alia, (i) entering into any transaction of merger, demerger, consolidation and reorganization, (ii) reducing the share capital, (iii) incurring additional indebtedness, (iv) effecting any change in capital structure, (v) making certain restricted payments and (vi) issuing guarantees or indemnities. In addition, GHRL must maintain a trust and retention account in accordance with the facility agreement.

Axis Bank Facilities

GHRL has also entered into (i) a bank guarantee facility for an amount of up to Rs.250.0 million, (ii) a cash credit facility for an amount of up to Rs.50.0 million and (iii) a loan equivalent risk facility for GHRL's obligations for an amount of up to Rs.40.0 million with Axis Bank Limited. The facility is secured by (1) exclusive first charges over the current assets, fixed assets, both present and future, all accounts, cash flows, receivables; (2) escrow of receivables; (3) assignment by way of security over all rights, contracts, undertakings and other agreements entered into between GHIAL & GHRL and (4) pledge of 30 % of the shares of GHRL held by GHIAL. As at June 30, 2017, there was Rs.3.7 million outstanding under this facility.

Covenants

Pursuant to the facilities, GHRL is subject to restrictive covenants customary for facilities of this nature, including, among other things, covenants which require GHRL to provide a prior notice in writing before, inter alia, (i) incurring additional indebtedness and (ii) creation of security interest on its fixed assets.

GMR Aerospace Engineering Limited ("GAEL") (formerly MAS GMR Aerospace Engineering Company Limited) and GMR Aero Technic Limited ("GATL") (formerly MAS GMR Aero Technic Limited)

Restructuring Agreement

On June 25, 2014, GAEL and GATL entered into a restructuring agreement with the former State Bank of Hyderabad, as the lead bank, Andhra Bank and the former State Bank of Bikaner and Jaipur in order to restructure Rs.2,320.0 million of loans into a (i) rupee term loan of Rs.2,290.1 million and (ii) a funded interest term loan of Rs.520.5 million (the "GAEL Restructuring Agreement"). This facility is secured by (a) first pari passu charge on (i) all current and movable assets of GAEL and GATL in relation to the bay hangar project at the Hyderabad airport; (ii) equitable mortgage by way of leasehold rights over specific immovable properties to the extent of 16.46 acres; (iii) all rights, title, interests, benefits, claims and demands with respect to insurance contracts and proceeds and (iv) all book debts, operating cash flows, receivables and bank accounts of the bay hangar project at the Hyderabad airport; as well as (b) a pledge over 51.0% of the shares of GAEL. In addition, GHIAL has also provided an unconditional and irrevocable guarantee in favour of State Bank of Hyderabad, Andhra Bank and the former State Bank of Bikaner and Jaipur in respect of amounts outstanding under the GAEL Restructuring Agreement. As at June 30, 2017, there was Rs.2,249.5 million outstanding under this facility. As of October 4, 2017, this facility has been refinanced through the issuance of non-convertible debentures issued pursuant to debenture trust deeds mentioned herein below.

Covenants

Pursuant to the the GAEL Restructuring Agreement, GAEL and GATL were subject to restrictive covenants customary for facilities of this nature, including, among other things, covenants which require the prior consent of the lenders for, inter alia, (i) incurring additional indebtedness, (ii) extending loans or giving guarantees or indemnities, (iii) undertaking any capital expenditure plans or acquiring assets; (iv) disposing of assets, (v) making certain restricted payment, (vi) declaring dividends and (vii) entering into any transaction of merger or consolidation.

GAEL Debenture Trust Deed

On October 4, 2017, GAEL entered into a debenture trust deed with Axis Trustee Services Limited for the issuance of Rs.1,000.0 million non-convertible debentures. The proceeds of the debentures have been used for repayment of amounts outstanding under the GAEL Restructuring Agreement and are secured by (a) a first ranking pari passu charge on leasehold rights of specific immovable properties and all other current assets, movable assets, bank accounts and project documents of GAEL and (b) a corporate guarantee by GHIAL.

GATL Debenture Trust Deed

On October 4, 2017, GATL entered into a debenture trust deed with Axis Trustee Services Limited, as the Debenture Trustee, for the issuance of Rs.1,750.0 million of non-convertible debentures. The proceeds of the debentures have been used for repayment of the inter-company loan availed by GATL from GAEL and are secured by (a) first pari passu charge on all other current assets, movable assets, bank accounts and project documents of the GATL and (b) a corporate guarantee by GHIAL.

Covenants

Pursuant to the debenture trust deeds, each of GAEL and GATL is subject to compliance with restrictive covenants customary for facilities of this nature, including, among other things, covenants which require the prior consent of the debenture holders/debenture trustee for, inter alia, (i) incurring further indebtedness, (ii) extending loans or giving guarantees or indemnities, (iii) undertaking any capital expenditure plans, (iv) declaring dividends and (v) entering into any transaction of merger or consolidation, except as permitted under the debenture trust deed.

GAEL LER Facility

On December 10, 2015, GAEL entered into a loan equivalent risk facility with Axis Bank Limited ("LER Facility") for up to Rs.750.0 million, which was subsequently reduced to Rs.500.0 million. This facility is secured by a second ranking charge over the current and fixed assets of GAEL (present and future). GMR Airports Limited has furnished a corporate guarantee in favour of Axis Bank Limited to secure 120% of the obligations of GAEL under this LER Facility and GHIAL has furnished a promoter support undertaking in favour of Axis Bank Limited undertaking to infuse funds into GAEL by way of equity contribution to meet the cash losses of GAEL.

GATL Working Capital Facility

Pursuant to a Master General Terms Agreement dated June 7, 2017, GATL entered into an overdraft facility for up to Rs.280.0 million from IndusInd Bank Limited on June 20, 2017. The overdraft facility is secured by a fixed cash deposit from GHIAL for 107% of the facility amount.

GATL also has received working capital limit sanction from State Bank of India, which has not been utilized as of the date of this offering memorandum.

Security Agreements

Memoranda of Hypothecation

On December 8, 2014, we executed an Amended and Restated Unattested Deed of Hypothecation (the "2014 DoH") in favor of IDBI Trusteeship Services Limited as security trustee for, *inter alia*, (i) the lenders under the Rupee Term Loan Agreement dated June 28, 2014, executed among us and ICICI Bank as the mandated lead arranger and the rupee lenders (the "2014 Rupee Lenders"); (ii) the ECB Lender under the ECB Facility; and (iii) the working capital lender under the Working Capital Loan Agreement dated August 12, 2014 entered into between us and ICICI Bank as the working capital lender (the "2014 Working Capital Lenders"). The 2014 DoH to secure the aforementioned facilities creates a charge by way of hypothecation over all of our rights, titles, interests, benefits, claims and demands in, to, under or in respect of each of the following to the maximum extent permitted under the Concession Agreement:

- movable assets;
- project documents, governmental authorizations;
- insurance contracts;
- liquidated damages, guarantee, performance bond provided by any party to the project documents; and
- Trust and Retention Account and the monies, securities, investments and other properties credited to, or required to be credited into, such account and any sub-accounts thereof;

(collectively, the "DoH Security").

Pursuant to the 2014 DoH, we are also subject to compliance with restrictive covenants, including, among other things, restrictions on our ability to create security interest in, or dispose of, the collateral.

The 2014 Rupee Lenders and the ECB Lender are to be repaid in full with the proceeds from the issuance of the Notes. Subject to the receipt of a certificate from the abovementioned lenders that no amounts remain due under these facilities, the charge created pursuant to the 2014 DOH shall be released upon the making of certain filings. The working capital facility granted by the 2014 Working Capital Lenders has been cancelled and the outstanding in relation to the said limits is now covered by 100% (hundred percent) fixed deposit margin. We are in the process of releasing the charge with respect to this facility.

On October 26, 2016, we executed an Unattested Deed of Hypothecation (the "2016 DoH"), in favor of IDBI Trusteeship Services Limited as the security trustee. The 2016 DoH creates a charge by way of hypothecation to secure, inter alia, (i) the rupee facilities granted pursuant to the Rupee Term Loan Agreement dated October 26, 2016 entered into among us, the rupee lenders and Axis Bank Limited as the facility agent ("2016 Rupee Lenders"); (ii) the working capital facilities granted pursuant to the Working Capital Loan Agreement dated October 26, 2016 entered into between us and Axis Bank as working capital lender (the "2016 Working Capital Lender"); and (iii) hedging facilities granted by Axis Bank (the "2016 Hedging Lender") pursuant to the hedging agreement dated October 26, 2016, over all of our rights, titles, interests, benefits, claims and demands in, to, under or in respect of the DoH Security.

Pursuant to the 2016 DoH, we are also subject to compliance with restrictive covenants, including, among other things, restrictions on our ability to create security interests in, or dispose of, the collateral.

The 2016 Rupee Lenders are to be repaid in full with the proceeds from the issuance of the Notes. Subject to the receipt of a certificate from the 2016 Rupee Lenders that no amounts remain due under these facilities, the charge created pursuant to the 2016 DOH shall be released upon the making of certain filings. The working capital facility granted by the 2016 Working Capital Lenders and the hedging facilities granted by the 2016 Hedging Lender have been cancelled and such certificate has been received from the 2016 Working Capital Lender and 2016 Hedging Lender.

On or about the Original Issue Date, we will execute an unattested memorandum of hypothecation in favor of IDBI Trusteeship Services Limited as security trustee for the benefit of the holders of the Notes. See "Description of the Notes—Security—Memorandum of Hypothecation" for further details.

Memorandum of Entry

On December 8, 2014, we have by way of constructive delivery, deposited title documents in relation to 2044 acres and 49 guntas of land at the Airport leased to us under the Land Lease Agreement, with IDBI Trusteeship Services Limited and recorded their entry vide a memorandum of entry, with an intent to create security, by way of a first ranking pari passu mortgage to secure the facilities granted by the 2014 Rupee Lenders, ECB Lenders and the 2014 Working Capital Lenders (the "2014 MoE"). The 2014 MOE evidences charge created by us over immovable properties aggregating to 2,145 acres and 11 guntas for the benefit of the 2014 Rupee Lenders, ECB Lenders and the 2014 Working Capital Lenders.

On January 29, 2016, we have by way of physical delivery, deposited title documents in relation to additional 100 acres and 22 guntas of land at the Airport leased to us under the Land Lease Agreement, with IDBI Trusteeship Services Limited and recorded their entry vide a memorandum of entry, with an intent to create security, by way of a first ranking pari passu mortgage to secure the facilities granted by the 2014 Rupee Lenders, ECB Lenders and the 2014 Working Capital Lenders (the "2016 MoE"). The 2016 MOE evidences charge created by us over immovable properties aggregating to 100 acres and 22 guntas for the benefit of the 2014 Rupee Lenders, ECB Lenders and the 2014 Working Capital Lenders.

The 2014 Rupee Lenders and the ECB Lenders are to be repaid in full with the proceeds from the issuance of the Notes. Subject to the receipt of a certificate from the abovementioned lenders that no amounts remain due under these facilities, the charge created pursuant to the 2014 MoE and 2016 MoE shall be released upon the making of certain filings. The working capital facility granted by the 2014 Working Capital Lenders has been cancelled and the outstanding in relation to the said limits is now covered by 100% (hundred percent) fixed deposit margin. We are in the process of releasing the charge with respect to this facility.

On January 25, 2017, we have by way of constructive delivery, deposited title documents in relation to 2,145 acres and 11guntas of land at the Airport leased to us under the Land Lease Agreement, with IDBI Trusteeship Services Limited and recorded their entry vide a memorandum of entry, with an intent to create security, by way of a first ranking pari passu mortgage to secure the facilities granted by the 2016 Rupee Lenders, 2016 Working Capital Lender and the 2016 Hedging Lender (the "Second 2016 MoE"). The 2016 MOE evidences charge created by us over immovable properties aggregating to 2,145 acres and 11 guntas for the benefit of the 2016 Rupee Lenders, 2016 Working Capital Lender and 2016 Hedging Lender.

The 2016 Rupee Lenders are to be repaid in full with the proceeds from the issuance of the Notes. Subject to the receipt of a certificate from the 2016 Rupee Lenders that no amounts remain due under these facilities, the charge created pursuant to the Second 2016 MoE shall be released upon the making of certain filings. The working capital facility granted by the 2016 Working Capital Lenders and the hedging facilities granted by the 2016 Hedging Lender have been cancelled and such certificate has been received from the 2016 Working Capital Lender and 2016 Hedging Lender.

Upon repayment of the Rupee Facilities and the ECB Facility, and release of the charge created pursuant to the 2014 MoE, 2016 MoE, and Second 2016 MoE, we will deposit title documents in relation to 2,145 acres and 11 guntas of land at the Airport leased to us under the Land Lease Agreement, with IDBI Trusteeship Services Limited as security trustee for the benefit of the holders of the Notes, and record an entry thereof pursuant to a memorandum of entry.

See "Description of the Notes—Security—Memorandum of Entry" for further details.

Security Trustee Agreement

On December 8, 2014 we entered into an Amended and Restated Security Trustee Agreement (the "2014 STA") with IDBI Trusteeship Services Limited as the security trustee for, *inter alia*, (i) the 2014 Rupee Lenders; (ii) the ECB Lender under the ECB Facility; and (iii) 2014 Working Capital Lenders. In addition to appointing the security trustee to act on the behalf of all the applicable lenders under the 2014 DoH and other security agreements and to hold the security created under such agreements for the benefit of the lenders, the 2014 STA provides, among other things, that upon written instructions from the facility agents under each credit facility, the security trustee may enforce the security and take whatever actions are required to exercise its rights and enforce its duties and obligations under the security agreements.

On October 26, 2016, we entered into a Security Trustee Agreement (the "2016 STA") with IDBI Trusteeship Services Limited as the security trustee for the lenders in relation to (i) the rupee facilities granted pursuant to the Rupee Term Loan Agreement dated October 26, 2016 entered into amongst us, rupee lenders and Axis Bank Limited as the facility agent; (ii) the working capital facilities granted pursuant to the Working Capital Loan Agreement dated October 26, 2016 entered into amongst us, and Axis Bank as working capital lenders and (iii) hedging facilities granted pursuant to the hedging agreement dated October 26, 2016 . In addition to appointing the security trustee to act on the behalf of all the applicable lenders under the 2016 DoH and other security agreements and to hold the security created under such agreements for the benefit of the lenders, the 2016 STA provides, among other things, that upon written instructions from the facility agents under each credit facility, the security trustee may enforce the security and take whatever actions are required to exercise its rights and enforce its duties and obligations under the security agreements.

On or about the Original Issue Date, we will enter into a security trustee agreement with IDBI Trusteeship Services Limited as security trustee and the Trustee. See "Description of the Notes—Security—Security Trustee Agreement" for further details. The trust in favor of the holders of the existing lenders under the 2014 STA will be extended for the benefit of the holders of the Notes (through the Trustee). Future lenders of the Company may accede to the security trustee agreement from time to time, and this agreement may be modified at such time to inter alia extend the benefit of the trust to such future lenders (or their representatives, agents or trustees) of the Company and define their rights *provided however* that such changes would not impact the priority of the Collateral for the Notes other than as is permitted under the Indenture.

Direct Agreement

A direct agreement was entered into in November 29, 2005 among our Company, the Government of India and the Security Trustee, whereby the Government of India has consented to the assignment (and to the extent not capable of assignment, the charge) for the benefit of the lenders (acting through the Security Trustee) of all of the Company's right, title and interest in the Concession Agreement. Pursuant to the direct agreement, the Government of India has also agreed to give to the Security Trustee prior notice of any intention that it may have to exercise its rights to terminate the Concession Agreement and specifically agreed that the Government of India shall not terminate the Concession Agreement, suspend performance of its obligations thereunder, or exercise its rights to acquire all of Company's rights, title and interests in and to the Airport without issuing a notice to the Security Trustee. Government of India has in terms of the Direct Agreement agreed to comply with the written instructions from the Security Trustee to discharge all its obligations under the terms of the Concession Agreement, in case the Security Trustee proceeds to exercise the security interest granted by the Company. The direct agreement will terminate without any further action by any party thereto, once the outstanding debt owed by our Company to its lenders, in relation to the initial phase of the Airport has been repaid in full.

Trust and Retention Account Agreement

On or about the Original Issue Date, the Company has agreed to enter into a trust and retention account agreement (the "Trust and Retention Account Agreement") among the Company, the Security Trustee and the account bank named thereunder. By its terms, the Trust and Retention Account Agreement will become effective upon the repayment of all outstanding amounts to the lenders under the Existing Senior Debt. The Trust and Retention Account Agreement shall set forth the mechanism for utilization of funds from the Company's bank accounts.

Under the Trust and Retention Account Agreement, the Company will establish and maintain an account with the following sub accounts: (1) concession fee payment account, (2) concession fee payment reserve account, (3) reserved activities proceeds account, (4) interest free loan repayment account and (5) enforcement proceeds account. In addition, the Company may establish and maintain other accounts, including one or more construction accounts and one or more operation accounts.

In the event the Company opens one or more operation accounts, subject to certain exceptions as set out in the Trust and Retention Account Agreement, the Company will be required to deposit all cash proceeds received by the Company in respect of the Airport into these operation accounts and the Company may follow the below mentioned indicative order of priority for application of the project proceeds from such accounts:

(a) payment of taxes and statutory dues;

(b) payment of concession fees;

(c) maintenance of reserves for deferred payment liability/paying deferred payment liability pertaining to concession fees;

(d) payment of operation and maintenance costs;

(e) undertaking capital expenditure;

(f) payments to any (i) debt service reserve account solely for funding any debt reserve required to be maintained by the Company in relation to the principal amount or interest payable in relation to any of its senior indebtedness and/or (ii) account required to be maintained by the Company solely for funding any margin for working capital facilities availed/to be availed by the Company;

(g) payment of debt service amounts and hedge termination payments to its lenders, on a *pari passu* basis;

(h) maintenance of any statutory debt service reserves as may be required; and

(i) such distribution at the discretion of the Company.

This aforementioned indicative priority cash flow waterfall may be made a binding priority cash flow waterfall with/without modifications when the Company enters into agreements with lenders for the Phase 1B Expansion. The cash flow waterfall as may be agreed with the lenders pertaining to the Phase 1B Expansion would be binding on the Company. Hence, suitable amendments to the Trust and Retention Account Agreement can, if required, be made by the Security Trustee and the Borrower without the consent of the Trustee or the Holders, to record such final binding cash flow priority waterfall in the Trust and Retention Account Agreement for the benefit of lenders of Phase 1B Expansion lenders and the Holders.

Upon such final cash flow waterfall being agreed upon, the Trust and Retention Account Agreement may be amended, modified or waived and the account bank may be replaced without the consent of the Trustee or the Holders. As such, the Trust and Retention Account Agreement may be terminated and the terms of the Trust and Retention Account Agreement may be amended, modified or waived and the account bank may be replaced without the consent of the Trustee or the Holders, other than such changes that would adversely impact the priority of payments with respect to the Notes.

In addition, the Company may maintain other special accounts (both as sub-accounts or otherwise) as per its requirements, such as cash credit accounts, foreign currency accounts to collect receivables which are denominated in a foreign currency and accounts for collecting pass through revenue.

Deposits and withdrawals shall be in accordance with the instructions of the Company, other than in case an event of default is declared when deposits and withdrawals will require consent of the lenders who are beneficiaries of the trust and retention account (and their agents/trustees if applicable).

The Trustee under the Indenture will not be a party to the Trust and Retention Account Agreement and the Trustee and the Holders will only have limited rights under the Trust and Retention Account Agreement. The Trust and Retention Account Agreement is not a Security Document under the Indenture.

The Trust and Retention Account Agreement will be governed by Indian law.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to GMR Hyderabad International Airport Limited, and any successor obligor in respect of the Notes, and not to any of its Subsidiaries.

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of the Original Issue Date, among the Company, HSBC Bank USA, National Association, as trustee (the “Trustee”), principal paying agent (the “Principal Paying Agent”) and registrar (the “Registrar”).

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees, the Security Documents (as defined below) and the Intercreditor Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the Security Documents (including the Intercreditor Agreement). It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture, the Security Documents and the Intercreditor Agreement will be available on or after the Original Issue Date at the corporate trust office of the Trustee at 452 Fifth Avenue, New York, NY 10018 USA.

Brief Description of the Notes

The Notes will be:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least pari passu in right of payment with all other unsecured, unsubordinated obligations of the Company (subject to any priority rights of such Indebtedness pursuant to applicable law);
- guaranteed by the Future Subsidiary Guarantors on a senior basis, subject to the limitations described below under “— The Subsidiary Guarantees” and in “Risk Factors — Risks Related to the Notes and the Collateral — Noteholder claims against non-guarantor subsidiaries will be structurally subordinated to the liabilities of such subsidiaries.”
- secured on an equal and ratable basis with all obligations of the Company under all future Permitted Pari Passu Secured Indebtedness and Permitted Refinancing Indebtedness thereof by first ranking Liens on the Collateral (as defined below under the Caption “— Security”) provided by the Company (subject to Permitted Liens and the Intercreditor Agreement);
- effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral over which the Company has created security for the Notes (subject to any priority rights of such obligations pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Company that are secured by assets other than the Collateral to the extent of the value of such assets.

The Notes will mature on October 27, 2027, unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this

"Description of the Notes" include any Additional Notes that are actually issued. The Notes will bear interest at 4.25% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on April 27 and October 27 of each year (each an "Interest Payment Date"), commencing April 27, 2018.

Interest on the Notes will be paid to Holders of record at the close of business on April 12 or October 12 immediately preceding an Interest Payment Date (each, a "Record Date"). In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment, then payment of principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

All payments on the Notes will be made by the Company at the office or agency of the Company maintained for that purpose in New York City and certified to the Principal Paying Agent or where the Paying Agent is located (which initially will be the corporate trust administration office of the Trustee, currently located at 452 Fifth Avenue, New York, NY 10018 USA), and the Notes may be presented for registration of transfer or exchange at such office or agency; provided that, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register maintained by the Note Registrar or by wire transfer. Interest payable on the Notes held through DTC will be available to DTC participants on the Business Day following payment thereof.

The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

The Subsidiary Guarantees

As of the Original Issue Date none of the Company's Subsidiaries will Guarantee the Notes and each will be designated as a "Restricted Subsidiary." Under applicable Indian law currently in effect and certain of our contractual arrangements, the Company's Subsidiaries may not be able to provide guarantees under the Indenture. As such, the Notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments of our current and future non-guarantor Subsidiaries. In the event of a bankruptcy, liquidation or reorganization of a non-guarantor Subsidiary, the applicable non-guarantor Subsidiary will pay the holders of its debt and its trade and other creditors (including specified statutory dues) before it will be able to distribute any of its remaining assets to us. See "Risk Factors — Risks Related to the Notes and the Collateral — Noteholder claims against non-guarantor subsidiaries will be structurally subordinated to the liabilities of such subsidiaries."

The Company has agreed that it will not permit any of its Restricted Subsidiaries to guarantee any Indebtedness of the Company or any Subsidiary Guarantor, unless it guarantees the Notes.

Any future Restricted Subsidiary that Guarantees the Notes after the Original Issue Date is referred to as a "Future Subsidiary Guarantor" and, upon execution of the applicable supplemental indenture to the Indenture, will be a "Subsidiary Guarantor." Each such guarantee is referred to as a "Subsidiary Guarantee."

The Subsidiary Guarantee of each Subsidiary Guarantor will be:

- a general obligation of such Subsidiary Guarantor;
- effectively subordinated to all existing and future secured obligations of such Subsidiary Guarantor, to the extent of the collateral securing such obligations;
- senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- at least *pari passu* in right of payment with all other unsecured, unsubordinated obligations of such Subsidiary Guarantor (subject to any priority rights of such obligations pursuant to applicable law).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes and the Indenture. The Subsidiary Guarantors will (1) agree that their obligations under the Subsidiary Guarantees will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including Guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Related to the Notes and the Collateral — Noteholder claims against non-guarantor subsidiaries will be structurally subordinated to the liabilities of such subsidiaries" and "Risk Factors — Risks Related to the Notes and the Collateral — Any future Subsidiary Guarantees, if issued, may be challenged under applicable financial assistance, insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees."

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon satisfaction and discharge or legal or covenant defeasance as described under "— Satisfaction and Discharge" and "— Defeasance — Defeasance and Discharge";
- upon the designation by the Company of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture; or

- upon the sale or merger of a Subsidiary Guarantor in compliance with the terms of the Indenture (including the covenants under "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture.

Under the circumstances described below under "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its future Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

Security

Collateral

The obligations of the Company under the Notes will be secured by first-priority Liens (subject to Permitted Liens) on certain collateral (the "Collateral"), which shall initially consist of, to the extent permitted under the Concession Agreement:

(i) a first ranking pari passu mortgage and/or charge over (a) the Company's leasehold rights, title and interest in respect of 2,145 acres and 11 guntas of the land leased to the Company under the Land Lease Agreement, together with all buildings and structures thereon and (b) the movable assets of the Company, present and future, including all movable machinery, machinery spares, tools, accessories, furniture, fixtures, vehicles, intangible assets (including goodwill, trademarks and patents) of whatsoever nature and wherever arising, excluding the Capital Stock of the Company's Subsidiaries and joint ventures and any assets of the Company acquired with Indebtedness incurred under clause (2)(g) under "— Certain Covenants — Limitation on Indebtedness";

(ii) a first ranking *pari passu* charge of all insurance contracts, contractors' guarantees and liquidated damages payable by the contractors;

(iii) a first ranking *pari passu* charge of all the rights, titles, permits, approvals and interests of the Company in, to and in respect of the Project Agreements to the maximum extent permitted under the Project Agreements and the Concession Agreement;

(iv) a first ranking *pari passu* floating charge on all the operating revenues/receivables of the Company, subject to the provisions of the Concession Agreement and excluding passenger service fees (security component) and airport development fees (and similar pass through revenue and receivables) and any revenues/receivables over which a Lien is not permitted under applicable law; and

(v) a first ranking *pari passu* floating charge on all the Company's accounts and each of the other accounts required to be created by the Company pursuant to the Security Documents (excluding any Excluded Accounts) and, including in each case, all monies lying credited/deposited into such accounts.

Upon the occurrence of an Event of Default, the above floating charges will crystallize and become fixed charges.

The security interest on the initial Collateral will be created under (i) an unattested Memorandum of Hypothecation; and (ii) a Declaration and the Memorandum of Entry and Deposit of Title Deeds associated therewith, each of which will be entered into by the Company in favor of IDBI Trusteeship Services Limited, who will act as collateral agent and security trustee on behalf of, among others, the Noteholders and the Trustee. The security created by the Security Documents over the Collateral will be subject to the Intercreditor Agreement. The Memorandum of Hypothecation, the Declaration, the Memorandum of Entry and Deposit of Title Deeds, the Security Trustee Agreement, the Direct Agreement, the other documents necessary to perfect the security interest in the Collateral and the Intercreditor Agreement are referred to herein as the "Security Documents." On or about the Original Issue Date, the Company will execute the Security Documents (other than the Declaration and the Memorandum of Entry and Deposit of Title Deeds, which shall be executed by the Company on the date that the lenders under the Existing Senior Debt are repaid) in the form as described in this offering memorandum. The Company has agreed that all necessary filings to perfect the security interest over the initial Collateral will be filed as soon as reasonably practicable following the repayment of the lenders under the Existing Senior Debt and no later than 60 days after the Original Issue Date. Until they are repaid, the lenders under the Existing Senior Debt, which is expected to be repaid within 15 days of the Original Issue Date, will be secured by the initial Collateral. The Notes will be unsecured prior to the creation of the security interest on the initial Collateral described above.

The Collateral may be shared on a *pari passu* basis by the Holders and the holders of certain other secured indebtedness including any future Permitted Pari Passu Secured Indebtedness and Permitted Refinancing Indebtedness thereof. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of such secured indebtedness in proportion to the outstanding amounts of each class of such secured indebtedness (subject to any priority rights of any obligations pursuant to applicable law). The proceeds realizable from the Collateral securing the Notes (as shared with other secured creditors under the Security Trustee Agreement and the Intercreditor Agreement) is unlikely to be sufficient to satisfy the Company's obligations under the Notes, and the Collateral securing the Notes may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral could be sold in a timely manner or at all. See "Release of Security" and "Risk Factors — Risks Related to the Notes and the Collateral — The realizable value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes."

Permitted Pari Passu Secured Indebtedness

The Company may create Liens on the Collateral *pari passu* with or junior to the Lien for the benefit of the Holders to secure certain future Senior Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor, *provided* that the Company or such Subsidiary Guarantor was permitted to Incur such Indebtedness, and such Indebtedness was Incurred, either under clause (1), (2)(a), 2(e) or (2)(f) and any Permitted Refinancing Indebtedness of such indebtedness Incurred under clause 2(d) under the covenant described under "— Certain Covenants — Limitation on Indebtedness" (such Indebtedness of the Company including Additional Notes (if applicable), "Permitted Pari Passu Secured Indebtedness"). As a condition to creating Liens on the Collateral under such Permitted Pari Passu Secured Indebtedness, (1) the holders of such Indebtedness (or their representative or agent), other than with respect to Additional Notes, become party to the existing or an amended and restated Intercreditor Agreement and the other Security Documents; (2) such Indebtedness is permitted by the terms of the Indenture and the Security Documents; (3) the Company delivers to the Trustee and the Security Trustee an Opinion of Counsel and Officer's Certificate with respect to corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents; and (4) such Indebtedness is only issued (i) for consideration solely comprising cash (other than with respect to Indebtedness of the Company or a Subsidiary Guarantor incurred under (2)(f) under the covenant described under "—Certain Covenants — Limitation on Indebtedness"), (ii) in exchange for other Senior Indebtedness which is, secured by a lien (subject to Permitted Liens and the Intercreditor Agreement) on the Collateral and with the same priority of payment on enforcement as such Senior Indebtedness, or (iii) in exchange for Sponsor Bridge Financing. The Trustee and/or the Security Trustee, as the case may be, will be permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents or the Indenture, the Security Trustee Agreement and the Intercreditor Agreement and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph and the terms of the Indenture.

Except for certain Permitted Liens (including the Liens on the Collateral securing the Existing Senior Debt, Permitted Refinancing Indebtedness and Permitted Pari Passu Secured Indebtedness), the Company and its Restricted Subsidiaries will not be permitted to Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Memorandum of Hypothecation

On or about the Original Issue Date, we will execute an unattested memorandum of hypothecation in favor of IDBI Trusteeship Services Limited, as security trustee for the benefit of the holders of the Notes, to secure the Notes through the creation a charge by way of hypothecation over all of our rights, titles, interests, benefits, claims and demands in, to, under or in respect of the Collateral subject to any exceptions set out in the Indenture, to the maximum extent permitted under the Concession Agreement. By its terms, the Memorandum of Hypothecation will become effective upon the repayment of all outstanding amounts to the lenders under the Existing Senior Debt.

Memorandum of Entry

On or about the date that the lenders under the Rupee Facilities and the ECB Facility are repaid, we will execute a memorandum of entry in favor of IDBI Trusteeship Services Limited, as security trustee for the benefit of the holders of the Notes, evidencing a charge created by us over immovable properties aggregating to 2,145 acres and 11 guntas to secure the Notes.

Trust and Retention Account Agreement

On or about the Original Issue Date, the Company has agreed to enter into the Trust Retention and Account Agreement between the Company, the Security Trustee and the account bank named thereunder. The Trust and Retention Account Agreement shall set forth the mechanism for utilization of funds from the Company's bank accounts. The benefit of the Trust and Retention Account Agreement may be extended to other future lenders of the Company from time to time, and this agreement may be modified at such time to inter alia include reference to such future lenders (or their representatives, agents or trustees) of the Company and define their rights, *provided however* that such changes would not adversely impact the priority of payments with respect to the Notes. By its terms, the Trust Retention and Account Agreement will become effective upon the repayment of all outstanding amounts to the lenders under the Existing Senior Debt. See "Description of Material Indebtedness — Trust and Retention Account Agreement."

The Trustee under the Indenture will not be a party to the Trust and Retention Account Agreement and the Trustee and the Holders will only have limited rights under the agreement. The Trust and Retention Account Agreement is not a Security Document under the Indenture. As such, the Trust and Retention Account Agreement may be terminated and the terms of the Trust and Retention Account Agreement may be amended, modified or waived and the account bank may be replaced without the consent of the Trustee or the Holders, other than such changes that would adversely impact the priority of payments with respect to the Notes.

Security Trustee Agreement

On or about the Original Issue Date, the Company has agreed to enter into a security trustee agreement between, amongst others, the Company, the Trustee (on behalf of the Holders) and the Security Trustee, pursuant to which the Company and the Holders (through the Trustee) will appoint the Security Trustee to act as collateral agent and security trustee with respect to the Collateral and the Security Trustee will agree to act in such capacity and the benefit of the trust shall be extended for the Holders (through the Trustee). Future lenders of the Company may accede to the security trustee agreement from time to time, and this agreement may be modified at such time to inter alia extend the benefit of the trust to such future lenders (or their representatives, agents or trustees) of the Company and define their rights *provided however* that such changes would not impact the priority of the Collateral for the Notes other than as is permitted under the Indenture. By acceptance of the Notes, the Holders have agreed to the terms of the Security Trustee Agreement, including the selection and appointment of the Security Trustee, and direct the Trustee to enter into the Security Trustee Agreement. By its terms, the Security Trustee Agreement will become effective upon the repayment of all outstanding amounts to the lenders under the Existing Senior Debt. See "Description of Material Indebtedness — Security Agreements — Security Trustee Agreement".

Direct Agreement

The Security Trustee, for the benefit of the Company's lenders, entered into a direct agreement, dated November 29, 2005, with the Company and the Government of India relating to the creation of security over the assets of the Company and the enforcement of such security. See "Description of Material Indebtedness — Security Agreements — Direct Agreement."

Intercreditor Agreement

On the Original Issue Date, Security Trustee will enter into an intercreditor agreement with the Trustee on behalf of the Holders (as amended, waived, restated, replaced and/or supplemented from time to time, the "Intercreditor Agreement"). The Intercreditor Agreement shall be deemed to become effective upon the completion of the refinancing of the existing Rupee Term Loans and ECB Facility of the Company. Under the terms of the Indenture, the Trustee will be permitted to enter into amendments to the Intercreditor Agreement that are necessary for holders of any Permitted Pari Passu Secured Indebtedness incurred after the date thereof or their representative or agent to become party to and subject to the terms of the Intercreditor Agreement. The holders or their representative, agent or trustee of Permitted Pari Passu Secured Indebtedness, together with the Trustee, are referred to herein as the "Agents" and the obligations under the Indenture, the Notes, and the Permitted Pari Passu Secured Indebtedness is herein referred to as the "Senior Debt." The holders of the Notes (represented by the Trustee) and any person (by itself or through its Agent) who has become a party to the Intercreditor Agreement are referred to herein as "Lenders."

The Intercreditor Agreement provides, among other things, that (1) the Senior Debt will share equal priority and pro rata entitlement in and to the Collateral; (2) the Collateral will only be substituted or released and Liens only be granted on the Collateral to the extent permitted under the debt documents; and (3) the Lenders shall enforce their rights with respect to the Collateral and the Indebtedness secured thereby as described in "— Enforcement of Security" below.

Immediately prior to or simultaneously with the incurrence of any Permitted Pari Passu Secured Indebtedness, the Company will procure that the holders of Permitted Pari Passu Secured Indebtedness (or their Agent) will execute and deliver a supplement or amendment to the Intercreditor Agreement or an accession letter to become parties to the Intercreditor Agreement. The Trustee and/or the Security Trustee, as the case may be, will be permitted and authorized, without the consent of any Holder, to enter into any such supplement, amendment or accession letter and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness and Subordinated Debt in accordance with this paragraph and the terms of the Indenture.

The Intercreditor Agreement provides for a requirement of the consent of the Senior Creditors for, *inter alia*, changing the amount of Permitted Pari Passu Secured Indebtedness unless permitted by the financing documents governing such Permitted Pari Passu Secured Indebtedness.

By accepting the Notes, each Holder shall be deemed to have directed the Trustee to enter into the Intercreditor Agreement and consented to the execution of the Intercreditor Agreement and any amendments or modifications thereto permitted under the Indenture.

Enforcement of Security

The Security Trustee, subject to the Intercreditor Agreement and the Security Trustee Agreement, will hold such Liens over the Collateral granted pursuant to the Security Documents with sole authority as directed by the Agents or the Lenders (in the event the such Lenders have not appointed an Agent), as the case may be, to exercise remedies under the Security Documents. The Security Trustee will be required to act as secured party on behalf of the creditors under the debt documents and the applicable Security Documents, to follow the instructions provided to it by one or more of the Lenders (in the event the such a Lender has not appointed an Agent) or the Agents, as the case may be, under the debt documents (including the Indenture), the Security Documents and/or the Intercreditor Agreement and to carry out certain other duties. The Trustee will give instructions to the Security Trustee only in accordance with the terms of the Indenture.

The Intercreditor Agreement will provide that the Security Trustee will enforce against the Collateral in accordance with a written instruction by any Lender (in the event the such a creditor has not appointed any Agent) or the Agent, as the case may be, (pursuant to an enforcement trigger event under the respective debt documents and the applicable Security Documents), subject to (1) the expiration of the applicable consultation period without the issuance of an approval notice by Lenders holding 75% of the outstanding commitments (which in the case of bonds, mean the outstanding aggregate principal amount) (the "Majority Relevant Creditors") or (2) the issuance of an approval notice by the Majority Relevant Creditors during the consultation period.

Furthermore, the Intercreditor Agreement will provide that, subject to the rights of any creditor with prior security or any preferential claim under applicable laws, the proceeds of enforcement against any Collateral under the Security Documents will be applied as follows:

First, in payment of all taxes due and payable and of all statutory dues owed to any governmental authority pursuant to the provisions of the Concession Agreement; and

Second, in or towards payment of all outgoings, costs, charges, expenses, indemnity payments and liabilities (and all interest thereon as provided in the debt documents) incurred by or on behalf of the Security Trustee and/or the Agent and any receiver, attorney or agent in connection with carrying out its duties and exercising its powers and discretion under the debt documents and any remuneration owing to it or to any of the Security Trustee or the Agent; and

Third, in or towards payment to the balance of the costs and expenses of the Lenders or Agents under the debt documents in connection with the enforcement action; and

Fourth, in or towards payment to (A) each Agent for application towards the balance of the outstanding amounts to Lenders of Senior Debt under the relevant debt documents without any preference or priority and in proportion to their respective outstanding amounts and (B) each Agent for application towards the balance of the outstanding amounts to Lenders of Subordinate Debt under the relevant debt documents without any preference or priority and in proportion to their respective outstanding amounts; and

Fifth, in payment of the surplus (if any) from the proceeds of an enforcement action to the Company,

provided that in the event that any Lender of Senior Debt has been secured with a lower ranking Lien over any part of the Collateral, the distribution of proceeds of enforcement over such part of the Collateral shall account for such lower priority Lien of such Lender.

The Security Trustee's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Security Trustee's Liens on the Collateral. Neither the Trustee, the Security Trustee nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Secured Liabilities, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, continuation, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

Release of Security

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon satisfaction and discharge or legal or covenant defeasance as described under "— Satisfaction and Discharge" and "— Defeasance — Defeasance and Discharge";
- upon certain dispositions of the Collateral in compliance with the covenants described under "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "— Limitation on Asset Sales" or in accordance with the provision described under "— Consolidation, Merger and Sale of Assets;" and
- as described under "— Amendments and Waiver."

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of any Subsidiary Guarantees and the Collateral) in all respects (or in all respects except for the issue date, issue price and the date and/or amount of the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes and the provision of the Collateral to secure the Additional Notes will then be permitted under the "Limitation on Indebtedness" covenant described below and the other provisions of the Indenture; *provided further* that unless such Additional Notes are issued under a separate CUSIP number, such Additional Notes must be fungible with the original Notes for U.S. federal income tax purposes.

In addition, the issuance of any Additional Notes by the Company will also be subject to the following conditions:

(1) all obligations with respect to the Additional Notes shall be secured and guaranteed under the Indenture, the Subsidiary Guarantees and the Security Documents to the same extent and on the same basis as the Notes outstanding on the date the Additional Notes are issued;

(2) the Company shall have delivered to the Trustee an Officer's Certificate, in form and substance satisfactory to the Trustee, confirming that the issuance of the Additional Notes complies with the Indenture; and

(3) the Company shall have delivered to the Trustee one or more Opinions of Counsel, in form reasonably satisfactory to the Trustee, confirming, among other things, that the issuance of the Additional Notes complies with the Indenture, that the issuance of the Additional Notes does not conflict with applicable law and that, to the extent applicable, after giving effect to the issuance of the Additional Notes and any transactions related thereto, the Liens created under the Security Documents, as amended, extended, renewed, restated, supplemented or otherwise modified or replaced pursuant to such transaction, are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening or preference period, in equity or law, that such Liens were not otherwise subject to immediately prior to the issuance of such Additional Notes and such amendment, extension, renewal, restatement, supplement, modification or replacement.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the Offer to Purchase Payment Date (as defined in clause (2) of the definition of "Offer to Purchase").

The Company will agree in the Indenture that, following a Change of Control, it will timely repay all Indebtedness or obtain consents as necessary under or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Related to the Notes and the Collateral — We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third-party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control Triggering Event, conditional upon such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control Triggering Event at the time of making of the Change of Control Offer.

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Company. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Company to another person or group may be uncertain and will depend upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

Any repurchase or redemption of the Notes prior to their stated maturity may require the prior approval of the RBI or the designated authorized dealer bank, as the case may be, under applicable RBI guidelines, and such approval may not be forthcoming.

Redemption of Notes Upon Certain Changes in Capital or Currency Exchange Controls

The Company will be required to redeem all outstanding Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the Mandatory Redemption Date (defined below), if, at any time, it will become unlawful for the Company to perform any payment obligations under the Indenture or the Notes as a result of any change in, or amendment to, the laws (or any regulations, directions or rulings notified or issued thereunder) of a Government of the Republic of India and such payment restrictions cannot be avoided by the taking of reasonable measures by the Company (the "Mandatory Redemption").

Within 10 days of such change or amendment giving rise to the Mandatory Redemption being announced by the relevant authority, the Company will be required to provide notice to the Trustee, an Opinion of Counsel stating that such change or amendment referred to in the prior paragraph will make payments by the Company under the Indenture or the Notes unlawful, and an Officer's Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such payment restrictions cannot be avoided by the Company taking reasonable measures and setting forth the proposed date, which shall not be more than 30 days after the date of such notice, on which the redemption shall occur (the "Mandatory Redemption Date").

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Any redemption of the Notes prior to their stated maturity may require the prior approval of the RBI or the designated authorized dealer bank, as the case may be, under applicable RBI guidelines, and such approval may not be forthcoming.

No Mandatory Redemption or Sinking Fund; Open Market Purchases

Other than as described under "— Redemption of Notes Upon Certain Changes in Capital or Currency Exchange Controls," there will be no mandatory redemption or sinking fund payments for the Notes. The Company and its Affiliates may, at their discretion, at any time from time to time purchase the Notes in the open market or otherwise; *provided* that the Company may not resell Notes that it has repurchased in the open market or otherwise to any person that is not an affiliate of the Company under Rule 144 of the Securities Act.

Additional Amounts

All payments by or on behalf of the Company, a Surviving Person or a Subsidiary Guarantor of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under "— Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor is organized or resident for tax purposes, doing business or otherwise subject to the power to tax, or any political subdivision or taxing authority thereof or therein (each, as applicable, a "Relevant Taxing Jurisdiction") or any jurisdiction through which payment is made by or on behalf of the Company, a Surviving Person or a Subsidiary Guarantor or any political subdivision or taxing authority thereof or therein (together with the Relevant Taxing Jurisdictions, the "Relevant Jurisdictions"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note or the Subsidiary Guarantees, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note or Subsidiary Guarantee, as the case may be, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder or beneficial owner thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere; or

(iv) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor addressed to the Holder to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required by law as a precondition to, reduction in the rate of, or the elimination of, any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder or beneficial owner;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any withholding or deduction pursuant to Section 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended (or any amended or successor versions of such Sections) ("FATCA"), any regulations or other official guidance thereunder, any intergovernmental agreement entered into in connection with FATCA, or any law, regulations or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement;

(d) any tax, duty, assessment or other governmental charge to the extent such tax, duty, assessment or other governmental charge results from the presentation of the Note (where presentation is required) for payment and the payment can be made without such withholding or deduction by the presentation of the Note for payment elsewhere; or

(e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) or (d); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

The Company will (i) make such withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Company will upon request, make reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from the Relevant Jurisdiction imposing such taxes. Upon request, the Company will furnish to Holders, within 60 days after the date the payment of any taxes so deducted or withheld is due pursuant to applicable law, either certified copies of tax receipts evidencing such payment or, if such receipts are not obtainable, other evidence of such payments.

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Company will be obligated to pay Additional Amounts with respect to such payment, the Company will deliver to the Trustee an Officer's Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Paying Agent to pay such Additional Amounts to the Holders on such payment date.

In addition, the Company will pay any stamp, issue, registration, documentary, value added or other similar taxes and other duties (including interest and penalties) payable in any Relevant Jurisdiction in respect of the creation, issue, offering, execution or enforcement of the Notes, or any documentation with respect thereto.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction, affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective or, in the case of an official position, is announced (i) except as described in (ii) below, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor or Surviving Person whose Relevant Taxing Jurisdiction has not been a Relevant Taxing Jurisdiction immediately before the date such Future Subsidiary Guarantor or Surviving Person became a Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be; *provided* that changing the jurisdiction of the Company, a Subsidiary Guarantor or a Surviving Person is not a reasonable measure for the purposes of this section; *provided further* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due, *provided further* that where any such requirement to pay Additional Amounts is due to taxes imposed by India or any political subdivision or taxing authority thereof or therein, the Company or the Surviving Person shall be permitted to redeem the Notes in accordance with the provisions hereof only if the rate of withholding or deduction in respect of which Additional Amounts are required is in excess of 5% (plus applicable surcharge and cess).

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officer's Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, taking reasonable measures; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), *provided* that the Company and any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) if, after giving pro forma effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing, and (y) the Fixed Charge Coverage Ratio would not be less than 2.25 to 1.0.

(2) Notwithstanding the foregoing, the Company and any Restricted Subsidiary may Incur, to the extent provided below, each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness under Credit Facilities Incurred by the Company or a Subsidiary Guarantor to fund capital expenditure for modifications, additions and improvements to the Airport (and any interest payments and upfront fees with respect to such Indebtedness) that are (x) necessary to perform its obligations under the Master Plan or (y) required under the Project Agreements (any capital expenditure for such modifications, additions and improvements and any interest payments and upfront fees with respect to such Indebtedness, "Required Capital Expenditure"), *provided* that immediately after giving effect to the Incurrence of such Indebtedness no Default under clause (2) under the covenant described under "Events of Default" or Event of Default has occurred and is continuing or will result from such incurrence, that the Indebtedness to be Incurred is limited to such amount that is required to fund the Required Capital Expenditure and that, prior to such Incurrence, the Company delivers the following to the Trustee:

(i) in the case of any Required Capital Expenditure in excess of US$5.0 million, a certificate from the Independent Engineer confirming that (x) the proposed project, including the necessary modifications, additions and improvements to the Airport, is required by the Master Plan or the Project Agreements, and (y) setting out, in reasonable detail, the Required Capital Expenditure relating to such modifications, additions and improvements;

(ii) the Company certifies in an Officer's Certificate that the Company or the Subsidiary Guarantor, as applicable, does not have the funds available to it to make such Required Capital Expenditure and continue to operate its business with a sufficient level of liquidity; and

(iii) the Company certifies in an Officer's Certificate that the Indebtedness Incurred under this clause (2)(a) is permitted under the Company's Senior Indebtedness outstanding at such time or that the creditors under such Senior Indebtedness have provided the requisite approvals for the Incurrence of such Indebtedness.

(b) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee;

(c) Indebtedness of the Company or a Restricted Subsidiary outstanding on the Original Issue Date, excluding Indebtedness outstanding under the Existing Working Capital Facilities, which shall be deemed to be incurred under paragraph 2(f);

(d) Indebtedness ("Permitted Refinancing Indebtedness") of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, redeem, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness repaid substantially concurrently with, but in any case before, the Incurrence of such Permitted Refinancing Indebtedness) Incurred under paragraph (1), (2)(a), 2(b), (2)(c) (excluding Existing Senior Debt), (2)(f) or (2)(g) and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided* that the Indebtedness to be refinanced is fully and irrevocably repaid no later than 30 days after the Incurrence of the Permitted Refinancing Indebtedness; and *provided further* that (i) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or any Subsidiary Guarantee shall only be permitted under this paragraph (2)(d) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or any Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee, as the case may be, (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or any Subsidiary Guarantee, other than Sponsor Bridge Financing, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, as the case may be or (C) in the case that Sponsor Bridge Financing is refinanced, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued is expressly made *pari passu* with, or subordinate in right of payment to, the Notes; and (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the earlier of the final maturity date of the Notes and the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to either the remaining Average Life of the Indebtedness to be refinanced or 180 days after the final maturity date of the Notes; and (iii) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this paragraph by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor; and (iv) in no event may unsecured Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause with secured Indebtedness (other than (x) for the purposes of repaying the Notes in full or (y) for the purposes of refinancing Sponsor Bridge Financing, which may be secured to the extent of Indebtedness Incurred under paragraphs (1) and (2)(a) above);

(e) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation (or to reverse or amend or terminate any such agreements previously made for such purposes);

(f) Indebtedness Incurred by the Company or any Restricted Subsidiary with a maturity of one year or less for working capital in an aggregate principal amount at any one time outstanding (together with refinancings thereof) of all Indebtedness Incurred under this paragraph (2)(f) not to exceed US$75.0 million (or the Dollar Equivalent thereof);

(g) (i) Indebtedness Incurred by the Company or a Restricted Subsidiary or (ii) Indebtedness of any Person acquired by or merged into the Company or any of its Restricted Subsidiaries and it becomes a Restricted Subsidiary of such Person or such Restricted Subsidiary; *provided* that such Indebtedness is not incurred in contemplation of such acquisition or merger; *provided further* that the aggregate principal amount at any one time outstanding when aggregated with the principal amount of all Indebtedness Incurred under this paragraph (2)(g) (which shall include Indebtedness of any Person acquired by or merged into any Restricted Subsidiary) (together with refinancings thereof) shall not exceed the greater of US$125.0 million (or the Dollar Equivalent thereof) and 15% of Total Assets;

(h) (i) the Guarantee by the Company or any Restricted Subsidiaries of Indebtedness of the Company or any Restricted Subsidiary permitted to be incurred by this covenant and (ii) the Guarantee by any Restricted Subsidiary (other than a Subsidiary Guarantor) of Indebtedness of another Restricted Subsidiary permitted to be Incurred by this covenant;

(i) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (i) any event which results in (x) any Restricted Subsidiary to which such Indebtedness is owed ceasing to be a Restricted Subsidiary or (y) any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (i) and (ii) if the Company or a Subsidiary Guarantor is the obligor under such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes or such Subsidiary Guarantor's Subsidiary Guarantee, as the case may be;

(j) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently, except in the case of daylight overdrafts, drawn against insufficient funds in the ordinary course of business; *provided*, however, that this Indebtedness is extinguished within five Business Days;

(k) Indebtedness of the Company or any Restricted Subsidiary in respect of workers' compensation claims and claims arising under similar legislation, or in connection with self-insurance or similar requirements, in each case in the ordinary course of business;

(l) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, or other similar obligations, in each case Incurred or assumed in connection with the disposition of any business, assets of the Company or of a Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of any of the Company's or a Restricted Subsidiary's business or assets for the purpose of financing an acquisition; *provided*, however, that the maximum assumable liability in respect of all this Indebtedness shall at no time exceed the gross proceeds actually received by the Company and/or the relevant Restricted Subsidiary in connection with the disposition; and

(m) obligations with respect to trade letters of credit, performance and surety bonds and completion guarantees provided by the Company or any of its Restricted Subsidiaries securing obligations, entered into in the ordinary course of business, to the extent the letters of credit, bonds or guarantees are not drawn upon or, if and to the extent drawn upon is honored in accordance with its terms and, if to be reimbursed, is reimbursed no later than 30 days following receipt of a demand for reimbursement following payment on the letter of credit, bond or guarantee.

For purposes of determining compliance with this "Limitation on Indebtedness" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Permitted Indebtedness or is permitted to be Incurred pursuant to paragraph (1) of this covenant, the Company may, in its sole discretion, classify, and from time to time may reclassify, such item of Indebtedness and only be required to include the amount of such Indebtedness as one of such types, *provided*, however that the Company shall not be permitted to reclassify any portion of Indebtedness incurred under paragraph (2)(a) as Indebtedness Incurred under any other provision and shall not be permitted to reclassify any Indebtedness Incurred under any provision other than paragraph (2)(a) as Indebtedness Incurred under paragraph (2)(a).

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred (or first committed, in the case of revolving credit debt); *provided*, that if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any of the Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable solely in shares of Capital Stock of the Company (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary or any direct or indirect parent of the Company (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons other than the Company or any Restricted Subsidiary;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other voluntary or optional acquisition or retirement for value, of Subordinated Indebtedness (excluding any intercompany Indebtedness between the Company and any Restricted Subsidiary or among Restricted Subsidiaries and Sponsor Bridge Financing repaid using Permitted Refinancing Indebtedness); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US$1.00 of Indebtedness under the Fixed Charge Coverage Ratio described in the first paragraph under "— Limitation on Indebtedness"; or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and the Restricted Subsidiaries after the Original Issue Date, shall exceed the sum of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the quarter in which the Original Issue Date falls and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner and which may be internal financial statements) are available and have been provided to the Trustee at the time of such Restricted Payment; plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Original Issue Date as a capital contribution to its common equity by, or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary, including any such Net Cash Proceeds received upon (A) the conversion by a Person who is not a Subsidiary of the Company of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company or any Restricted Subsidiary; plus

(iii) the amount by which Indebtedness of the Company is reduced on the Company's balance sheet upon the conversion or exchange subsequent to the Original Issue Date of any Indebtedness of the Company convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); *provided*, however, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Company from the Incurrence of such Indebtedness; plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Original Issue Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue Date is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person and treated as a Restricted Payment.

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or irrevocable redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary, to the holders of such Restricted Subsidiary's Capital Stock, majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company, on a pro rata basis or on a basis more favorable to the Company and its Restricted Subsidiaries;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Restricted Subsidiary (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or such Restricted Subsidiary (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(4) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any preferred stock of a Restricted Subsidiary issued on or after the date of the Indenture that was permitted to be issued pursuant to the covenant described under "— Limitation on Indebtedness";

(5) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(6) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Disqualified Stock of the Company or preferred stock of a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock of the Company or preferred stock of a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be incurred pursuant to the covenant described under "Limitation on Indebtedness" and that in each case constitutes Permitted Refinancing Indebtedness;

(7) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(8) Restricted Payments by the Company or any Restricted Subsidiary to allow the payment of cash in lieu of the issuance of fractional shares upon the exercise of options or warrants or upon the conversion or exchange of Capital Stock of any such Person;

(9) (i) the repurchase of Capital Stock deemed to occur upon the exercise of options, warrants or other rights in respect thereof if such Capital Stock represents all or a portion of the exercise price thereof and (ii) repurchases of Capital Stock deemed to occur upon the withholding of a portion of the Capital Stock granted or awarded to a director, employee, officer or consultant to pay for taxes payable by such director, employee, officer or consultant upon such grant or award;

(10) following an Initial Public Offering by the Company, the payment of dividends by the Company not to exceed US$5.0 million (or the Dollar Equivalent thereof) in any fiscal year;

(11) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) held by any future, current or former officer, director, employee or consultant of the Company or any direct or indirect parent entities or Subsidiaries (or any such Person's assigns, estates or heirs) pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar plans or other contractual arrangements or agreements; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed US$1.0 million (or the Dollar Equivalent thereof) in any fiscal year;

(12) other Restricted Payments in an aggregate amount not to exceed US$15.0 million; and

(13) the redemption, repurchase or other acquisition of Capital Stock in a Restricted Subsidiary, for an amount not to exceed US$15.0 million in aggregate.

provided that, in the case of clauses (2), (3) and (4) of this paragraph, no Event of Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein. Each Restricted Payment made pursuant to clauses (1), (10), (12) or (13) of this paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "— Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities (other than cash) that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of any assets (including securities) other than cash in a Restricted Payment or a series of related Restricted Payments must be based upon an opinion or an appraisal issued by an appraisal or investment banking firm of recognized standing if the Fair Market Value exceeds US$10.0 million (or the Dollar Equivalent thereof) and such determination must be contained in a Board Resolution set forth in an Officer's Certificate that is provided to the Trustee.

Not later than the date of making any Restricted Payment in excess of US$10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officer's Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided in paragraph (2) below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

(c) make loans or advances to the Company or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary;

provided that it being understood that (i) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any of its Restricted Subsidiaries to other Indebtedness incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and/or any of its Restricted Subsidiaries to be on fair and reasonable terms or on an arm's length basis, in each case, shall not be deemed to constitute such an encumbrance or restriction.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the Indenture, the Security Documents or the Existing Working Capital Facilities, or any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced, as determined in good faith by the Company;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced as determined in good faith by the Company;

(d) that otherwise would be prohibited by the provision described in clause (1) of this covenant if they arise, or are agreed to, in the ordinary course of business and (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Limitation on Indebtedness" and "— Limitation on Asset Sales" covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under the "— Limitation on Indebtedness" covenant if, as determined by the Board of Directors, the encumbrances or restrictions (i) are customary for such type of agreement and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company or the Subsidiary Guarantors to make required payments on the Notes or any Subsidiary Guarantee;

(g) existing under or by reason of purchase money obligations for property acquired in connection with the Permitted Business and Capitalized Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (1)(d) above and are incurred in accordance with the "— Limitation on Indebtedness" covenant;

(h) existing under or by reason of customary non-assignment provisions in contracts and licenses entered into in connection with the Permitted Business;

(i) existing under or by reason of provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale and leaseback agreements, stock sale agreements and other similar agreements entered into with the approval of the Company's Board of Directors, if the encumbrances or restrictions would not, at the time agreed to, be expected to materially adversely affect the ability of the Company and any Subsidiary Guarantors to make required payments on the Notes;

(j) existing under or by reason of restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(k) existing under or by reason of customary restrictions imposed on the transfer of, or in licenses related to, copyrights, patents or other intellectual property and contained in agreements entered into in the ordinary course of business; or

(l) existing under or by reason of Permitted Refinancing Indebtedness; *provided* that the encumbrances and restrictions contained in the agreements governing that Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the debt being refinanced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including in each case options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or a Wholly Owned Restricted Subsidiary;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;

(3) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale, to the extent required, in accordance with the "— Limitation on Asset Sales" covenant;

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and *provided* that the Company complies with the "— Limitation on Asset Sales" covenant; and

(5) the issuance of Capital Stock of a Restricted Subsidiary upon conversion of any Indebtedness of any such Restricted Subsidiary following a default on such Indebtedness by such Restricted Subsidiary.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor, directly or indirectly, to provide any guarantee for any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor unless (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full.

If the Guaranteed Indebtedness (A) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee, then the guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or (B) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (or service of related transactions or arrangements) (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 5.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an

"Affiliate Transaction"), involving aggregate payments or consideration in excess of US$500,000 or the Dollar Equivalent thereof, unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary, as the case may be, than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; *provided* that, if no disinterested member of the Board of Directors exists with respect to any Affiliate Transaction, the transaction may be approved by a majority of the members of the Board of Directors if the requirements of clause (b) below are met with respect to such Affiliate Transaction as if it involved aggregate consideration in excess of US$10.0 million; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized standing or an Independent Engineer.

The foregoing limitation does not limit, and shall not apply to:

(1) any employment or compensation agreement (whether based in cash or securities), officer or director indemnification agreement, severance or termination agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries and payments pursuant thereto and any transactions pursuant to stock option plans, stock ownership plans and employee benefit plans or similar arrangements approved by the Board of Directors in each case in the ordinary course of business;

(2) the payment of reasonable and customary fees and reimbursement of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of the Company or any of its Restricted Subsidiaries;

(3) transactions between or among the Company and any Wholly Owned Restricted Subsidiary or between or among Wholly Owned Restricted Subsidiaries which are entered into in the ordinary course of business and approved by the majority of the Board of Directors;

(4) any Restricted Payment of the type described in clause (1) or (2) of the first paragraph of the covenant described above under "— Limitation on Restricted Payments" if permitted by that covenant;

(5) any sale of Capital Stock (other than Disqualified Stock) of the Company (or options, warrants or other rights to acquire such Capital Stock) or any contribution of capital to the Company;

(6) any agreement between any Person and an Affiliate of such Person existing at the time such Person is acquired by or merged into the Company or any of its Restricted Subsidiaries; *provided* that such agreement was not entered into in contemplation of such acquisition or merger;

(7) any purchases by the Company's Affiliates of Indebtedness or Disqualified Stock of the Company or any of its Restricted Subsidiaries where at least 90% of such Indebtedness or Disqualified Stock is purchased by Persons who are not Affiliates of the Company;

(8) transactions contemplated pursuant to agreements or arrangements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof that is not materially more disadvantageous to the Company than the agreement or arrangement in effect on the Original Issue Date; and

(9) transactions permitted by, and complying with, the covenant described under "— Consolidation, Merger and Sale of Assets."

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to any transaction between or among the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among any of them; *provided* that none of the minority shareholders or minority partners of or in such non-Wholly Owned Restricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary) and the requirement of clause (2)(b) of the first paragraph of this covenant shall not apply to transactions with concessionaires, licensees, customers, clients, suppliers, vendors or purchasers or sellers of goods or services, derivatives, insurance or Hedging Obligations or lessors or lessees or providers of employees or other labor or property, including, in each case, the Permitted Holders, in the ordinary course of business.

Limitation on Liens

The Company will not, and the Company will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien (other than Permitted Liens) of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, unless the Notes are (or, in respect of any Lien on any Subsidiary Guarantor's property or assets, any Subsidiary Guarantee of such Restricted Subsidiary is) equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Company or a Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Company or such Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described under "— Limitation on Indebtedness" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under "— Limitation on Liens," in which case, the corresponding Indebtedness will be deemed Incurred and the corresponding Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in that Sale and Leaseback Transaction is not prohibited by the covenant described below under "— Limitation on Asset Sales."

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

(2) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets (as defined below); *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$25.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion of fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized standing or Independent Engineer. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary, as the case may be, from or indemnifies them against further liability; and

(b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 90 days of closing, converted by the Company or such Restricted Subsidiary, as the case may be, into cash, to the extent of the cash received in that conversion.

(3) Within 365 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company or the applicable Restricted Subsidiary, as the case may be, may apply an amount equal to such Net Cash Proceeds:

(a) if and to the extent the Asset Sale relates to Collateral:

(i) to permanently repay any Senior Indebtedness secured by the Collateral (including the Notes) (and if any such Senior Indebtedness is revolving credit Indebtedness, to correspondingly permanently reduce commitments with respect thereto), in each case owing to a Person other than the Company or a Restricted Subsidiary, *provided* that to the extent no Senior Indebtedness (other than the Notes) remains outstanding, the Company or the applicable Restricted Subsidiary, as the case may be, may apply such Net Cash Proceeds to make an Offer to Purchase to all Holders in accordance with the procedures set forth in clause (4) below (subject to applicable RBI guidelines and to the extent permitted under the Concession Agreement), at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, and purchase any Notes tendered (and not validly withdrawn) in connection therewith; or

(ii) make capital expenditures or acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or properties or assets (other than current assets) that are used or will be used in the Permitted Business, acquire all or substantially all of the assets of or the Capital Stock of, a Person, or a line of business, the primary business of which is a Permitted Business, or any combination of the foregoing, in each case ("Replacement Assets"); and

(b) if and to the extent the Asset Sale does not relate to Collateral:

(i) permanently repay any Senior Indebtedness (and if any such Indebtedness is revolving credit Indebtedness, to correspondingly permanently reduce commitments with respect thereto), in each case owing to a Person other than the Company or a Restricted Subsidiary;

(ii) acquire Replacement Assets; or

(iii) fund the operating requirements of the Company;

provided that, pending the application of Net Cash Proceeds in accordance with clauses (a) or (b) of this paragraph, such Net Cash Proceeds may be temporarily invested only in cash or Temporary Cash Investments or be used to temporarily reduce revolving credit Indebtedness.

(4) Any amount of Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clause (3) will constitute "Excess Proceeds." Excess Proceeds of less than US$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US$10.0 million (or the Dollar Equivalent thereof), subject to applicable RBI guidelines and to the extent permitted under the Concession Agreement, within ten (10) Business Days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(a) accumulated Excess Proceeds, multiplied by

(b) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and (i) to the extent the Asset Sale relates to Collateral, all Indebtedness under any Permitted Pari Passu Secured Indebtedness; and (ii) to the extent the Asset Sales does not relate to Collateral, all Senior Indebtedness, in any such case similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses.

Use of Proceeds

The Company will not use the net proceeds from the sale of the Notes issued and sold on the Original Issue Date, in any amount, for any purpose other than (1) as specified under "Use of Proceeds" in this offering memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in cash or Temporary Cash Investments. Without limiting the generality of the foregoing, the Company will cause full payment and discharge of all Indebtedness under the Existing Senior Debt prior to the date that is 30 days after the Original Issue Date.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified Stock or Preferred Stock of a Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified Stock or Preferred Stock or Indebtedness could not be Incurred under the covenant described under "— Limitation on Indebtedness" or such Lien would violate the covenant described under "— Limitation on Liens"; (3) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary (other than Restricted Subsidiaries concurrently designated to be Unrestricted Subsidiaries in accordance with this covenant), and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; (4) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company or any other Restricted Subsidiary; and (5) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "— Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under "— Limitation on Indebtedness"; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation, which Liens will be deemed to have been incurred by such newly designated Restricted Subsidiary as a result of such designation, would be permitted to be incurred by the covenant described under "— Limitation on Liens"; and (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary).

All designations must be evidenced by a Board Resolution delivered to the Trustee certifying compliance with the preceding provisions.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect substantially all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Business, including the Project Agreements; (2) comply with the terms of the Project Agreements and not take any action or omit to take any action that could give rise to the right of any party to terminate the relevant Project Agreement or, in the case of the Concession Agreement, to permit substitution of the Company by another person under the Concession Agreement or other agreement; (3) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than as permitted by the covenant described under "Limitation on Liens"; and (4) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, comply or preserve and maintain would not reasonably be expected to have a material adverse effect on the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or any Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Subsidiary Guarantees on substantially identical terms. No Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness by virtue of being unsecured, or by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness or as a result of Indebtedness having a junior priority with respect to the same collateral or being secured by different collateral.

Suspension of Certain Covenants

If on any date following the date of the Indenture, the Notes have a rating of Investment Grade from both of the Rating Agencies and no Default has occurred and is continuing, then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from both of the Rating Agencies (such period, the "Suspension Period"), the provisions of the Indenture summarized under the following captions will be suspended:

(1) "— Certain Covenants — Limitation on Indebtedness";

(2) "— Certain Covenants — Limitation on Restricted Payments";

(3) "— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "—Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(6) "— Certain Covenants — Limitation on Sale and Leaseback Transactions";

(7) "— Certain Covenants — Limitation on Asset Sales;" and

(8) clauses (3) of the first and second paragraph of the covenant summarized under "— Consolidation, Merger of Sale or Assets."

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" or the definition of "Unrestricted Subsidiary."

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Period ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Period, and following reinstatement (1) the calculations under the covenant summarized under "— Certain Covenants — Limitation on Restricted Payments" will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended and (2) all Indebtedness incurred, or Disqualified Stock or preferred stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (2)(c) of the covenant summarized under "— Certain Covenants — Limitation on Indebtedness." Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset to the amount in effect at the beginning of the Suspension Period.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

So long as any of the Notes remain outstanding, the Company will provide to the Trustee and, upon request, furnish to the Holders the following reports, in the English language:

(1) within 120 days after the end of the Company's fiscal year beginning with the first fiscal year ending after the Original Issue Date, the following information: (a) audited consolidated balance sheets of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company for the two most recent fiscal years, including complete footnotes to such financial statements and the audit report of a member firm of an internationally recognized firm of independent accountants on the financial statements; and (b) an operating and financial review of the audited financial statements, including a discussion of the consolidated results of operations, financial condition, EBITDA and material changes in liquidity and capital resources of the Company, and a discussion of material recent developments, material commitments and contingencies and critical accounting policies;

(2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Company beginning with the quarter ending after the Original Issue Date, quarterly reports of the Company containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed consolidated statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed consolidated balance sheet date, and in each case the comparable prior year period(s), together with condensed footnote disclosure; and (b) an operating and financial review of the unaudited consolidated financial statements, including a discussion of the consolidated results of operations, financial condition, EBITDA and material changes in liquidity and capital resources of the Company, and a discussion of material recent developments, material commitments and contingencies and critical accounting policies since the most recent report; and

(3) promptly after the occurrence of (i) any Material Acquisition or Disposition or restructuring or (ii) any other material event not in the ordinary course of business, that the Company or Restricted Subsidiary announces publicly, a report containing a description of such event.

In addition, so long as any Note remains outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officer's Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, together with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculations and arithmetic computations made; *provided* that the Company will not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of any policy of such external auditors prohibiting such certification; and as soon as possible and in any event within 10 days after the Company or any Subsidiary Guarantor becomes aware or should reasonably become aware of the occurrence of a Default, an Officer's Certificate setting forth the details of the Default, and the action which the Company and the Subsidiary Guarantors propose to take with respect thereto.

If at any time the Company is required by (a) the lenders or holders of any Indebtedness or (b) applicable stock exchange rules or securities regulations to provide its consolidated annual or quarterly financial statements as set forth above prior to the delivery dates specified above, the Company shall provide the reports set forth above to the Trustee and, upon request, furnish such reports to the Holders on or before such earlier dates.

All historical financial statements shall be prepared in accordance with GAAP and on a consistent basis for the periods presented; *provided* that the reports set forth in clauses (1) and (2) above may, in the event of a change in applicable GAAP, present earlier periods on the basis of GAAP that applied to such periods.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, would constitute a Significant Subsidiary of the Company, then the annual and quarterly financial information required by clauses (1) and (2) of this covenant shall include a summary presentation, either on the face of the financial statements or in the footnotes thereto or in the operating and financial review of the financial statements of the revenue, EBITDA, net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense of such Unrestricted Subsidiaries.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest (including Additional Amounts) on any Note when the same becomes due and payable, and such default continues for a period of 30 days;

(3) default in the performance or breach of the provisions of the covenants described under "— Consolidation, Merger and Sale of Assets," "— Certain Covenants — Limitation on Liens," "— Redemption of Notes Upon Certain Changes in Capital or Currency Exchange Controls," or the failure by the Company to make or consummate an Offer to Purchase in the manner described under "— Repurchase of Notes upon a Change of Control Triggering Event" or "— Certain Covenants — Limitation on Asset Sales";

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US$25.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that results in such Indebtedness being due and payable prior to its Stated Maturity through the actions of the holders thereof or otherwise and/or (b) a default in payment of principal of, or interest or premium on, or any other amounts in respect of, such Indebtedness when the same becomes due and payable (following any applicable grace periods);

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 90 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or

discharged against all such Persons (other than judgments or orders covered by indemnities provided by, or insurance policies issued by, reputable companies) to exceed US$25.0 million (or the Dollar Equivalent thereof) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together as of the latest audited consolidated financial statements for the Company, would constitute a Significant Subsidiary, with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together as of the latest audited consolidated financial statements for the Company, would constitute a Significant Subsidiary, or for any substantial part of the property and assets of the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together as of the latest audited consolidated financial statements for the Company, would constitute a Significant Subsidiary, and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together as of the latest audited consolidated financial statements for the Company, would constitute a Significant Subsidiary, under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together as of the latest audited consolidated financial statements for the Company, would constitute a Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together as of the latest audited consolidated financial statements for the Company, would constitute a Significant Subsidiary or for all or substantially all of the property and assets of such entity or entities or (c) effects any general assignment for the benefit of creditors;

(9) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or will for any reason cease to be in full force and effect;

(10) any default by the Company or any Subsidiary Guarantor in the performance of any of its obligations under the Security Documents that adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or that adversely affects the condition or value of the Collateral;

(11) the Company or any Subsidiary Guarantor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect;

(12) other than in accordance with the Indenture, the Direct Agreement ceases to be or is not in full force and effect;

(13) a moratorium is agreed or declared in respect of any Indebtedness of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that, taken together, would

constitute a Significant Subsidiary) or any governmental authority shall take any action to condemn, seize, nationalize or appropriate all or a substantial part of the assets of the Company or any Restricted Subsidiary or all or a substantial part of the Capital Stock of the Company or any Restricted Subsidiary (in the case the assets or Capital Stock of a Restricted Subsidiary, only where such condemnation, seizure, nationalization or appropriation is material to the Company and its Restricted Subsidiaries, taken as a whole), or the Company or any Restricted Subsidiary shall be prevented from exercising normal control over all or a substantial part of its property (in the case of a Restricted Subsidiary, only where such property is material to the Company and its Restricted Subsidiaries, taken as a whole), other than pursuant to a temporary requisition of the airport in an emergency, under the terms of the Concession Agreement;

(14) the Company's rights under the Concession Agreement are terminated; or

(15) any default in the operation under the Trust and Retention Account Agreement where such default adversely impacts the priority of payments with respect to the Notes.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, or shall upon the written instruction of Holders of at least 25% in aggregate principal amount of the outstanding Notes, instruct the Security Trustee to foreclose on the Collateral in accordance with the terms of the Security Documents and the Intercreditor Agreement and take such further action on behalf of the Holders with respect to the Collateral in accordance with such written instruction, the Security Documents and the Intercreditor Agreement. The Trustee shall not be obliged to take any steps to ascertain whether an Event of Default has occurred or to monitor the occurrence and continuance of any Event of Default, and shall not be liable to the Holders or any other person for not doing so.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture or the Intercreditor Agreement, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification is assured to it.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within (x) 60 days after receipt of the written request pursuant to clause (2) above or (y) 60 days after the receipt of the offer of indemnity pursuant to clause (3) above, whichever occurs later; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note or any payment under any Subsidiary Guarantee, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and the Restricted Subsidiaries and the Company's and the Restricted Subsidiaries' performance under the Indenture and that the Company and each Subsidiary Guarantor have fulfilled all of their respective obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture, as described under "— Provision of Financial Statements and Reports."

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Company and the Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) unless each of the following conditions is satisfied:

(1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of India and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any

jurisdiction in which it is organized or resident for tax purposes, doing business or otherwise subject to the power to tax or through which it makes payments or payments are made on its behalf, and the Indenture and the Notes shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the proviso of paragraph (1) of the covenant described under "— Certain Covenants — Limitation on Indebtedness"; *provided* that this clause (3) shall not apply to any such consolidation, merger, sale, conveyance, transfer, lease or other disposition with, into or to a Restricted Subsidiary;

(5) the Company shall deliver to the Trustee (x) an Officer's Certificate (attaching the arithmetic computations to demonstrate compliance with clause (3)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(6) each Subsidiary Guarantor shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person, as the case may be, in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

No Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Subsidiary Guarantor and its Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor), unless each of the following conditions is met:

(1) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction in accordance with the Indenture;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US$1.00 of Indebtedness under the proviso of paragraph (1) of the covenant described under "— Certain Covenants — Limitation on Indebtedness"; *provided* that this clause (4) shall not apply to any such consolidation, merger, sale, conveyance, transfer, lease or other disposition with, into or to a Restricted Subsidiary;

(5) the Company shall deliver to the Trustee (x) an Officer's Certificate (attaching the arithmetic computations to demonstrate compliance with clause (3)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the "Limitation on Asset Sales" covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under "— The Subsidiary Guarantees — Release of the Subsidiary Guarantees."

The foregoing provisions would not necessarily afford Holders protection in the event of highly leveraged or other transactions involving the Company or the Subsidiary Guarantors that may adversely affect Holders.

No Payments for Consents

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or any Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment. Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are not "qualified institutional buyers" as defined under the Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Restricted Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

(1) the Company (a) has deposited with the Trustee, in trust, cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount

deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture and an Opinion of Counsel to the effect that the Holders have a valid, perfected, exclusive Lien over such trust;

(2) the Company has delivered to the Trustee an Opinion of Counsel from a law firm of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;

(3) the Company shall have delivered to the Trustee an Officer's Certificate stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others;

(4) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of the Restricted Subsidiaries is a party or by which the Company or any of the Restricted Subsidiaries is bound;

(5) the Company shall have delivered to the Trustee an Opinion of Counsel from a law firm of recognized international standing with respect to U.S. tax matters to the effect that the Holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred, and, such Opinion of Counsel must be based on a ruling of the U.S. Internal Revenue Service or a change in applicable U.S. federal income tax law.

In the case of either discharge or defeasance of the Notes, each of the Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture will further provide that the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4) and (7) under the first paragraph and (3), (4) and (6) under the second paragraph under "— Consolidation, Merger and Sale of Assets" and all the covenants described herein under "— Certain Covenants," other than as described under "— Certain Covenants — Government Approvals and Licenses; Compliance with Law" and "— Certain Covenants — Anti-Layering," and clause (3) under "Events of Default" with respect to such clauses (3), (4) and (7) under the first paragraph and (3), (4) and (6) under the second paragraph under "— Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in such clause, clause (4) under "— Events of Default" with respect to such other covenants and clauses (5), (6), (7) and (8) under "— Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, and the satisfaction of the provisions described in clause (2) and (5) of the preceding paragraph; *provided* that the Opinion of Counsel with respect to U.S. tax matters need not be based on a ruling of the U.S. Internal Revenue Service or a change in applicable U.S. federal income tax law.

Defeasance and Certain Other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of cash in U.S. dollars and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company and the Subsidiary Guarantors will remain liable for such payments.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Subsidiary Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or such other entity designated or appointed (as agent) by it for such purpose) as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal of, premium on, if any, and interest, if any, on, the Notes to the date of maturity or redemption;

(2) in respect of clause 1(b), no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any similar deposit relating to other Indebtedness and, in each case, the granting of Liens to secure such borrowings) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Subsidiary Guarantor is bound (other than with respect to the borrowing of funds to be applied concurrently to make the deposit required to effect such satisfaction and discharge and any similar concurrent deposit relating to other Indebtedness, and in each case the granting of Liens to secure such borrowings);

(3) the Company or any Subsidiary Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an Officers' Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement and any other Security Document may be amended, without the consent of any Holder:

(1) to cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, Subsidiary Guarantees, the Intercreditor Agreement or any Security Document;

(2) to comply with the provisions described under "— Consolidation, Merger and Sale of Assets";

(3) to evidence and provide for the acceptance of appointment by a successor Trustee or a successor Security Trustee;

(4) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(5) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(6) to effect any changes to the Indenture in a manner necessary to comply with the procedures of the relevant clearing system;

(7) to add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;

(8) to release any Liens on the Collateral as provided or permitted by the terms of the Indenture;

(9) to conform the text of the Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement or any other Security Document to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement and any other Security Document;

(10) to add additional collateral to secure the Notes and any Subsidiary Guarantee and any other Indebtedness permitted to be secured by such additional collateral;

(11) to enter into any amendments or modifications to the Security Documents (including the Intercreditor Agreement), and take any other action, in any such case necessary to permit or for the purposes of permitting the creation, registration, perfection and maintenance of Liens on any Collateral or any other assets of the Company or its subsidiaries in accordance with the Indenture;

(12) to make any other change that would provide additional rights or benefits to the Trustee or that does not materially and adversely affect the rights of any Holder.

Amendments With Consent of Holders

Amendments of the Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement and any Security Document may be made by the Company, the Subsidiary Guarantors and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company and the Subsidiary Guarantors with any provision of the Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement and any Security Document; *provided*, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the contractual right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note or any Subsidiary Guarantee;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(8) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in the Indenture;

(9) amend, change or modify any Subsidiary Guarantee in a manner that adversely affects the Holders;

(10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale or change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale;

(11) change the redemption date or the redemption price of the Notes from that stated under "— Redemption for Taxation Reasons";

(12) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts;

(13) amend, change or modify any provision of the Indenture or the related definitions to contractually subordinate in right of payment the Notes or any Subsidiary Guarantee to any other Indebtedness of the Company or any Subsidiary Guarantor (for the avoidance of doubt, the Notes and the Subsidiary Guarantees will not be contractually subordinated in right of payment to any other Indebtedness of the Company or any Subsidiary Guarantor solely by virtue of being unsecured or by virtue of being secured on a junior priority basis); or

(14) amend, change or modify any obligation of the Company described under "— Redemption of Notes Upon Certain Changes in Capital or Currency Exchange Controls."

In addition, any amendment or supplement to, or waiver of, the Indenture or the Security Documents to release any Collateral or to subordinate the ranking of the Liens securing the Notes except as provided in the Indenture and the Security Documents will require the consent of the holders of at least 75% in aggregate principal amount of Notes then outstanding.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any Subsidiary Guarantor in the Indenture, or in any of the Notes or the Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any Subsidiary Guarantor or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under relevant laws.

Concerning the Trustee and the Paying Agent

HSBC Bank USA, National Association is to be appointed as trustee, registrar and paying agent under the Indenture with regard to the Notes. Except during the continuance of a Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and the Notes (as the case may be), and no implied covenant or obligation shall be read into the Indenture or the Notes (as the case may be) against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will be required to use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture or the Notes or the Subsidiary Guarantees (as the case may be) as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

Pursuant to the terms of the Indenture, the Notes or the Subsidiary Guarantees (as the case may be), the Company and the Subsidiary Guarantors will reimburse the Trustee for all properly incurred expenses.

None of the Trustee, Registrar, or Paying Agent shall be responsible for paying any tax, duty, charges, withholding or other payment or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Company, the Holders or any other person to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

The Trustee may conclusively rely without liability to Holders on a report, confirmation or certificate or any advice of any lawyers, accountants, financial advisers, financial institution or any other expert, in each case, relevant to the transaction or the matters contained under the Indenture, whether or not their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to conclusively rely as to the truth of the statements and the correctness of the opinions expressed in any such report, confirmation or certificate or advice and the Trustee will not be liable for any action it takes or omits to take in good faith in reliance on such report, confirmation, certificate, or advice. Such report, confirmation or certificate or advice shall be binding on the Trustee and the Holders, and to the extent furnished by the Company to the Trustee, on the Company.

The Trustee may also request an Officer's Certificate or Opinion of Counsel as to the establishment of legal or factual matters before acting or refraining from acting, and the Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel.

The Trustee shall not be liable for any error of judgment made by it in good faith by a responsible officer or officers of the Trustee. The Trustee shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the written direction of the Holders of at least 25% in aggregate principal amount of the outstanding Notes relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

None of the Trustee, Registrar, or Paying Agent shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Holders or any other person for not doing so.

The Trustee, Registrar or Paying Agent shall not be liable for any action taken or omitted to be taken under the Indenture or for any loss or damage resulting from its actions or inaction except where such loss or damage is directly attributable to its own gross negligence or willful misconduct. In no event shall the Trustee be liable for any special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to loss of profit, goodwill, reputation, business opportunity or anticipated saving), even if the Trustee has been advised as to the likelihood of such loss or damage and regardless of the form of action.

No provision of the Indenture shall require the Trustee, Registrar or Paying Agent to do anything which, in its reasonable opinion, may be illegal or contrary to applicable law, regulation, court order, or the rules or operating procedures of any relevant stock exchange or clearing system; and the Trustee will not be liable to any person if prevented or delayed in performing any of its obligations or discretionary functions under or in connection with the Indenture by reason of any circumstances beyond its control, including, but not limited to, acts of God, flood, war (whether declared or undeclared), terrorism, fire, riot, embargo, government or regulatory authority or action (including any laws, ordinances or regulations), the unavailability of the Federal Reserve Bank wire or facsimile or other wire or communication facility, or the like which delay, restrict or prohibit the providing of the services contemplated by the Indenture.

The Trustee is permitted to engage in other transactions with the Company and its Subsidiaries; *provided* that if it acquires any conflicting interest, it must eliminate such conflict or resign.

The Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders unless such Holders have instructed the Trustee in writing and have offered to the Trustee indemnity and security and pre-funding satisfactory to the Trustee against any loss, liability or expense that might be incurred by it in compliance with such request or direction, *provided* that, with respect to a request or direction from Holders to enforce or instruct the Security Trustee to enforce the Security Documents against any Person, such security and indemnity shall include, without limitation (and without limiting the Trustee's ability to accept other forms of security or indemnity), prefunding by the requesting Holders of an account in the name of the Trustee in such amounts as the Trustee determines in its sole discretion. The foregoing prefunding requirements shall be in addition, and subject in all respects, to any other requirements of the Trustee regarding the indemnity or security to be provided to it in connection with any such enforcement request, including requirements regarding the creditworthiness of the requesting Holders.

Notwithstanding anything to the contrary herein, whenever the Trustee is required or entitled by the terms of the Indenture, the Notes, the Subsidiary Guarantees, and the Security Documents to exercise any discretion or power, take any action of any nature, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to solicit Holders for direction, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or the non-exercise of such discretion or power, or not taking any such action or making any such decision or giving any such direction or certification in the absence of any such directions from Holders. In any event, and as provided elsewhere herein, even where the Trustee has been directed by the Holders, the Trustee shall not be required to exercise any such discretion, power or take any such action as aforesaid unless it has been indemnified and/or secured and/or prefunded to its satisfaction.

Book-Entry; Delivery and Form

The certificates representing the Notes will be issued in fully registered form without interest coupons. Notes sold in offshore transactions in reliance on Regulation S under the Securities Act will initially be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each a "Regulation S Global Note") and will be deposited with HSBC Bank USA, National Association, as custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream.

Notes sold in reliance on Rule 144A will be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each a "Restricted Global Note;" and together with the Regulation S Global Notes, the "Global Notes") and will be deposited with HSBC Bank USA, National Association, as custodian for, and registered in the name of a nominee of, DTC.

Each Global Note (and any Notes issued for exchange therefor) will be subject to certain restrictions on transfer set forth therein as described under "Transfer Restrictions."

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Qualified institutional buyers may hold their interests in a Restricted Global Note directly through DTC if they are participants in such system, or indirectly through organizations which are participants in such system.

Investors may hold their interests in a Regulation S Global Note directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such system. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through DTC.

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Indenture and the Notes. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture and, if applicable, those of Euroclear and Clearstream.

Payments of the principal of, and interest on, a Global Note will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither the Issuer, any of the Guarantors, the

Trustee, the Registrar nor the Principal Paying will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer expects that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of DTC or its nominee. The Issuer also expects that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected through DTC, in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving beneficial interests in the relevant global note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to the depositaries for Clearstream or Euroclear. Because of time zone differences, the securities account of a Euroclear participant or Clearstream participant purchasing a beneficial interest in a global note from a participant will be credited during the securities settlement processing day immediately following the DTC settlement date and such credit of any transactions in beneficial interests in such global note settled during such processing will be reported to the relevant Euroclear participant or Clearstream participant on such Business Day. Cash received in Euroclear or Clearstream as a result of sales of beneficial interests in a global note by or through a Euroclear participant or Clearstream participant to a participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the Business Day following settlement in DTC.

The Issuer expects that DTC will take any action permitted to be taken by a Holder (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC will exchange the applicable Global Note for Certificated Notes, which it will distribute to its participants and which may be legended as set forth under the heading "Transfer Restrictions."

Information Concerning DTC

We understand as follows with respect to DTC:

DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "Participants") and to facilitate the clearance and settlement of transactions in those securities between the Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "Indirect Participants"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

Although the foregoing sets out the procedures of DTC in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of DTC, it is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Trustee or any of their respective agents will have responsibility for the performance of DTC or its participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Information Concerning Euroclear and Clearstream

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid (if intended for the Company, any Subsidiary Guarantor or the Trustee) addressed to the Company, such Subsidiary Guarantor or the Trustee, as the case may be, at the corporate trust office of the Trustee and, if intended for any Holder, addressed to such Holder at such Holder's last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with applicable DTC, Euroclear or Clearstream procedures).

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of the relevant clearing system. Any such notice shall be deemed to have been delivered on the day such notice is delivered to the relevant clearing system or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each Subsidiary Guarantor will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint National Corporate Research, Ltd. for receipt of service of process in any such suit, action or proceeding. The Indenture will include a provision whereby each party thereto waives the right to trial by jury.

Governing Law

Each of the Notes, each of the Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby. The Security Documents relating to the Collateral will be governed by the laws of the Republic of India.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"**Acquired Indebtedness**" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"**Affiliate**" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse, child or step child, parent or step parent, brother, sister, step brother or step sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. When used in the covenant described under "Limitation on Transactions with Shareholders and Affiliates," an Affiliate of the Company shall not include the Government of India or Persons controlled by or under common control with the Government of India.

"**Airport**" means the Rajiv Gandhi International Airport located on the land leased by the Company from the State Government pursuant to the Land Lease Agreement.

"**Asset Acquisition**" means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

"**Asset Disposition**" means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

"**Asset Sale**" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock of a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided* that "Asset Sale" shall not include:

(1) sales or other dispositions of inventory, receivables and other assets in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made by the covenant described under "— Certain Covenants — Limitation on Restricted Payments";

(3) sales, transfers or other dispositions of assets or issuances or sales of Capital Stock of the Company or any Restricted Subsidiary with a Fair Market Value not in excess of US$2.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, conveyance, transfer or other disposition of property or assets, or the issuance of securities, by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Wholly Owned Restricted Subsidiary which is otherwise permitted under the Indenture;

(5) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or the Restricted Subsidiaries;

(6) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Lien permitted by the Indenture;

(7) a transaction governed by the covenant described under "— Consolidation, Merger and Sale of Assets" or "— Repurchase of Notes Upon a Change of Control Triggering Event";

(8) the sale or other disposition of cash or Temporary Cash Investments;

(9) the lease, license, assignment or sublease of any real or personal property in connection with the Permitted Business;

(10) any transfer, termination, unwinding or other disposition of Hedging Obligations in accordance with the terms thereof;

(11) Sale and Leaseback Transactions with respect to any property or assets within 180 days of the acquisition of such property or assets;

(12) any surrender, expiration or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(13) licenses, sub-licenses, grants, leases and sub-leases (as lessee, sublessee, lessor, sublessor, licensee, sublicensee, licensor, sublicensor or grantee) of software, patents, trademarks, know-how or any other intellectual property, general intangibles or other property (including real or tangible property) in the ordinary course of business;

(14) transfers resulting from any casualty or condemnation of property;

(15) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(16) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary; or

(17) the issuance of Capital Stock of a Restricted Subsidiary upon conversion of any Indebtedness of any such Restricted Subsidiary following a default on such Indebtedness by such Restricted Subsidiary.

"**Attributable Indebtedness**" means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

"**Average Life**" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"**Board of Directors**" means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company and, to the extent permitted under the Concession Agreement, any committee of such board duly authorized to take the action purported to be taken by such committee.

"**Board Resolution**" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"**Business Day**" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York or Hyderabad, India (or in any other place in which payments on the Notes are to be made) are authorized or required by law or governmental regulation to close.

"**Capitalized Lease**" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"**Capitalized Lease Obligations**" means the discounted present value of the rental obligations under a Capitalized Lease.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"**Change of Control**" means the occurrence of one or more of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any "person" within the meaning Section 13(d) of the Exchange Act, other than to one or more Permitted Holders;

(2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, other than any such transaction where holders of a majority of the Voting Stock of the Company, immediately prior to such transaction, hold securities of the surviving or transferee Person, immediately after such transaction, that represent at least a majority of the Voting Stock of such surviving or transferee Person and in substantially the same proportion as before such transaction;

(3) (a) the Permitted Holders are the beneficial owners (as such term is used in Rule 13d-3 of the Exchange Act) of less than 26% of the total voting power of the Voting Stock of the Company or (b) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), is or becomes the "beneficial owner," directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders; or

(4) the adoption of a plan relating to the liquidation or dissolution of the Company.

"**Change of Control Triggering Event**" means the occurrence of a Change of Control and, in the case of paragraph (3) of the definition of Change of Control, a Rating Decline.

"**Clearstream**" means Clearstream Banking, *société anonyme*, Luxembourg.

"**CNS-ATM Agreement**" means the agreement for the provision of CNS/ATM facilities and services between the Airports Authority of India and the Company dated August 11, 2005, as amended from time to time.

"**Commodity Hedging Agreement**" means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to manage the costs of commodities or to protect against fluctuations in commodity prices.

"**Common Stock**" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

"**Concession Agreement**" means the Concession Agreement for the Development, Construction, Operation and Maintenance of the Hyderabad International Airport between the Company and the Ministry of Civil Aviation, Government of India dated December 20, 2004, as amended from time to time.

"**Consolidated EBITDA**" means, with respect to any Person for any period, Consolidated Net Income of such Person for such period, plus (or, with respect to a gain, minus), to the extent such amount was deducted (or, in the case of a gain, included) in calculating such Consolidated Net Income:

(1) Consolidated Fixed Charges;

(2) provision for taxes based on income, profits or capital, including, without limitation, state, franchise, property and similar taxes and withholding taxes (including penalties and interest related to such taxes or arising from tax examinations);

(3) depreciation expense, amortization expense and all other non-cash items (including the amortization of intangible assets, deferred financing fees and amortization of unrecognized prior service costs) reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period);

(4) any foreign currency translation losses (including losses related to currency remeasurements of Indebtedness) included in non-operating income and any foreign exchange losses resulting from the impact of foreign currency changes on the valuation of assets or liabilities on the balance sheet of the Company and its Restricted Subsidiaries;

(5) any losses attributable to termination of employee pension plans and other post-employment benefits;

(6) any gains or losses arising from the acquisition of any securities or extinguishment, repurchase, cancellation or assignment of Indebtedness;

(7) any unrealized gains or loss in respect of Hedging Obligations or other derivative instruments or forward contracts or any ineffectiveness recognized in earnings related to a qualifying hedge transaction or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(8) all proceeds actually received of business interruption insurance policies to the extent the related loss is not otherwise added back pursuant to this definition and to the extent that such reimbursement is not otherwise reflected in Consolidated Net Income; and

(9) expenses incurred by the Company or any Subsidiary to the extent reimbursed by a third-party and to the extent that such reimbursement is not otherwise reflected in Consolidated Net Income,

all as determined on a consolidated basis for such Person and its Restricted Subsidiaries in conformity with GAAP; *provided* that (i) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of the Restricted Subsidiaries; and (ii) notwithstanding the preceding, the provision for taxes based on the income or profits of, and the depreciation and amortization and other non-cash expenses of, a Restricted Subsidiary, that is not a Subsidiary Guarantor, of a Person will be added to the Consolidated Net Income to compute Consolidated EBITDA of such person.

"**Consolidated Fixed Charges**" means, with respect to any Person for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of such Person or any of its Restricted Subsidiaries, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock).

"**Consolidated Interest Expense**" means, with respect to any Person for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of such Person and its Restricted Subsidiaries, plus, to the extent not included therein, and to the extent incurred, accrued or payable during such period by such Person and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to

Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by, or secured by a Lien on any asset of, such Person or any of its Restricted Subsidiaries and (7) any capitalized interest; *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"**Consolidated Net Income**" means, with respect to any Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that, subject to the exclusion contained in clause (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below);

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of the Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of the Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other constitutive document or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains (or losses) realized on the sale or other disposition of (a) any property or asset of the Company or any Restricted Subsidiary that is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains (or losses) by the Company or a Restricted Subsidiary realized on sales of Capital Stock of the Company or of any Restricted Subsidiary);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects;

(7) any extraordinary or exceptional gains or losses, charges or expenses;

(8) non-cash expenses attributable to movements in the mark-to-market valuation of Hedging Obligations; and

(9) amortization of or charges or expenses relating to deferred financing fees, debt issuance costs, commissions, fees and expenses, expensing of any bridge, commitment or other financing fees.

"**Consolidated Net Worth**" means, at any date of determination, stockholders' equity as set forth on the most recently available quarterly or annual consolidated balance sheet of the Company and the Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of the Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"**Credit Facilities**" means one or more debt facilities or other financing arrangements (excluding working capital facilities but including, without limitation, commercial paper facilities or indentures) providing for revolving credit loans, term loans, letters of credit or other long-term indebtedness, including any notes, mortgages, guarantees, collateral documents, instruments and agreements executed in connection therewith.

"**Currency Hedging Agreement**" means any currency swap agreement, currency cap agreement, currency floor agreement, currency futures agreement, commodity option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements, designed to manage, or protect against, fluctuations in currency prices currencies and currency risk.

"**Declaration**" means the Declaration in relation to mortgage by deposit of title deeds over immovable properties at Shamshabad, Telangana to be entered into between the Company and the Security Trustee.

"**Default**" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"**Direct Agreement**" means the agreement between MoCA and the Security Trustee, dated November 29, 2005, and any amendment or replacement thereof.

"**Disqualified Stock**" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the date that is 183 days after the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "— Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control Triggering Event" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the covenants described under "— Certain Covenants — Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control Triggering Event."

"**DTC**" means the Depository Trust Company and its successors.

"**Dollar Equivalent**" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the noon buying rate for U.S. dollars in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on the date of determination.

"**ECB Facility**" means the Amended and Restated Common Facility Agreement dated June 29, 2015 between the Company and Abu Dhabi Commercial Bank Limited, as may be amended from time to time.

"**Equity Offering**" means any underwritten public offering of Common Stock of the Company after the Original Issue Date to any Person other than to an Affiliate of the Company or any Permitted Holder; *provided* that the aggregate gross cash proceeds received by the Company from such transaction will be no less than US$20.0 million (or the Dollar Equivalent thereof).

"**Euroclear**" means Euroclear Bank, S.A./N.V., as operator of the Euroclear system.

"**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

"**Excluded Accounts**" means any (1) debt service account required under the terms of any Senior Indebtedness, (2) debt service reserve account required under the terms of any Senior Indebtedness, (3) escrow account required under the terms of any Senior Indebtedness, (4) interest reserve account required under the terms of any Senior Indebtedness, (5) accounts relating to passenger service fees (security component) and airport development fees (and similar pass through revenue and receipts), (6) accounts established solely for the purpose of holding the deferred concession fee payable by the Company commencing in June 2018, (7) any accounts over which a Lien is not permitted under applicable law, (8) accounts holding cash or other property arising in connection with the defeasance, discharge or redemption of Indebtedness, including any redemption reserves and (9) the accounts pledged in favor of the lenders under the Existing Working Capital Facilities, with an aggregate balance equal to or less than the amount of Indebtedness outstanding thereunder.

"**Existing Senior Debt**" means the Rupee Facilities and the ECB Facility.

"**Existing Working Capital Facilities**" means the (1) working capital facility agreement among the Company, Axis Bank Limited and IDBI Trusteeship Services Limited, dated October 26, 2016 and (2) the working capital facility agreement among the Company and ICICI Bank Limited, dated August 12, 2014.

"**Fair Market Value**" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

"**Fitch**" means Fitch Ratings Ltd. or any successor to the rating agency business thereof.

"**Fixed Charge Coverage Ratio**" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the "**Four Quarter Period**") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(1) *pro forma* effect shall be given to any Indebtedness Incurred, repaid or redeemed during the period (the "**Reference Period**") commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness;

(2) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate will be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Hedging Agreement applicable to such Indebtedness if such Interest Rate Hedging Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(3) *pro forma* effect will be given to the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(4) *pro forma* effect will be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(5) *pro forma* effect will be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (4) or (5) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation will be based upon the four full fiscal quarters immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"**GAAP**" means generally accepted accounting principles in India as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"**Global Certificates**" means the Restricted Global Certificates and the Unrestricted Global Certificates.

"**Government Securities**" means direct obligations of, or obligations Guaranteed by, the United States of America, and the payment for which the United States of America pledges its full faith and credit.

"**Guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement.

"**Holder**" means the Person in whose name a Note is registered in the Note register.

"**Incur**" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends on Preferred Stock in the form of additional shares of Preferred Stock (to the extent provided for when the Indebtedness or Preferred Stock on which such interest or dividend is paid was originally issued) will not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person (other than Indebtedness of a JV Company that is secured by the Company or a Restricted Subsidiary solely with the Capital Stock in such JV Company held by the Company or Restricted Subsidiary); *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations;

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; and

(10) any Preferred Stock issued by (a) such Person, if such Person is a Restricted Subsidiary or (b) any Restricted Subsidiary of such Person, valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest; and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be equal to the net amount payable if the Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement giving rise to such Hedging Obligation terminated at that time due to default by such Person.

For the avoidance of doubt, none of the following will constitute Indebtedness (i) obligations in respect of taxes, workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage taxes, (ii) obligations arising from the endorsement of negotiable instruments in the ordinary course of business and (iii) deposits and advance payments received in connection with the Permitted Business.

Notwithstanding the foregoing, in connection with the purchase by the Company or any Restricted Subsidiary of any asset or property to be used in the ordinary course of business by the Company or any Restricted Subsidiary in the Permitted Business (including any such purchase through the acquisition of Capital Stock of any Person that owns such asset or property, which will, upon such acquisition, become a Restricted Subsidiary), the term "Indebtedness" will not include post-closing payment obligations of the Company or such Restricted Subsidiary to which the seller may become entitled to the extent the amount of such payment is determined by a final closing balance sheet, final reserve assessment or a similar report or document or such payment depends on the performance of such asset or property after the closing; *provided*, however, that, at the time of closing, the amount of any such payment obligation is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 180 days thereafter.

"**Independent Engineer**" means an independent engineer of recognized standing and qualification with respect to the development of the Airport, as selected by the Company.

"**Initial Public Offering**" means an Equity Offering following which there is a Public Market and, as a result of which, the Common Stock of the Company in such offering is listed on an internationally recognized stock exchange or traded on an internationally recognized stock market.

"**Intercreditor Agreement**" means the intercreditor agreement entered into among the Trustee (on behalf of Holders) and the Security Trustee, dated the Original Issue Date, as may be amended and/or acceded to from time to time.

"**Interest Rate Hedging Agreement**" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to manage the interest component of financing cost or to protect against fluctuations in interest rates.

"**Investment**" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the covenants described under "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" and "— Certain Covenants — Limitation on Restricted Payments": (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company's direct or indirect proportionate interest in the assets (net of the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary calculated as of the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"**Investment Grade**" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or Fitch or any of their respective successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P and/or Fitch, as the case may be.

"**JV Company**" means any Person in which the Company or a Restricted Subsidiary owns more than 10% and 50% or less of the Voting Stock, directly or indirectly, and has the right to participate in the management of such Person.

"**Land Lease Agreement**" means the land lease agreement between the Governor of Andhra Pradesh and the Company dated September 30, 2003, as amended from time to time.

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"**Master Plan**" means the master plan for the development of the Airport which sets out the plans for the staged developments of the Airport, covering aeronautical and non-aeronautical services for the concession period, as described in this offering memorandum and as such master plan may be amended and supplemented from time to time in accordance with the Concession Agreement.

"**Material Acquisitions or Dispositions**" means any transaction that would require the preparation of *pro forma* financial information pursuant to Rule 11-01(a) or (b) of Regulation S-X promulgated under the Securities Act, assuming that such Rule were applicable to the Company.

"**Memorandum of Entry and Deposit of Title Deeds**" means the memorandum of entry to be entered into between the Company and IDBI Trusteeship Services Limited in favor of the Holders and the Trustee.

"**Memorandum of Hypothecation**" means the memorandum of hypothecation entered into between the Company and IDBI Trusteeship Services Limited in favor of the Holders and the Trustee, dated the Original Issue Date.

"**MoCA**" means the Ministry of Civil Aviation, Government of India.

"**Moody's**" means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors.

"**Net Cash Proceeds**" means:

(1) with respect to any Asset Sale (other than the issuance or sale of Capital Stock), the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

   (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;

   (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and the Restricted Subsidiaries, taken as a whole;

   (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

   (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP;

   (e) all distributions and other payments required to be made to minority interest holders in Subsidiaries or JV Companies as a result of such Asset Sale or the distribution of proceeds from such Asset Sale made by a Subsidiary or a JV Company; and

   (f) payments made to MoCA relating to such Asset Sale, if any, solely to the extent required and actually paid under the revenue sharing arrangements with MoCA set forth in the Concession Agreement; and

(2) with respect to any Asset Sale consisting of the issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"**Offer to Purchase**" means an offer to purchase Notes by the Company from the Holders commenced by mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

(1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "**Offer to Purchase Payment Date**");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officer's Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly pay to the Holders of Notes so accepted payment of an amount equal to the purchase price, and upon receipt of written order of the Company signed by an Officer the Trustee shall promptly authenticate and register in such Holder's name a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"**Officer**" means an officer or director of the Company or, in the case of a Restricted Subsidiary, one of the directors or officers of such Restricted Subsidiary, in each case including any key management person.

"**Officer's Certificate**" means a certificate signed by an Officer.

"**Opinion of Counsel**" means a written opinion from legal counsel (including local counsel for jurisdictions other than the State of New York with respect to agreements or documents governed by any law other than the State of New York) which opinion is reasonably acceptable to the Trustee and where applicable that meets any specific requirements set out in the Indenture; *provided* that legal counsel shall be entitled to rely on certificates of the Company and any Subsidiary of the Company as to matters of fact.

"**Original Issue Date**" means the date on which the Notes are initially issued under the Indenture.

"**Permitted Business**" means any business contemplated by the Concession Agreement and any other business reasonably related, ancillary or complementary thereto, including the development, operation and management of other airports that are complementary to the Airport.

"**Permitted Holders**" means GMR Airports Limited and any of its Affiliates (other than an Affiliate as defined in clause (2) of the definition of Affiliate).

"**Permitted Investment**" means:

(1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or will be merged or consolidated with or into, or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) cash or Temporary Cash Investments;

(3) payroll, travel and similar advances made in the ordinary course of business to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Subsidiary Guarantor against fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(5) Investments consisting of consideration received in connection with an Asset Sale and made in compliance with, the covenant described under "— Certain Covenants — Limitation on Asset Sales";

(6) loans or advances to vendors, contractors, suppliers, distributors or service providers, including advance payments for equipment and machinery made to the manufacturer or supplier thereof, of the Company or any Restricted Subsidiary in the ordinary course of business and dischargeable in accordance with customary trade terms;

(7) Investments in existence on the Original Issue Date and any Investment consisting of an extension of the term or renewal of any Investment existing on, or made pursuant to a binding commitment existing on the Original Issue Date, in each case where such investments are described in this offering memorandum;

(8) any Investments received in compromise, resolution or satisfaction of (a) obligations of trade creditors or customers that were incurred in connection with the Permitted Business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer or (b) litigation, arbitration or other disputes with Persons who are not Affiliates;

(9) loans or advances to employees made in the ordinary course of business in an aggregate principal amount not to exceed US$5.0 million (or the Dollar Equivalent thereof) at any one time outstanding;

(10) repurchases of the Notes;

(11) Investments consisting of the licensing or contribution of intellectual property pursuant to joint marketing arrangements with other Persons;

(12) Investments consisting of endorsement of negotiable instruments and documents in the ordinary course of business;

(13) notes payable, receivables, trade credits or other current assets owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(14) (i) pledges or deposits made in the ordinary course of business to secure payment of utility contracts or (ii) Investments consisting of earnest money deposits or escrowed money required in connection with any acquisition, joint venture or acquisition of assets not otherwise prohibited by the Indenture or the Security Documents;

(15) an acquisition of assets used in a Permitted Business or Capital Stock in a Person engaged in a Permitted Business by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;

(16) any Guarantee Incurred under clause (2)(h) of the covenant described under "Certain Covenants — Limitation on Indebtedness;"

(17) Investments in Unrestricted Subsidiaries or JV Companies, each of which is engaged in a Permitted Business, having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (17) that are at that time outstanding, not to exceed US$50.0 million plus the amount of Qualified Concessionaire Deposits held by the Company at the time of such Investment; and

(18) Investments in an Unrestricted Subsidiary or JV Company made in exchange for an Investment in an Unrestricted Subsidiary or JV Company, including any conversion or exchange of any such Investment or any Investment received in connection with a merger or consolidation of an Unrestricted Subsidiary or JV Company an Unrestricted Subsidiary or JV Company.

"**Permitted Liens**" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure (i) the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, completion guarantees, surety and appeal bonds, government contracts, performance and return-of-money bonds; (ii) reimbursement obligations with respect to letters of credit, performance and surety bonds and completion guarantees and other obligations of a similar nature; (iii) liability for premiums to insurance carriers; (iv) posted cash as collateral for guarantees (in each case, incurred in the ordinary course of business and exclusive of obligations for the payment of borrowed money); and (v) performance under the bank guarantee facility availed for maintaining debt service reserve accounts under the Trust and Retention Account Agreement;

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and the Restricted Subsidiaries, taken as a whole;

(5) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person (i) becomes a Restricted Subsidiary or (ii) is merged with or into or consolidated with the Company or any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets of such Person (if such Person becomes a Restricted Subsidiary) or the property or assets acquired by the Company or such Restricted Subsidiary (if such Person is merged with or into or consolidated with the Company or such Restricted Subsidiary); *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary; *provided further* that such Liens shall not include Liens incurred under paragraph (25) of this definition;

(6) Liens in favor of the Company or any Subsidiary Guarantor;

(7) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that do not give rise to an Event of Default;

(8) Liens securing reimbursement obligations with respect to letters of credit, performance and surety bonds and completion guarantees that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(9) Liens existing on the Original Issue Date;

(10) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under paragraph (2)(d) of the covenant described under "— Certain Covenants — Limitation on Indebtedness," *provided* that in the case of Indebtedness described under paragraphs (2)(d)(i)(A) and (2)(d)(i)(B), such Liens do not (i) extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced; and (ii) rank higher in priority than the Liens on such property or assets securing the secured Indebtedness being refinanced, whether by priority of such Lien or the priority of payment on enforcement of such Lien;

(11) Liens securing Hedging Obligations permitted to be Incurred under paragraph (2)(e) of the covenant described under "— Certain Covenants — Limitation on Indebtedness," *provided*

that (i) Indebtedness relating to any such Hedging Obligation is, and is permitted under the covenant described under "— Certain Covenants — Limitation on Liens" to be, secured by a Lien on the same property securing such Hedging Obligation or (ii) such Liens are encumbering customary initial deposits or margin deposits or are otherwise within the general parameters customary in the industry and incurred in the ordinary course of business;

(12) Liens on the Collateral securing the Notes (including any Additional Notes issued in accordance with the Indenture);

(13) Liens securing Attributable Indebtedness that is permitted to be Incurred under the Indenture;

(14) leases and licenses of intellectual property that do not materially interfere with the ordinary course of business of the Company and the Restricted Subsidiaries, taken as a whole;

(15) Liens securing Permitted Pari Passu Secured Indebtedness;

(16) Liens on deposits securing trade letters of credit (and reimbursement obligations relating thereto) incurred in the ordinary course;

(17) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, leases, sewers, electric lines, gas lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(18) security provided, or caused to be provided in the ordinary course of business (and not in connection with the borrowing of money or the obtaining of credit) to a public utility or any municipality or governmental or other public authority when required by such utility or municipality or governmental or other authority in connection with the operations of the Company and its Restricted Subsidiaries;

(19) Liens incurred or pledges or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security and employee health and disability benefits;

(20) Liens arising out of conditional sale, title retention consignment or similar arrangements for the sale of goods entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business in accordance with past practice;

(21) bankers' Liens, rights of setoff and other similar Liens existing solely with respect to cash and cash equivalents on deposit in one or more accounts maintained by the Company granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts, netting arrangements or sweep accounts; *provided* that, unless such Liens are non-consensual and arise by operation of law, in no case shall any such Liens secure (directly or indirectly) the repayment of any Indebtedness;

(22) Liens (unless such Liens are non-consensual) relating to purchase orders and other agreements entered into with customers of the Company or any of its Restricted Subsidiaries in the ordinary course of business;

(23) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(24) Liens (unless such Liens are non-consensual) on equipment of the Company or any Restricted Subsidiary and located on the premises of any client or supplier in the ordinary course of business;

(25) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure obligations of such Unrestricted Subsidiary;

(26) Liens on assets or securities deemed to arise in connection with and solely as a result of the execution, delivery or performance of contracts to sell such assets or securities if such sale is otherwise permitted by the Indenture and the Concession Agreement;

(27) Liens in connection with any disposition of Capital Stock of a Restricted Subsidiary pursuant to Indian regulatory or shareholding requirements, including, without limitation, the ability to enter into put or call arrangements with third parties;

(28) Liens securing Indebtedness of a Restricted Subsidiary which is permitted to be Incurred under paragraph (2)(f) or (2)(g) of the covenant described under "— Certain Covenants — Limitation on Indebtedness," *provided* that such Liens are limited to (i) the property or assets of the Restricted Subsidiary incurring such Indebtedness and (ii) the Capital Stock of the Restricted Subsidiary incurring such Indebtedness that is owned by the Company or another Restricted Subsidiary;

(29) Liens over Excluded Accounts;

(30) Liens on the Capital Stock of Subsidiaries and JV Companies securing Indebtedness of the Company incurred under paragraph (1) or (2)(g) of the covenant described under "— Certain Covenants — Limitation on Indebtedness";

(31) Liens incurred in the ordinary course of business of the Company or any Restricted Subsidiary with respect to obligations that do not exceed US$10.0 million at any one time outstanding; and

(32) Liens (including extensions and renewals thereof) upon real or personal property, assets, machinery, plant or equipment acquired, developed, installed, improved or expanded after the Original Issue Date (including through the acquisition of Capital Stock of any Person that owns such real or personal property, assets, machinery, plant or equipment which will, upon such acquisition, become a Restricted Subsidiary and including any interest or title of a lessor under Capitalized Lease Obligations); *provided* that (a) such Lien is created solely for the purpose of securing Indebtedness Incurred by the Company under paragraph (2)(g) of the covenant described under "— Certain Covenants — Limitation on Indebtedness", (b) such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction, installation, improvement or expansion of such property, (c) the principal amount of Indebtedness secured by such Lien does not exceed 100% of the cost (including adjustment of purchase price or similar obligations) of such property, development, construction, installation, improvement or expansion and (d) such Lien shall not extend to or cover any property or assets other than such item of real or personal property, assets, machinery, plant or equipment and any improvements on such item.

"**Permitted Pari Passu Secured Indebtedness**" means Senior Indebtedness of the Company or a Subsidiary Guarantor Incurred pursuant to paragraphs (1), (2)(a), 2(d), 2(e) and (2)(f) of "— Certain Covenants — Limitation on Indebtedness" and Permitted Refinancing Indebtedness thereof.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Preferred Stock**" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"**Project Agreements**" means the Concession Agreement, the Land Lease Agreement, the State Support Agreement and the CNS-ATM Agreement.

"**Public Market**" means, upon the consummation of an Equity Offering, either (i) 20% or more of the total issued and outstanding Common Stock of the Company or (ii) Common Stock of the Company with a market value in excess of US$100.0 million (or the Dollar Equivalent thereof), has been distributed to investors other than Affiliates of the Company or any Permitted Holders.

"**Qualified Concessionaire Deposits**" means deposits held by the Company received from Persons to which the Company has granted a concession pursuant to the rights granted to the Company under the Concession Agreement where the terms of such deposit require repayment no earlier than the date that is six months after the final maturity date of the Notes.

"**Rating Agencies**" means S&P and Fitch; *provided* that if either of S&P or Fitch shall not make a rating of the Notes publicly available, one or more nationally recognized statistical rating organizations (as defined in Section 3(a)(62) under the Exchange Act), as the case may be, selected by the Company, which shall be substituted for S&P and/or Fitch, as the case may be.

"**Rating Category**" means (1) with respect to S&P or Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (2) the equivalent of any such category of S&P or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P and Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P and Fitch, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"**Rating Date**" means in connection with actions contemplated under "— Consolidation, Merger and Sale of Assets" and "— Repurchase of Notes Upon a Change of Control Triggering Event," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"**Rating Decline**" means in connection with actions contemplated under "— Consolidation, Merger and Sale of Assets" and "— Repurchase of Notes Upon a Change of Control Triggering Event," the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(1) in the event the Notes are rated by two of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either of such two Rating Agencies shall be below Investment Grade;

(2) in the event the Notes are rated by one, and only one, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(3) in the event the Notes are rated below Investment Grade by all of the Rating Agencies (or the sole Rating Agency) on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"**Restricted Subsidiary**" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"**Rupee Facilities**" means (1) the Rupee Term Loan Agreement dated October 26, 2016 between, among others, the Company and Axis Bank Limited, as facility agent and mandated lead arranger, and (2) the Rupee Term Loan Agreement dated June 28, 2014 between, among others, the Company and ICICI Bank Limited, as facility agent and mandated lead arranger, each as may be amended from time to time.

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

"**Sale and Leaseback Transaction**" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Security Document**" means all security agreements, pledge agreements, assignments, mortgages, deeds of trust, security trustee or collateral agency agreements, control agreements or other grants or transfers of security executed and delivered by the Company and any Subsidiary Guarantor creating (or purporting to create) a Lien upon the Collateral in favor of the Security Trustee for the benefit of the Holders and the Trustee, including, without limitation, the Memorandum of Hypothecation, the Declaration, the Memorandum of Entry and the Deposit of Title Deeds, the Security Trustee Agreement, the Direct Agreement and the Intercreditor Agreement.

"**Security Trustee**" means IDBI Trusteeship Services Limited.

"**Security Trustee Agreement**" means the security trustee agreement among the Company, the Trustee (on behalf of the Holders) and the Security Trustee, dated the Original Issue Date, as may be amended and/or acceded to from time to time.

"**Senior Indebtedness**" of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes or (b) in respect of any Subsidiary Guarantor, its Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) Trade Payables or (3) Indebtedness Incurred in violation of the Indenture.

"**Significant Subsidiary**" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated under the Securities Act, as such regulation is in effect on the Original Issue Date.

"**Sponsor Bridge Financing**" means any Indebtedness of the Company that is (i) Incurred pursuant to clause (1) or (2)(a) under the covenant described under "— Limitation on Indebtedness"; (ii) provided by GMR Infrastructure Limited or one of its Subsidiaries as Subordinated Indebtedness; (iii) not prohibited by the terms of the Company's existing Indebtedness at the time such Sponsor Bridge Financing is Incurred; and (iv) used to fund Required Capital Expenditure.

"**State Government**" means, prior to notification of the provisions of Andhra Pradesh Reorganization Act, 2014, the State Government of Andhra Pradesh and, subsequently thereto, the Government of Telangana State.

"**State Support Agreement**" means the state support agreement between the Governor of Andhra Pradesh and the Company dated September 30, 2003, as amended from time to time.

"**Stated Maturity**" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"**Subordinated Indebtedness**" means any Indebtedness of the Company or any Subsidiary Guarantor that is contractually subordinated or junior in right of payment to the Notes or to any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"**Subsidiary**" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person.

"**Subsidiary Guarantee**" means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"**Subsidiary Guarantor**" means any Restricted Subsidiary that Guarantees the obligations of the Company under the Indenture and the Notes; *provided* that "Subsidiary Guarantor" does not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

"**Temporary Cash Investment**" means any of the following:

(1) direct obligations of the United States of America, Hong Kong, Singapore, a member state of the European Union or the Republic of India, or, in each case, any agency of either of the foregoing or obligations fully and unconditionally Guaranteed by such country or any agency of the foregoing, in each case maturing within one year;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within one year of the date of acquisition thereof issued by a bank, trust company or other financial institution that is organized under the laws of the United States of America or the Republic of India or any other bank, trust company or financial institution which is authorized to carry on business in India and which bank, trust company or financial institution (x) has capital, surplus and undivided profits aggregating in excess of US$100.0 million (or the Dollar Equivalent thereof) and (y) has outstanding debt which is rated "A" or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) under the Exchange Act);

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than one year after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence

under the laws of the United States of America or India or any other bank, trust company or financial institution which is authorized to carry on business in India with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P;

(5) securities with maturities of one year or less from the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or Moody's;

(6) freely tradeable, short term senior debt instruments or certificates of deposit having a rating of at least AAA by CRISIL Limited or equivalent ratings by ICRA Limited, CARE Ratings Limited or Fitch;

(7) freely tradeable schemes of a mutual fund that invests only in gilt and/or debt instruments having a rating of at least AAA by CRISIL Limited or equivalent ratings by ICRA Limited, CARE Ratings Limited or Fitch;

(8) any money market fund that has at least 95.0% of its assets continuously invested in investments of the types described in clauses (1) through (7) above; and

(9) demand or time deposit accounts, certificates of deposit and money market deposits, bankers acceptances, in each case, in the ordinary course of business and with maturities not exceeding one year from the date of acquisition, with any lender party to a credit facility with the Company or any Restricted Subsidiary or, solely in the ordinary course of business of the Company or the relevant Restricted Subsidiary, with a commercial bank having capital and surplus in excess of US$100.0 million (or the Dollar Equivalent thereof) and located in the jurisdiction where the Company or such Restricted Subsidiary is conducting business.

"**Total Assets**" means, as of any date of determination, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recently ended fiscal quarter prior to such date for which consolidated financial statements (which may be internal financial statements) of the Company are available; *provided* that "Total Assets" will be calculated after giving pro forma effect to reflect (without duplication) (a) the cumulative value of all assets, real or personal property, machinery, plant and equipment, the acquisition, development, installation, expansion, construction or improvement of which requires or required the Incurrence of Indebtedness, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any Restricted Subsidiary to the bank or financial institutional lender providing such Indebtedness (but only to the extent that such cumulative value is not reflected in such total consolidated assets as of the last day of such fiscal quarter) and (b) any asset acquisitions and asset dispositions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made since the last day of such fiscal quarter and on or prior to such date of determination.

"**Trade Payables**" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services and, unless the amount payable under such indebtedness or obligation is being contested or disputed or withheld or retained by such Person in good faith, payable within 180 days.

"**Transaction Date**" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"**Trust and Retention Account Agreement**" means the trust and retention account agreement among the Company, the Security Trustee and the account bank named thereunder, dated the Original Issue Date, as may be amended from time to time.

"**Unrestricted Subsidiary**" means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture and (2) any Subsidiary of an Unrestricted Subsidiary.

"**U.S. Government Obligations**" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"**Voting Stock**" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"**Wholly Owned**" means, with respect to any Restricted Subsidiary, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by the Company or one or more Wholly Owned Subsidiaries of the Company.

TAXATION

The information below does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes. In particular, the information does not consider any specific facts of circumstances that may apply to a particular purchaser and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Neither these statements nor any other statements in this offering memorandum are to be regarded as advice on the tax position of any holder or beneficial owner of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.

Prospective purchasers of the Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Notes, including the effect of any state or local taxes, under the tax laws applicable in India and each country of which they are residents or countries of purchase, holding or disposition of the Notes. Additionally, in view of the number of jurisdictions where local laws may apply, this offering memorandum does not discuss the local tax consequences to a potential holder, purchaser and seller arising from the acquisition, holding or disposition of the Notes. Prospective investors must therefore inform themselves as to any tax, exchange control legislation or other laws and regulations in force relating to the subscription, holding or disposition of Notes at their place of ordinance, and the countries of which they are citizens or countries of purchase, holding or disposition of Notes.

Indian Taxation

The following is a summary of the existing principal Indian tax consequences for non-resident investors subscribing to the Notes issued by our Company. The summary is based on existing Indian taxation law and practice in force at the date of this offering memorandum and is subject to change, possibly with retroactive effect. The summary does not constitute legal or tax advice and is not intended to represent a complete analysis of the tax consequences under Indian law of the acquisition, ownership or disposal of the Notes. Prospective investors should, therefore, consult their own tax advisers regarding the Indian tax consequences, as well as the tax consequences under any other applicable taxing jurisdiction, of acquiring, owning and disposing of the Notes. This summary does not purport to provide tax advice to any entity.

Taxation of Interest

The Income Tax Act, 1961 (the "Income Tax Act") is the law relating to taxation of income in India. Under the Income Tax Act, interest income payable by issuers of securities to non-resident investors is generally subject to Indian tax if the issuance proceeds are used in a business carried on by the issuer in India. Non-resident investors must pay tax on the interest at the rate of 5% under Section 115A of the Income Tax Act (plus applicable surcharge, education cess and secondary and higher education cess) read with Section 194LC of the Income Tax Act on interest paid on the Notes through India subject to and in accordance with the relevant conditions of the Income Tax Act.

The rates of tax will stand reduced if the beneficial recipient is a resident of a country with which the government of India has entered into an agreement for granting relief of tax or for avoidance of double taxation (a "Tax Treaty") and the provisions of such treaty, which provide for the taxation in India of income by way of interest at a rate lower than that stated above, are fulfilled. The interest payable will be subject to withholding taxes in India, subject to conditions as detailed in the section titled "—Withholding Tax" below.

A non-resident Noteholder is obligated to pay such income tax in an amount equal to, or would be entitled to a refund of, as the case may be, any difference between amounts withheld in respect of interest paid on the Notes through India and its ultimate Indian tax liability for such interest, subject to and in accordance with the provisions of the Income Tax Act. The non-resident Noteholders shall be obligated to provide all necessary information and documents, as may be required by our Company.

Withholding Tax

As per Section 194LC of the Income Tax Act, interest payable on the Notes issued by the Company will be subject to withholding tax at the rate of 5% (plus applicable surcharge, education cess and secondary and higher education cess) subject to fulfillment of the relevant conditions prescribed. This is subject to any lower rate of tax provided by an applicable Tax Treaty.

Pursuant to the terms and conditions of the Notes, all payments of, or in respect of, principal and interest on the Notes, will be made free and clear of and without withholding or deduction on account of any present or future taxes within India unless it is required by law, in which case, pursuant to Condition 8, our Company will pay additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction, subject to certain exceptions.

With respect to interest on the Notes that is not subject to taxes in India (where the proceeds of the issuance of the Notes are used for the purposes of business carried on by our Company outside India or otherwise), our Company may be required to apply annually for an exemption from withholding tax under section 195(2) of the Income Tax Act.

Taxation of gains arising on disposal

Any gains arising to a non-resident Noteholder from a disposal of the Notes held (or be deemed as held) as a capital asset will generally be chargeable to income tax in India if the Notes are regarded as property situated in India. A non-resident Noteholder will not generally be chargeable to income tax in India from a disposal of the Notes held as a capital asset if the Notes are regarded as being situated outside India. The issue as to where securities such as the Notes should properly be regarded as being situated is not free from doubt. The ultimate decision will depend on the view taken by Indian tax authorities on the position with respect to the situs of the rights being offered in respect of the Notes. It is likely that the Indian tax authorities may treat the Notes as being situated in India as the Company is incorporated in and a resident in India. If the Indian tax authorities treat the Notes as being situated in India, upon disposal of the Notes:

(i) a non-resident Noteholder who has held the Notes for a period of more than 36 months (long term capital asset) immediately preceding the date of their disposal, would be liable to pay capital gains tax at the rate of 10% of the capital gains (plus applicable surcharge, education cess and secondary and higher education cess), in accordance with the provisions of the Income Tax Act. These rates are subject to any lower rate provided for by an applicable Tax Treaty;

(ii) a non-resident Noteholder who has held the Notes for a period of 36 months or less would be liable to pay capital gains tax at the rate of up to 40% of capital gains (plus applicable surcharge, education cess and secondary and higher education cess), depending on the legal status of the non-resident Noteholder (i.e. company, individual, trust, etc.). The aforesaid rate will be subject to any lower rate provided for by an applicable Tax Treaty to any lower rate provided for by an applicable Tax Treaty; and

(iii) any income arising to a non-resident Noteholder from the transfer of the Notes held as stock-in-trade would be considered as business income. Business income would be subject to income tax in India only to the extent it is attributable to a "business connection in India" or, where a Tax Treaty is applicable, to a "permanent establishment" of the non-resident Noteholder in India. A non-resident Noteholder would be liable to pay Indian tax on such gains at the rate of up to 40% (plus applicable surcharge, education cess and secondary and higher education cess) depending on the legal status of the non resident investor and his taxable income in India, subject to any lower rate provided for by a Tax Treaty.

If applicable under the tax law, tax shall be withheld by the person making any payment to a non-resident on long-term capital gains at 10% (plus applicable surcharge, education cess and secondary and higher education cess) and short-term capital gains at 30% or 40% (plus applicable surcharge, education cess and secondary and higher education cess), depending on the legal status of the recipient of income, subject to any lower rate provided for by a Tax Treaty. Tax payable shall be computed in such manner as prescribed in this regard under the Income Tax Act. For the purpose of tax withholding, the non-resident Noteholders shall be obligated to provide Permanent Account Number allotted by the tax authorities and all prescribed information or documents, including a tax residency certificate (issued by the tax authorities of the country in which the investor is resident) for claiming the Tax Treaty benefits.

Potential investors should, in any event, consult their own tax advisers on the tax consequences of transfer of the Notes.

Stamp Duty

A transfer of the Notes outside India will not give rise to any Indian stamp duty liability unless brought into India. Stamp duty would be payable if the Notes were brought into India for enforcement or for any other purpose. The amount of stamp duty payable would depend on the applicable state stamp act and the duty will have to be paid within a period of three months from the date the Notes are first received in India.

U.S. Federal Income Taxation

This section summarizes certain U.S. federal income tax considerations relating to the acquisition, ownership, and disposition of the Notes to U.S. Holders (as defined below). This summary does not provide a complete analysis of all potential tax considerations. The information provided below is based on U.S. federal income tax law, including the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed Treasury regulations thereunder, published rulings and court decisions, all as at the date hereof and subject to change, possibly with retroactive effect. There can be no assurances that the Internal Revenue Service (the "IRS") will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to the U.S. federal income tax consequences of acquiring, holding or disposing of the Notes. The summary generally applies only to holders that purchase Notes in the initial offering at their issue price (which is the first price at which a substantial amount of the Notes is sold for money to the public not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers), and that hold the Notes as "capital assets" (generally, property held for investment).

This discussion does not purport to deal with all aspects of U.S. federal income taxation that may be relevant to a particular holder in light of the holder's circumstances (for example, persons subject to the alternative minimum tax or U.S. Holders (as defined below) whose "functional currency" is not the U.S. dollar). Also, it is not intended to be applicable to all categories of holders, some of which may be subject to special rules (such as dealers in securities, traders in securities that elect to use a mark-to-market method of accounting, banks, thrifts, regulated investment companies, insurance companies, tax-exempt organizations, former citizens or residents of the United States, persons holding Notes as part of a hedging, conversion or integrated transaction or straddle, or persons deemed to sell Notes under the constructive sale provisions of the Code). Finally, the summary does not describe the effect of U.S. federal estate and gift tax laws, and the effect of any applicable state, local or non-U.S. tax laws.

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that for U.S. federal income tax purposes is (1) an individual who is a citizen or resident of the United States, (2) a corporation, or entity treated as a corporation for U.S. federal income tax purposes, organized under the laws of the United States, any state thereof, or the District of Columbia, (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (4) a trust if it (a) is subject to the primary supervision of a U.S. court and all substantial decisions of which are within the control of one or more U.S. persons or (b) has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

If a partnership or any entity treated as a partnership for U.S. federal income tax purposes holds Notes, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its independent tax adviser as to its tax consequences.

Investors considering the purchase of Notes should consult their own tax advisers with respect to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the U.S. federal estate or gift tax rules or under the laws of any state, local or non-U.S. jurisdictions or under any applicable tax treaty.

Certain Contingent Payments

In certain circumstances, we may be obligated to make payments of amounts in excess of the principal amount of the Notes if we repurchase all or any part of the Notes upon the occurrence of a "Change of Control Triggering Event," as described above under "Description of the Notes—Repurchase of Notes Upon a Change of Control Triggering Event" in this offering memorandum or further Additional Amounts as required under, "Description of the Notes—Additional Amounts," which are in excess of Additional Amounts we currently expect to pay as a result of the 5% Indian tax on interest. Our obligation to pay such excess amounts may result in the Notes being treated as contingent payment debt instruments under the applicable Treasury regulations. Under those regulations, a contingency will not cause a debt instrument to be treated as a contingent payment debt instrument if such contingency is remote or incidental. We believe that the likelihood that the Notes will be repurchased upon a Change of Control or that we will be required to pay Additional Amounts, in each case, is remote and, therefore, we intend to take the position for U.S. federal income tax purposes that the Notes are not contingent payment debt instruments for U.S. federal income tax purposes. Such determination by us is binding on all holders unless a holder discloses its differing position in a statement attached to its timely filed U.S. federal income tax return for the taxable year during which a Note was acquired. Our determination, however, is not binding on the IRS, and the IRS could challenge this determination. If the IRS is successful in such an assertion, the timing and amount of income included and the character of gain recognized with respect to the Notes may be different from the consequences described herein. The remainder of this discussion assumes that the Notes will not be treated as contingent payment debt instruments for U.S. federal income tax purposes.

Payments of Interest

It is anticipated that the Notes will be issued with less than a *de minimis* amount (as set forth in the applicable Treasury regulations) of original issue discount ("OID"). In such case, interest paid on the Notes generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or received (in accordance with the U.S. Holder's regular method of tax accounting for U.S. federal income tax purposes).

The amount of interest taxable as ordinary income will include amounts withheld in respect of Indian taxes on payments of interest and any Additional Amounts paid in respect thereof. Interest income earned with respect to the Notes will constitute foreign-source income for U.S. federal income tax purposes and will generally be considered "passive category income," which may be relevant in calculating a U.S. Holder's foreign tax credit limitation. Subject to applicable limitations, some of which vary depending upon a U.S. Holder's particular circumstances, Indian income taxes withheld from interest payments on the Notes generally will be creditable against a U.S. Holder's U.S. federal income tax liability. However, a U.S. Holder will not be entitled to claim U.S. foreign tax credits for amounts withheld in excess of the rate applicable to interest under the Convention Between the Government of the United States of America and the Government of the Republic of India for the Avoidance of Double Taxation of Income and the Prevention of Fiscal Evasion with Respect to Taxes on Income. Alternatively, a U.S. Holder may be able to deduct such taxes in computing taxable income for U.S. federal income tax purposes, provided such holder elects to deduct rather than credit such taxes for the relevant taxable year. The rules governing U.S. foreign tax credits are complex and a U.S. Holder should consult its tax adviser regarding the availability of U.S. foreign tax credits under a holder's particular circumstances.

Sale, Exchange, Retirement or other Taxable Disposition of the Notes

Upon the sale, exchange, retirement or other taxable disposition of the Notes, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized (not including any amounts attributable to accrued and unpaid interest, which will be taxed as described under "Payments of Interest" above) and the U.S. Holder's tax basis in the Notes. A U.S. Holder's tax basis in the Notes generally will be equal to the U.S. dollar cost of the Notes.

Any such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the Notes have been held for more than one year at the time of its sale or exchange. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to certain limitations.

Any gain or loss realized on the sale, exchange or retirement generally will be treated as U.S.-source gain or loss, as the case may be. If, as described above under "Indian Taxation — Taxation of gains arising on disposal," Indian tax were to be imposed on any gain from the sale, exchange, retirement or other taxable disposition of the Notes, a U.S. Holder may only be able to claim a U.S. foreign tax credit for the amount of Indian tax imposed on the sale, exchange, retirement or other taxable disposition of such Notes to the extent such U.S. Holder has other income from non-U.S. sources. A U.S. Holder is urged to consult its tax adviser regarding the U.S. federal income tax consequences if Indian tax is imposed on the sale, exchange, retirement or other taxable disposition of the Notes, including the availability of the U.S. foreign tax credit under a holder's particular circumstances.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with payments on the Notes and the proceeds from a sale, exchange, retirement or other taxable disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if such U.S. Holder fails to (i) provide its taxpayer identification number and comply with certain certification procedures or (ii) otherwise establish an exemption from backup withholding. Backup withholding is not an additional tax and the amount of any backup withholding will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability and may entitle a U.S. Holder to a refund, provided that the required information is furnished to the IRS in a timely manner.

Information Reporting for Foreign Financial Assets

Owners of "specified foreign financial assets" with an aggregate value in excess of US$50,000 on the last day of the taxable year (or US$75,000 at any time during the taxable year) may be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by certain foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons (such as the Notes), (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties, and (iii) interests in foreign entities. U.S. Holders that are individuals are urged to consult their tax advisers regarding the application of this reporting requirement to their ownership of the Notes.

Medicare Tax

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" for the relevant taxable year and (2) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between US$125,000 and US$250,000, depending on the individual's circumstances). A U.S. Holder's net investment income will generally include its gross interest income and its net gains from the disposition of the Notes, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A U.S. Holder that that is an individual, estate or trust is urged to consult its tax advisers regarding the applicability of the Medicare tax to its income and gains in respect of an investment in the Notes.

Each of the Initial Purchasers has, pursuant to the Purchase Agreement to be dated the date of this offering memorandum (the "Purchase Agreement"), severally agreed, subject to the provisions of the Purchase Agreement, to purchase, and we have agreed to sell to each such Initial Purchaser, the principal amount of the Notes set forth opposite the name of such Initial Purchaser:

Initial Purchasers	Principal Amount of Notes
Merrill Lynch (Singapore) Pte. Ltd.	US$ 87,500,000
The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch	US$ 87,500,000
Citigroup Global Markets Singapore Pte. Ltd.	US$ 87,500,000
J.P. Morgan Securities plc	US$ 87,500,000
Total	US$350,000,000

The Initial Purchasers initially propose to offer the Notes at the issue prices listed on the cover page of this offering memorandum. We will be paying a combined management and underwriting commission to the Initial Purchasers and will reimburse the Initial Purchasers in respect of certain of their expenses. We have also agreed to indemnify the Initial Purchasers against certain liabilities incurred in connection with the issue of the Notes. The Purchase Agreement may be terminated in certain circumstances prior to payment of the issue price to us.

The Joint Lead Managers and Co-Managers and some of their respective affiliates have, from time to time, performed, and may in the future perform certain commercial banking, investment banking and advisory and other banking services for us and our respective affiliates for which they have received or will receive customary fees and expenses. The Joint Lead Managers and Co-Managers and their respective affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Joint Lead Managers and Co-Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve our securities and other financial instruments, including the Notes. The Joint Lead Managers and Co-Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or our other financial instruments, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments.

The Notes are a new issue of securities for which there currently is no market. The Initial Purchasers have advised the Company that they intend to make a market in the Notes as permitted by applicable law. They are not obligated, however, to make a market in the Notes, and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the Notes.

The Initial Purchasers and/or their respective affiliates may purchase the Notes for their own account and enter into secondary market transactions or derivative transactions relating to the Notes, including, without limitation, sale (or facilitation thereof), stock borrowing or credit or equity-linked derivatives such as asset swaps, repackaging and credit default swaps and/or our other securities or those of our associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of the Notes). As a result of such transactions, an Initial Purchaser or its affiliates may hold long or short positions relating to the Notes.

Each Joint Lead Manager, Co-Manager and their respective affiliates may also engage in investment or commercial banking and other dealings in the ordinary course of business with the Company or its affiliates from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, each Initial Purchaser and its affiliates may, from time to time after completion of the offering of the Notes, engage in other transactions with, and perform services for, the Company or its affiliates in the ordinary course of their business. Each Initial Purchaser or its affiliates may also purchase Notes for asset management and/or proprietary purposes but not with a view to distribution or may hold Notes on behalf of clients or in the capacity of investment advisors. While each Initial Purchaser and its affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause an Initial Purchaser or its affiliates or its clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Notes. Each Initial Purchaser may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Notes.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering will be deemed to be made by the Initial Purchasers or such affiliate on behalf of us in such jurisdiction.

Selling Restrictions

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), an offer to the public of any Notes which are the subject of the offering contemplated by this offering memorandum may not be made in that Relevant Member State other than: (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive; (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Initial Purchasers; or (c) in any other communications falling within Article 3(2) of the Prospective Directive, provided that no such offer of Notes shall require the us or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each Initial Purchaser has represented, warranted and agreed that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and (ii) it has complied, and will comply with, all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

India

The Notes may not be subscribed for or held by banks incorporated in India, including any offshore branch or subsidiary of such bank. This offering memorandum has not been, nor will it be, registered, produced or published as an offer document (whether a prospectus in respect of a public offer or information memorandum or private placement letter or other offering material in respect of any private placement under the Companies Act, 2013 or any other applicable Indian laws) with any Registrar of Companies, the Securities and Exchange Board of India or any other statutory or regulatory body of like nature in India, and the Notes will not be offered or sold, and have not been offered or sold, in India by means of any document, whether as a principal or agent nor have the Initial Purchasers circulated or distributed, nor will they circulate or distribute, this offering memorandum or any other offering document or material relating to the Notes, directly or indirectly, to any person or the public or any member of the public in India or otherwise generally distributed or circulated in India. The Notes have not been offered or sold, and will not be offered or sold, in India in circumstances which would constitute an advertisement, offer, sale, solicitation of an offer to subscribe for or purchase any securities (whether to the public or by way of private placement) within the meaning of the Companies Act, 2013 or any other applicable Indian laws for the time being in force.

Hong Kong

The Notes may not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and no person has issued or had in its possession for the purposes of issue, or will issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Act No. 25 of 1948, as amended; the "FIEL") and may not be offered or sold directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEL and any other relevant laws and regulations of Japan.

United States

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws. In addition, until 40 days after the commencement of this offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act.

The Initial Purchasers, through their affiliates, acting as selling agents where applicable, propose to offer the Notes in offshore transactions in reliance on Regulation S and in accordance with applicable law and propose to offer the Notes to qualified institutional buyers in the United States pursuant to Rule 144A. Except as permitted under the purchase agreement, the Notes will not be offered, sold or delivered within the United States. Any offer or sale of the Notes in the United States in reliance on Rule 144A will be made by broker-dealer affiliates who are registered as such under the Exchange Act. Terms used in this paragraph have the meanings given to them by Regulation S.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.

The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only to (1) qualified institutional buyers (as defined in Rule 144A of the Securities Act) ("QIBs") in compliance with Rule 144A, or (2) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

Each purchaser of the Notes, by accepting the delivery of this offering memorandum, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

1. it is not an "affiliate" (as defined in Rule 144A under the Securities Act) of us, it is not acting on behalf of us, is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion, and it and any such account (A)(i) is a "qualified institutional buyer" as defined in Rule 144A and (ii) is aware that the sale of the Notes to it is being made in reliance on Rule 144A, or (B) is outside the United States and is purchasing the Notes in an offshore transaction pursuant to Regulation S;

2. it acknowledges that the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except as set forth below;

3. it agrees that if it should resell or otherwise transfer the Notes, it will do so only: (a)(i) to the Company or any subsidiary thereof; (ii) inside the United States to a QIB in compliance with Rule 144A; (iii) outside the United States in an offshore transaction in compliance with Rule 904 under the Securities Act; (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or (b) if such purchaser is a subsequent investor of an interest in the Rule 144A Global Note, as set forth in (a) above and, in addition, pursuant to any other available exemption from the registration requirements under the Securities Act (provided that as a condition to the registration of transfer of any Notes otherwise than as described in (a)(i), (a)(ii) or (a)(iii) above or (c) below, the Company or the Trustee may, in circumstances that any of them deems appropriate, require evidence as to compliance with any such exemption); or (c) pursuant to an effective registration statement under the Securities Act;

4. it agrees that it will inform each person to whom it transfers the Notes of any restrictions on transfer of such Notes;

5. it understands that if it is a purchaser outside the United States, the Notes will be represented by the Regulation S Global Note and that transfers thereto are restricted as described under "Description of the Notes—Book-Entry, Delivery and Form." If it is a QIB, it understands that the Notes offered in reliance on Rule 144A will be represented by the Rule 144A Global Note. Before any interest in the Rule 144A Global Note may be offered, sold, charged or otherwise transferred to a person who is not a QIB, the transferee will be required to provide the Trustee with a written certification (the form of which certification can be obtained from the Trustee) as to compliance with the transfer restriction referred to above;

6. it acknowledges that none of the Company, the Joint Lead Managers and Co-Managers or any person representing the Company or the Joint Lead Managers and Co-Managers has made any representation with respect to the Company or the offer or sale of any of the Notes, other than by the Company with respect to the information contained in this offering memorandum, which offering memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Securities. It acknowledges that the Joint Lead Managers and Co-Managers make no representation or warranty as to the accuracy or completeness of this offering memorandum. It agrees that it has had access to such financial and other information concerning us, the Indenture and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Company and the Joint Lead Managers and Co-Managers;

7. it understands that each Note will bear a legend substantially to the following effect unless otherwise agreed to by the Company and the holder thereof (unless such Note has been sold pursuant to a registration statement that has been declared effective under the Securities Act):

   "THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND, ACCORDINGLY, THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB") OR (B) IT IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT, WITHIN THE TIME PERIOD REFERRED TO UNDER RULE 144(d) UNDER THE SECURITIES ACT AS IN EFFECT ON THE DATE OF THE TRANSFER OF THIS NOTE, RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT (IF AVAILABLE), (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN, WITHIN THE TIME PERIOD REFERRED TO ABOVE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS."

8. it acknowledges that the Company, the Joint Lead Managers and Co-Managers, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of such acknowledgments, representations or warranties deemed to have been made by it by its purchase of Notes are no longer accurate, it shall promptly notify the Company, and if it is acquiring any Notes as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account; and

9. it understands that no action has been taken in any jurisdiction (including the United States) by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for the purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth hereunder and under "Plan of Distribution." Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The purchasers of the Notes, including purchasers within the United States pursuant to Rule 144A and purchasers outside the United States pursuant to Regulation S, cannot transfer or resell the Notes to overseas branches/subsidiaries of Indian Banks.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Shearman & Sterling LLP as to matters of New York law and by Luthra & Luthra Law Offices as to matters of Indian law. Certain legal matters will be passed upon for the Joint Lead Managers and Co-Manager by Milbank, Tweed, Hadley & McCloy LLP as to matters of New York law and by Cyril Amarchand Mangaldas as to matters of Indian law.

INDEPENDENT JOINT AUDITORS

Our audited consolidated financial statements as at and for the year ended March 31, 2017 prepared under Ind-AS and our audited consolidated financial statements as at and for the years ended March 31, 2016 and March 31, 2015 prepared under Indian GAAP included in this offering memorandum have been audited jointly by S.R. Batliboi & Associates LLP, Chartered Accountants, and Brahmayya & Co., Chartered Accountants, each independent auditors, in accordance with the Standards on Auditing as issued by the Institute of Chartered Accountants of India as stated in their reports included elsewhere in this offering memorandum. Our unaudited condensed consolidated interim financial statements as at and for the three months ended June 30, 2017 prepared under Ind-AS included in this offering memorandum have been reviewed jointly by S.R. Batliboi & Associates LLP, Chartered Accountants, and Brahmayya & Co., Chartered Accountants, in accordance with the Standard on Review Engagements (SRE) 2410 and “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Institute of Chartered Accountants of India as stated in their reports included elsewhere in this offering memorandum.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN IND-AS AND IFRS

Our audited consolidated financial statements as of and for the years ended March 31, 2015 and 2016 have been prepared in accordance with Accounting Standards specified under section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 ("Indian GAAP");

Our audited consolidated financial statements as of and for the year ended March 31, 2017 and the unaudited reviewed condensed interim consolidated financial statements as of and for the three months ended June 30, 2017, have been prepared in accordance with the applicable Indian Accounting Standards notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) ("Ind-AS").

The following table summarizes certain of the areas in which differences between Ind-AS and IFRS could be significant to the Company's financial position and results of operations if the financial statements were prepared under IFRS. The matter discussed below should not be expected to reveal all differences between Ind-As and IFRS that are relevant to the Group or the industry in which it operates. The summary below should not be considered exhaustive and no attempt has been made by the Company to quantify the differences between Ind-AS and IFRS, nor has any attempt been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented in the financial information and therefore no impact assessment of Ind-AS to IFRS has been undertaken by the Company. Had any such quantification or impact assessment been undertaken, other potential significant accounting and disclosure differences may have come to its attention, which are not identified below. These also do not include differences that may arise due to the application of new standards already issued and/or future changes in the standards.

Potential investors should consult their own professional advisors for an understanding of the differences between Ind-AS and IFRS and how those differences might affect the financial information disclosed in this offering memorandum.

No.	Particulars of the Standard	Treatment under IFRS	Treatment under Ind-AS
Presentation of Financial Statement			
1	Primary requirement	IAS 1 sets out the requirements for presentation of financial statements and the guidelines for their structure and content.	The requirements for the presentation of financial statements are set out in Ind-AS 1 and Schedule III to the Companies Act, 2013.
2	Statements of comprehensive income/ Statement of profit and loss	With regard to preparation of statement of profit and loss, IFRS provides an option either to follow the single statement approach or to follow the two statement approach. An entity may present a single statement of profit or loss and other comprehensive income; or It may present the profit or loss section in a separate 'statement of profit or loss' which shall immediately precede the 'statement of comprehensive income'.	Ind-AS 1 allows only the single statement approach and does not permit the two statements approach.

No.	Particulars of the Standard	Treatment under IFRS	Treatment under Ind-AS
3	Analyses of expenses in the statement of profit and loss	IAS 1 requires an entity to present an analysis of expenses recognized in profit or loss using a classification based on either their nature or their function within the entity, whichever provides the information that is reliable and more relevant.	Ind-AS 1 and Schedule III to the Companies Act, 2013 requires entities to present an analysis of expenses recognized in profit or loss using a classification based on their nature only. There is no option to use functional classification for presentation of expenses.
4	Materiality and aggregation	IAS 1 requires: • each material class of similar items to be presented separately in the financial statements; and • items of a dissimilar nature or function to be presented separately unless they are immaterial Also, IAS 1 states that specific disclosure need not be provided if the same is considered immaterial.	Ind-AS 1 modifies these requirement by adding the words 'except when required by law.' Hence, if the applicable law requires separate presentation/ disclosure of certain items, they are presented separately irrespective of materiality.
5	Current/ non-current classification on breach of debt covenant	If an entity breaches a provision of a long-term loan arrangement on or before the period end with the effect that the liability becoming payable on demand, the loan is classified as current liability. This is the case even if the lender has agreed, after the period end and before the authorization of the financial statements for issue, not to demand payment as a consequence of the breach. Such waivers granted by the lender or rectification of a breach after the end of the reporting period are considered as non-adjusting event and disclosed.	Ind-AS 1 refers to breach of material provision, instead of any provision. This indicates that breach of immaterial provision may not impact loan classification. Further, under Ind-AS 1, waivers granted by the lender between the end of the reporting period and the date of approval of financial statements for issue are treated as adjusting event. A corresponding change has also been made in Ind-AS 10.

No.	Particulars of the Standard	Treatment under IFRS	Treatment under Ind-AS
First-time Adoption			
6	Deemed cost exemption for property, plant and equipment	IFRS 1 permits a first-time adopter to measure its items of property, plant and equipment (PPE) at deemed cost at the transition date. The deemed cost can be: • The fair value of the item at the date of transition • A previous GAAP revaluation at or before transition date, if revaluation met certain criteria Similar exemption is also available for intangible assets (if active market exists) and investment property measured at cost.	Ind-AS 101 also provides similar deemed cost exemption. In addition, if there is no change in the functional currency at the transition date, Ind-AS 101 allows a first-time adopter to continue with the Indian GAAP ("previous GAAP") carrying value for all of its property, plant and equipment as recognized in the previous GAAP financial statements at the transition date. The same is used as deemed cost at that date, after making adjustment relating to decommissioning liabilities. In consolidated Ind-AS financial statements, the previous GAAP amount of the subsidiary is the amount used in the consolidated financial statements. If an entity avails this option, no further adjustments to the deemed cost so determined is made. Similar exemption is also available for intangible assets and investment property. However, for investment property, fair valuation under deemed cost is not applicable.
7	Additional exemptions relating to composite leases and land lease	Under IFRS 1, an entity classifies a lease based on the lease terms that are in force at its date of transition based on the circumstances that existed at the inception of the lease. No exemption is available for classification of composite leases.	Ind-AS 101 provides the following additional exemptions: • When a lease includes both land and building elements, a first time adopter may assess the classification of each element as finance or operating lease at the date of transition to Ind-AS based on the facts and circumstances existing as at that date. • If there is any land lease classified as finance lease at the transition date, which was classified differently under previous GAAP, then the first time adopter may recognize asset and liability at fair values on that date. Any difference between those fair values is recognized in retained earnings.

No.	Particulars of the Standard	Treatment under IFRS	Treatment under Ind-AS
8	Exchange differences arising on long-term monetary items	IAS 21 requires exchange differences arising on restatement of foreign currency monetary items, both long term and short term, to be recognized in the income statement for the period.	Under the current Indian GAAP, companies recognize exchange differences arising on restatement of foreign currency monetary items, both long term and short term, in the profit or loss immediately. Alternatively, they are given an irrevocable option to defer/ capitalize exchange differences on long-term foreign currency monetary items. For the companies applying second option under Indian GAAP, Ind-AS 101 provides an additional option. They may continue to account for exchange differences arising on long-term foreign currency monetary items recognized in the financial statements for the period ending immediately before the beginning of first Ind-AS reporting period using the previous GAAP accounting policy. Ind-AS 21 does not apply to exchange differences arising on such outstanding long term foreign currency monetary items. However, for any new long term foreign currency monetary items recognized on or after beginning of first Ind-AS reporting period, companies will be required to apply principles of Ind-AS 21.
Financial Instruments			
9	Primary requirement	Currently principles of IAS 39 is applied. IFRS 9 will be mandatorily applicable across the globe only for accounting periods commencing on or after January 1, 2018.	IAS 39 like standard is not available. Instead, principles of Ind-AS 109, in line with IFRS 9, have been early adopted.

No.	Particulars of the Standard	Treatment under IFRS	Treatment under Ind-AS
Leases			
10	Straight-line of lease rentals in operating leases	Rental payments / income under an operating lease are recognized on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.	Lease payments/ income under an operating lease are recognized as an expense/ income on a straight-line basis over the lease term unless either: (a) Another systematic basis is more representative of the time pattern of the user's benefit, or (b) Payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments/ income to the lessor vary because of factors other than general inflation, then this condition is not met.
Business Combinations			
11	Common control business combinations	IFRS 3 excludes from its scope business combinations of entities under common control. In practice, companies develop and consistently apply an accounting policy; management can elect to apply the acquisition method or pooling of interest method to a business combination involving entities under common control.	Ind-AS 103 requires business combinations of entities or businesses under common control to be mandatorily accounted using the pooling of method. The application of this method requires the following: (i) The assets and liabilities of the combining entities are reflected at their carrying amounts. (ii) No adjustments are made to reflect fair values, or recognize any new assets or liabilities. The only adjustments that are made are to harmonize the accounting policies. (iii) The financial information in respect of prior periods have to be restated as if the business combination had occurred from the beginning of the earliest period presented, irrespective of the actual date of the combination. (iv) The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee; alternatively, it is transferred to general reserves, if any.

No.	Particulars of the Standard	Treatment under IFRS	Treatment under Ind-AS
			(v) The identity of the reserves is preserved and appear in the financial statements of the transferee in the same form in which they appeared in the financial statements of the transferor. (vi) The difference between the amount recorded as share capital issued plus any additional consideration in cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and presented separately from other capital reserves.
12	Bargain purchase gains	Where consideration transferred for business acquisition is lower than the acquisition date fair value of net assets acquired, the gain is recognized in the income statement after a detailed reassessment.	Ind-AS 103 requires bargain purchase gain to be recognized in OCI and accumulated in the equity as capital reserve. However, if there is no clear evidence for the underlying reason for bargain purchase, the gain is directly recognized in equity as capital reserve, without routing the same through OCI. A similar change has also been made with regard to bargain purchase gain arising on investment in associate/ JV, accounted for using the acquisition method.
Investment Property			
13	Use of the fair value model	An entity has an option to apply either the cost model or the fair value model for subsequent measurement of its investment property. If the fair value model is used, all investment properties, including investment properties under construction, are measured at fair value and changes in the fair value are recognized in the profit or loss for the period in which it arises. Under the fair value model, the carrying amount is not depreciated.	Ind-AS 40 does not permit the use of fair value model for subsequent measurement of investment property. It however requires the fair value of the investment property to be disclosed in the notes to financial statements.

No.	Particulars of the Standard	Treatment under IFRS	Treatment under Ind-AS
Government Grants and Disclosure of Government Assistance			
14	Grants in the form of non-monetary assets	IAS 20 provides an option to entities to recognize government grants in the form of non-monetary assets, given at a concessional rate, either at their fair value or at the nominal value.	Ind-AS 20 requires measurement of such grants only at their fair value.
	Government Grants and Disclosure of Government Assistance - Grants related to assets	IAS 20 gives an option to present the grants related to assets, including non-monetary grants at fair value, in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.	Ind-AS 20 requires presentation of such grants in the balance sheet only by setting up the grant as deferred income. Thus, the option to present such grants by deduction of the grant in arriving at the carrying amount of the asset is not available.
Borrowing Cost			
15	Exchange differences regarded as adjustment to interest costs	In accordance with IAS 23, borrowing cost includes exchange difference arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. However, it does not provide any specific guidance on measurement of such amounts.	Ind-AS 23 is similar to IAS 23. However, Ind-AS 23 provides following additional guidance on manner of arriving at this adjustment: The adjustment should be of an amount equivalent to the extent to which the exchange loss does not exceed the difference between the costs of borrowing in functional currency when compared to the costs of borrowing in a foreign currency. If there is an unrealized exchange loss which is treated as an adjustment to interest and subsequently there is a realized or unrealized gain in respect of the settlement or translation of the same borrowing, the gain to the extent of the loss previously recognized as an adjustment should also be recognized as an adjustment to interest.

No.	Particulars of the Standard	Treatment under IFRS	Treatment under Ind-AS
Related Party Disclosures			
16	Aggregation of transactions for disclosure	IFRS does not provide any guidance on the aggregation of transaction for disclosure	Ind-AS 24 provides an additional guidance whereby items of similar nature may be disclosed in aggregate by type of related party. However, this is not done in such a way as to obscure the importance of significant transactions. Hence, purchases or sales of goods are not aggregated with purchases or sales of fixed assets. Nor a material related party transaction with an individual party is clubbed in an aggregated disclosure.
Cash Flow Statement			
17	Classification of interest paid and interest and dividend received	For non-financial entities, interest paid and interest and dividends received may be classified as 'operating activities'. Alternatively, interest paid and interest and dividends received may be classified as 'financing activities' and 'investing activities' respectively.	Ind-AS 7 does not give an option It requires non-financial entities to classify interest paid as part of 'financing activities' and interest and dividend received as 'investing activities'.
Separate Financial Statements			
18	Use of equity method to account for investments in subsidiaries, joint ventures and associates in SFS	IAS 27 allows an entity to use the equity method to account for its investments in subsidiaries, joint ventures and associates in its SFS. Consequently, an entity is permitted to account for these investments either • At cost • In accordance with IFRS 9 • Using the equity method This is an accounting policy choice for each category of investment.	Ind-AS 27 does not allow the use of equity method to account for investments in subsidiaries, joint ventures and associates in SFS. The reason for the same that Ind-AS considers equity method to be a manner of consolidation rather than a measurement basis.

Consents

We have obtained all necessary consents, approvals and authorizations in connection with the issue and performance of the Notes, including without limitation, consents and approvals of the RBI. The issue of the Notes and the entering into of the Indenture governing the Notes have been authorized by a resolution of our board of directors dated September 27, 2017.

Litigation

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes.

No Material Adverse Change

Except as disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2017 that is material in the context of the issue of the Notes.

Documents Available

For so long as any of the Notes are outstanding, copies of the Indenture governing the Notes may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of the Paying Agent.

For so long as any of the Notes are outstanding, copies of our published audited consolidated financial statements for the last two financial years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the Paying Agent.

Clearing System and Settlement

The Notes have been accepted for clearance through the facilities of DTC. The following table sets forth certain trading information with respect to the Notes:

	Rule 144A Global Notes	Regulation S Global Notes
CUSIP	36256W AA2	Y3004W AA0
ISIN	US36256WAA27	USY3004WAA00
Common Code	170485505	170485513

Only Notes evidenced by Global Notes have been accepted for clearance through DTC.

Listing of the Notes

Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. The SGX-ST takes no responsibility for the correctness of any statements made on opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the offering the Company or associated Companies or the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Notes are listed on the SGX-ST.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

INDEX TO FINANCIAL STATEMENTS

S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
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Hitec City, Madhapur
Hyderabad - 500 081, India

Brahmayya & Co.
Chartered Accountants
10/2, Khivraj Mansion
Kasturba Road
Bengaluru 560 001. India

Report on review of Special Purpose Consolidated Interim Condensed Ind AS Financial Information

To
The Board of Directors
GMR Hyderabad International Airport Limited

Introduction

1. We have reviewed the accompanying special purpose unaudited consolidated interim condensed Ind AS financial information of GMR Hyderabad International Airport Limited (hereinafter referred to as "the Company"), its subsidiaries (the Company and its subsidiaries together referred to as "the Group") and its joint venture entities, comprising of the Consolidated Condensed Balance sheet as at June 30, 2017, and the related Consolidated Condensed Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Condensed Cash Flow Statement, the Consolidated Condensed Statement of Changes in Equity for the quarter ended June 30, 2017, and a summary of the significant accounting policies and other explanatory information (together hereinafter referred to as the "Special Purpose Consolidated Interim Condensed Ind AS Financial Information"). As more fully explained in Note 2.1, the Special Purpose Consolidated Interim Condensed Ind AS Financial Information have been prepared by the Company as per 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 recognised accounting practices and policies.

The Special Purpose Consolidated Interim Condensed Ind AS Financial Information are the responsibility of the Company's management and have been approved by the Board of Directors. Our responsibility is to issue a report on the Special Purpose Consolidated Interim Condensed Ind AS Financial Information based on our review.

Scope of Review

2. We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India (ICAI). This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing issued by the ICAI and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Basis for qualified conclusion

3. As more fully explained in Note 20 to the accompanying Special Purpose Consolidated Interim Condensed Ind AS Financial Information, as at June 30, 2017, the Group has Goodwill amounting to Rs. 36.27 crore arising on additional investment by Holding Company in a subsidiary company GMR Aerospace Engineering Limited (GAEL'). GAEL has a wholly owned subsidiary GMR Aero Technic Limited ('GATL'), whose accumulated losses have fully eroded its net worth as at June 30, 2017. Based on the reasons fully explained in the aforesaid note, the management is of the view that

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS HYDERABAD

BRAHMAYYA & CO. Chartered Accountants BENGALURU

there is no provision for impairment in the carrying value of goodwill at this juncture. However, in view of the current financial position of the step down subsidiary company and in the absence of sufficient appropriate audit evidence to support the key assumptions made by the management in their business plan, we are unable to comment on the carrying value of the goodwill, including adjustments, if any, that may be required to be made to carrying amount of such goodwill.

Qualified conclusion

4. Based on our review conducted as above and on consideration of report of other auditor on the separate special purpose interim condensed Ind AS financial information of a joint venture entity, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph above, nothing has come to our attention that causes us to believe that the accompanying Special Purpose Consolidated Interim Condensed Ind AS Financial Information have not been prepared in all material respects in accordance with Ind AS 34 prescribed under Section 133 of the Companies Act, 2013, read with Companies (Indian Accounting Standards) Rules, 2015, as amended and other recognised accounting practices and policies.

Emphasis of Matter

5. a) With regard to Note 10 to the Special Purpose Consolidated Interim Condensed Ind AS Financial Information, the Company had accrued Rs. 1.89 crore during the year ended March 31, 2015 towards the remuneration to its Managing director, which includes Rs. 0.80 crore in excess of the limits specified in Sub Section (3) of Section 197 read with Schedule V of the Companies Act, 2013, pending approval from the Central Government for the period April 1, 2014 to January 22, 2015. The ultimate outcome of the matter cannot be presently determined. Pending the final outcome, no adjustments have been made in this regard in the Special Purpose Consolidated Interim Condensed Ind AS Financial Information.

b) We draw attention to Note 6(II)(C)(xxiii) to the Special Purpose Consolidated Interim Condensed Ind AS Financial Information, regarding the costs related to residential quarters for Central Industrial Security Force (CISF) deployed at the Rajiv Gandhi International Airport, Hyderabad and other costs which continue to be adjusted against PSF (SC) fund pending the final decision from the Honourable High Court at Hyderabad for the State of Telangana and for the State of Andhra Pradesh and consequential instructions from the Ministry of Civil Aviation.

Our conclusion is not modified in respect of these matters.

Other Matters

6. One of us in individual capacity, have reviewed 8 subsidiaries and a joint venture entity whose special purpose interim condensed Ind AS financial information reflect total assets of Rs. 1,242.49 crore, net assets of Rs. 330.27 crore as at June 30, 2017, total revenues (including other income) and net cash outflows of Rs. 101.57 crore and Rs. 19.61 crore respectively, for the period ended on that date.

7. We did not review the special purpose interim condensed Ind AS financial information and other financial information, in respect of a joint venture entity, whose special purpose interim condensed Ind AS financial information include total assets of Rs. 50.50 crore and net assets of Rs. 24.53 crore as at June 30, 2017, and total revenues of Rs. 19.04 crore and net cash inflows of Rs. 1.38 crore for the period ended on that date. The Special Purpose Consolidated Interim Condensed Ind AS Financial Information also include the Group's share of net profit of Rs.1.56 crore for the quarter ended June 30, 2017, in respect of the aforesaid joint venture entity, whose financial statements, other financial information have been reviewed by other auditors and whose reports have been furnished to us by the Management. Our conclusion on the Special Purpose Consolidated Interim Condensed Ind AS Financial Information, in so far as it relates to the amounts and disclosures included in respect of this joint venture entity, is based solely on the report of such other auditor.

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS * HYDERABAD *

BRAHMAYYA & CO. Chartered Accountants * BENGALURU *

8. This report on the Special Purpose Consolidated Interim Condensed Ind AS Financial Information, has been issued solely for use in connection with the offering circulars being prepared for the proposed issuance of the US Dollar denominated secured senior notes by the Company to be listed on the Singapore Stock Exchange. Accordingly, this report is being issued solely for the said purpose and should not be used or referred to for any other purpose, or distributed to any other person without our prior written consent.

For S.R. Batliboi & Associates LLP
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per Shankar Srinivasan
Partner
Membership No.: 213271

Place: Hyderabad
Date : September 27, 2017

S.R. BATLIBOI & ASSOCIATES LLP
CHARTERED ACCOUNTANTS
HYDERABAD

For Brahmayya & Co.,
Firm registration number: 000515S
Chartered Accountants

per G Srinivas
Partner
Membership No.: 086761

Place:
Date : September 27, 2017

BRAHMAYYA & CO.
Chartered Accountants
BENGALURU

GMR Hyderabad International Airport Limited

CIN:U62100TG2002PLC040118

Special Purpose Unaudited Consolidated Interim Condensed Ind AS Balance Sheet as at June 30, 2017

(All amounts in Rupees Crores, except otherwise stated)

	June 30, 2017 (Reviewed)	March 31, 2017 (Audited)
I. ASSETS		
Non-current assets		
Property, plant and equipment	2,028.87	2,079.08
Capital work-in-progress	172.21	115.83
Intangible assets	52.80	53.32
Intangible assets under development	0.38	0.00
Investment in joint venture	8.55	6.99
Financial assets		
- Loans	4.67	4.76
- Bank balances other than cash and cash equivalents	29.10	29.10
- Other non current financial assets	10.45	9.81
Non current tax assets	32.06	43.79
Deferred tax asset (net)	191.75	168.26
Other non-current assets	71.06	72.56
	2,601.90	2,583.50
Current assets		
Inventories	52.01	51.18
Financial assets		
- Investments	524.89	387.34
- Trade receivables	95.13	104.93
- Bank balances other than cash and cash equivalents	26.88	32.29
- Cash and cash equivalents	287.25	327.73
- Loans	0.83	0.99
- Other current financial assets	26.36	21.17
Current tax assets	6.73	28.62
Other current assets	26.62	13.45
	1,046.70	967.70
Total Assets	3,648.60	3,551.20
II. EQUITY AND LIABILITIES		
EQUITY		
Equity share capital	378.00	378.00
Other equity		
- Capital reserve	107.00	107.00
- Retained earnings	(138.84)	(234.93)
Equity attributable to equity holders of the parent	346.16	250.07
Non-controlling interest	55.84	52.55
Total Equity	402.00	302.62
LIABILITIES		
Non-current liabilities		
Financial liabilities		
- Borrowings	2,317.11	2,411.67
- Other financial liabilities	294.68	289.01
Government grants	35.50	32.11
Deferred tax liability (net)	150.80	120.32
Other non-current liabilities	31.59	32.13
Long term provisions	2.99	2.40
	2,832.67	2,887.64
Current liabilities		
Financial liabilities		
- Borrowings	25.07	21.05
- Trade payables	123.28	110.88
- Other financial liabilities	196.62	185.07
Government grants	2.60	1.13
Other current liabilities	32.32	18.78
Short term provisions	10.69	10.78
Current tax liability (net)	23.35	13.25
	413.93	360.94
Total Equity and Liabilities	3,648.60	3,551.20
Explanatory notes annexed		

The accompanying notes are an integral part of these Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Statements and have been taken on record by the board of directors vide their meeting dated September 27, 2017.

As per our report of even date.

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

S.R. BATLIBOI & ASSOCIATES LLP
CHARTERED ACCOUNTANTS
HYDERABAD

per Shaukar Srinivasan
Partner
Membership No.: 213271

Place: Hyderabad
Date: September 27, 2017

BRAHMAYYA & CO.
Chartered Accountants
BENGALURU

For Brahmayya & Co.
ICAI Firm registration
number: 000515S
Chartered Accountants

per G. Srinivas
Partner
Membership No. 086761

Place: Hyderabad
Date: September 27, 2017

For and on behalf of the Board of Directors of
GMR Hyderabad International Airport Limited

P. Vijay Bhaskar
Director
DIN: 06629884

H J Dora
Director
DIN: 02385290

Anup Kumar Samal
Company Secretary

Rajesh Arora
Chief Financial Officer

Place: Hyderabad
Date: September 27, 2017

GMR HYDERABAD INTERNATIONAL AIRPORT LTD.
HYDERABAD

GMR Hyderabad International Airport Limited
CIN:U62100TG2002PLC040118
Special Purpose Unaudited Consolidated Interim Condensed Ind AS Statement of Profit and Loss
for the period ended June 30, 2017
(All amounts in Rupees Crores, except otherwise stated)

	For the period ended June 30, 2017 (Reviewed)	For the period ended June 30, 2016 (Reviewed)
REVENUE		
Revenue from operations	361.08	322.40
Other income	1.90	2.74
Total revenue	362.98	325.14
EXPENSES		
Concession fee	12.42	10.43
Purchase of traded goods	11.32	14.08
Increase/ (decrease) in traded goods	0.88	(2.84)
Employee benefits expense	32.11	29.75
Other expenses	76.57	68.36
Total expenses	133.30	119.78
Earnings before interest, tax, depreciation and amortization (EBITDA)	229.68	205.36
Finance income	(30.04)	(8.58)
Finance costs	64.17	67.80
Depreciation and amortization expenses	58.41	62.48
Profit before share of profit in joint ventures and tax	137.14	83.66
Share of profit in joint venture	1.56	0.36
Profit before tax	138.70	84.02
Tax expenses		
Current tax - Minimum alternate tax	31.81	22.30
Deferred tax		
Deferred tax expense	30.47	30.92
Minimum alternate tax credit entitlement	(23.49)	(20.97)
Total tax expense	38.79	32.25
Profit for the period	99.91	51.77
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurement losses on defined benefit plans	(0.53)	(0.07)
Total comprehensive income for the period, net of tax	99.38	51.70
Profit attributable to		
Equity holders of the parent	96.56	49.94
Non controlling interests	3.35	1.83
Total comprehensive income attributable to		
Equity holders of the parent	96.09	49.92
Non controlling interests	3.29	1.78
Earnings per equity share		
Basic and diluted	2.55	1.32
Explanatory notes annexed		

The accompanying notes are an integral part of these Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Statements and have been taken on record by the board of directors vide their meeting dated September 27, 2017.

As per our report of even date.

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

per Shankar Srinivasan
Partner
Membership No.: 213271

Place: Hyderabad
Date: September 27, 2017

For Brahmayya & Co.,
ICAI Firm registration number: 000515S
Chartered Accountants

per G. Srinivas
Partner
Membership No.: 086761

Place: Hyderabad
Date: September 27, 2017

For and on behalf of the Board of Directors of
GMR Hyderabad International Airport Limited

P. Vijay Bhaskar
Director
DIN: 06629884

H J Dora
Director
DIN: 02385290

Anup Kumar Samal
Company Secretary

Rajesh Arora
Chief Financial Officer

Place: Hyderabad
Date: September 27, 2017

GMR Hyderabad International Airport Limited
CIN:U62100TG2002PLC040118
Special Purpose Unaudited Consolidated Interim Condensed Ind AS Cash Flow Statement
for the period ended June 30, 2017
(All amounts in Rupees Crores, except otherwise stated)

	For the period ended June 30, 2017 (Reviewed)	For the period ended June 30, 2016 (Reviewed)
Cash flow from operating activities		
Profit before tax	138.70	84.02
Adjustment to reconcile profit before tax to net cash flows:		
Share of profit in joint venture	(1.56)	(0.36)
Depreciation and amortization expenses	58.41	62.48
Unrealised foreign exchange gain	0.24	(0.94)
Inventories written off	0.13	-
Provision for non moving inventories of stores and spares	-	0.08
Fair value gain on financial instruments at fair value through profit or loss	(5.98)	-
Interest income	(15.83)	(2.35)
Gain on sale of financial assets (mutual funds)	(5.07)	(5.83)
Mark to market loss on derivative instruments	-	5.18
Provision no longer required, written back	(0.08)	(0.09)
Interest expense	61.63	61.61
Interest on financial liabilities held at amortized cost	0.04	-
Amortisation of deferred income	(0.28)	(0.04)
Income from government grants	(0.65)	(0.39)
Gain on fair valuation of financial assets (mutual funds)	(2.99)	(0.19)
Operating profit before working capital changes	**226.71**	**203.18**
Working capital adjustments:		
Increase in trade payables	12.03	20.80
Increase in other liabilities	13.30	10.26
Increase/(decrease) in other financial liabilities	18.49	(0.81)
(Decrease)/ increase in provisions	(0.03)	0.02
Increase in government grants	5.51	5.16
Decrease/(increase) in trade receivables	9.80	(0.97)
Increase in inventories	(0.96)	(3.28)
Increase in other assets	(13.61)	(10.95)
Increase in other financial assets	(14.31)	(5.73)
Decrease in loans	0.24	0.23
Cash generated from operations	**257.16**	**217.91**
Direct taxes refunds/(paid) (net)	11.90	(17.54)
Net cash flow from operating activities (A)	**269.06**	**200.37**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets including capital work in progress, capital advances and intangible assets under development	(52.64)	(16.78)
Investment in joint venture	-	(0.03)
Purchase of financial assets (mutual funds)	(789.50)	(1,293.73)
Proceeds from sale of financial assets (mutual funds)	660.01	1,183.68
Interest received	15.68	2.67
(Investment in)/withdrawal from deposits including margin money deposits	(26.88)	10.51
Net cash flow used in investing activities (B)	**(193.33)**	**(113.68)**
Cash flows from financing activities		
Dividend paid to non- controlling interest	-	(0.54)
Dividend distribution tax on dividend paid to non-controlling interest	-	(0.11)
Repayment of borrowings	(92.70)	(21.85)
Proceeds from/(repayment of) short-term borrowings (net)	4.02	3.02
Interest paid	(59.80)	(53.33)
Net cash flow used in financing activities (C)	**(148.48)**	**(72.81)**

S.R.BATLIBOI & ASSOCIATES LLP
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GMR HYDERABAD INTERNATIONAL AIRPORT LTD.
HYDERABAD

GMR Hyderabad International Airport Limited
CIN:U62100TG2002PLC040118
Special Purpose Unaudited Consolidated Interim Condensed Ind AS Cash Flow Statement
for the period ended June 30, 2017
(All amounts in Rupees Crores, except otherwise stated)

	For the period ended June 30, 2017 (Reviewed)	For the period ended June 30, 2016 (Reviewed)
Net increase in cash and cash equivalents (A + B + C)	(72.75)	13.88
Cash and cash equivalents at the beginning of the period	360.00	25.24
Cash and cash equivalents at the end of the period	287.25	39.13
Components of cash and cash equivalents		
Cash on hand	0.61	0.78
Money in transit	-	14.36
Cheques, credit card collection and drafts in hand	-	0.21
With banks		
- on current account	16.23	16.21
- in exchange earner foreign currency account	3.96	7.57
- on deposit account	266.45	-
Total cash and cash equivalents	287.25	39.13
Explanatory notes annexed		

The accompanying notes are an integral part of these Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Statements and have been taken on record by the board of directors vide their meeting dated September 27, 2017.

As per our report of even date.

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

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS HYDERABAD

per Shankar Srinivasan
Partner
Membership No.: 213271

Place: Hyderabad
Date: September 27, 2017

For Brahmayya & Co.,
ICAI Firm registration number: 000513S
Chartered Accountants

per G. Srinivas
Partner
Membership No.: 086761

Place: Hyderabad
Date: September 27, 2017

BRAHMAYYA & CO. Chartered Accountants BENGALURU

For and on behalf of the Board of Directors of
GMR Hyderabad International Airport Limited

P. Vijay Bhaskar
Director
DIN: 06629884

H J Dora
Director
DIN: 02385290

Anup Kumar Samal
Company Secretary
Place: Hyderabad
Date: September 27, 2017

Rajesh Arora
Chief Financial Officer

GMR HYDERABAD INTERNATIONAL AIRPORT LTD. HYDERABAD

GMR Hyderabad International Airport Limited
CIN:U62100TG2002PLC040118
Special Purpose Unaudited Consolidated Interim Condensed Ind AS Statement of Changes in Equity
for the period ended June 30, 2017
(All amounts in Rupees Crores, except otherwise stated)

a. Equity share capital:		
	No.	Amount
Equity shares of Rs. 10 each issued, subscribed and fully paid		
As at April 1, 2016	378,000,000	378.00
Issue of shares	-	-
As at March 31, 2017	378,000,000	378.00
Issue of shares	-	-
As at June 30, 2017	378,000,000	378.00

b. Other Equity		
	June 30, 2017 (Reviewed)	March 31, 2017 (Audited)
(i) Capital reserve*	107.00	107.00
(ii) Retained earnings		
Opening balance	(234.93)	(516.21)
Profit for the period/year	96.56	283.81
Items recognised directly in other comprehensive income		
Less: Dividend to non controlling interest including dividend distribution tax thereon	-	(2.14)
Remeasurement of retirement benefits obligations	(0.47)	(0.39)
	(138.84)	(234.93)
(iii) Non controlling interests		
Opening balance	52.55	44.19
Profit for the period/year	3.35	8.39
Items recognised directly in other comprehensive income		
Remeasurement of defined benefit plan	(0.06)	(0.03)
	55.84	52.55
Total other equity (including non controlling interests)	24.01	(75.38)
Explanatory notes annexed.		

* The company has received a contribution of Rs. 107 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 these Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Statements and have been taken on record by the board of directors vide their meeting dated September 27, 2017.

As per our report of even date.

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

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS HYDERABAD

per Shankar Srinivasan
Partner
Membership No.: 213271

Place: Hyderabad
Date: September 27, 2017

For Brahmayya & Co.,
ICAI Firm registration number: 000515S
Chartered Accountants

per G. Srinivas
Partner
Membership No.: 086761

Place: Hyderabad
Date: September 27, 2017

BRAHMAYYA & CO. Chartered Accountants BENGALURU

For and on behalf of the Board of Directors of
GMR Hyderabad International Airport Limited

P. Vijay Bhaskar
Director
DIN: 06629884

H J Dora
Director
DIN: 02385290

Anup Kumar Samal
Company Secretary
Place: Hyderabad
Date: September 27, 2017

Rajesh Arora
Chief Financial Officer

HYDERABAD

GMR Hyderabad International Airport Limited
Notes to the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information for the period ended June 30, 2017
(All amounts in Rupees Crores, except otherwise stated)

1. Corporate information

The Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information comprise financial information of GMR Hyderabad International Airport Limited ('GHIAL' or 'the Company'), its subsidiaries (hereinafter collectively referred to as 'the Group') for the three months period ended June 30, 2017. 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 service such as cargo handling, development of airport city and SEZ area near airport, trading of goods in duty free area of airport, security services and hospitality services, maintenance, repair and overhaul facility(MRO) of aircraft at near and around the airport etc.

The Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information are authorized for issue in accordance with a resolution of the directors passed in the Board meeting held on September 27, 2017.

2. Significant accounting policies

2.1 Basis of preparation

The Company's management has prepared the Special Purpose Consolidated Interim Condensed Ind AS Interim Financial Information for the quarter ended June 30, 2017 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 Consolidated Interim Condensed Ind AS Financial Information have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value.

- Derivative financial instruments.
- Certain financial assets measured at fair values (refer accounting policy regarding financial instruments).

These Special Purpose Consolidated Interim Condensed Ind AS Interim Financial Information have been prepared for use in connection with the offering circulars being prepared for the proposed issuance of the US Dollar denominated senior secured notes by the Company to be listed on the Singapore Stock Exchange.

The Special Purpose Consolidated Interim Condensed Ind AS Financial Information are presented in INR (Rs.) and all the values are rounded off 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 judgments, estimates and assumptions in preparations of these consolidated financial information as those followed in preparation of the annual financial statements as at the year ended March 31, 2017.

2.2 Basis of Consolidation

The Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information comprise the special purpose standalone interim condensed Ind AS financial information of the Company and its subsidiaries as at June 30, 2017. Control is achieved when the Group is exposed, or has rights, to variable

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS HYDERABAD

GMR HYDERABAD INTERNATIONAL AIRPORT LTD. HYDERABAD

returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- The size of the group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information from the date the Group gains control until the date the Group ceases to control the subsidiary.

The Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information is prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than those adopted in the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial information in preparing the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information to ensure conformity with the group's accounting policies.

The financial information of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., period ended on June 30. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial information of GHIAL to enable GHIAL to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

Consolidation procedure:

a. Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognized in the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information at the acquisition date.
b. Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.
c. Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognized in assets, such as inventory and Property, plant and equipment,

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GMR HYDERABAD INTERNATIONAL AIRPORT LTD. * HYDERABAD

(All amounts in Rupees Crores, except otherwise stated)

are eliminated in full). Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Group Information:
Information about subsidiaries

Name	Principal activities	Place and Country of operation	% equity interest	
			June 30, 2017	March 31, 2017
Hyderabad Menzies Air Cargo Private Limited (HMACPL)	Cargo handling operations at airport	Hyderabad, India	51%	51%
Hyderabad Airport Security Services Limited (HASSL)	Operation of airport allied services	Hyderabad, India	100%	100%
GMR Hyderabad Aerotropolis Limited (GHAL)	Development of commercial property in and around airport	Hyderabad, India	100%	100%
GMR Hyderabad Aviation SEZ Limited (GHASL)	Development of SEZ in airport	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)* (formerly known as GMR Hotels and Resorts Limited)	Operation of Novotel hotel and Duty Free outlet at airport.	Hyderabad, India	100%	100%
GMR Aerospace Engineering Limited (GAEL)	Development of facilities for maintenance, repair and overhaul (MRO) of aircrafts	Hyderabad, India	100%	100%
GMR Aero Technic Limited (GATL)	Operation of MRO	Hyderabad, India	100%	100%
GMR Hyderabad Airport Resource Management Limited	Operation of airport allied services	Hyderabad, India	@	@
GMR Hyderabad Multiproduct SEZ Limited	Development of SEZ in airport	Hyderabad, India	#	#
GMR Airport Handling Services Company Limited	Provision of ground handling services	Hyderabad, India	#	#

*Hyderabad Duty Free Retail Limited has been merged with GMR Hotels and Resorts Limited with appointed date as April 1, 2016 effective from April 27, 2017.

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS HYDERABAD

GMR HYDERABAD INTERNATIONAL AIRPORT LTD. HYDERABAD

@ During the year ended March 31, 2017, entire equity share capital of GMR Hyderabad Airport Resource Management Limited has been sold to GMR Infrastructure Limited for a nominal value of Re. 1 and loss on the sale of the equity has been accounted for Rs. 0.05 Crore.
# As at March 31, 2017, the subsidiary companies GMR Hyderabad Muliproduct SEZ Limited and GMR Airport Handling Services Company Limited were in the process of striking off from the register of Companies and subsequent to the year end, the names of these subsidiaries have been struck off from the register of Companies.

Information about Joint Ventures

Name	Principal Activities	Place and Country of operation	% of Equity Interest	
			June 30, 2017	March 31, 2017
Laqshya Hyderabad Airport Media Private Limited (LHAMPL)	Advertisements	Hyderabad, India	49%	49%
Asia Pacific Flight Training Academy Limited (APFTAL)	Flight training	Hyderabad, India	40%	40%

2.3 Statement of significant accounting policies

a. Use of estimates:

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as described in note 7. The Group based its assumptions and estimates on parameters available when Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

b. Business combinations and goodwill:

In accordance with Ind AS 101 provisions related to first time adoption, the Group has elected to apply Ind AS accounting for business combinations prospectively from 1 April 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward with minimal adjustment. The same first time adoption exemption is also used for joint ventures.

Business combinations other than common control business combinations are accounted for using the acquisition method. The cost of an acquisition other than common control business combination is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. Business

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS HYDERABAD

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combination involving entities under common control are accounted for using the pooling of interests method.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

i. Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.

ii. Liabilities or equity instruments related to share based payment arrangements of the acquiree or share - based payments arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 Share-based Payments at the acquisition date.

iii. Assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

iv. Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 Financial Instruments, is measured at fair value with changes in fair value recognized in profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

c. **Investment in joint ventures:**

A Joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over the subsidiaries.

The Group's investments in its joint venture are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit and loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

If an entity's share of losses of a joint venture equals or exceeds its interest in the joint venture (which includes any long term interest that, in substance, form part of the Group's net investment in the joint venture), the entity discontinues recognising its share of further losses. If the joint venture subsequently reports profits, the entity resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognized.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit and loss.

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The financial information of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

d. Current versus Non-current classification:

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

i) It is expected to be realised or intended to be sold or consumed in normal operating cycle
ii) It is held primarily for the purpose of trading
iii) It is expected to be realised within twelve months after the reporting period, or
iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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

e. Property, plant and equipment:

On transition to Ind AS, the group has elected to continue with the carrying value of all of its property, plant and equipment as at 31 March 2015, measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment as on 1 April 2015.

Freehold land is carried at historical cost less impairment, if any. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Capital work in progress includes cost of property, plant and equipment under installation/under development as at the balance sheet date. Property, plant and equipment under installation or under construction as at balance sheet are shown as capital work-in-progress and the related advances are shown as loans and advances.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the

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group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. Further, when each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

On Transition to Ind AS, GHIAL has availed the optional exemption on "Long term Foreign currency Monetary items" and has accordingly continued with the policy to adjust the exchange differences arising on translation/settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset recognized in the financial statements for the year ended 31 March 2016 (as per previous GAAP) to the cost of the property, plant and equipment and depreciates the same over the remaining life. In accordance with the Ministry of Corporate Affairs ('MCA') circular dated August 09, 2012, exchange differences adjusted to the cost of property, plant and equipment are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the year. In other words, the Company does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange differences.

The Group identifies and determines cost of each component / part of the asset separately, if the component / part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.

All spare parts, stand-by and servicing equipment qualify as plant, property and equipment (PPE) if they meet the definition of PPE i.e. if the Group intends to use these during more than a period of 12 months. The spare parts capitalized in this manner are depreciated as per useful life period, not exceeding a period of five years based on management estimate supported by technical evaluation.

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

f. Depreciation:

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, which coincides with the lives prescribed under Schedule II of the Companies Act, 2013 and certain items of building, plant and equipment, the Group, based on technical assessment made by technical expert and management estimate, believes that the useful lives of such assets are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

(All amounts in Rupees Crores, except otherwise stated)

The Group has used the following useful lives to provide depreciation on its Property, plant and equipment:

Particulars	Useful lives estimated by the management (years)
Improvements to leasehold land	15-30
Buildings on lease hold land*	10-30
Other Buildings	30-60
Runways and taxiways	30
Roads- Other than RCC**	10
Electrical installations**	10-15
Plant and machinery	15
Office Equipment	5
Computer equipment and IT systems	3-6
Furniture and fixtures	8-10
Vehicles	8-10

Depreciation on adjustments to the historical cost of the assets on account of foreign exchange fluctuations is provided prospectively over the residual useful life of the asset.

* The useful lives of modifications to buildings on leasehold land are estimated as 10 years.

**The useful lives of internal roads - other than RCC and certain electrical installations (transformers) are estimated as 10 years and 15 years respectively. These lives are longer than those indicated in schedule II.

Leasehold Improvements and buildings on leasehold land are amortized over shorter of estimated useful lives or lease period.

On June 12, 2014, the Airport Economic Regulatory Authority ("the Authority") has 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, interalia, 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. The Authority has initiated the process to enable it to issue a notification as appropriate, pursuant to the provisions of Part B of Schedule II of the Companies Act, 2013 for this purpose. Pending issuance of final notification by AERA of the useful lives of airport specific assets i.e. Runways, Taxiways and Apron, GHIAL, in the absence of any specific mention of useful lives of these assets in Schedule II to the Companies Act, 2013, has continued to depreciate these assets over their estimated useful lives as determined by the Management based on a technical evaluation. The impact, if any, based on the useful lives as may be notified by the Authority will be considered as per the order of the Authority.

GHIAL has assessed the components except in case of Runways and Taxiways which is pending issuance of final notification by Airport Economic Regulatory Authority (AERA).

In case of GAEL, Buildings on leasehold land are amortized on a straight line basis over the period of lease i.e., 27 years.

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

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g. **Intangible assets:**

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

Goodwill arising on consolidation is not amortized but tested for impairment.

Service concession arrangements:

HMACPL 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 a public-to-private service concession arrangement for its entire useful life.

Under Appendix A to Ind AS 11 - Service Concession Arrangements, these arrangements are accounted for based on the nature of the consideration. The intangible asset model is used to the extent that HMACPL receives a right (i.e. a concessionaire) to charge users of the public service. The financial model is used when HMACPL has an unconditional contractual right to receive cash or other financial assets from or at the direction of the grantor for the construction service. When the unconditional right to receive cash covers only part of the service, the two models are combined to account separately for each component. If HMACPL performs more than one service (i.e. construction, upgrade services and operation services) under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the service delivered, when the amount are separately identifiable.

The concession arrangement is a service concession arrangement under appendix A to Ind AS 11. Through the concession agreement, GHIAL has granted further concession to HMACPL along with sub-leasing of the part of cargo infrastructure facility to HMACPL and since it has a right to charge the users for the services and therefore, the same has been classified under Intangible assets model.

The intangible asset is amortized over the shorter of the estimated period of future economic benefits which the intangible assets are expected to generate or the concession period, from the date they are available for use.

An asset carried under concession arrangements is derecognized on disposal or when no future economic benefits are expected from its future use or disposal.

h. **Amortization of intangible assets**

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each year. Cost relating to software licenses, which are acquired, are capitalized and amortized on a straight - line basis over their useful life not exceeding six years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss.

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

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Amortization of Intangible assets under service concession arrangements:

The intangible asset created as per service concession arrangement are amortized using the straight line method based on the remaining useful life of the related assets which ranges from 3 to 15 years or the concession period i.e. 15 years, whichever is lower.

i. Impairment of non-financial assets:

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units' (CGUs) fair value less cost to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre – tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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

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

j. Investment Property:

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

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

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

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k. Inventories

Stores and spares and traded goods are valued at lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all applicable costs incurred in bringing goods to their present location and condition. However, stores and spares items held for use in providing the service are not written down below cost if the services are expected to be provided at or above cost.

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

l. **Borrowing cost:**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

m. **Leases:**

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

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

(a) Group as a lessee :

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

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term unless either:

i) another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or

ii) the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

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

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

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(b) Group as a lessor :

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

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

n. Provisions, Contingent Liabilities and commitments

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

Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will not be required to settle the obligation
- A present obligation arising from past events, when it cannot be measured reliably.
- A possible obligation arising from past events, unless the probability of outflow of resources is remote

The Group does not recognize a contingent liability but discloses its existence in the financial information.

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

o. Retirement and other employee benefits:

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

Retirement benefit in the form of Superannuation Fund and Employee State Insurance are defined contribution schemes, and the Group recognizes contribution payable to the these schemes as an expense, when an employee renders the related service. The Group has no obligation, other than the contribution payable to the funds.

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

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

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

i) The date of the plan amendment or curtailment, and
ii) The date that the Group recognises related restructuring costs

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

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

Short term employee benefits

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

The group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.
However, the Group presents the entire provision towards accumulated leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

p. Financial Instrument

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

A. Financial assets

i. Initial recognition and measurement:

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

ii. Subsequent measurement:

For purposes of subsequent measurement, financial assets are classified in four categories:
- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

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Debt instruments at amortized cost:

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

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the Group. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the profit or loss. This category generally applies to trade and other receivables.

Debt instrument at FVTOCI:

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

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

b) The asset's contractual cash flows represent SPPI.

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

Debt instrument at FVTPL:

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

iii. Derecognition:

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the balance sheet) when:
a. The rights to receive cash flows from the asset have expired, or
b. The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-

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through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

iv. **Impairment of financial assets:**

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

a. Financial assets that are debt instruments, and are measured at amortized cost e.g., loans, debt securities, deposits, trade receivables and bank balance
b. Financial assets that are debt instruments and are measured as at FVTOCI
c. Lease receivables under Ind AS 17
d. Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18
e. Loan commitments which are not measured as at FVTPL
f. Financial guarantee contracts which are not measured as at FVTPL

The Group follows 'simplified approach' for recognition of impairment loss allowance on;

a. Trade receivables or contract revenue receivables; and
b. All lease receivables resulting from transactions within the scope of Ind AS 17

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

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

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

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

a. All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the

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expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument

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

As a practical expedient, the Group evaluates individual balances to determine impairment loss allowance on its trade receivables. The evaluation is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

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

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

v. Equity Investments:

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

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to statement of profit and loss, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

B. Financial liabilities

i. Initial recognition and measurement:

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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The Group's financial liabilities include trade and other payables, loans and borrowings including cash credit, financial guarantee contracts and derivative financial instruments.

ii. Subsequent measurement:

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

Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied.

For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the statement of profit or loss. The Group has not designated any financial liability as at fair value through profit and loss.

iii. Loans and borrowings:

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

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

iv. Financial guarantee contracts:

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognized less cumulative amortization.

v. Derecognition:

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on

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substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

C. **Reclassification of financial assets:**

The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Group's senior management determines change in the business model as a result of external or internal changes which are significant to the Group's operations. Such changes are evident to external parties. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest."

D. **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

E. **Derivative financial instruments**

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

q. **Cash and cash equivalents:**

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

r. **Cash dividend to equity holders of the parent**

The Group recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Companies Act, 2013, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

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s. **Foreign currency Transactions**

The Group's Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information are presented in INR, which is also the functional currency of GHIAL. For each entity the Group determines the functional currency and items included in the financial information of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the Group uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of the following:

GHIAL treats foreign currency monetary item as "long-term foreign currency monetary item", if it has a term of 12 months or more at the date of its origination. In accordance with MCA circular dated August 09, 2012, exchange differences for this purpose, are total differences arising on long-term foreign currency monetary items for the period. In other words, the Group does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference. Exchange difference arising on long term foreign currency monetary items related to acquisition of Property, plant and equipment are capitalized and depreciated over the remaining useful life of the asset.

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

t. **Fair Value Measurement**

The group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

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

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

The principal or the most advantageous market must be accessible by the group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The Management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value, and for non-recurring measurement, such as assets held for distribution in discontinued operations.

External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the group's accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Management, in conjunction with the group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

a) Disclosures for valuation methods, significant estimates and assumptions (note 7)
b) Quantitative disclosures of fair value measurement hierarchy (note 9)
c) Financial instruments (including those carried at amortized cost) (note 8)

u. Revenue recognition:

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

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

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1) **Income from service:**

i. Revenue from Airport Operations i.e. Aeronautical and Non-Aeronautical Operations are recognized on an accrual basis, net of service tax and applicable discounts, when services are rendered and it is possible that an economic benefit will be received which can be quantified reliably. Revenue from Aeronautical operations includes landing and parking charges of aircraft, operation and maintenance of passenger boarding and other allied services. Revenue from Non-aeronautical operations include granting rights to use land and space primarily for catering to the needs of passengers, air traffic services and air transport services.

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

ii. In case of cargo handling revenue, revenue from outbound cargo is recognized at the time of acceptance of cargo with respect to non-airline customers and at the time of departure of aircraft with respect to airline customers and revenue from inbound cargo is recognized at the time of arrival of aircraft in case of airline customers and at the point of delivery of cargo in case of non-airline customers.

iii. Income from the concession arrangements earned under the intangible asset model consists of :

(a) fair value of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset; and

(b) payments actually received from the users.

iv. Revenue from commercial property development rights granted to concessionaires is recognized on accrual basis, as per the terms of the agreement entered into with the customers.

v. Revenue earned in excess of billings has been included under 'other assets' as unbilled revenue and billings in excess of revenue has been disclosed under 'other liabilities' as unearned revenue.

vi. Revenue from hotel operations comprises of income by way of hotel room rent, sale of food, beverages and allied services relating to the hotel and is recognized net of taxes and discounts as and when the services are provided and products are sold.

vii. Income from management / technical services is recognized as per the terms of the agreement on the basis of services rendered.

2) **Sale of goods**

Revenue from sale of goods at the duty free outlets operated by the Group is recognized at the time of delivery of goods to customers which coincides with transfer of risks and rewards to its customers. Sales are stated net of returns and discounts.

3) **Revenues and cost of improvements to concession assets**

In conformity with appendix A of Ind AS 11, HMACPL recognizes revenues and the associated costs of improvements to concession assets which it is obligated to perform at the airports as established by the concession agreement. Revenues represent the value of the exchange between HMACPL and the government with respect to the improvements, given that HAMCPL constructs or provides improvements to the airports as obligated under the concession agreement and in exchange, the government grants HMACPL the right to obtain benefits for services provided using those assets.

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HMACPL has determined that its obligations per the concession agreement should be considered to be a revenue earning activity as all expenditures incurred to fulfill the concession agreement are included in the maximum tariff it charges its customers and therefore it recognizes the revenue and expense in profit and loss when the expenditures are performed.

The cost for such additions and improvements to concession assets is based on actual costs incurred by HMACPL in the execution of the additions or improvements, considering the requirements in the concession agreement. The amount of revenues for these services is equal to the amount of costs incurred, as HMACPL do not obtain any profit margin for these construction services. The amounts paid are set at market value.

4) **Interest income:**

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

ii. Interest for delayed payments from customers is accounted only when it is unconditionally accepted by the customers.

5) **Dividend Income**

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

v. **Government Grants**

GHIAL has deferred payment arrangement on the concession fee payable to Ministry of Civil Aviation (MoCA) without interest. The effect of this assistance is treated as a government grant.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

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w. Taxes:

1) Current income tax

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

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

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Current and deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2) Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii. In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

i. When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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The Entities (GHIAL, GATL and HMACPL) are entitled to claim tax holiday for any 10 consecutive years out of 15 years, from the year of commencement of commercial operations in 2007-08, under Section 80-IA of the Income Tax Act, 1961, with regard to income from airport operations. Accordingly, deferred tax on items reversing within the tax holiday period is not considered.

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

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The Group recognizes deferred tax asset for MAT credit available only to the extent that it is probable that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown a deferred tax asset. The group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is probable that it will pay normal tax during the specified period.

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

i. When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable

ii. When receivables and payables are stated with the amount of tax included

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

x. **Segment Reporting Policies**

Identification of Segments:

Based on the "management approach" as defined in Ind AS 108 - Operating Segments, the Chief Operating Decision Maker ('CODM') has carried out evaluation of the Group's performance at an overall group level as one reportable segment i.e 'Aiport and allied Services '.

Segment accounting policies:

The Group prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information of the Group as a whole.

y. **Earnings per share:**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, if any.

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z. Corporate Social Responsibility (CSR) expenditure:

The Group has charged its CSR expenditure during the year to the statement of profit and loss.

aa. Measurement of EBIDTA

The Group has elected to present earnings before interest, tax, depreciation and amortization (EBIDTA) as a separate line item on the face of the statement of profit and loss. The Group measures EBIDTA on the basis of profit / (loss) from continuing operations. In its measurement, the Group does not include finance income, depreciation and amortization expenses, finance cost and tax expense.

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3. Earnings per Share (EPS)

Basic EPS amounts are calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of equity shares outstanding during the 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 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 period ended June 30, 2017	For the period ended June 30, 2016
Profit attributable to equity holders for basic and diluted earnings	96.56	49.94
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.)	2.55	1.32
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) (formerly known as GMR Holdings Private Limited)
Fellow Subsidiary Companies	GMR Aviation Private Limited
	GMR Hyderabad Airport Resource Management Limited#
	GMR Energy Limited
	GMR Tambaram-Tindivanam Expressways Private Limited
	GMR Tuni-Anakapalli Expressways Private Limited
	Delhi International Airport Limited (formerly known as Delhi International Airport Private Limited)
	Gateways For India Airports Private Limited
	GMR Pochanpalli Expressways Limited
	GMR Corporate Center Limited
	GMR Infrastructure (Mauritius) Limited
	GMR Energy Trading Limited
	GMR SEZ and Port Holding Limited (Formerly known as GMR SEZ and Port Holding Private Limited)
	GMR Highways Limited
	GMR Corporate Affairs Private Limited
	GMR Hyderabad Vijayawada Expressways Private Limited
	GMR Vemagiri Power Generation Limited
	GMR Rajahmundry Energy Limited
	GMR Warora Energy Limited (Formerly known as EMCO Energy Limited)
	GMR Chhattisgarh Energy Limited
	GMR Kamalanga Energy Limited

#During the previous year, entire equity share capital of GMR Hyderabad Airport Resource management Limited has been sold to GMR Infrastructure limited for a nominal sum of Rs. 1 and the loss on sale of the equity has been booked for Rs. 0.05 crore.

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Relationship	Related party Name
	GMR Airport Developers Limited
	GMR Power Corporation Limited
	GMR Male International Airport Private Limited
	GADL International Limited
	Kakinada SEZ Limited (Formerly Kakinada SEZ Private Limited
	Raxa Security Services Limited
	GMR Sports Private Limited
	Geokno India Private Limited
	GMR Infrastructure (Singapore) Pte Limited
	GMR Kishnagiri SEZ Limited
	GMR Goa International Airport Limited
	GMR Business Process Services Private Limited
Associates of GMR Infrastructure Limited	Jadcherla Expressways Private Limited (formerly GMR Jadcherla Expressways Private Limited)
	Ulundurpet Expressways Private Limited (formerly GMR Ulundurpet Expressways Private Limited)
Shareholders having significant influence	Government of Telangana
	Airports Authority of India
	MAHB (Mauritius) Private Limited
	Menzies Aviation Cargo (Hyderabad) Limited, Mauritius
	Menzies Aviation Plc (UK)
	Menzies Aviation (India) Private Limited
Key management personnel	Mr. Srinivas Bommidala - Managing Director
	Mr. SGK Kishore - Chief Executive Officer
	Mr. Rajesh Arora- Chief Financial Officer
	Mr. Anup Kumar Samal - Company Secretary
	Mr. G M Rao – Director
	Mr. HJ Dora – Director
	Mr. VR Hegde – Director
	Mr. S. Samanta – Director
	Mr. Arvind Kumar IAS – Director
	Mr. Ramakrishna Rao IAS – Director
	Mr. Datuk Badlisham Bin Ghazali - Director
	Mr. RSSLN Bhaskarudu- Independent Director
	Mr. NC Sarabeswaran- Independent Director
	Mrs. Vissa SivaKameswari -Independent Director
	Mr. Pradeep Chandra- Independent Director (Resigned with effect from April 27,2016
	Mr. LL Krishnan- Independent Director(Resigned with effect from June 28,2016
	Mr. P. Vijay Bhaskar- Independent Director
Joint Venture	Laqshya Hyderabad Airport Media Private Limited
	Asia Pacific Flight Training Academy Limited
Private company having common director (Section 8 Company)	GMR Varalakshmi Foundation
Other entities in which Directors are interested	GMR Family Fund Trust

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Remuneration paid to Key Managerial Remuneration:

Details of Key Managerial Personnel	For the period ended June 30, 2017		For the period ended June 30, 2016	
	Short Term Employee benefits	Sitting Fees	Short Term Employee benefits	Sitting Fees
Remuneration to KMP	2.09	-	1.37	-
Mr. G M Rao – Director	-	-	-	0.00
Mr. HJ Dora – Director	-	0.00	-	0.00
Mr. VR Hegde – Director	-	0.00	-	0.00
Mr. IN Murthy – Director	-	0.01	-	-
Mr. Jayesh Ranjan – Director	-	0.00	-	-
Mr. Ramakrishna Rao IAS – Director	-	0.00	-	0.00
Mr. Arvind Kumar IAS – Director	-	-	-	0.00
Mr. RSSLN Bhaskarudu- Independent Director	-	0.01	-	0.01
Mr. NC Sarabeswaran- Independent Director	-	0.01	-	0.01
Mr. P. Vijay Bhaskar- Independent Director	-	0.00	-	-
Mrs. Vissa Siva Kameswari -Independent Director	-	0.01	-	0.01

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

Related Party Transactions	**June 30, 2017**	**June 30, 2016**
Services received:		
GMR Infrastructure Limited	3.85	2.64
GMR Airports Limited	3.37	2.42
Raxa Security Services Limited	2.84	2.83
GMR Aviation Private Limited	0.29	0.92
GMR Airport Developers Limited	7.05	4.23
GMR Corporate Affairs Private Limited	0.33	0.28
GMR Family Fund Trust	0.07	-
Delhi International Airport Limited	-	0.12
Asia Pacific Flight Training Academy Limited	0.03	-
Laqshya Hyderabad Airport Media Private Limited	0.00	0.06
Government of Telangana	0.85	0.82
Airports Authority of India	0.04	-
Menzies Aviation Cargo (Hyderabad) Limited, Mauritius	2.12	1.80
Menzies Aviation Plc (UK)	0.14	0.16
Security Deposit (paid) /received):		
Sri Vara Lakshmi Jute Twine Mills Private Limited	(0.10)	-
Income from operations:		
GMR Infrastructure Limited	0.00	0.02
GMR Airports Limited	0.10	0.12
GMR Aviation Private Limited	0.00	0.02
Kakinada SEZ Private Limited	0.09	0.09
GMR Airport Developers Limited	0.03	0.03
Geokno India Private Limited	0.09	-
GMR Highways Limited	0.07	0.07

(All amounts in Rupees Crores, except otherwise stated)

Related Party Transactions	June 30, 2017	June 30, 2016
Laqshya Hyderabad Airport Media Private Limited	10.77	4.67
Asia Pacific Flight Training Academy Limited	0.32	0.29
Airports Authority of India	0.74	-
GMR Varalakshmi Foundation	0.10	0.08
Investment during the period		
Asia Pacific Flight Training Academy Limited	-	0.03
Investment made in joint venture during the period on account of amortization of Loans given:		
Laqshya Hyderabad Airport Media Private Limited	-	0.19
Unsecured loan received back:		
Laqshya Hyderabad Airport Media Private Limited	1.26	0.40
Interest on amortisation of interest free unsecured loan given:		
Laqshya Hyderabad Airport Media Private Limited	0.17	0.19
Interest on Delayed payments from customers		
Laqshya Hyderabad Airport Media Private Limited	0.04	-
CSR Expenditure		
GMR Varalakshmi Foundation	-	0.02
Reimbursement of expenses claimed by the Company during the year from its related parties:		
GMR Infrastructure Limited	0.00	0.01
GMR Airports Limited	0.04	0.02
Kakinada SEZ Limited	0.03	0.02
GMR Airport Developers Limited	0.15	0.13
GMR Highways Limited	0.02	0.01
Geokno India Private Limited	0.05	-
Asia Pacific Flight Training Academy Limited	0.08	0.06
Laqshya Hyderabad Airport Media Private Limited	0.37	0.17
Airports Authority of India	0.87	0.56
Menzies Aviation Cargo (Hyderabad) Limited, Mauritius	-	0.05
GMR Varalakshmi Foundation	0.02	0.01
Reimbursement of expenses claimed from the Company during the year by its related parties:		
GMR Airport Developers Limited	-	0.03
Menzies Aviation (India) Private Limited	0.06	-
Menzies Aviation Plc (UK)	0.02	-
Income on amortisation of deposit received:		
Laqshya Hyderabad Airport Media Private Limited	0.01	0.01
GMR Varalakshmi Foundation	0.01	0.01
Interest expense on amortisation of deposit received:		
Asia Pacific Flight Training Academy Limited	0.03	0.03
Laqshya Hyderabad Airport Media Private Limited	0.01	0.01
GMR Varalakshmi Foundation	0.04	0.04
Dividend declared and paid: - Preference		
Menzies Aviation Cargo (Hyderabad) Limited, Mauritius	-	0.54
Interest on loan taken - Unwinding of discount and changes in the discount rate		
Menzies Aviation (India) Private Limited	0.01	0.01

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(All amounts in Rupees Crores, except otherwise stated)

Outstanding balances at the end of the period / year:

Particulars	30-Jun-17		31-Mar-17	
	Non-Current	Current	Non-Current	Current
Balance Recoverable / (Payable):				
GMR Infrastructure Limited	-	(4.16)	-	(3.06)
GMR Airports Limited	-	(5.90)	-	(2.37)
GMR Enterprises Private Limited	-	-	-	0.01
Raxa Security Services Limited	-	(2.10)	-	(1.95)
Delhi International Airport Limited	-	(0.20)	-	(0.17)
GMR Rajahmundry Energy Limited	-	0.04	-	0.04
GMR Hyderabad Vijayawada Expressways Private Limited	-	0.01	-	0.01
GMR Aviation Private Limited	-	(0.34)	-	(0.04)
GMR Airport Developers Limited	-	(4.21)	-	(3.31)
Kakinada SEZ Private Limited	-	0.38	-	0.34
GMR Energy Trading Limited	-	0.01	-	0.01
GMR Highways Limited	-	0.02	-	(0.00)
GMR Corporate Affairs Private Limited	-	-	-	(0.11)
Geokno India Private Limited	-	0.52	-	0.38
Laqshya Hyderabad Airport Media Private Limited	-	2.34	-	4.79
Asia Pacific Flight Training Academy Limited	-	2.84	-	2.50
Government of Telangana	-	(0.95)	-	(3.37)
Menzies Aviation Plc (UK)	-	(6.49)	-	(4.40)
Menzies Aviation (India) Private Limited	-	(0.02)	-	(0.02)
Airports Authority of India	-	1.99	-	4.30
GMR Family Fund Trust	-	(0.02)	-	(0.09)
GMR Varalakshmi Foundation	-	0.02	-	(0.03)
Security deposit received from / (paid) to related parties reccognised at amortised cost:				
GMR Infrastructure Limited	-	0.02	-	0.02
Raxa Security Services Limited	(1.75)	-	(1.75)	-
Asia Pacific Flight Training Academy Limited	0.15	-	0.14	-
Laqshya Hyderabad Airport Media Private Limited	0.26	0.04	0.30	-
GMR Family Fund trust	(0.39)	-	(0.39)	-
GMR Varalakshmi Foundation	-	-	0.12	-
Sri Varalakshmi Jute Twine Mills	(0.10)	-	-	-
Deferred income on deposits received recognized at amortised cost				
Asia Pacific Flight Training Academy Limited	0.01	-	0.01	-

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(All amounts in Rupees Crores, except otherwise stated)

Particulars	30-Jun-17		31-Mar-17	
	Non-Current	Current	Non-Current	Current
Laqshya Hyderabad Airport Media Private Limited	0.03	0.03	0.03	0.03
GMR Varalakshmi Foundation	0.01	-	0.01	0.01
Investment in joint venture company:				
Laqshya Hyderabad Airport Media Private Limited	8.55	-	6.99	-
Loans given :				
Laqshya Hyderabad Airport Media Private Limited	4.67	0.83	4.76	0.99
Borrowings:				
Menzies Aviation (India) Private Limited	(0.43)	-	(0.42)	-
Equity Component of Related party loans				
Menzies Aviation (India) Private Limited	(0.58)	-	(0.58)	-

Outstanding guarantees / pledge of equity shares at the end of the period / year:

Related Party Transactions	**30-June-17**	**31-Mar-17**
Pledge of equity shares by the shareholders having significant influence in GHIAL, with banks against the loan taken:		
GMR Airports Limited	164.12	164.12
MAHB (Mauritius) Private Limited	28.66	28.66
Corporate guarantee availed from the intermediary holding company against loan taken from banks:		
GMR Airport Limited	131.00	131.00

Note: GHIAL has provided certain corporate group support services such as internal audit services, software and IT support etc. to its joint venture companies, which are free of charge.

5. The Group has only one reportable business segment, which is operation of airport and providing allied services. Accordingly, the amounts appearing in the Special Purpose Unaudited Consolidated Interim Condensed Financial Information relate to the Group's single business segment.

6. **Commitments and Contingencies**

I. **Leases**

Operating lease commitments: Group as lessee

As per the terms of the Concession Agreement and Land Lease Agreement, the Government of Telangana leased the land to 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 significant risk and rewards of the ownership have not been transferred and accordingly lease is classified as an operating lease.

GHIAL has taken land and office spaces on operating lease having a term of 30 years and 5 years respectively. The land lease has an escalation of 5% per annum from the 8th anniversary of the Commercial Operations Date (i.e. March 23, 2008) and it has a renewal option for another thirty years which is co-

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terminus with the concession period. The office spaces leases have an escalation of 5% per annum and are renewable at the end of the lease period with mutual consent.

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

	June 30, 2017	March 31, 2017
Within one year	3.88	3.75
After one year but not more than five years	21.71	21.22
More than five years	738.46	731.38

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:

	June 30, 2017	March 31, 2017
Within one year	44.11	42.17
After one year but not more than five years	136.96	142.57
More than five years	336.76	342.50

II. Litigation and Contingent Liabilities

A. 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, 2017: 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) below on contingent liabilities of GMR Hyderabad Aerotropolis Limited for which an amount of Rs. 0.85 crore (March 31, 2017: Rs. 0.85 crores have been provided for in the books of account.

iii. Direct taxes:

a) 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. 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.

b) 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.

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c) GHIAL received assessment orders for the A.Y. 2014-15 and 2015-16 disallowing expenses aggregating to Rs. 23.79 crore and Rs. 19.82 crore respectively against which, GHIAL has filed an appeal with the Commissioner of Income Tax (Appeals), Bengaluru.

d) GHAL had filed the Appeal against the assessment order passed u/s 143(3) for AY 2012-13 from the office of Deputy Commissioner of Income Tax wherein the assessing officer had disallowed Rs. 0.10 crore (March 31,2017 Rs. 0.10 crore) debited to statement of profit and loss stating that the business is yet to start.

iv. In accordance with the provisions of the amended and restated Joint Venture agreement dated November 16, 2010 executed by GHIAL with Menzies Aviation Plc, Menzies Aviation Cargo (Hyderabad) Limited (MACL), Menzies Aviation (India) Private Limited and Hyderabad Menzies Air Cargo Private Limited (HMACPL), GHIAL exercised its buy back rights to buy the shares held by MACL in HMACPL. MACL disputed GHIAL's position as regards exercising the buyback rights. In view of the above dispute, GHIAL invoked Arbitration proceedings which are currently in progress.

B. Guarantees excluding financial guarantees

In case of GHIAL, Bank guarantees outstanding in respect of customs and others Rs. 27.01 crore (March 31, 2017: Rs. 20.00 crore).

In the case of GHRL, Bank guarantees outstanding in respect of customs department Rs. 0.37 crore (March 31, 2017: Rs.0.74 crore)..

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, 2017: Rs. 24.54 crore). The order also includes penalty of Rs. 31.11 crore (March 31, 2017: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.

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, 2017: 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.

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, 2017: Rs. 1.53 crore), including penalty of Rs 1.67 crore (March 31, 2017: 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 Show Cause Notice dated June 17, 2013 from the Office of Commissioner of Customs, Central Excise and Service Tax on non- payment of service tax on import of service amounting to Rs. 0.33 crore (March 31, 2017: Rs. 0.33 crore). The Notice also included penalty of Rs. 0.41 crore (March 31, 2017: Rs.0.41crore).

v. GHIAL had received the Show Cause Notices dated October 23, 2013 and dated April 22, 2015 from the Office of Deputy Commissioner of Customs, Central Excise and Service Tax and from the Office of Assistant Commissioner of Customs, Central Excise and Service Tax amounting to Rs. 0.03 crore (March 31, 2017: Rs.0.03 crore) and Rs. 0.04 crore (March 31, 2017: Rs. 0.04 crore) respectively on irregular availment of cenvat credit. Subsequent to above notice, GHIAL had received an order dated February 29, 2016 from the Office of Assistant Commissioner of Customs, Central Excise and Service Tax amounting to 0.07 crore (March 31, 2017: Rs. 0.07 crore). The order also includes the interest payable thereon and penalty of Rs. 0.07 crore (March 31, 2017: Rs. 0.07 crore). GHIAL has filed the appeal before the office of Commissioner Customs, Excise and

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Service Tax (Appeal) and deposited an amount of Rs. 0.01 crore with the service tax department as required to file the appeal.

vi. GHIAL had received show cause notice from the Office of Assistant Commissioner of Customs, Central Excise and Service Tax on irregular availment of cenvat credit amounting to Rs. 0.13 crore (March 31, 2017: Rs. 0.13 crore). The notice also includes the interest payable thereon and penalty of Rs.0.13 crore (March 31, 2017: Rs. 0.13 crore).

vii. GHIAL had received a Show Cause Notice dated July 20, 2015 from the Office of Additional Commissioner of Customs, Central Excise and Service Tax on irregular availment of cenvat credit amounting to Rs. 0.06 crore (March 31, 2017: Rs. 0.06 crore). Subsequent to above notice, GHIAL had received an order dated April 24, 2016 from the Office of Additional Commissioner of Customs, Central Excise and Service Tax amounting to Rs. 0.06 crore. The order also includes the interest payable thereon and penalty of Rs. 0.01 crore (March 31, 2017: Rs. 0.01 crore). GHIAL had filed the appeal before the office of Commissioner Customs, Excise and Service Tax (Appeal) and deposited an amount of Rs. 0.01 crore with the service tax department as required to file the appeal.

viii. GHIAL had received the Show Cause Notice dated April 23, 2014 from the Office of Commissioner of Customs, Central Excise and Service Tax on Irregular availment of cenvat credit amounting to Rs. 0.62 crore (March 31, 2017: 0.62 crore). The Notice also includes the interest payable thereon and penalty of Rs. 0.62 crore (March 31, 2017: Rs. 0.62 crore). Subsequent to above notice, GHIAL had received an order from the Office of Commissioner of Customs, Central Excise and Service Tax dated June 11, 2015 confirming the demand of Rs. 0.62 crore. The order also includes penalty of Rs. 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.

ix. 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 amounting to Rs.25.20 crore (March 31, 2017: Rs. 25.20 crore). GHIAL had received the stay order against the said order in the earlier years.

x. GHIAL had received a notice dated January 19, 2013, from Hyderabad Metropolitan Water Supply & Sewerage Board for disconnection of water connection for non-payment of sewerage cess arrears. The Company has filed the writ petition against the notice and received stay order from the Hon'ble High Court of Andhra Pradesh on February 5, 2013. The sewerage cess outstanding including interest as on June 30, 2017 amounted to Rs. 4.02 crore (March 31, 2017: Rs. 3.94 crore).

xi. GHAL had received a show cause notice No O.R.No.79/2014 -Adj.(Commr) from Commissioner of Customs, Central Excise & Service Tax dated April 23,2014 on irregular availment of the Cenvat Credit amounting to Rs. 0.29 crore (for the period October 2008 to March 2011) including a penalty of Rs 1.14 crore (March 31, 2017: Rs 1.14 crore). Subsequent to the above notice, GHAL had received an order from the office of 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 including a penalty of Rs 0.29 crore. GHAL has preferred an appeal with CESTAT, Hyderabad.

xii. GHAL had received an order from Commissioner of Customs, Central Excise & Service Tax dated June 22, 2016 against their reply to show cause notice No 35/2016-17 regarding short payment of service tax of Rs.1.47 crore (March 31, 2017: Rs.1.47 crore) under RCM on Architecture service. GHAL had preferred an appeal with Commissioner of Customs, Central Excise & Service Tax and reversed cenvat credit of Rs.0.11 crore (March 31, 2017: Rs.0.11 crore) towards pre-deposit.

xiii. 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 31,2017: Rs.0.01 crore) has been denied.

xiv. GHASL has received a Show Cause Notice (SCN) from the Commissioner (Audit), Central Excise and Service Tax for an amount of Rs.8.55 crore (March 31,2017: 8.55 crore) (for granting exemption of service tax

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under renting of immovable property services without obtaining Form A1 / A2 for the period from October 2011 to March 2016.

xv. GHRL has received a show cause notice from the assistant commissioner of service tax levying service tax on 100% value of Room retention charges amounting to Rs. 0.04 crore (March 31,2017: Rs.0.04) as against the current practice of discharging the service tax on 60% value.

xvi. HMACPL 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. HMACPL. 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 earlier 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 HMACPL had reversed the accrued customs cost amounting to 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.

xvii. HMACPL had rendered cargo handling services for export cargo during the period March 2008 to June 2010 on which HMACPL had not paid service tax in view of the exemption available under cargo handling services. HMACPL had received a show cause notice from the Office of Commissioner of Customs & Central Excise requiring HMACPL 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, HMCPL 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 as service tax for the period March 2008 to June 2010 under Airport Services and 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.

xviii. HMACPL had availed CENVAT credit on capital goods during the period April 2007 to March 2012 amounting to Rs. 0.07 crore and department is of the view that HMACPL has irregularly claimed input credit on ineligible items and raised a demand of Rs. 0.07 crore along with applicable interest and penalty. The Commissioner (Appeals) has upheld the order issued by the Additional Commissioner against the claim by HMACPL. HMACPL aggrieved by the said order, has paid an amount of Rs. 0.07 crore under protest as per the stay application hearing with Commissioner (Appeals) and an appeal has been filed with CESTAT. CESTAT has passed the stay order on August 1, 2014 from payment of interest and penalty.

xix. In case of HMACPL, 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. 0.48 crore (March 31, 2017: Rs. 0.48 crore). The Management of HMACPL is confident that there would be no additional liability other than the amount accrued in the books of account.

xx. GHRL had received notices of demand in the year 2013 from commercial taxes department, levying Value

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Added Tax on leasing of Audio Video Equipment's amounting to Rs. 0.36 crore (March 31, 2017: Rs. 0.36 crore). GHRL has replied to the department against the said notices of demand.

xxi. HMACPL had received assessment order during earlier years for the assessment years 2009-2010, 2010-2011, 2011-2012 and 2012-13 respectively, denying the deduction u/s 80-IA of the Income Tax Act, 1961 and demanding tax of Rs. 1.54 crore (including interest of Rs 0.22 crore), Rs. 2.73 crore (including interest of Rs 0.70 crore), Rs. 3.03 crore (including interest of Rs.0.74 crore) and Rs. 2.54 crore (including interest of Rs 0.66 crore) for the respective assessment years. HMACPL had filed an appeal with Commissioner of Income - Tax (Appeals), Hyderabad and had paid Rs. 1.54 crore, Rs. 2.73 crore, Rs. 3.03 crore, and Rs. 2.54 crore for the assessment years 2009-2010, 2010-2011, 2011-2012 and 2012-13 respectively under protest. In the earlier years, the said appeals were dismissed by the Commissioner of Income - Tax (Appeals), Hyderabad against which HMACPL had filed an appeal with the Income Tax Appellate Tribunal, Hyderabad.

In the previous year, HMACPL 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 2009-2010, 2010-2011, 2011-2012 and 2012-13. However, the department has preferred further appeal before high court.

xxii. HMACPL had received an order during earlier years for the assessment year 2013-14 and 14-15 respectively, denying the deduction u/s 80-IA of the Income Tax Act, 1961. Per this order the refund receivable to HMACPL has reduced by Rs. 4.18 crore for A.Y. 2012-13, and demanding Rs. 3.11 crore for A.Y. 2014-15. Aggrieved by the reduction in refund, and demand HMACPL has filed an appeal with the Commissioner of Income - Tax (Appeals), Hyderabad. During the current period, HMACPL has received a favourable order from Commissioner of Income -Tax (Appeals), Hyderabad allowing the deduction U/s 80IA of the Income tax Act, 1961 for the Assessment years 2013-14 and 2014-15. However, the department has filed an appeal before the Income Tax Appellate Tribunal, Hyderabad. HMACPL 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 31, 2017: Rs. 0.85 crore). HMACPL has filed an appeal with the Commissioner of Income - Tax (Appeals), Hyderabad on May 5, 2015.

xxiii. Recovery from PSF (SC) Escrow account:

a) The Ministry of Civil Aviation (MoCA) had issued the order vide order no. AV 13024 /03/2011-AS(Pt. I), dated February 18, 2014 requiring the Airport Operators to reverse the expenditure incurred, 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. GHIAL had incurred Rs. 94.08 crore (March 31, 2017: Rs. 93.83 crore) towards capital expenditure (including the construction cost and cost of land mentioned in note b and excluding related maintenance expense and interest thereon) till June 30, 2017 out of PSF (SC) escrow account as per SOPs, guidelines and clarification issued by the MoCA from time to time on the subject of utilization of PSF (SC) fund.

As the above order is contrary to and inconsistent with SOPs, guidelines and clarification issued by the MoCA from time to time in this regard, GHIAL had challenged the said order before Hon'ble High court of Andhra Pradesh. The Honorable 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 GHIAL, it shall reverse all the expenditure incurred from PSF (SC).

Accordingly, GHIAL is continuing to incur the procurement and maintenance cost of security systems / equipment from PSF (SC) escrow account and during the period ended June 30, 2017 incurred an amount of Rs. 0.74 crore (March 31, 2017: Rs. 2.88 crore) on maintenance of security systems / equipment from the PSF (SC) escrow account.

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 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 amounting to Rs. 69.

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crore (March 31, 2017: Rs. 69.92 crore) 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 financial information.

xxiv. Fuel surcharge adjustments (FSA) for the period from April 2008 to March 2010 amounting to Rs. 2.05 crore (March 31, 2017: Rs. 2.05 crore).

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 June 30, 2017.

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.78.41 crore (March 31, 2017: Rs.77.78 crore).

b) **Other commitments**

i. As per the terms of concession agreement, GHIAL 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 GHIAL.

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

iii. GAEL has a commitment to maintain cash margin to the extent of 10% of the Loan Equivalent Risk (LER) Facility obtained from a bank.

7. **Significant accounting judgments, estimates and assumptions:**

The preparation of the Group's Special Purpose Unaudited Consolidated Interim Condensed Financial Information 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 Financial Information:

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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. 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 A to Ind AS 11 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 A of Ind AS 11. 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.

Applicability of Service Concession Agreement (SCA) to HMACPL

HMACPL, 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 A to Ind AS 11 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 HMACPL receives a right (i.e. a concessionaire) to charge users of the public service. The financial model is used when HMACPL 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 HMACPL along with leasing of the part of the cargo infrastructure facility but since HMACPL 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.

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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, the Company, based on Legal Opinion, has provided the concession fee to MoCA based on Gross Revenue as per the Ind AS financial statements after adjusting such incomes/credits.

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 Financial Information 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% as at transition date for measuring deposits, being financial assets and financial liabilities, at amortised cost.

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.

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

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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.

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.

GAEL 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, GAEL 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:

The carrying amount of all financial assets and liabilities appearing in the financial information is reasonable approximation of fair values.

Particulars	Carrying value		Fair value	
	30-Jun-17	31-Mar-17	30-Jun-17	31-Mar-17
Financial assets				
At Fair Value through profit or loss				
Investments	524.89	387.34	524.89	387.34
Derivative not designated as hedge (Interest rate swap)	9.90	-	9.90	-
Financial liabilities				
Financial liabilities carried at fair value through profit or loss				
Derivative not designated as hedge (Interest rate swap)	62.51	58.60	62.51	58.60

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 floating rate of interest and hence, the carrying value is considered to be 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. Interest rate swaps:-The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observables yield curve.
ii. The fair values of quoted mutual funds and commercial paper are based on price quotations at the reporting date.

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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 30 June 2017:

Particulars	Date of Valuation	Total	Fair value measurement using		
			Quoted prices in active markets	Significant observable inputs	Significant un observable inputs
			Level-1	Level-2	Level-3
Assets measured at fair value					
At FVTPL					
Investment in mutual funds	June 30, 2017	524.89	524.89	-	-
Derivative not designated as hedge (Interest rate swap)		9.90	-	9.90	-
Liabilities measured at fair value					
Derivative not designated as hedge (Interest rate swap)*	June 30, 2017	62.51	-	62.51	-

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

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

Particulars	Date of Valuation	Total	Fair value measurement using		
			Quoted prices in active markets	Significant observable inputs	Significant un observable inputs
			Level-1	Level-2	Level-3
Assets measured at fair value					
At FVTPL					
Investment in mutual funds	March 31, 2017	387.34	387.34	-	-
Liabilities measured at fair value					
Derivative not designated as hedge (Interest rate swap)	March 31, 2017	58.60	-	58.60	-

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

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 Interest rate swaps is calculated as the present value of estimated future cash flows based on observable interest yield curves.

10. As at June 30, 2017, GHIAL has accrued Rs.1.98 crore including superannuation fund of Rs. 0.09 crore towards the remuneration to its Managing Director, including Rs. 0.80 crore in excess of the limits specified in Sub Section (3) of Section 197 read with Schedule V of the Companies Act, 2013 in respect of year ended as at March 31, 2015. The said remuneration is approved by the Board of Directors, the Nomination and Remuneration Committee and by the Shareholders. Accordingly, the Company had applied to the Central Government for obtaining necessary approvals for payment of such remuneration and that, the amount in excess of the limits as mentioned above, will be paid as and when the approval is received from the Central Government. The Management of GHIAL is of the opinion that, the approval for payment of the

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remuneration will be obtained in due course and as such no adjustments have been made in these financial information.

11. GHIAL has recognized, Minimum alternate tax (MAT) credit entitlement of Rs. 191.75 crore (March 31, 2017: Rs. 168.26 crore), as the Company 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, the Company's normal tax liability will be more than the MAT payable after considering the deduction under section 80IA of the Income Tax, Act, 1961.

12. The Airport Economic Regulatory Authority ('AERA'), passed an Aeronautical tariff order No. 38 dated February 24, 2014, in respect of control period from April 1, 2011 to March 31, 2016. GHIAL had filed an appeal, challenging the disallowance of pre control period losses, foreign exchange loss on ECB and other issues for determination of its tariff with the AERA Appellate Tribunal (AERAAT) against the aforesaid order. Due to non-constitution of AERAAT Bench, GHIAL had filed a writ petition with the Honorable High Court at Hyderabad for the State of Telangana and for the State of Andhra Pradesh, which is yet to be heard.

13. 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. 19 dated March 31, 2017 has allowed to continue to charge the Aeronautical tariff as prevailed on 31.03.2017 for a period of 6 months w.e.f. April 1, 2017 or till determination of tariff for the aforesaid period whichever is earlier.

14. The Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information 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.

15. In the previous year, GMR Hotels and Resorts Ltd. (GHRL) and Hyderabad Duty Free Retail Ltd. (HDFRL), two of GHIAL wholly owned subsidiary companies filed a Scheme of Arrangement for merger of HDFRL into GHRL "the scheme" under Section 391 and 394 (1) of the Companies Act, 1956. The National Company Law Tribunal (NCLT) passed an order on April 18, 2017, approving the said scheme with appointed date as April 1, 2016. The aforesaid order was filed with the Registrar of Companies on April 27, 2017. Accordingly, HDFRL has been merged into GHRL with appointed date as April 01, 2016.

16. GHIAL has agreed to buy out the 60% stake i.e. 60% shareholding amounting to Rs. 5.34 crore, 'in Asia Pacific Flight Training Academy Ltd.(APFTAL) held by its JV partner M/s Asia Pacific Flight Training Academy, SDN, BHD, Malaysia (APFT-Malaysia) at a value of One US Dollar considering the market potential of flight training business in India.

17. 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 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.

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Additionally, Management is of the view that reversal of provision for impairment in the value of investment in GHRL recognized as an exceptional item 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
Reversal of Fair value of financial instruments Interest Rate Swap on actual settlement	Finance income
Discounting of interest free loan given to subsidiaries#	Finance income
Discounting of interest free loan given to Joint Venture	Finance income
Income arising from fair valuation of financial guarantee#	Finance income
Discounting on fair valuation of deposit received from concessionaries	Other income
Income from government grant	Other income
Amortisation of deferred income	Other income

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

18. 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 Consolidated Interim Condensed Ind AS Financial Information.

19. 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 June 30, 2017	For the period ended June 30, 2016
Electricity and water charges	6.39	5.90
Salaries, wages and bonus	0.10	0.07
Staff welfare expenses	0.16	0.14
Travelling and conveyance	0.01	0.01
Communication expenses	-	0.00
Office Maintenance	-	0.01

20. **Goodwill on acquisition:**

During August 2014, GHIAL has made additional investment of 5% stake in GAEL, thereby making the shareholding from 50% to 55% making GAEL and GATL from jointly controlled entities to subsidiaries. Subsequently in December'14, GHIAL has acquired the balance stake thereby making GAEL 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 GAEL& GATL (wholly owned subsidiary of GAEL) is given below:

Particulars		GAEL *
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 GAEL).

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Note: The Special Purpose Unaudited Consolidated Interim Condensed Financial Information as at June 30, 2017 include goodwill on additional investment by GHIAL during the financial year 2014-15 in subsidiary GAEL. GAEL has a wholly owned subsidiary GATL which has accumulated losses as at June 30, 2017 of Rs. 375.42 crore (March 31, 2017: Rs. 363.92 crore) which exceeds its net worth. Also GATL has incurred cash loss in the current period and 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.

Impairment testing of goodwill:

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

Carrying amount of goodwill allocated to MRO business:

Intangible Assets	June 30,2017	March 31,2017
Goodwill	36.27	36.27

The Group performed its annual impairment test for year ended March 31, 2017 in April 2017, (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 GATL and 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 Consolidated Interim Condensed Financial Information do not include any adjustment relating to the impairment of Goodwill acquired through business combination.

MRO:

The recoverable amount of the MRO business, Rs. 36.27 crore as at June 30, 2017, has been determined based on the management approved business plan of the operating entity covering a twelve-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 13.69% (March 31, 2017: 13.69%) and cash flows beyond the twelve-year period are extrapolated using a 3.0% growth rate (March 31, 2017: 3.0%) 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 10% per annum was applied for initial 3 years and then stabilized at 8% growth rate for remaining period.

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

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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.

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 10% per annum was applied for initial 3 years and then stabilized at 8% growth rate for remaining period. A decreased demand can lead to a decline in revenue. A decrease in revenue growth by 2.40% 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 7%. 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 3%. The management recognizes that the possibility of new entrants can have a significant impact on growth rate assumptions and a reduction of 9% perpetual growth rate after forecast period will result in impairment.

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP ICAI Firm Registration Number: 101049W/E300004 Chartered Accountants	For Brahmayya & Co., ICAI Firm Registration Number: 000515S Chartered Accountants	For and on behalf of the Board of Directors of **GMR Hyderabad International Airport Limited**

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per Shankar Srinivasan Partner Membership No.: 213271	per G. Srinivas Partner Membership No.:086761	P. Vijay Bhaskar Director DIN: 06629884	H J Dora Director DIN:02385290
		Anup Kumar Samal Company Secretary	Rajesh Arora Chief Financial Officer
Place: Hyderabad Date: September 27, 2017	Place: Hyderabad Date: September 27, 2017	Place: Hyderabad Date: September 27, 2017	

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INDEPENDENT AUDITOR'S REPORT

To the Members of GMR Hyderabad International Airport Limited

Report on the Consolidated Ind AS Financial Statements

1. We have audited the accompanying consolidated Ind AS financial statements of GMR Hyderabad International Airport Limited (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its joint venture entities, comprising of the consolidated Balance Sheet as at March 31, 2017, the Consolidated Statement of Profit and Loss including other comprehensive income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Ind AS Financial Statements").

Management's Responsibility for the Consolidated Ind AS Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these Consolidated Ind AS Financial Statements in terms of the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standard) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Ind AS Financial Statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

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

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk

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assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditor in terms of their report referred to in paragraph 9 of the other matters paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on these Consolidated Ind AS Financial Statements.

Basis for qualified opinion

4. As more fully explained in Note 54 to the accompanying Consolidated Ind AS Financial Statements, as at March 31, 2017, the Group has goodwill amounting to Rs. 36.27 crore arising on additional investment by the Holding Company in a subsidiary company GMR Aerospace Engineering Limited (GAEL'). GAEL has a wholly owned subsidiary GMR Aero Technic Limited ('GATL'), whose accumulated losses have fully eroded its net worth as at March 31, 2017. Based on the reasons fully explained in the aforesaid note, the management is of the view that there is no provision for impairment in the carrying value of goodwill at this juncture. However, in view of the current financial position of the step down subsidiary company and in the absence of sufficient appropriate audit evidence to support the key assumptions made by the management in their business plan, we are unable to comment on the carrying value of the goodwill, including adjustments, if any, that may be required to be made to carrying amount of such goodwill.

Qualified opinion

5. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of a joint venture entity, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid Consolidated Ind AS Financial Statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2017, of their consolidated profit including other comprehensive income and their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

Emphasis of Matter

6. a. With regard to note 41 to these Consolidated Ind AS Financial Statements, the Holding Company had accrued Rs. 1.89 crore during the year ended March 31, 2015 towards the remuneration to its Managing director, which includes Rs. 0.80 crore in excess of the limits specified in Sub Section (3) of Section 197 read with Schedule V of the Companies Act, 2013 pending approval from the Central Government for the period April 1, 2014 to January 22, 2015. The ultimate outcome of the matter cannot be presently determined. Pending the final outcome, no adjustments have been made in this regard in the Consolidated Ind AS Financial Statements.

   b. We draw attention to note 35 (II)(C)(xxiii) to the Consolidated Ind AS Financial Statements regarding the costs related to residential quarters for Central Industrial Security Force (CISF) deployed at the Rajiv Gandhi International Airport, Hyderabad and other costs which continue to be adjusted against PSF (SC) fund pending the final decision from the Honourable High Court at Hyderabad for the State of Telangana and for the State of Andhra Pradesh and consequential instructions from the Ministry of Civil Aviation.

Our opinion is not qualified in respect of the aforesaid matters.

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS HYDERABAD

BRAHMAYYA & CO. Chartered Accountants BENGALURU

Report on Other Legal and Regulatory Requirements

7. As required by section 143(3) of the Act based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of a joint venture entity, as noted in the 'other matter' paragraph, to the extent applicable, we report that:

(a) We / the other auditors whose reports we have relied upon, have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid Consolidated Ind AS Financial Statements;

(b) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion proper books of account as required by law relating to preparation of the aforesaid Consolidated Ind AS Financial Statements have been kept by the Company so far as appears from our examination of those books and the reports of the other auditors;

(c) The Consolidated Balance Sheet, Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the Consolidated Ind AS Financial Statements;

(d) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid Consolidated Ind AS Financial Statements comply with the Accounting Standards specified under section 133 of the Act, read with the Companies (Indian Accounting Standard) Rules, 2015, as amended;

(e) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Group;

(f) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2017 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies and joint venture entities incorporated in India, none of the directors of the Group's companies incorporated in India is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;

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

(a) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Holding Company and its subsidiary companies and joint venture entities incorporated in India, refer to our separate report in "Annexure 1" to this report;

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of a joint venture entity, as noted in the 'Other matter' paragraph:

   i. The Consolidated Ind AS Financial Statements disclose the impact of pending litigations on its consolidated financial position of the Group – Refer Note 35 (II) to the Consolidated Ind AS Financial Statements;

   ii. The Group has made provision in the Consolidated Ind AS Financial Statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS HYDERABAD

BRAHMAYYA & CO. Chartered Accountants BENGALURU

long-term contracts including derivative contracts – Refer Note 35(II)(A) to the Consolidated Ind AS Financial Statements in respect of such items as it relates to the Group;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, its subsidiaries and joint venture entities incorporated in India during the year ended March 31, 2017; and

iv. The Holding Company and subsidiaries incorporated in India, have provided requisite disclosures in Note 13 to these Consolidated Ind AS Financial Statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation of the Holding Company regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Group and as produced to us by the Management of the Holding Company. However, we are unable to obtain sufficient appropriate audit evidence to report on whether the disclosure relating to collection in cash as permitted receipts is appropriate.

Other Matter

8. One of us in individual capacity have audited 8 subsidiaries and a joint venture entity whose financial statements reflect total assets of Rs. 1,210.87 crore, net assets of Rs. 376.67 crore as at March 31, 2017, total revenues (including other income) and net cash inflows of Rs. 395.09 crore and Rs. 37.69 crore respectively, for the year ended on that date.

9. We did not audit the financial statements and other financial information, in respect of a joint venture entity, whose Ind AS financial statements include total assets of Rs. 50.65 crore and net assets of Rs. 21.34 crore as at March 31, 2017, and total revenues of Rs. 60.80 crore and net cash inflows of Rs. 0.48 crore for the year ended on that date. The Consolidated Ind AS Financial Statements include the Group's share of net profit of Rs. 4.06 crore for the year ended March 31, 2017, in respect of the aforesaid joint venture entity, whose financial statements, other financial information have been audited by other auditors and whose reports have been furnished to us by the Management. Our opinion on the Consolidated Ind AS Financial Statements, in so far as it relates to the amounts and disclosures included in respect of this joint venture entity, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid joint venture entity, is based solely on the report of such other auditors.

   Our above opinion on the Consolidated Ind AS Financial Statements, and our report on Other Legal and Regulatory Requirements above, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

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

per Shankar Srinivasan
Partner
Membership No.: 213271

S.R.BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS HYDERABAD

Place: Hyderabad
Date : July 19, 2017

For Brahmayya & Co.,
Firm registration number: 000515S
Chartered Accountants

per G Srinivas
Partner
Membership No.: 086761

Place: **New Delhi**
Date : July 19, 2017

BRAHMAYYA & CO. Chartered Accountants BENGALURU

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF GMR HYDERABAD INTERNATIONAL AIRPORT LIMITED

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

In conjunction with our audit of the consolidated financial statements of GMR Hyderabad International Airport Limited as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of GMR Hyderabad International Airport Limited (hereinafter referred to as the "Holding Company"), its subsidiary companies and joint venture entities, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company, its subsidiary companies and joint venture entities, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on, "the internal financial control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company's internal financial controls system over financial reporting.

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS HYDERABAD

BRAHMAYYA & CO. Chartered Accountants BENGALURU

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Qualified Opinion

According to the information and explanations given to us and based on the report issued by other auditors on internal financial controls system over financial reporting in case of a joint venture entity, which are companies incorporated in India, the following material weakness have been identified as at March 31, 2017:

The Holding Company's internal financial controls over use of assumptions for analysis of goodwill impairment were not operating effectively which could potentially result in the Company not providing for adjustments, if any, that may be required to be made to such carrying amounts of goodwill.

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

In our opinion, the Holding Company, its subsidiary companies and joint venture entities which are companies incorporated in India, have,, in all material respects, maintained adequate internal financial controls over financial reporting as at March 31, 2017, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India, and except for the possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the internal financial controls over financial reporting were operating effectively in the Holding Company, its subsidiary companies and joint venture entities which are companies incorporated in India as of March 31, 2017.

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS HYDERABAD

BRAHMAYYA & CO. Chartered Accountants BENGALURU

Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to one joint venture entity , which is a company incorporated in India, is based on the corresponding report of the auditor of such company incorporated in India.

We also have audited, in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, the consolidated financial statements of the Holding Company, which comprise the Consolidated Balance Sheet as at March 31, 2017, the Consolidated Statement of Profit and Loss including other comprehensive income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information, and our report dated July 19, 2017 expressed a qualified opinion.

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

per Shankar Srinivasan
Partner
Membership No.: 213271

Place: Hyderabad
Date : July 19, 2017

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS HYDERABAD

For Brahmayya & Co.,
Firm registration number: 000515S
Chartered Accountants

per G Srinivas
Partner
Membership No.: 086761

Place: **New Delhi**
Date : July 19, 2017

BRAHMAYYA & CO. Chartered Accountants BENGALURU

GMR Hyderabad International Airport Limited

CIN:U62100TG2002PLC040118

Consolidated Balance Sheet as at March 31, 2017

(All amounts in Rupees Crores, except otherwise stated)

	Notes	March 31, 2017	March 31, 2016	April 1, 2015
I. ASSETS				
Non-current assets				
Property, plant and equipment	3	2,079.08	2,273.73	2,341.12
Capital work-in-progress	3.1	115.83	69.23	55.26
Intangible assets	4	53.32	54.51	62.80
Intangible assets under development		0.00	0.63	0.19
Investment in joint venture	5.1	6.99	2.93	0.76
Financial assets				
- Loans	6	4.76	5.76	6.54
- Bank balances other than cash and cash equivalents	7	29.10	4.51	7.31
- Other non current financial assets	8	9.81	8.09	8.83
Non current tax assets	9.1	43.79	65.70	44.57
Deferred tax asset (net)	9.2	168.26	100.73	102.77
Other non-current assets	10	72.56	88.76	189.15
		2,583.50	**2,674.58**	**2,819.30**
Current assets				
Inventories	11	51.18	48.35	43.88
Financial assets				
- Investments	5.2	387.34	223.86	29.46
- Trade receivables	12	104.93	131.25	86.40
- Bank balances other than cash and cash equivalents	7	32.29	26.20	19.27
- Cash and cash equivalents	13	327.73	25.24	32.62
- Loans	6	0.99	0.80	0.34
- Other current financial assets	8	21.17	12.92	10.71
Current tax assets	9.1	28.62	2.21	16.61
Other current assets	10	13.45	10.90	12.52
		967.70	**481.73**	**251.81**
Total Assets		**3,551.20**	**3,156.31**	**3,071.11**
II. EQUITY AND LIABILITIES				
EQUITY				
Equity share capital	14	378.00	378.00	378.00
Other equity	14.1			
- Capital reserve		107.00	107.00	107.00
- Retained earnings		(234.93)	(516.21)	(449.74)
Equity attributable to equity holders of the parent		**250.07**	**(31.21)**	**35.26**
Non-controlling interest		**52.55**	**44.19**	**40.43**
Total Equity		**302.62**	**12.98**	**75.69**
LIABILITIES				
Non-current liabilities				
Financial Liabilities				
- Borrowings	15	2,411.67	2,482.46	2,431.94
- Other financial liabilities	16	289.01	301.74	288.20
Government grants	17	32.11	12.08	-
Deferred tax liability (net)	9.3	120.32	1.23	1.55
Other non-current liabilities	18	32.13	35.12	37.53
Long Term provisions	20	2.40	1.84	1.42
		2,887.64	**2,834.47**	**2,760.64**
Current liabilities				
Financial Liabilities				
- Borrowings	15.1	21.05	27.66	27.42
- Trade payables	19	110.88	95.59	68.52
- Other financial liabilities	16	185.07	148.17	106.94
Government grants	17	1.13	1.13	-
Other current liabilities	18	18.78	16.38	21.09
Short term provisions	20	10.78	8.24	7.38
Current tax liability (net)	9.4	13.25	11.69	3.43
		360.94	**308.86**	**234.78**
Total Equity and Liabilities		**3,551.20**	**3,156.31**	**3,071.11**
Summary of significant accounting policies	**2.1**			

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

As per our report of even date.

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

per Shankar Srinivasan
Partner
Membership No.: 213271

For Brahmayya & Co.,
ICAI Firm registration
number: 000515S
Chartered Accountants

per G. Srinivas
Partner
Membership No.: 086761

For and on behalf of the Board of Directors of
GMR Hyderabad International Airport Limited

Srinivas Bommidala
Managing Director
DIN: 00061464

RSSLN Bhaskarudu
Director
DIN: 00058527

Anup Kumar Samal
Company Secretary

Rajesh Arora
Chief Financial Officer

Place: Hyderabad
Date: July 19, 2017

Place: New Delhi
Date: July 19, 2017

Place: Hyderabad
Date: July 19, 2017

GMR Hyderabad International Airport Limited
CIN:U62100TG2002PLC040118
Consolidated Statement of Profit and Loss for the year ended March 31, 2017
(All amounts in Rupees Crores, except otherwise stated)

	Notes	For the year ended March 31, 2017	For the year ended March 31, 2016
REVENUE			
Revenue from operations	21	1,366.73	875.46
Other income	22	9.98	8.10
Total revenue		**1,376.71**	**883.56**
EXPENSES			
Concession fee	48	46.20	25.79
Purchase of traded goods		55.89	42.16
Increase in traded goods	23	(6.89)	(2.59)
Employee benefits expense	24	127.22	119.59
Other expenses	25	300.14	265.29
Total expenses		**522.56**	**450.24**
Earnings before interest, tax, depreciation and amortization (EBITDA)		**854.15**	**433.32**
Finance income	26	(98.79)	(24.88)
Finance costs	27	258.87	246.63
Depreciation and amortization expenses	28	247.25	253.28
Profit /(loss) before share of profit in joint ventures and tax		**446.82**	**(41.71)**
Share of profit in joint venture		4.06	2.16
Profit / (loss) before tax		**450.88**	**(39.55)**
Tax expense:	29		
Current tax - Minimum alternate tax		107.16	11.44
Tax of earlier years		(0.03)	0.06
Deferred tax			
Deferred tax expense		152.58	2.18
Minimum alternate tax credit entitlement	43	(101.03)	(0.46)
Total tax expense		**158.68**	**13.22**
Profit /(loss) for the year		**292.20**	**(52.77)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement gains / (losses) on defined benefit plans		(0.42)	0.05
Total comprehensive income for the year, net of tax		**291.78**	**(52.72)**
Profit/(loss) attributable to:			
Equity holders of the parent		283.81	(56.51)
Non controlling interests	30	8.39	3.74
Total comprehensive income attributable to:			
Equity holders of the parent		283.42	(56.48)
Non controlling interests		8.36	3.76
Earnings per equity share:			
Basic and diluted	31	7.51	(1.50)
Summary of significant accounting policies	**2.1**		

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

As per our report of even date.

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

per Shankar Srinivasan
Partner
Membership No.: 213271

Place: Hyderabad
Date: July 19, 2017

For Brahmayya & Co.,
ICAI Firm registration
number: 000515S
Chartered Accountants

per G. Srinivas
Partner
Membership No.: 086761

Place: New Delhi
Date: July 19, 2017

For and on behalf of the Board of Directors of
GMR Hyderabad International Airport Limited

Srinivas Bommidala
Managing Director
DIN: 00061464

RSSLN Bhaskarudu
Director
DIN: 00058527

Anup Kumar Samal
Company Secretary

Rajesh Arora
Chief Financial Officer

Place: Hyderabad
Date: July 19, 2017

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS HYDERABAD

BRAHMAYYA & CO. Chartered Accountants BENGALURU

GMR HYDERABAD INTERNATIONAL AIRPORT LTD. HYDERABAD

GMR Hyderabad International Airport Limited
CIN:U62100TG2002PLC040118
Consolidated Cash flow statements for the year ended March 31, 2017
(All amounts in Rupees Crores, except otherwise stated)

	For the year ended March 31, 2017	For the year ended March 31, 2016
Cash flow from operating activities		
Profit before tax	**450.88**	**(39.55)**
Adjustment to reconcile profit before tax to net cash flows:		
Share of profit in joint venture	(4.06)	(2.16)
Depreciation and amortization expenses	247.25	253.28
Bad debts written off	0.04	-
Inventories written off	0.75	0.48
Amortisation of deferred income	(0.72)	(0.88)
Provision for doubtful advances / debts	-	0.07
Provision for non moving inventories of stores and spares	0.17	-
Transfer of expenses from capital work in progress	-	2.77
Unrealised foreign exchange loss / (gain)	0.09	0.12
Loss / (profit) on sale / discard of property plant and equipment	0.28	(0.09)
Interest on financial assets at amortised cost	(9.94)	(11.31)
Fair value gain on financial instruments at fair value through profit or loss	(50.46)	(3.75)
Gain on sale of financial assets (mutual funds)	(27.39)	(9.19)
Reversal of provision no longer required	(1.48)	(1.71)
Interest on financial liabilities held at amortized cost	256.80	244.05
Income from government grants	(2.08)	(0.48)
Gain on fair valuation of financial assets (mutual funds)	(3.83)	(0.26)
Operating profit before working capital changes	**856.28**	**431.39**
Working capital adjustments:		
Increase in trade payables	15.10	28.66
Decrease in other liabilities	0.13	(6.24)
Increase in other financial liabilities	34.51	34.10
Increase in provisions	3.11	1.27
Increase in government grants	22.11	13.69
Decrease)/(Increase) in trade receivables	26.27	(44.88)
(Increase)/decrease in inventories	(6.99)	(4.95)
Decrease in other assets	17.40	21.34
(Increase) / decreased in other financial assets	(1.63)	(0.03)
(Decrease)/increase in loans	0.03	0.04
Cash generated from operations	**966.32**	**474.39**
Direct taxes paid (net)	(110.06)	(9.97)
Net cash flow from operating activities (A)	**856.26**	**464.42**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets including capital work in progress, capital advances and intangible assets under development	(100.54)	(75.68)
Proceeds from sale of property, plant and equipment and intangible assets	0.39	0.25
Purchase of non-current investments	0.00	(0.00)
Repayment of loans by joint venture	1.51	1.05
Purchase of financial assests (mutual funds)	(3,023.46)	(1,373.69)
Sale of financial assets (mutual funds)	2,891.20	1,188.72
Interest on financial assets at amortised cost	10.24	9.88
(Investment in) / withdrawal from deposits	(6.09)	(6.93)
(Investment in) / withdrawal from margin money deposit	(24.59)	2.81
Net cash flow used in investing activities (B)	**(251.34)**	**(253.59)**
Cash flows from financing activities		
Dividend paid to non- controlling interest	(1.81)	(8.30)
Dividend distribution tax on dividend paid to non-controlling interest	(0.33)	(1.69)
Proceeds from borrowings	175.00	89.99
Repayment of borrowings	(216.71)	(83.11)
(Repayment) of / withdrawal of short-term borrowings	(6.61)	0.24
Interest paid	(251.93)	(215.42)
Net cash flow used in financing activities (C)	**(302.39)**	**(218.29)**

S.R.BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS HYDERABAD

BRAHMAYYA & CO. Chartered Accountants BENGALURU

GMR HYDERABAD INTERNATIONAL AIRPORT LTD. HYDERABAD

GMR Hyderabad International Airport Limited
CIN:U62100TG2002PLC040118
Consolidated Cash flow statements for the year ended March 31, 2017
(All amounts in Rupees Crores, except otherwise stated)

	For the year ended March 31, 2017	For the year ended March 31, 2016
Net increase in cash and cash equivalents (A + B + C)	302.53	(7.46)
Cash and cash equivalents at the beginning of the year	25.24	32.62
Effects of exchange differences on cash & cash equivalents held in foreign currency	(0.04)	0.08
Cash and cash equivalents at the end of the year	**327.73**	**25.24**
Components of cash and cash equivalents		
Cash on hand	0.41	0.29
Cheques, credit card collection and drafts in hand	0.43	0.15
With banks		
- on current account	63.59	13.47
- in exchange earner foreign currency account	5.28	4.38
- on deposit account	258.02	6.95
Total cash and cash equivalents (refer note 13)	**327.73**	**25.24**

Note:

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

As per our report of even date.

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

CHARTERED ACCOUNTANTS S.R. BATLIBOI & ASSOCIATES LLP HYDERABAD

per Shankar Srinivasan
Partner
Membership No.: 213271

Place: Hyderabad
Date: July 19, 2017

For Brahmayya & Co.,
ICAI Firm registration number: 000515S
Chartered Accountants

per G. Srinivas
Partner
Membership No.: 086761

BRAHMAYYA & CO. Chartered Accountants BENGALURU

Place: New Delhi
Date: July 19, 2017

For and on behalf of the Board of Directors of
GMR Hyderabad International Airport Limited

Srinivas Bommidala
Managing Director
DIN: 00061464

RSSLN Bhaskarudu
Director
DIN: 00058527

Anup Kumar Samal
Company Secretary
Place: Hyderabad
Date: July 19, 2017

Rajesh Arora
Chief Financial Officer

GMR HYDERABAD INTERNATIONAL AIRPORT LTD. HYDERABAD

GMR Hyderabad International Airport Limited

CIN:U62100TG2002PLC040118

Consolidated Statement of Changes in equity for the year ended March 31, 2017

(All amounts in Rupees Crores, except otherwise stated)

a. Equity share capital:	No.	Amount
Equity shares of Rs. 10 each issued, subscribed and fully paid		
As at April 1, 2015	378,000,000	378.00
Issue of shares	-	-
As at March 31, 2016	378,000,000	378.00
Issue of shares	-	-
As at March 31, 2017	378,000,000	378.00

b. Other Equity	March 31, 2017	March 31, 2016
(i) Capital reserve	107.00	107.00
(ii) Retained earnings attributable to equity holders of the parent		
Opening balance	(516.21)	(449.74)
Profit/(loss) for the year	283.81	(56.51)
Less: Dividend paid to non controlling interest including dividend distribution tax	(2.14)	(9.99)
Items recognised directly in other comprehensive income		
Remeasurement of defined benefit plan	(0.39)	0.03
	(234.93)	(516.21)
(iii) Non controlling interests		
Opening balance	44.19	40.43
Profit/(loss) for the year	8.39	3.74
Items recognised directly in other comprehensive income		
Remeasurement of defined benefit plan	(0.03)	0.02
	52.55	44.19
Total other equity (including non controlling interests)	(75.38)	(365.02)

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

As per our report of even date.

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

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS HYDERABAD

per Shankar Srinivasan
Partner
Membership No.: 213271

Place: Hyderabad
Date: July 19, 2017

For Brahmayya & Co.,
ICAI Firm registration number: 000515S
Chartered Accountants

per G. Srinivas
Partner
Membership No.: 086761

BRAHMAYYA & CO. Chartered Accountants BENGALURU

Place: New Delhi
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For and on behalf of the Board of Directors of
GMR Hyderabad International Airport Limited

Srinivas Bommidala
Managing Director
DIN: 00061464

RSSLN Bhaskarudu
Director
DIN: 00058527

Anup Kumar Samal
Company Secretary
Place: Hyderabad
Date: July 19, 2017

Rajesh Arora
Chief Financial Officer

GMR HYDERABAD INTERNATIONAL AIRPORT LTD. HYDERABAD

GMR Hyderabad International Airport Limited
Notes to the Consolidated Ind AS Financial Statements for the year ended March 31, 2017
(All amounts in Rupees Crores, except otherwise stated)

1. Corporate information

The Consolidated Ind AS Financial Statements comprise financial statement of GMR Hyderabad International Airport Limited ('GHIAL' or 'the Company') and its subsidiaries (hereinafter collectively referred to as 'the Group') for the year ended March 31, 2017. 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 service such as cargo handling, development of airport city and SEZ area near airport, trading of goods in duty free area of airport, security services and hospitality services, maintenance, repair and overhaul facility (MRO) of aircraft at near and around the airport etc.

The Consolidated Ind AS Financial Statements are authorized for issue in accordance with a resolution of the directors passed in the Board meeting held on July 19, 2017.

2. Significant accounting policies

2.1 Basis of preparation

The Consolidated Ind AS Financial Statements of the Group have been prepared in accordance with Indian Accounting Standards ('Ind AS') notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended.

For all periods up to and including the year ended March 31, 2016, the Group prepared its financial statements in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These Consolidated Ind AS Financial Statements for the year ended March 31, 2017 are the first Consolidated Ind AS Financial Statements, the Group has prepared in accordance with Ind AS. Refer to note 55 for information on how the Group adopted Ind AS.

The Consolidated Ind AS Financial Statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amount:

- Derivative financial instruments
- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments)

The Consolidated Ind AS Financial Statements are presented in INR and all values are rounded to the nearest crore, except when otherwise indicated.

2.2 Basis of Consolidation

The consolidated financial statements comprise the standalone financial statements of the Company and its subsidiaries as at March 31, 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

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Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- The size of the group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Ind AS Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated Ind AS Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than those adopted in the Consolidated Ind AS Financial Statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the Consolidated Ind AS Financial Statements to ensure conformity with the group's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on March 31. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of GHIAL to enable GHIAL to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

Consolidation procedure:

a. Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognized in the Consolidated Ind AS Financial Statements at the acquisition date.
b. Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.
c. Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognized in assets, such as inventory and Property, plant and equipment, are eliminated in full). Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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GMR Hyderabad International Airport Limited
Notes to the Consolidated Ind AS Financial Statements for the year ended March 31, 2017
(All amounts in Rupees Crores, except otherwise stated)

Group Information:

Information about subsidiaries

Name	Principal activities	Place and Country of operation	% equity interest		
			March 31, 2017	March 31, 2016	April 1, 2015
Hyderabad Menzies Air Cargo Private Limited (HMACPL)	Cargo handling operations at airport	Hyderabad, India	51%	51%	51%
Hyderabad Airport Security Services Limited (HASSL)	Operation of airport allied services	Hyderabad, India	100%	100%	100%
GMR Hyderabad Aerotropolis Limited (GHAL)	Development of commercial property	Hyderabad, India	100%	100%	100%
GMR Hyderabad Aviation SEZ Limited (GHASL)	Development of SEZ	Hyderabad, India	100%	100%	100%
Hyderabad Duty Free Retail Limited (HDFRL)*	Operation of duty free outlets at airport	Hyderabad, India	100%	100%	100%
GMR Hyderabad Airport Power Distribution Limited (GHAPDL)	Development of power distribution facility	Hyderabad, India	100%	100%	100%
GMR Hotels and Resorts Limited (GHRL)	Operation of business hotel	Hyderabad, India	100%	100%	100%
GMR Aerospace Engineering Limited (GAEL)	Development of facilities for maintenance, repair and overhaul (MRO) of aircrafts	Hyderabad, India	100%	100%	100%
GMR Aero Technic Limited (GATL)	Operation of MRO	Hyderabad, India	100%	100%	100%
GMR Hyderabad Airport Resource Management Limited	Operation of airport allied services	Hyderabad, India	@	100%	100%
GMR Hyderabad Multiproduct SEZ Limited	Development of SEZ	Hyderabad, India	#	100%	100%
GMR Airport Handling Services Company Limited	Ground handling services	Hyderabad, India	#	100%	100%

* Hyderabad Duty Free Retail has been merged with GMR Hotels and Resorts Limited with appointed date as April 1, 2016 effective from April 27, 2017.
@ During the year, entire equity share capital of GMR Hyderabad Airport Resource Management Limited has been sold to GMR Infrastructure Limited for a nominal value of Re. 1 and loss on the sale of the equity has been accounted for Rs. 0.05 Crore.
# As at March 31, 2017, the subsidiary companies GMR Hyderabad Muliproduct SEZ Limited and GMR Airport Handling Services Company Limited were in the process of striking off from the register of Companies and subsequent to the year end, the names of these subsidiaries have been struck off from the register of Companies.

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(All amounts in Rupees Crores, except otherwise stated)

Information about Joint Ventures

Name	Principal activities	Country of Incorporation	% equity interest		
			March 31, 2017	March 31, 2016	April 1, 2015
Laqshya Hyderabad Airport Media Private Limited (LHAMPL)	Advertisement	India	49%	49%	49%
Asia Pacific Flight Training Academy Limited (APFTAL)	Flight Training	India	40%	39.66%	39.66%

2.3 Statement of significant accounting policies

a. Use of estimates:

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described in Note 36. The Group based its assumptions and estimates on parameters available when the Consolidated 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.

b. Business combinations and goodwill:

In accordance with Ind AS 101 provisions related to first time adoption, the Group has elected to apply Ind AS accounting for business combinations prospectively from 1 April 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward with minimal adjustment (please refer note 54). The same first time adoption exemption is also used for joint ventures.

Business combinations other than common control business combinations are accounted for using the acquisition method. The cost of an acquisition other than in a common control business combination is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. Business combination involving entities under common control are accounted for using the pooling of interests method.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

i. Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.

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ii. Liabilities or equity instruments related to share based payment arrangements of the acquiree or share – based payments arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 Share-based Payments at the acquisition date.

iii. Assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

iv. Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 Financial Instruments, is measured at fair value with changes in fair value recognized in profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is

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measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

c. Investment in joint ventures:

A Joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over the subsidiaries.

The Group's investments in its joint venture are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit and loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

If an entity's share of losses of a joint venture equals or exceeds its interest in the joint venture (which includes any long term interest that, in substance, form part of the Group's net investment in the joint venture), the entity discontinues recognising its share of further losses. If the joint venture subsequently reports profits, the entity resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognized.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit and loss.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

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d. Current versus Non-current classification:

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

i) It is expected to be realised or intended to be sold or consumed in normal operating cycle
ii) It is held primarily for the purpose of trading
iii) It is expected to be realised within twelve months after the reporting period, or
iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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

e. Property, plant and equipment:

On transition to Ind AS, the group has elected to continue with the carrying value of all of its property, plant and equipment as at 31 March 2015, measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment as on 1 April 2015.

Freehold land is carried at historical cost less impairment loss, if any. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Capital work in progress includes cost of property, plant and equipment under installation/under development as at the balance sheet date. Property, plant and equipment under installation or under construction as at balance sheet are shown as capital work-in-progress, and the related advances are shown as loans and advances.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. Further, when each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

On Transition to Ind AS, GHIAL has availed the optional exemption on "Long term Foreign currency Monetary items" and has accordingly continued with the policy to adjust the exchange differences arising on translation/settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset recognized in the financial statements for the year ended 31 March 2016 (as per previous GAAP), to the cost of the property, plant and equipment and depreciates the same over the remaining life.

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(All amounts in Rupees Crores, except otherwise stated)

In accordance with the Ministry of Corporate Affairs ('MCA') circular dated August 09, 2012, exchange differences adjusted to the cost of property, plant and equipment are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the year. In other words, the Company does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange differences.

The Group identifies and determines cost of each component / part of the asset separately, if the component / part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.

All spare parts, stand-by and servicing equipment qualify as plant, property and equipment (PPE) if they meet the definition of PPE i.e. if the Group intends to use these during more than a period of 12 months. The spare parts capitalized in this manner are depreciated as per useful life period, not exceeding a period of five years based on management estimate supported by technical evaluation.

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

f. Depreciation:

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, which coincides with the lives prescribed under Schedule II of the Companies Act, 2013 and certain items of building, plant and equipment, the Group, based on technical assessment made by technical expert and management estimate, believes that the useful lives of such assets are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

The Group has used the following useful lives to provide depreciation on its Property, plant and equipment:

Particulars	Useful lives estimated by the management (years)
Improvements to leasehold land	15-30
Buildings on lease hold land*	10-30
Other Buildings	30-60
Runways and taxiways	30
Roads- Other than RCC**	10
Electrical installations**	10-15
Plant and machinery	15
Office Equipment	5
Computer equipment and IT systems	3-6
Furniture and fixtures	8-10
Vehicles	8-10

Depreciation on adjustments to the historical cost of the assets on account of foreign exchange fluctuations is provided prospectively over the residual useful life of the asset.

* The useful lives of modifications to buildings on leasehold land are estimated as 10 years.

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**The useful lives of internal roads – other than RCC and certain electrical installations (transformers) are estimated as 10 years and 15 years respectively. These lives are longer than those indicated in schedule II.

Leasehold Improvements and buildings on leasehold land are amortized over shorter of estimated useful lives or lease period.

On June 12, 2014, the Airport Economic Regulatory Authority ("the Authority") has 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, interalia, 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. The Authority has initiated the process to enable it to issue a notification as appropriate, pursuant to the provisions of Part B of Schedule II of the Companies Act, 2013 for this purpose. Pending issuance of final notification by AERA of the useful lives of airport specific assets i.e. Runways, Taxiways and Apron, GHIAL, in the absence of any specific mention of useful lives of these assets in Schedule II to the Companies Act, 2013, has continued to depreciate these assets over their estimated useful lives as determined by the Management based on a technical evaluation. The impact, if any, based on the useful lives as may be notified by the Authority will be considered as per the order of the Authority.

GHIAL has assessed the components except in case of Runways and Taxiways which is pending issuance of final notification by Airport Economic Regulatory Authority (AERA).

In case of GAEL, Buildings on leasehold land are amortized on a straight line basis over the period of lease i.e., 27 years.

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

g. Intangible assets:

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

Goodwill arising on consolidation is not amortized but tested for impairment.

Service concession arrangements:

HMACPL 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 a public-to-private service concession arrangement for its entire useful life.

Under Appendix A to Ind AS 11 – Service Concession Arrangements, these arrangements are accounted for based on the nature of the consideration. The intangible asset model is used to the extent that HMACPL receives a right (i.e. a concessionaire) to charge users of the public service. The financial model is used when HMACPL has an unconditional contractual right to receive cash or other financial assets from or at the direction of the grantor for the construction service. When the unconditional right to receive cash covers only part of the service, the two models are combined to account separately for each component. If HMACPL performs more than one service (i.e. construction, upgrade services and operation services) under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the service delivered, when the amount are separately identifiable.

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The concession arrangement is a service concession arrangement under appendix A to Ind AS 11. Through the concession agreement, GHIAL has granted further concession to HMACPL along with sub-leasing of the part of cargo infrastructure facility to HMACPL and since it has a right to charge the users for the services and therefore, the same has been classified under Intangible assets model.

The intangible asset is amortized over the shorter of the estimated period of future economic benefits which the intangible assets are expected to generate or the concession period, from the date they are available for use.

An asset carried under concession arrangements is derecognized on disposal or when no future economic benefits are expected from its future use or disposal.

h. Amortization of intangible assets

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each year. Cost relating to software licenses, which are acquired, are capitalized and amortized on a straight – line basis over their useful life not exceeding six years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss.

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

Amortization of Intangible assets under service concession arrangements:

The intangible asset created as per service concession arrangement are amortized using the straight line method based on the remaining useful life of the related assets which ranges from 3 to 15 years or the concession period i.e. 15 years, whichever is lower.

i. Impairment of non-financial assets:

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units' (CGUs) fair value less cost to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre – tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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

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recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

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

j. Investment Property:

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

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

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

k. Inventories

Stores and spares and traded goods are valued at lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all applicable costs incurred in bringing goods to their present location and condition. However, stores and spares items held for use in providing the service are not written down below cost if the services are expected to be provided at or above cost.

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

l. Borrowing cost:

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

m. Leases:

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

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

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(a) Group as a lessee :

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

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term unless either:

i) another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or

ii) the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

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

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

(b) Group as a lessor :

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

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

n. Provisions, Contingent Liabilities and commitments

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

Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will not be required to settle the obligation
- A present obligation arising from past events, when it cannot be measured reliably.
- A possible obligation arising from past events, unless the probability of outflow of resources is remote

The Group does not recognize a contingent liability but discloses its existence in the financial statements.

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

o. Retirement and other employee benefits:

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

Retirement benefit in the form of Superannuation Fund and Employee State Insurance are defined contribution schemes, and the Group recognizes contribution payable to these schemes as an expense, when an employee renders the related service. The Group has no obligation, other than the contribution payable to the funds.

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

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

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

i) The date of the plan amendment or curtailment, and
ii) The date that the Group recognises related restructuring costs

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

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

Short term employee benefits

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

The group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.
However, the Group presents the entire provision towards accumulated leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

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p. Financial Instrument

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

A. Financial assets

i. Initial recognition and measurement:

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

ii. Subsequent measurement:

For purposes of subsequent measurement, financial assets are classified in four categories:
- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortized cost:

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

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the Group. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the profit or loss. This category generally applies to trade and other receivables.

Debt instrument at FVTOCI:

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

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

b) The asset's contractual cash flows represent SPPI.

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

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loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL:

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

iii. Derecognition:

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the balance sheet) when:
a. The rights to receive cash flows from the asset have expired, or
b. The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

iv. Impairment of financial assets:

In accordance with Ind AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:
a. Financial assets that are debt instruments, and are measured at amortized cost e.g., loans, debt securities, deposits, trade receivables and bank balance
b. Financial assets that are debt instruments and are measured as at FVTOCI
c. Lease receivables under Ind AS 17
d. Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18
e. Loan commitments which are not measured as at FVTPL
f. Financial guarantee contracts which are not measured as at FVTPL

The Group follows 'simplified approach' for recognition of impairment loss allowance on;
a. Trade receivables or contract revenue receivables; and
b. All lease receivables resulting from transactions within the scope of Ind AS 17

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

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

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

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

a. All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument

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

As a practical expedient, the Group evaluates individual balances to determine impairment loss allowance on its trade receivables. The evaluation is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

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

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

v. Equity Investments:

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognized by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent

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changes in the fair value. The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to statement of profit and loss, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

B. Financial liabilities

i. Initial recognition and measurement:

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, loans and borrowings including cash credit, financial guarantee contracts and derivative financial instruments.

ii. Subsequent measurement:

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

Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied.

For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the statement of profit or loss. The Group has not designated any financial liability as at fair value through profit and loss.

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iii. Loans and borrowings:

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

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

iv. Financial guarantee contracts:

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognized less cumulative amortization.

v. Derecognition:

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

C. Reclassification of financial assets:

The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Group's senior management determines change in the business model as a result of external or internal changes which are significant to the Group's operations. Such changes are evident to external parties. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest."

D. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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E. **Derivative financial instruments**

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

q. **Cash and cash equivalents:**

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

r. **Cash dividend to equity holders of the parent**

The Group recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Companies Act, 2013, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

s. **Foreign currency Transactions**

The Group's Consolidated Ind AS Financial Statements are presented in INR, which is also the functional currency of GHIAL. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the Group uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of the following:

GHIAL treats foreign currency monetary item as "long-term foreign currency monetary item", if it has a term of 12 months or more at the date of its origination. In accordance with MCA circular dated August 09, 2012, exchange differences for this purpose, are total differences arising on long-term foreign currency monetary items for the period. In other words, the Group does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference. Exchange difference arising on long term foreign currency monetary items related to acquisition of a Property, plant and equipment are capitalized and depreciated over the remaining useful life of the asset.

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

t. Fair Value Measurement

The group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

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

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

The principal or the most advantageous market must be accessible by the group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The Management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value, and for non-recurring measurement, such as assets held for distribution in discontinued operations.

External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the group's accounting policies. For this

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GMR HYDERABAD INTERNATIONAL AIRPORT LTD. HYDERABAD * analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Management, in conjunction with the group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

a) Disclosures for valuation methods, significant estimates and assumptions (note 36 B)
b) Quantitative disclosures of fair value measurement hierarchy (note 38)
c) Financial instruments (including those carried at amortized cost) (note 37)

u. Revenue recognition:

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

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

1) Income from service:

i. Revenue from Airport Operations i.e. Aeronautical and Non-Aeronautical Operations are recognized on an accrual basis, net of service tax and applicable discounts, when services are rendered and it is possible that an economic benefit will be received which can be quantified reliably. Revenue from Aeronautical operations includes landing and parking charges of aircraft, operation and maintenance of passenger boarding and other allied services. Revenue from Non-aeronautical operations include granting rights to use land and space primarily for catering to the needs of passengers, air traffic services and air transport services.

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

ii. In case of cargo handling revenue, revenue from outbound cargo is recognized at the time of acceptance of cargo with respect to non-airline customers and at the time of departure of aircraft with respect to airline customers and revenue from inbound cargo is recognized at the time of arrival of aircraft in case of airline customers and at the point of delivery of cargo in case of non-airline customers.

iii. Income from the concession arrangements earned under the intangible asset model consists of:

(a) fair value of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset; and

(b) payments actually received from the users.

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iv. Revenue from commercial property development rights granted to concessionaires is recognized on accrual basis, as per the terms of the agreement entered into with the customers.

v. Revenue earned in excess of billings has been included under 'other assets' as unbilled revenue and billings in excess of revenue has been disclosed under 'other liabilities' as unearned revenue.

vi. Revenue from hotel operations comprises of income by way of hotel room rent, sale of food, beverages and allied services relating to the hotel and is recognized net of taxes and discounts as and when the services are provided and products are sold.

vii. Income from management / technical services is recognized as per the terms of the agreement on the basis of services rendered.

2) Sale of Goods:

i. Revenue from sale of goods at the duty free outlets operated by the Group is recognized at the time of delivery of goods to customers which coincides with transfer of risks and rewards to its customers. Sales are stated net of returns and discounts.

3) Revenues and cost of improvements to concession assets

In conformity with appendix A of Ind AS 11, HMACPL recognizes revenues and the associated costs of improvements to concession assets which it is obligated to perform at the airports as established by the concession agreement. Revenues represent the value of the exchange between HMACPL and the government with respect to the improvements, given that HAMCPL constructs or provides improvements to the airports as obligated under the concession agreement and in exchange, the government grants HMACPL the right to obtain benefits for services provided using those assets. HMACPL has determined that its obligations per the concession agreement should be considered to be a revenue earning activity as all expenditures incurred to fulfill the concession agreement are included in the maximum tariff it charges its customers and therefore it recognizes the revenue and expense in profit and loss when the expenditures are performed.

The cost for such additions and improvements to concession assets is based on actual costs incurred by HMACPL in the execution of the additions or improvements, considering the requirements in the concession agreement. The amount of revenues for these services is equal to the amount of costs incurred, as HMACPL do not obtain any profit margin for these construction services. The amounts paid are set at market value.

4) Interest income:

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

ii. Interest for delayed payments from customers is accounted only when it is unconditionally accepted by the customers.

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5) Dividend Income

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

v. Government Grants

GHIAL has deferred payment arrangement on the concession fee payable to Ministry of Civil Aviation (MoCA) without interest. The effect of this assistance is treated as a government grant.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

w. Taxes :

1) Current income tax

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

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

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Current and deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2) Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii. In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, when the timing of the reversal of the temporary differences can be

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controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

i. When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The Entities (GHIAL, GATL and HMACPL) are entitled to claim tax holiday for any 10 consecutive years out of 15 years, from the year of commencement of commercial operations in 2007-08, under Section 80-IA of the Income Tax Act, 1961, with regard to income from airport operations. Accordingly, deferred tax on items reversing within the tax holiday period is not considered.

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

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The Group recognizes deferred tax asset for MAT credit available only to the extent that it is probable that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Group recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown a deferred tax asset. The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is probable that it will pay normal tax during the specified period.

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

i. When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable

ii. When receivables and payables are stated with the amount of tax included

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

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x. Segment Reporting Policies

Identification of Segments:

Based on the "management approach" as defined in Ind AS 108 – Operating Segments, the Chief Operating Decision Maker ('CODM') has carried out evaluation of the Group's performance at an overall group level as one reportable operating segment i.e. 'Airport and allied services '.

Segment accounting policies:

The Group prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the Consolidated Ind AS Financial Statements of the Group as a whole.

y. Earnings per share:

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, if any.

z. Corporate Social Responsibility (CSR) expenditure:

The Group has charged its CSR expenditure during the year to the statement of profit and loss.

aa. Measurement of EBIDTA

The Group has elected to present earnings before interest, tax, depreciation and amortization (EBIDTA) as a separate line item on the face of the statement of profit and loss. The Group measures EBIDTA on the basis of profit / (loss) from continuing operations. In its measurement, the Group does not include finance income, depreciation and amortization expenses, finance cost and tax expense.

3 Property plant and equipment

	Leasehold Improvements	Buildings on Leasehold Land	Plant & machinery	Runways	Roads	Furniture & fixtures	Office equipment	Computers	Electrical Installations	Vehicles	Free hold land	Buildings on freehold land	Total
Deemed Cost													
As at April 01, 2015	125.76	1,131.66	442.56	339.86	96.67	38.60	2.52	7.87	152.63	2.98	-	-	2,341.11
Additions	0.18	19.76	26.65	-	2.42	1.77	0.41	5.15	9.04	0.19	16.13	62.31	144.01
Disposals	-	(0.92)	(0.07)	(0.00)	-	(0.30)	-	(0.02)	(0.00)	(0.74)	-	-	(2.05)
Adjustments	-	13.37	6.66	5.27	1.71	0.62	0.37	1.93	2.78	-	-	-	32.71
As at March 31, 2016	**125.94**	**1,163.86**	**475.80**	**345.13**	**100.80**	**40.69**	**3.30**	**14.93**	**164.45**	**2.43**	**16.13**	**62.31**	**2,515.78**
Additions	-	12.92	23.77	-	-	4.37	1.44	7.16	3.80	0.61	-	-	54.07
Adjustments	-	(3.14)	(1.61)	(1.22)	(0.40)	(0.15)	(0.09)	(0.46)	(0.67)	-	-	(0.17)	(7.91)
Disposals	-	-	(1.01)	-	-	-	(0.45)	(0.39)	(0.57)	-	-	-	(2.42)
As at March 31, 2017	**125.94**	**1,173.64**	**496.95**	**343.91**	**100.40**	**44.91**	**4.20**	**21.24**	**167.01**	**3.04**	**16.13**	**62.14**	**2,559.51**
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
As at April 01, 2015	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	5.87	54.26	65.52	14.90	32.32	13.16	2.05	6.37	45.62	1.69	-	1.11	242.86
Disposals	-	-	-	-	-	(0.13)	-	(0.00)	-	(0.68)	-	-	(0.81)
As at March 31, 2016	**5.87**	**54.26**	**65.52**	**14.90**	**32.32**	**13.03**	**2.05**	**6.37**	**45.62**	**1.01**	**-**	**1.11**	**242.05**
Charge for the year	5.96	53.93	62.01	15.07	33.02	14.27	0.99	3.87	48.79	0.81	-	1.40	240.12
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(0.69)	-	-	-	(0.45)	(0.39)	(0.21)	-	-	-	(1.74)
As at March 31, 2017	**11.83**	**108.19**	**126.84**	**29.97**	**65.34**	**27.30**	**2.59**	**9.85**	**94.18**	**1.83**	**-**	**2.51**	**480.43**
Net block	-	-	-	-	-	-	-	-	-	-	-	-	-
As at March 31, 2017	**114.11**	**1,065.45**	**370.11**	**313.94**	**35.06**	**17.61**	**1.61**	**11.39**	**72.83**	**1.21**	**16.13**	**59.63**	**2,079.08**
As at March 31, 2016	**120.07**	**1,109.60**	**410.28**	**330.23**	**68.48**	**27.66**	**1.24**	**8.56**	**118.83**	**1.42**	**16.13**	**61.20**	**2,273.73**
As at March 31, 2015	**125.76**	**1,131.66**	**442.56**	**339.86**	**96.67**	**38.60**	**2.52**	**7.87**	**152.63**	**2.98**	**-**	**-**	**2,341.12**

Notes:

1. Disposals include reversal of outstanding liabilities of the Group amounting to Rs. Nil (March 31,2016: Rs.1.09 crore, March 31, 2015: Rs. 0.95 crores) which are no longer payable now. The reversal for depreciation thereon amounting to Rs. Nil (March 31, 2016: Rs. 0.17 crore, March 31, 2015: 5.63) has been included under depreciation charge of the year.

2.Disposals include fixed assets written off which have been identified as unusable based on physical verification carried out by the Group during the year having a gross book value of Rs. Nil (March 31, 2016: Rs 0.73 crore, March 31, 2015 Rs 0.22 crore) and written down value of Rs. Nil (March 31, 2016 Rs. 0.13 crore, March 31, 2015 Rs. 0.005 crore).

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

	Leasehold Improvements	Buildings on Leasehold Land	Plant & machinery	Runways	Roads	Furniture & fixtures	Office equipment	Computers	Electrical Installations	Vehicles	Total PPE
As at April 1, 2015											
Gross Block	147.17	1,392.29	660.07	435.36	140.97	66.80	34.31	161.40	253.93	10.26	3,302.56
Accumulated depreciation	21.41	260.63	217.51	95.50	44.30	28.20	31.78	153.53	101.30	7.28	961.44
Net Block	**125.76**	**1,131.66**	**442.56**	**339.86**	**96.67**	**38.60**	**2.53**	**7.87**	**152.63**	**2.98**	**2,341.12**

3.1

	31-Mar-17	31-Mar-16	1-Apr-15
Capital Work in progress	115.83	69.23	55.26

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4. Intangible Asset

	Goodwill*	Computer software	Technical Knowhow	Right to Operate - Cargo facility	Total
Deemed Cost					
As at April 1, 2015	36.27	3.98	8.98	13.57	62.80
Additions	-	0.10	-	2.04	2.14
Disposals	-	-	-	(0.45)	(0.45)
As at March 31, 2016	36.27	4.08	8.98	15.16	64.49
Additions	-	2.08	-	3.86	5.94
Disposals	-	-	-	(0.09)	(0.09)
As at March 31, 2017	36.27	6.16	8.98	18.93	70.34
Amortization					
As at April 1, 2015	-	-	-	-	-
Charge for the year	-	2.17	6.12	2.13	10.42
Disposals	-	-	-	(0.44)	(0.44)
As at March 31, 2016	-	2.17	6.12	1.69	9.98
Charge for the year	-	1.56	2.86	2.71	7.13
Disposals	-	-	-	(0.09)	(0.09)
As at March 31, 2017	-	3.73	8.98	4.31	17.02
Net block					
As at March 31, 2017	36.27	2.43	-	14.62	53.32
As at March 31, 2016	36.27	1.91	2.86	13.47	54.51
Deemed cost as at April 1, 2015	36.27	3.98	8.98	13.57	62.80

*Refer note 54 on impairment testing of goodwill.

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

	Computer software	Technical knowhow
As at April 1, 2015		
Gross block	27.49	31.35
Accumulated amortization	23.51	22.37
Net book value as per previous GAAP Value	3.98	8.98
Deemed cost as at April 1, 2015	3.98	8.98

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(All amounts in Rupees Crores, except otherwise stated)

5.1 **Investment in joint ventures**

	Non-current			Current		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Investments as per equity method Unquoted equity shares (Refer note no. 53)						
Asia Pacific Flight Training Academy Limited 3,556,969 (March 31, 2016: 3,526,969, April 1, 2015: 3,526,969) Equity shares of Rs.10 each fully paid up	-	-	-	-	-	-
Laqshya Hyderabad Airport Media Private Limited 9,800,000 (March 31, 2016: 9,800,000, April 1, 2015: 9,800,000) Equity shares of Rs. 10 each fully paid-up	1.40	-	-	-	-	-
Investment in Laqshya Hyderabad Airport Media Private Limited arising on account of fair valuation of loan given below market rate	5.59	2.93	0.76	-	-	-
Total investments	6.99	2.93	0.76	-	-	-
Aggregate value of investment in joint ventures	6.99	2.93	0.76	-	-	

5.2 **Financial Assets - Investments**

	Current		
	March 31, 2017	March 31, 2016	April 1, 2015
Investments at Amortised Cost			
Unquoted Commercial Paper Srei Infrastructure Finance Ltd.	48.81	-	-
Investment at FVTPL in Mutual Funds (Quoted)			
Birla Sunlife Cash Plus Institutional Premium - Growth 1,332,827.587 (March 31, 2016: 1,866,181.775, April 1, 2015: 409,639.140) of face value of Rs. 100 each	41.78	47.70	9.13
IDBI Liquid Fund - Regular plan Growth 288,649.338 units (March 31, 2016: Nil, April 1, 2015: Nil) of face value of Rs. 1,000 each	50.05	-	-
Birla Sun Life Savings Fund Instl. - Growth 819,910.577 units (March 31, 2016: Nil, April 1, 2015: Nil) of face value of Rs. 100 each	26.13	-	-
Birla Sun Life Short Term fund-Regular Growth. 16,319,922.709 units (March 31, 2016: Nil, April 1, 2015: Nil) of face value of Rs. 10 each	101.63	-	-
Birla sunlife cash plus- growth regular plan 508540.965 units (March 31, 2016: 123,417.621, April 1, 2015: 626,358.331) of face value of Rs. 100 each	12.98	12.17	14.83
DHFL Pramerica Liquid Fund - Growth Option 1,948,073.558 units (March 31, 2016: Nil, April 1, 2015: Nil) of face value of Rs. 1000 each	41.05	-	-
Sundaram Money Fund Regular Growth Nil units (March 31, 2016: 4,711,319.747, April 1, 2015: Nil) of face value of Rs. 10 each	-	15.01	-
Axis Liquid Institutional - Growth Option 50,229.814 units (March 31, 2016: 138,293.031 , April 1, 2015: Nil) of face value of Rs. 1000 each	9.04	23.16	-
ICICI Prudential Liquid Regular Plan - Growth 1,212,561.322 units (March 31, 2016: 2,853,371.605, April 1, 2015: Nil) of face value of Rs. 100 each	29.13	63.81	-
Kotak liquid fund Institutional premium - Growth 52,616.2266 units (March 31, 2016: 55,500.1008, April 1, 2015: Nil) of face value of Rs. 1000 each	17.31	17.01	-
SBI Premier Liquid Fund Regular Plan - Growth Nil units (March 31, 2016:189,701.99, April 1, 2015: 22,788.5980) of face value of Rs. 1000 each	-	45.00	5.50
IDFC Cash Fund- Growth-Regular Plan 47830.704 units (March 31, 2016: Nil, April 1, 2015: Nil) of face value of Rs. 1,000 each	9.43	-	-
Total investments in financial assets	387.34	223.86	29.46
Aggregate value of investments in financial assets	387.34	223.86	29.46

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(All amounts in Rupees Crores, except otherwise stated)

6 **Loans**

	Non-current			Current		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Loan to employees	-	-	0.03	0.00	0.04	0.05
Loans to joint venture (refer details below)	4.76	5.76	6.51	0.99	0.76	0.29
	4.76	**5.76**	**6.54**	**0.99**	**0.80**	**0.34**

Break up of Loans to Joint venture						
Laqshya Hyderabad Airport Media Private Limited	4.76	5.76	6.51	0.99	0.76	0.29
	4.76	**5.76**	**6.51**	**0.99**	**0.76**	**0.29**

7 **Bank balances other than cash and cash equivalents**

	Non-current			Current		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Non- current bank balances	5.00	-	-	-	-	-
Margin money deposits with more than 12 months maturity*	24.10	4.51	7.31	-	-	-
Deposits with original maturity of more than three months but less than 12 months	-	-	-	32.29	26.20	3.99
Deposits with original maturity of more than 12 months				-	-	15.28
	29.10	**4.51**	**7.31**	**32.29**	**26.20**	**19.27**

*Margin money deposits represent security held by bank including bank guarantees issued by the bankers on behalf of the Group.

8 **Other financial assets**

	Non-current			Current		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Unsecured, considered good						
Security deposits	10.12	8.40	9.14	0.34	0.41	0.16
Less: Provision for doubtful deposit	(0.31)	(0.31)	(0.31)	-	-	-
	9.81	**8.09**	**8.83**	**0.34**	**0.41**	**0.16**
Non trade receivables	-	-	-	7.14	7.23	5.19
Derivative not designated as hedge (Interest rate swap)*	-	-	-	8.64	-	-
Grant receivable from authorities	-	-	-	0.04	0.04	0.04
Unbilled revenue	-	-	-	1.44	1.31	4.50
Interest accrued on others	-	-	-	0.43	-	-
Interest accrued on fixed deposits	-	-	-	1.46	2.19	0.75
Other financial assets				1.68	1.75	0.07
	9.81	**8.09**	**8.83**	**21.17**	**12.92**	**10.71**

* In case of GAEL, Interest Rate Swap (IRS) arrangement to obtain Loan Equivalent Risk (LER) facility for the cross currency arrangement for its term loan. The effective weighted average interest rate is 5.215% p.a (2016: 5.215% p.a.). The increase in fair value of the interest rate swap has been recognised in finance income.

9.1 **Tax asset**

	Non current			Current		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Advance income tax (net of provision for current tax)	43.79	65.70	44.57	28.62	2.21	16.61
	43.79	**65.70**	**44.57**	**28.62**	**2.21**	**16.61**

9.2 **Deferred tax asset**

	March 31, 2017	March 31, 2016	April 1, 2015
Deferred tax liability			
Fixed assets:			
Impact of difference between tax depreciation and depreciation / amortisation charged for the financial reporting	-	183.25	184.95
Gross deferred tax liability	**-**	**183.25**	**184.95**
Deferred tax asset			
On account of Unabsorbed depreciation	-	188.91	194.21
On account of remeasurement of defined benefit plans	-	27.84	0.44
On account of provision for doubtful trade, advances and diminution in value of investment	-	-	26.29
Gross deferred tax asset	**-**	**216.75**	**220.94**
Deferred tax asset (net)	-	33.50	35.99
MAT credit entitlement	168.26	67.23	66.78
Deferred tax asset (net)	**168.26**	**100.73**	**102.77**

9.3 **Deferred tax liability**

	March 31, 2017	March 31, 2016	April 1, 2015
Fixed assets:			
Impact of difference between tax depreciation and depreciation / amortisation charged for the financial reporting	154.34	5.13	4.84
Gross deferred tax liability	**154.34**	**5.13**	**4.84**
Deferred tax asset			
On account of unabsorbed depreciation	33.30	3.90	3.29
On account of remeasurement of defined benefit plans	0.72	-	-
Gross deferred tax asset	**34.02**	**3.90**	**3.29**
Deferred tax liability (net)	**120.32**	**1.23**	**1.55**

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9.4 **Tax liability**

	Non current			Current		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Provision for tax (net)	-	-	-	13.25	11.69	3.43
	-	-	-	13.25	11.69	3.43

10 **Other assets**

		Non-current			Current		
		March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Capital advances							
Unsecured, considered good		7.52	3.80	84.47	-	-	-
	(A)	7.52	3.80	84.47	-	-	-
Advances other than capital advances							
Passenger service fee (Security component)		42.26	61.34	80.03	-	-	-
Others		7.86	8.10	8.21	4.32	2.28	3.57
		50.12	69.44	88.24	4.32	2.28	3.57
Less: Provision for doubtful advances		(0.04)	(0.04)	-	-	-	-
	(B)	50.08	69.40	88.24	4.32	2.28	3.57
Prepaid expenses		0.68	1.30	2.07	4.93	4.02	4.31
Balance with statutory / government Authorities (Refer note 35 C)		14.28	14.26	14.37	4.20	4.60	4.64
	(C)	14.96	15.56	16.44	9.13	8.62	8.95
Total (A+B+C)		72.56	88.76	189.15	13.45	10.90	12.52

11 **Inventories**

	Current		
	March 31, 2017	March 31, 2016	April 1 2015
Traded goods(at cost)	16.82	10.22	7.70
Stores and Spares (valued at lower of cost or net realizable value)	34.53	38.13	36.18
Less: Provision for non moving spares	(0.17)	-	-
	51.18	48.35	43.88

12 **Trade receivables**

	Current		
	March 31, 2017	March 31, 2016	April 1, 2015
Secured, considered good			
Others	0.01	0.15	0.17
Unsecured, considered good			
Related parties	3.21	5.41	9.25
Others	101.71	125.69	76.98
Unsecured, considered doubtful			
Others	0.38	0.38	0.34
Less: Allowances for doubtful receivables	(0.38)	(0.38)	(0.34)
	104.93	131.25	86.40

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

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are secured to the extent of security deposits received, are interest bearing and settlement occurs in cash. For the year ended March 31, 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2016: Rs. Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In case of GHIAL and GHASL, trade receivables are interest bearing @18% p.a. and are generally with the credit term of 7 to 15 days and in case of other companies, the revenue is on cash or credit period not beyond 30 days

13 **Cash and cash equivalents**

	Current		
	March 31, 2017	March 31, 2016	April 1 2015
Cash and cash equivalents			
-Cash on hand	0.41	0.29	0.32
-Deposits with original maturity of less than three months	258.02	6.95	20.56
-Balances with Banks			
- in current accounts	63.59	13.47	6.40
- in exchange earner foreign currency account	5.28	4.38	5.21
Cheques, credit card collection and drafts in hand	0.43	0.15	0.13
	327.73	25.24	32.62

i) Cash at banks does not earn interest. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

ii) At March 31, 2017, the Group had available Rs. Nil, March 31, 2016: Rs. 68.01 crores and April 1, 2015 : Rs. 158 crores of undrawn committed borrowing facilities.

iii) During the year, the Group had specified bank notes or other denomination notes as defined in the MCA notification G.S.R. 308(E) dated March 31, 2017. The details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December, 30 2016, denomination wise SBNs and other notes as per the notification is given below:

	SBNs*	Other INR denomination notes	Total
Closing cash in hand as on 08.11.2016	0.64	0.07	0.71
(+) Permitted receipts**	0.43	12.21	12.64
(+) Non Permitted receipts	0.01	-	0.01
(-) Permitted payments	-	2.37	2.37
(-) Amount deposited in Banks	1.08	9.50	10.58
Closing cash in hand as on 30.12.2016	-	0.41	0.41

* For the purposes of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the 8th November, 2016.

**GHIAL has collected Rs. 0.43 Crore in Specified Bank Notes during the period November 9 to December 30, 2016 and disclosed the same as permitted receipts. These permitted receipts represents cash collected towards car parking charges and airport entry passes during the period November 9 to November 13, 2017. Management has considered that the aforesaid collections are permissible as these are towards public utility services which were subsequently waived through a government notification with effect from November 14, 2017. Accordingly, the management has accepted these SBN during the aforesaid period for uninterrupted functioning of the airport facilities.

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(All amounts in Rupees Crores, except otherwise stated)

14 **Equity**

	March 31, 2017	March 31, 2016	April 1, 2015
Authorized shares (No.)			
400,000,000 (March 31, 2016: 400,000,000, April 1, 2015: 400,000,000) equity shares of Rs. 10 each	400.00	400.00	400.00
Issued, subscribed and fully paid-up shares (No.)			
378,000,000 (March 31, 2016: 378,000,000, April 1, 2015: 378,000,000) equity shares of Rs.10 each fully paid up	378.00	378.00	378.00
Issued, subscribed and fully paid-up shares (No.)			
378,000,000 (March 31, 2016: 378,000,000, April 1, 2015: 378,000,000) equity shares of Rs.10 each fully paid up	378.00	378.00	378.00
Total	**378.00**	**378.00**	**378.00**

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

	March 31, 2017		March 31, 2016		April 1, 2015	
Equity Shares	No.	Amount.	No.	Amount.	No.	Amount.
At the beginning of the year	378,000,000	378.00	378,000,000	378.00	378,000,000	378.00
Issued during the year						
Outstanding at the end of the year	378,000,000	378.00	378,000,000	378.00	378,000,000	378.00

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of Rs 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. Further all shareholders will have their representative in the board of directors of the company as per the terms of arrangement.

(c) Shares held by holding/ultimate holding company /holding company and/or their subsidiaries/associates.

	March 31, 2017		March 31, 2016		April 1, 2015	
Name of Shareholder	No.	Amount.	No.	Amount.	No.	Amount.
GMR Airports Limited, holding company	238,139,000	238.14	238,139,000	238.14	238,139,000	238.14
GMR Infrastructure Limited, Ultimate holding company	1,000	0.00	1,000	0.00	1,000	0.00
	238,140,000	238.14	238,140,000	238.14	238,140,000	238.14

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

	March 31, 2017		March 31, 2016		April 1, 2015	
Name of Shareholder	No.	Amount.	No.	Amount.	No.	Amount.
Equity shares of Rs. 10 each fully paid						
GMR Airports Limited, holding company	238,139,000	63%	238,139,000	63%	238,139,000	63%
Airports Authority of India	49,140,000	13%	49,140,000	13%	49,140,000	13%
Government of Telangana	49,140,000	13%	49,140,000	13%	49,140,000	13%
MAHB (Mauritius) Private Limited	41,573,540	11%	41,573,540	11%	41,573,540	11%

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

(e) No Shares have been issued by the Company for consideration other than cash, during the period of five years immediately preceding the reporting date.

(f) Shares reserved for issue under options

There are no shares reserved for issue under options and contract/commitments for the sale of shares/disinvestment.

14.1 **Other equity**

	March 31, 2017	March 31, 2016	April 1, 2015
Capital reserve	107.00	107.00	107.00
	107.00	**107.00**	**107.00**
Retained earnings			
Opening Balance	(516.21)	(449.74)	(449.74)
Add: Profit/(loss) for the year	283.81	(56.51)	-
Less: Dividend paid to non controlling interest including dividend distribution tax	(2.14)	(9.99)	-
Items recognised directly in Other Comprehensive Income			
Remeasurement of post-employment benefits obligations	(0.39)	0.03	-
Total Retained Earnings	**(234.93)**	**(516.21)**	**(449.74)**
	(127.93)	**(409.21)**	**(342.74)**

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

(All amounts in Rupees Crores, except otherwise stated)

15 Financial liabilities - Borrowings	Non Current			Current		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Term loan (secured)						
From Others						
Indian rupee term loans	120.82	420.35	424.52	1.88	4.21	-
From Banks						
Indian rupee term loans	1,554.28	1,258.22	1,174.19	59.89	35.34	23.88
Term loan in foreign currency (secured)						
Foreign currency loan from banks	421.15	488.42	517.72	58.71	59.76	56.44
Loan from Government of Telangana (Unsecured)	315.05	315.05	315.05	-	-	-
Inter corporate deposit	0.37	0.42	0.46	0.05	0.05	0.13
	2,411.67	2,482.46	2,431.94	120.53	99.36	80.45
Amount disclosed under the head "other current financial liabilities" (Refer note 16)	-	-	-	(120.53)	(99.36)	(80.45)
Net Amount	2,411.67	2,482.46	2,431.94	-	-	-

i. In case of GHIAL, Indian rupee term loans from banks (secured) carry interest at base rate plus agreed spread, which is subject to reset at the end of agreed interval. The interest rate during the year ranges from 10.20% to 10.70% p.a (2016: 10.80% to 11.25% p.a, April 1, 2015: 11.25% p.a.). During the current year, the Indian rupee term loans from banks (secured) were partially refinanced in October, 2016 without any change in the repayment schedule. The loan is now repayable in 51 quarterly installments beginning from October 31, 2016.

ii. Foreign currency loan (secured) from a bank carries interest @ LIBOR plus agreed spread. The GHIAL had entered into an Interest Rate Swap (IRS) arrangement to convert floating rate of interest into fixed rate of interest, as per the terms of the loan agreement. The effective weighted average interest rate is 8.295% p.a (2016: 8.295% p.a., April 1, 2015: 8.295% p.a.). The loan is repayable in 56 quarterly installments beginning from July 01, 2010.

iii. In case of GHIAL, Indian rupee term loans from others (secured) carry interest at base rate plus agreed spread, which is subject to reset at the end of an agreed interval. The interest rate during the year ranges from 9.95% to 10.50% p.a. (2016: 10.90% to 10.50% p.a, April 1, 2015: 10.90% p.a.). During the current year, the term loans from others (secured) were refinanced from banks (secured) in October 2016 without any change in repayment schedule. The loan was repayable in 52 quarterly installments beginning from July 31, 2016.

iv. In case of GHIAL, Indian rupee loans, foreign currency loan including the IRS arrangement and loan from others are secured by mortgage of leasehold right, title, interest and benefit in respect of leasehold land (to an extent of 2136.455 acres) , freehold land of 8.824 acres and first paripassu charge on all movable and immovable assets, operating cash flows, book debts, receivables, intangibles and revenues, both present and future, as well as assignment of all right, title, interest, benefits, claims and demands available under the concession agreement and other project documents, security interest in the Trust and Retention account, Debt service reserve account and further secured by pledge of 164,123,514 (2016: 164,123,514, April 1, 2015: 164,123,514) and 28,656,486 (2016: 28,656,486, April 1, 2015: 28,656,486) equity shares, both present and future, held or to be held, upto 51% of the paid up share capital of GHIAL, as the case may be, by both, the holding company and MAHB (Mauritius) Private Limited respectively.

v. Interest free loan received by GHIAL from the Government of Telangana is repayable in five equal installments commencing from 16th anniversary of the commercial operations date (March 23, 2008).

vi. Term loan of GHRL from banks (secured) carry interest at base rate plus agreed spread, which is subject to reset at the end of agreed intervals. The interest rate during the year is 12.20% (March 31, 2016 : 12.20 %; April 01 2015: 12.75%). The loan was repayable in 48 unequal quarterly instalments beginning from December 31, 2012. The loan is secured by first pari passu charge by way of equitable mortgage of the immovable properties pertaining to the Hotel Project (including assignment of leasehold rights in the case of leasehold land, if any) and assets of the project consisting of land admeasuring 5.37 acres together with all the buildings, structures etc on such land, first pari passu charge on the whole of stocks of raw materials, goods-in-process, semi-finished goods and finished goods, consumable stores and spares, book debts, bills, movable plant and machinery, machinery spares, tools and accessories and other movables, whole of equipment including its spares, tools and accessories, software, whether installed or not and whether in the possession or under the control of or not, all the bank accounts (whether escrow and no lien or otherwise) and all estate, rights, title, interest, benefits, claims and demands, trade receivables, all cash flows and receivables and proceeds. Also the above loan is secured by corporate guarantee given by GHIAL.

However, during the current year, the above term loans obtained from banks have been prepaid and settled in full by utilizing the proceeds of a fresh term loan facility availed from a Non Banking Financial Company (NBFC).

Term loan of GHRL from others (secured) carries interest at base rate plus agreed spread. The loan carries the interest rate of 10.80% during the current year. The loan is repayable in 54 quarterly installments commencing from January 2017 to April 2030. The Rupee term loan is secured by a pari passu first charge on immovable assets (including assignment of leasehold rights in the case of leasehold land) , movable assets, revenues, book debts, bank accounts and a pledge over 30% of the equity shares of GHRL.

Also the above loan is secured by an irrevocable and unconditional corporate guarantee given by GHIAL.

vii. During the year 2015-16, Rupee term loan of HDFRL from a bank of Rs. 2.80 crores carries interest at base rate plus agreed spread subject to reset at the end of agreed interval. The interest rate during the year 2015-16 is in the range of 11.25% to 11.75% p.a. (April 01, 2015: 11.75% to 12.50% p.a.). The loan was repayable in 22 quarterly unequal instalments starting from March 31, 2012 and will end on March 31, 2017. The loan includes Rs.Nil (April 01, 2015: Rs 0.86 crores) which is guaranteed by GHIAL.

The loan is secured by current assets including stocks and such other movables, book debts, moveable assets, software, whether installed or not and whether in the possession or under the control of HDFRL or not, and all the bank accounts. Further with a pledge of 30% of shares of total equity held by GHIAL. As on March 31, 2016, the Company has pledged 5,085,000 (April 01, 2015: 5,085,000) such equity shares as per sanction terms.

The term loan of HDFRL has been swapped by way of cross currency pursuant to an arrangement entered into by HDFRL with a Bank on April 29, 2015. Under this arrangement, the principal of Rs. 5.40 crores has been swapped for an equivalent USD 852,676.46 and interest on such loan from 11.75% to 5.88% on the applicable USD amount.

viii. During the FY 14-15, GHASL got the term loan restructured from the bank at an interest rate of 11% p.a against the earlier interest rate of 12% p.a. Due to restructuring, the company got the additional term loan facility by way of additional Funded Interest Term Loan (FITL) over a period of two years from March 1, 2015. Further, GHASL also got the moratorium of two years in repayment of loans (term loan and FITL) repayable over 32 unequal quarterly installments beginning from June 2017 against earlier repayment term of over 40 unequal quarterly installments beginning from November 2013.

The Term loan is secured by mortgage of Leasehold rights, title, interest and benefit in respect of Leasehold Land and exclusive charge on all movable and immovable assets, operating cash flows, book debts, receivables, commissions, revenue of whatsoever nature, both present and future, and an exclusive charge on all the bank accounts of the Project, including TRA, Escrow account etc.

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

The Indian rupee term loans of GAEL from banks are secured by first pari-passu charge by way of equitable mortgage of leasehold rights of land (of GAEL and its subsidiary, GATL) to the extent of 16.46 acres on which MRO facilities are constructed with all the buildings, structures etc. on such land. First charge (pari-passu) by way of hypothecation of all the movable assets of GAEL and its subsidiary, GATL including, but not limited to plant & machinery, machinery spares, tools & accessories, current assets.
First charge (pari-passu) on book debts, operating cash flows, receivables, commissions, revenue of whatsoever nature and wherever arising, present and future of GAEL and its subsidiary, GATL.

Indian rupee term loans of GAEL from banks and FITL, post restructuring, are further secured by first charge (pari-passu) on all rights, title, interests, benefits, claims and demands whatsoever of GAEL and its subsidiary, GATL with respect to the insurance contracts. First charge (pari-passu) on all the bank accounts of GAEL and its subsidiary, GATL. Pledge of 51% of paid up share capital (i.e. 149,379,000 shares) (March 31, 2016: 124,389,000, April 1, 2015: 121,329,000) of GAEL held by GHIAL. Out of which, GAEL has pledged 135,864,000 shares as at March 31, 2017 (March 31, 2016 : Pledge of 121,329,000, April 1, 2015 : Pledge of 110,619,000 shares) and is in the process of getting the balance shares , i.e. 13,515,000 shares (March 31, 2016 : 3,060,000 which were issued on March 31, 2016, April 1, 2015 : 10,710,000 which were issued on March 27, 2015) pledged, which were issued on November 23, 2016, January 21, 2017 and March 28, 2017. Un-conditional and irrevocable Corporate Guarantee of GHIAL pari passu among the Lenders for their respective Term Loans and Funded Interest Term Loans.

GAEL has entered in to an agreement with a bank to obtain Loan Equivalent Risk (LER) facility for the cross currency arrangement, which is secured by a second charge over the fixed and current assets, both present and future. Rs. 61.83 crores (March 31, 2016 : Rs. 64.12 crores) of term loan of GAEL has been swapped by way of cross currency arrangement with a Bank effective from March 10, 2016 pursuant to which the principal of Rs. 61.83 crores (March 31, 2016 : Rs. 64.12 crores) has been swapped for an equivalent USD 9,176,994.43 (March 31, 2016 : USD 9,516,883.12) and interest on such loan from 11.00 % p.a. to 5.215 % p.a. on the applicable USD amount. Rs. 22.58 crores (March 31, 2016 : Rs. 23.65 crores) Funded Interest Term Loan (FITL) of GAEL has been swapped by way of cross currency arrangement with a Bank effective from March 10, 2016 pursuant to which the principal of Rs. 22.58 crores (March 31, 2016 : Rs. 23.65 crores)has been swapped for an equivalent USD 3,351,391.47 (March 31, 2016 : USD. 3,510,204.08) and interest on such loan from 11.00 % p.a. to 5.215 % p.a. on the applicable USD amount. for Rs. 164.98 crores (March 31, 2016 : Rs. 164.98 crores) term loan, the interest on such loan of GAEL has been swapped by way of cross currency arrangement with a Bank effective from March 10, 2016 pursuant to which the interest of 11.00 % p.a. has been swapped to 9.78% p.a. on the applicable equivalent USD 24,486,827.46 (March 31, 2016 : USD 24,486,827.46) on such effective date. for Rs. 25.63 crores(March 31, 2016 : Rs. 25.63 crores)Funded Interest Term Loan (FITL), the interest on such loan of GAEL has been swapped by way of cross currency arrangement with a Bank effective from March 10, 2016 pursuant to which the interest of 11.00 % p.a. has been swapped to 9.78% p.a. on the applicable equivalent USD 3,804,437.85 (March 31, 2016 : USD 3,804,437.85) on such effective date.

x. Term loan of HASSL for Rs. 265,600,000 from bank carries interest @ 3% + RBI PLR base rate. The loan is repayable in 21 equal quarterly instalments beginning from March 31, 2012. Term loan is secured by equitable mortgage of Leasehold right and title in respect of Leasehold Land belonging to GHIAL and other immovable properties and first charge on all movables, including movable machinery, machinery spares, tools, accessories, furniture, fixtures, vehicles and other movable assets, book debts, operating cash flows, receivables, intangibles, uncalled capital, commissions, revenues, present and future and assignment of all claim and demands from insurance, Trust and Retention Account and Debt Service Reserve Account and further secured by pledge of 37,50,000 equity shares of HASSL by GHIAL.

(All amounts in Rupees Crores, except otherwise stated)

15.1 Short-term borrowings

	March 31, 2017	March 31, 2016	April 1 2015
Cash credit	21.05	27.66	27.42
	21.05	27.66	27.42

i. Cash credit availed by GHIAL from bank is secured by way of first paripassu charge on all movable and immovable assets, operating cash flows, book debts, receivables, intangibles and revenues, both present and future and a second ranking charges by way of mortgage of leasehold right title, interest and benefit in respect of leasehold land (to an extent of 2044 acres and 29 guntas) but not limited to documents of title to the goods. The cash credit is repayable on demand and carries interest 12.75% p.a.

ii. Cash credit facility availed by GATL from bank is secured by way ofFirst charge on entire current assets and cash flows including stocks, receivables, bank balances etc., (Paripassu charge with existing loan taken from GAEL. First pari passu charge by way of extension of equitable mortgage of leasehold rights of land to the extent of 16.46 acres standing in the name of GAEL in Sy.No.99/1 ,Mamidipally village, Sarror nagar mandal, RR Dist, Telangana on which MRO facilities have been created along with all the buildings, structures. First pari passu charge by way of hypothecation of all the movable assets belongs to GATL and GAEL and including but not limited to plant and machinery, machinery spares, tools & accessories, (Paripassu charge with existing loan taken from GAEL) Corporate guarantee from GAEL. The cash credit facility is repayable on demand and carries interest of base rate plus 3.95%. (Presently 13.70%) (March 31, 2016 : 13.75%, April 1, 2015 14.20%)

iii.Cash Credit availed by GHRL from a bank is secured by way of first paripassu charge on entire current assets and cash flows including stocks, receivables, bank balances etc. with existing term lenders and collateral first paripassu charge by way of extension of equitable mortgage of the immovable properties and assets pertaining to the hotel project (including assignment of leasehold rights in the case of leasehold land, if any) and assets of the project consisting of land admeasuring 5.37 acres together with all the buildings, structures etc on such land.The cash credit is repayable on demand and carries interest in the range of 2.50% above such bank's base rate to 3.8% above such bank's base rate.

16 Other financial liabilities

	Non-current			Current		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
At FVTPL						
Derivative not designated as hedge (Interest rate swap)*	67.24	107.43	112.94	-	1.77	-
Total other financial liabilities at FVTPL	67.24	107.43	112.94	-	1.77	-
At Amortised cost						
Retention money	1.38	0.48	0.06	9.73	8.77	7.85
Deposit from concessionaires	24.41	23.25	17.32	24.46	13.32	9.22
Concession fee payable	195.98	170.58	157.88	-	-	-
Current maturities of long term borrowings	-	-	-	120.53	99.36	80.45
Non trade payables	-	-	-	8.89	12.97	2.03
Capital creditors	-	-	-	15.26	11.68	7.10
Interest accrued but not due on borrowings	-	-	-	6.20	0.30	0.29
Total other financial liabilities at amortised cost	221.77	194.31	175.26	185.07	146.40	106.94
Total other financial liabilities	289.01	301.74	288.20	185.07	148.17	106.94

* In case of GHIAL, Interest Rate Swap (IRS) arrangement to convert floating rate of interest into fixed rate of interest, as per the terms of the loan agreement. The effective weighted average interest rate is 8.295% p.a (2016: 8.295% p.a., April 1, 2015: 8.295% p.a.). The decrease in fair value of the interest rate swap has been recognised in finance income.

17 Government grants

	March 31, 2017	March 31, 2016	April 1, 2015
Opening Balance	13.21	-	-
Grant during the year	22.11	13.69	-
Less: Recognised in the statement of profit and loss	(2.08)	(0.48)	-
	33.24	13.21	-
Non Current	32.11	12.08	-
Current	1.13	1.13	-

Concession fee is payable by GHIAL to Ministry of Civil Aviation in respect of first 10 years in 20 equal half yearly installments commencing from the 11th anniversary of the commercial operations date (March 23, 2008). Concession fee from the 11th year is payable on a half yearly basis. The difference between the fair value and carrying value of such fee payable has been treated as a government grant as per Ind AS 20.

18 Other liabilities

	Non-current			Current		
	March 31, 2017	March 31, 2016	April 1 2015	March 31, 2017	March 31, 2016	April 1 2015
Unearned revenue	10.59	13.18	15.90	4.09	7.05	9.62
Deferred income	21.54	21.94	21.63	3.43	0.08	3.07
Advances from Customers	-	-	-	2.36	2.26	2.89
Service tax payable	-	-	-	0.05	0.06	0.04
Tax deducted at source	-	-	-	5.89	4.42	3.15
Other statutory dues	-	-	-	2.96	2.51	2.32
	32.13	35.12	37.53	18.78	16.38	21.09

19 Trade payables

	March 31, 2017	March 31, 2016	April 1, 2015
Trade payable			
- Related parties	20.60	10.91	7.79
- Others	90.29	84.68	60.73
	110.88	95.59	68.52

Terms and conditions of the above financial liabilities of the Group :
i) Trade payables are non-interest bearing and are normally settled on 30 days terms.
ii) The dues to related party are unsecured and are normally payable within 30 days from the date of receipt of demand.
iii) For explanations on the Group's credit risk management processes, refer to Note 39

20 Provisions

	Long Term			Short term		
	March 31, 2017	March 31, 2016	April 1 2015	March 31, 2017	March 31, 2016	April 1 2015
Provision for compensated absences	-	-	-	10.18	7.88	7.08
Provision for superannuation fund	-	-	-	0.13	0.12	0.11
Provision for gratuity	2.40	1.84	1.42	0.47	0.24	0.19
	2.40	1.84	1.42	10.78	8.24	7.38

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HYDERABAD

BRAHMAYYA & CO.
Chartered Accountants
BENGALURU

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Revenue from operations	For the year ended March 31, 2017	For the year ended March 31, 2016
Income from services		
Aeronautical	708.27	287.45
Non Aeronautical	414.01	371.55
Cargo operations	82.57	80.52
Hospitality and retail services	161.88	135.94
	1,366.73	875.46

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Other income	For the year ended March 31, 2017	For the year ended March 31, 2016
Gain on account of foreign exchange fluctuations (net)	1.69	2.25
Amortisation of deferred income	0.72	0.88
Income from government grant	2.08	0.48
Provisions no longer required, written back	1.48	1.71
Profit on sale of assets	-	0.10
Other non-operating income	4.01	2.68
	9.98	8.10

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Increase in traded goods	For the year ended March 31, 2017	For the year ended March 31, 2016
Opening stock	10.70	7.40
Closing stock	17.59	9.99
Increase	(6.89)	(2.59)

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Employee Benefits Expense	For the year ended March 31, 2017	For the year ended March 31, 2016
Salaries, wages and bonus	108.22	101.87
Contribution to provident and other funds [32 (a)]	7.06	6.58
Gratuity expenses [Note 32 (b)]	1.52	1.41
Staff welfare expenses	10.42	9.73
	127.22	119.59

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25 Other expenses	For the year ended March 31, 2017	For the year ended March 31, 2016
Operator fee	4.87	4.63
Operating and maintenance expenses	44.74	38.19
Power and fuel	29.62	34.08
House keeping charges	11.67	10.54
Consumption of stores and spares	29.01	29.60
Cargo handling charges	2.84	2.73
Repairs and maintenance		
Plant & Machinery	16.68	15.78
Buildings	6.68	5.28
IT Systems	12.58	11.44
Other	11.32	8.01
Insurance	4.38	4.74
Security expenses	15.48	12.42
Rent	4.43	4.49
Rates and taxes	12.76	11.26
License fees	4.56	3.08
Advertising and business promotion	5.55	4.37
Collection charges	4.20	0.99
Travelling and conveyance	13.48	11.91
Communication costs	4.71	3.01
Office maintenance	2.79	2.36
Legal and professional expenses	14.27	13.61
Technical fees	7.21	6.99
Management fee	24.65	17.51
Printing and stationery	1.02	0.85
Donation	-	0.95
CSR expenditure (refer details below)	3.17	0.95
Directors' sitting fees	0.30	0.34
Payments to Auditors (refer details below)	1.56	0.98
Provision for non moving inventories of stores and spares	0.17	-
Provision for doubtful advances / debts	-	0.07
Inventories written off	0.75	0.48
Bad debts written off	0.04	-
Fixed assets written off	0.28	0.01
Miscellaneous expenses	4.37	3.64
	300.14	**265.29**

Payment to Auditors (Included in other expenses above)	For the year ended March 31, 2017	For the year ended March 31, 2016
As Auditor		
Audit fee	0.85	0.61
Tax audit fee	0.05	0.05
Other services	0.57	0.24
Reimbursement of expenses	0.09	0.08
	1.56	**0.98**

Details of CSR expenditure:	For the year ended March 31, 2017	For the year ended March 31, 2016
a) Gross amount required to be spent by the Company during the year	3.17	0.95
(b) Amount spent in cash		
i) Construction/acquisition of any asset	-	-
ii) On purposes other than (i) above	3.17	0.95
Total amount spent during the year		
i) Construction/acquisition of any asset	-	-
ii) On purposes other than (i) above	3.17	0.95

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Finance income	For the year ended March 31, 2017	For the year ended March 31, 2016
Interest on financial assets at amortised cost:		
Bank deposits	3.89	4.42
Loan to joint venture	0.70	0.78
Others	5.35	6.12
Gain on sale of financial assets (mutual funds)	27.39	9.19
Gain on fair valuation of financial assets (mutual funds)	3.85	0.26
Interest on interest rate swap arrangement	7.15	0.36
Gain on fair valuation of interest rate swap	50.46	3.75
Total	98.79	24.88

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Finance costs	For the year ended March 31, 2017	For the year ended March 31, 2016
Interest on financial liabilities held at amortized cost	242.32	240.23
Other borrowing cost	11.45	2.69
Interest-others	3.04	1.13
Bank charges	2.06	2.58
	258.87	246.63

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Depreciation and amortization expense	For the year ended March 31, 2017	For the year ended March 31, 2016
Depreciation on property, plant and equipment (note 3)	240.12	242.86
Amortisation of intangible assets (note 4)	7.13	10.42
	247.25	253.28

(All amounts in Rupees Crores, except otherwise stated)

29 Income Tax

A. The major components of income tax expenses are:

Statement of profit and loss:

	For the year ended March 31, 2017	For the year ended March 31, 2016
Tax for earlier years	(0.03)	0.06
Current taxes:		
Current income tax charge	6.13	10.98
Deferred tax:		
Relating to origination and reversal of temporary differences	152.58	2.18
Income tax expense reported in the statement of profit or loss	158.71	13.16

B. Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31 March 2016 and 31 March 2017:

	For the year ended March 31, 2017	For the year ended March 31, 2016
Accounting profit	546.66	(34.49)
Tax at the applicable tax rate of 30.90% (March 31, 2017: 30.90%, March 31, 2016: 30.90%)	168.92	(10.66)
Tax effect of income that are not taxable in determining taxable profit / allowable expenditure that are not part of Book profit:		
1) Dividend Income exempt U/s 10(34)	3.50	2.76
2) Amount disallowed u/s 43B	0.02	0.36
3) Gain on recognition of MTM on IRS	12.42	1.70
4) Others - Ind AS adjustments	4.22	(5.07)
5) Reversal of deferred tax during tax holiday period u/s 80IA	18.28	9.27
6) Deduction u/s 80IA	7.81	8.83
7) Deduction u/s 80G	0.04	0.08
8) Unabsorbed accumulated losses on which deferred tax is not created*	(19.11)	(27.19)
9) Others	(0.68)	0.63
Tax effect of expenses that are not deductible in determining taxable profit:		
1) Amount disallowed u/s 43B	0.79	-
2) Amount of disallowances U/s 14A	1.13	0.46
3) Donations & CSR Expenditure	0.76	0.12
4) Interest on delayed payment of income tax	0.41	0.00
5) Effect of depreciation relating to unrelaised forex loss	5.46	5.96
6) Effect of depreciation relating to Capital Reserve	2.01	2.01
7) Other non-deductible expenses	-	0.22
8) Other Ind AS adjustments	-	0.00
9) Impact of MAT provisions	5.31	5.85
10) Impact of surcharge applicability	0.15	0.53
11) Others	0.27	0.04
Income tax expense reported in the statement of profit and loss	158.71	13.16

*Deferred tax assets are not recognised to the extent it is not probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised by the respective subsidiary companies.

C. Deferred tax:

	Statement of profit or loss		Balance sheet		
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	April 1, 2015
Deferred tax liability					
Fixed assets: Impact of difference between tax depreciation and depreciation / amortisation charged for the financial reporting	35.80	(17.03)	152.43	188.23	189.66
Fair value of financial assets/liabilities	0.01	-	0.10	0.11	-
Impact of notional interest on loan taken from Related Party	(1.77)	-	1.82	0.05	0.17
Gross deferred tax liability	34.04	(17.03)	154.35	188.39	189.83
Deferred tax asset					
Unabsorbed depreciation	(158.50)	(20.89)	30.41	188.91	194.21
On account of expenditure charged to the statement of profit and loss but allowed for tax purposes on payment basis.	(27.11)	0.02	0.72	27.84	26.78
On account of provision for doubtful trade, advances and dimunition in value of investment	-	1.03	-	-	-
Tax Holiday Reversals	(1.01)	0.63	2.89	3.90	3.30
	(186.62)	(19.21)	34.02	220.65	224.29
Net deferred tax (liability)/Asset	(152.58)	(2.18)	(120.33)	32.26	34.47
MAT credit entitlement	101.03	0.46	168.26	67.23	66.78
Net deferred tax Asset	-	-	168.26	99.49	101.24
Net deferred tax liability	-	-	(120.33)	-	-

D. Reconciliations of deferred tax liabilities/assets(net)

	March 31, 2017	March 31, 2016
Opening balance	99.52	101.24
Tax income/(expense) recognised in the statement of profit or loss	(51.55)	(1.72)
Closing balance	47.97	99.52

i) Deferred tax on adjustments recognised on account of adoption of Ind AS are not considered as these adjustments get reversed in the subsequent periods and have no impact on the accounting or tax profit.

ii) The Group off sets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

iii) In case of GAEL, being entitled to claim tax holiday for any ten consecutive years out of fifteen years, from the year of commencement of commercial operations in 2011-12 under Section 80 IAB of the Income tax Act 1961. GAEL has recognised deferred tax asset on unabsorbed depreciation and carried forward losses only to the extent GAEL has sufficient taxable temporary differences.

iii) In case of GATL, being entitled to claim tax holiday for first ten consecutive years from the year of commencement of commercial operations in 2011-12 under Section 10AA of the Income tax Act 1961. GATL has recognised deferred tax asset on unabsorbed depreciation and carried forward losses only to the extent GATL has sufficient taxable temporary differences. Further, since the entire Deferred tax asset / Deferred tax liability on accelerated depreciation and unbilled revenue is reversed in the tax holiday period. No Deferred tax asset / Deferred tax liability is accounted for the same.

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30. Non-controlling interest:

Particulars	March 31, 2017	March 31, 2016
Balance at beginning of year (excluding share of CCPS)	26.19	22.43
Share of profit for the year	8.36	3.76
Total	**34.55**	**26.19**
Share of compulsory convertible cumulative preference shares (CCPS) in HMACPL	18.00	18.00
Balance at end of year	**52.55**	**44.19**

31. Earnings Per Share (EPS)

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

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders by the weighted average number of equity shares outstanding during the year 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 year ended March 31, 2017	For the year ended March 31, 2016
Profit attributable to equity holders for basic and diluted earning	283.82	(56.53)
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.)	7.51	(1.50)
Face value per share (Rs.)	10.00	10.00

32. Retirement and other employee benefits

a) Defined contribution plan

Contribution to provident and other funds under employee benefits expense are as under:

	For the year ended March 31, 2017	For the year ended March 31, 2016
Contribution to provident fund	4.97	4.59
Contribution to ESI and labour welfare fund	0.31	0.23
Contribution to superannuation fund	1.78	1.76
	7.06	**6.58**

b) Defined benefit plans

Gratuity liability is a defined benefit obligation which is funded through policy taken from Life Insurance Corporation of India and Liability (net of fair value of investment in LIC) is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days' salary (based on last drawn basic salary) for each completed year of service.

The following tables summarize the components of net benefit expense recognised in the statement of profit or loss/OCI and amounts recognised in the balance sheet for defined benefit plans/obligations:

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Net employee benefit expense (recognized in Employee Cost)

	For the year ended March 31, 2017	For the year ended March 31, 2016
Current service cost	1.37	1.27
Net interest cost	0.15	0.14
Cost recognized in statement of profit and loss	**1.52**	**1.41**

Amount recognized in other comprehensive income

	For the year ended March 31, 2017	For the year ended March 31, 2016
Actuarial (gain)/loss due to DBO experience	(0.10)	0.01
Actuarial (gain)/loss due to DBO assumption	(0.31)	-
Actuarial (gain)/loss arising during the year	0.41)	0.03
Return on plan assets (greater)/less than	(0.01)	0.01
Actuarial (gains)/ losses recognized in OCI	(0.42)	0.05

Balance sheet

	March 31, 2017	March 31, 2016	April 1, 2015
Defined benefit obligation	(8.66)	(7.14)	(6.12)
Fair value of plan assets	5.79	5.06	4.51
Plan asset/ (liability)	(2.87)	(2.08)	(1.61)

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

	March 31, 2017	March 31, 2016	April 1, 2015
Opening defined benefit	7.14	6.12	4.28
Interest cost	0.52	0.44	0.38
Current service cost	1.37	1.27	1.05
Acquisition cost	0.04	(0.06)	0.00
Benefits paid (including transfer)	(0.88)	(0.59)	(0.27)
Actuarial losses/ (gain) on obligation-experience	0.47	(0.04)	0.67
Closing defined benefit obligation	8.66	7.14	6.11

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

	March 31, 2017	March 31, 2016	April 1, 2015
Opening fair value of plan assets	5.49	4.51	4.40
Expected return on plan assets	0.41	0.38	0.41
Contributions by employer	0.64	0.70	0.16
Acquisition adjustment	0.01	0.02	-
Benefits paid (including transfer)	(0.83)	(0.55)	(0.17)
Return on plan assets greater/ (lesser) than discount rate	(0.03)	(0.02)	(0.30)
Actuarial (gains) / losses	0.10	0.02	0.01
Closing fair value of plan assets	5.79	5.06	4.51

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The major category of plan assets as a percentage of the fair value of total plan assets is as follows:

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

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

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Discount rate (in %)	7.10%	7.80%	7.80%
Salary Escalation (in %)	6.00%	6.00%	6.00%
Attrition rate (in %)	5.00%	5.00%	5.00%

A quantitative sensitivity analysis for significant assumption as at 31 March 2017 is as shown below:

	March 31, 2017	March 31, 2016
Discount rate		
Effect due to 1% increase in discount rate	1.99)	(1.38)
Effect due to 1% decrease in discount rate	2.23	1.52
Attrition rate		
Effect due to 1% increase in attrition rate	1.44	1.07
Effect due to 1% decrease in attrition rate	(1.47)	(1.09)
Salary escalation rate		
Effect due to 1% increase in salary increase	2.05	1.45
Effect due to 1% decrease in salary increase	(1.92)	(1.34)

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

The following payments are expected contributions to the defined benefit plan in the future years:

	March 31, 2017
March 31, 2018	0.67
March 31, 2019	0.99
March 31, 2020	1.32
March 31, 2021	1.54
March 31, 2022	1.64
March 31, 2023 to March 31, 2027	6.80

The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years (March 31, 2016: 10 years).

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33. **Details of transactions with Related Parties:**

Names of related parties and description of relationship:

Sl. No.	Relationship	Related party Name
(i)	Holding company	GMR Airports Limited (GAL)
(ii)	GAL's holding company	GMR Infrastructure Limited (GIL)
(iii)	Ultimate holding company	GMR Enterprises Private Limited (GEPL) (formerly known as GMR Holdings Private Limited)
(iv)	Fellow Subsidiary Companies	GMR Aviation Private Limited
		GMR Hyderabad Airport Resource Management Limited$
		GMR Energy Limited
		GMR Tambaram-Tindivanam Expressways Private Limited
		GMR Tuni-Anakapalli Expressways Private Limited
		Delhi International Airport Limited (formerly known as Delhi International Airport Private Limited)
		Gateways For India Airports Private Limited
		GMR Pochanpalli Expressways Limited
		GMR Corporate Center Limited
		GMR Infrastructure (Mauritius) Limited
		GMR Energy Trading Limited
		GMR SEZ and Port Holding Limited (Formerly known as GMR SEZ and Port Holding Private Limited)
		GMR Highways Limited
		GMR Corporate Affairs Private Limited
		GMR Hyderabad Vijayawada Expressways Private Limited
		GMR Vemagiri Power Generation Limited
		GMR Rajahmundry Energy Limited
		GMR Warora Energy Limited
		(Formerly known as EMCO Energy Limited)
		GMR Chhattisgarh Energy Limited
		GMR Kamalanga Energy Limited
		GMR Airport Developers Limited
		GMR Power Corporation Limited
		GMR Male International Airport Private Limited
		GADL International Limited
		Kakinada SEZ Limited (Formerly Kakinada SEZ Private Limited
		Raxa Security Services Limited
		GMR Sports Private Limited
		Geokno India Private Limited
		GMR Infrastructure (Singapore) Pte Limited
		GMR Kishnagiri SEZ Limited
		GMR Goa International Airport Limited
		GMR Business Process Services Private Limited
(vi)	Associates of GMR Infrastructure Limited	Jadcherla Expressways Private Limited (formerly GMR Jadcherla Expressways Private Limited)
		Ulundurpet Expressways Private Limited (formerly GMR Ulundurpet Expressways Private Limited)
(vii)	Shareholders having significant influence	Government of Telangana
		Airports Authority of India
		MAHB (Mauritius) Private Limited
		Menzies Aviation Cargo (Hyderabad) Limited, Mauritius

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Sl. No.	Relationship	Related party Name
		Menzies Aviation Plc (UK)
		Menzies Aviation (India) Private Limited
(viii)	Key management personnel	Mr. Srinivas Bommidala – Managing Director
		Mr. SGK Kishore - Chief Executive Officer
		Mr. Rajesh Arora- Chief Financial Officer
		Mr. Anup Kumar Samal - Company Secretary
		Mr. G M Rao – Director
		Mr. HJ Dora – Director
		Mr. VR Hegde – Director
		Mr. S. Samanta – Director
		Mr. Arvind Kumar IAS – Director
		Mr. Ramakrishna Rao IAS - Director
		Mr. Datuk Badlisham Bin Ghazali - Director
		Mr. RSSLN Bhaskarudu- Independent Director
		Mr. NC Sarabeswaran- Independent Director
		Mrs. Vissa SivaKameswari -Independent Director
		Mr. Pradeep Chandra- Independent Director (Resigned with effect from April 27,2016
		Mr. LL Krishnan- Independent Director(Resigned with effect from June 28,2016
		Mr. P. Vijay Bhaskar- Independent Director
(ix)	Joint Venture	Laqshya Hyderabad Airport Media Private Limited
		Asia Pacific Flight Training Academy Limited
(x)	Private company having common director (Section 8 Company)	GMR Varalakshmi Foundation
(xi)	Other entities in which Directors are interested	GMR Family Fund Trust

Remuneration paid to Key Managerial Remuneration:

Details of Key Managerial Personnel	For the year ended March 31, 2017		For the year ended March 31, 2016	
	Short Term Employee benefits	Sitting Fees	Short Term Employee benefits	Sitting Fees
Remuneration to KMP	5.43	-	7.07	-
Mr. G M Rao – Director	-	0.01	-	0.01
Mr. HJ Dora – Director	-	0.01	-	0.01
Mr. VR Hegde – Director	-	0.01	-	0.01
Mr. S. Samanta – Director	-	0.02	-	-
Mr. Arvind Kumar IAS - Director	-	0.01	-	-
Mr. Ramakrishna Rao IAS - Director	-	0.00	-	0.00
Mr. Datuk Badlisham Bin Ghazali * - Director	-	0.00	-	0.00
Mr. RSSLN Bhaskarudu- Independent Director	-	0.05	-	0.06
Mr. NC Sarabeswaran- Independent Director	-	0.04	-	0.06
Mrs. Vissa Siva Kameswari -Independent Director	-	0.03	-	0.03
Mr. P. Vijay Bhaskar	-	0.01	-	-
Mr. K. Pradeep Chandra IAS	-	-	-	0.01
Mr. LL Krishnan	-	-	-	0.02

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

S. No.		Related Party Transactions	For the year ended 31-Mar-17	For the year ended 31-Mar-16
(i)		*Services received:*		
	a	GMR Infrastructure Limited	12.75	9.53
	b	GMR Airports Limited	12.63	8.28
	c	Raxa Security Services Limited	14.21	10.99
	d	GMR Aviation Private Limited	3.81	3.16
	e	GMR Airport Developers Limited	18.91	17.90
	f	GMR Corporate Affairs Private Limited	0.39	0.55
	g	GMR Family Fund Trust	0.10	-
	h	GMR Krishnagiri SEZ Ltd	0.01	0.04
	i	Geokno India Private Limited	0.33	-
	j	Laqshya Hyderabad Airport Media Private Limited	0.23	0.28
	k	Government of Telangana	3.29	3.12
	l	Airports Authority of India	0.05	0.03
	m	Menzies Aviation Plc (UK)	7.80	7.64
(ii)		*Security Deposit (paid)/received):*		
	a	Laqshya Hyderabad Airport Media Private Limited	0.02	-
	b	GMR Family Fund Trust	0.39	-
(iii)		*Income from operations:*		
	a	GMR Infrastructure Limited	0.08	0.20
	b	GMR Airports Limited	0.48	0.49
	c	GMR Aviation Private Limited	0.05	0.05
	d	Kakinada SEZ Private Limited	0.35	0.36
	e	GMR Airport Developers Limited	0.22	0.14
	f	Raxa Security Services Limited	0.01	0.02
	g	GEOKNO India Pvt Ltd	0.27	-
	h	GMR Energy Trading Limited	0.01	0.01
	i	GMR Highways Limited	0.26	0.24
	j	GMR Business Process Services Private Limited	0.00	-
	k	GMR Sports Private Limited	-	0.02
	l	GMR Goa International Airport Limited	0.00	-
	m	GMR Vemagiri Power Generation Limited	0.00	-
	n	Delhi International Airport Private Limited	0.00	0.01
	o	GMR Warora Energy Limited	0.00	
	p	Laqshya Hyderabad Airport Media Private Limited	33.67	23.50
	q	Asia Pacific Flight Training Academy Limited	1.57	1.24
	r	Airports Authority of India	3.01	2.94
	s	GMR Varalakshmi Foundation	0.36	0.36
(iv)		*Unsecured loan repaid during the year:*		
	a	Menzies Aviation (India) Private Limited	0.10	0.20
(v)		*Unsecured loan received back:*		
	a	Laqshya Hyderabad Airport Media Private Limited	1.50	1.07

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(vi)		*Interest on amortisation of interest free unsecured loan given:*		
	a	Laqshya Hyderabad Airport Media Private Limited	0.74	0.77
(vi)		*Interest on Delayed payments from customers*		
	a	GMR Highways Limited	-	0.01
	b	GMR Energy Trading Limited	-	-
	c	Asia pacific Flight Training Academy Limited	0.20	0.22
	d	Laqshya Hyderabad Airport Media Private Limited	0.02	0.03
(vii)		*Sale of Asset:*		
	a	Kakinada SEZ Private Limited	0.01	-
	b	Asia Pacific Flight Training Academy Limited	-	0.00
	c	Delhi International Airport Limited	-	0.00
(viii)		*Purchase of Asset:*		
	a	Geokno India Private Limited	-	0.03
	b	GMR Airport Developers Limited	2.41	0.14
	c	GMR Airport Limited	-	0.00
(ix)		*Corporate guarantee availed from the intermediate holding company against loan taken from banks:*		
	a	GMR Infrastructure Limited	37.14	89.99
	b	GMR Airport Limited	-	131.00
(x)		*CSR Expenditure*		
	a	GMR Varalakshmi Foundation	2.46	0.34
(xi)		*Reimbursement of expenses claimed by the Group during the year from its related parties:*		
	a	GMR Infrastructure Limited	0.03	0.03
	b	GMR Airports Limited	0.15	0.23
	c	Kakinada SEZ Limited	0.09	0.08
	d	Delhi International Airport Limited	-	0.04
	e	GMR Airport Developers Limited	0.45	0.44
	f	GMR Highways Limited	0.05	0.05
	g	Geokno India Private Limited	0.11	-
	h	Asia Pacific Flight Training Academy Limited	0.21	0.21
	i	Laqshya Hyderabad Airport Media Private Limited	1.17	0.90
	j	Airports Authority of India	3.18	3.06
	k	GMR Varalakshmi Foundation	0.07	0.06
	l	GMR Hyderabad Vijayawada Expressways Private Limited	-	0.00
	m	Raxa Security Services Limited	0.00	0.00
	n	GMR Energy Trading Limited	0.00	0.00
	o	GMR Rajahmundry Energy Limited	0.00	-
	p	GMR Power Corporation Limited	-	0.00
	q	GMR Vemagiri Power Generation Limited	-	0.00
(xii)		*Reimbursement of expenses claimed from the Group during the year by its related parties:*		

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	a	GMR Infrastructure Limited	-	0.01
	b	GMR Airports Limited	-	0.03
	c	Delhi International Airport Limited	0.25	0.22
	d	Menzies Aviation (India) Private Limited	0.29	0.27
	e	GMR Varalakshmi Foundation	0.00	-
(xiii)		*Income on amortisation of deposit received:*		
	a	Asia Pacific Flight Training Academy Limited	0.01	0.01
	b	Laqshya Hyderabad Airport Media Private Limited	0.01	0.05
	c	GMR Varalakshmi Foundation	0.01	0.01
	d	GMR Infrastructure Limited	0.00	0.00
(xiv)		*Interest expense on amortisation of deposit received:*		
	a	Asia Pacific Flight Training Academy Limited	0.01	0.03
	b	Laqshya Hyderabad Airport Media Private Limited	0.01	0.01
	c	GMR Varalakshmi Foundation	0.01	0.01
	d	GMR Infrastructure Limited	0.00	0.00
(xv)		*Dividend declared and paid:*		
	a	Menzies Aviation Cargo (Hyderabad) Limited, Mauritius	1.64	8.30
(xvi)		*Interest on loan - Unwinding of discount and changes in the discount rate*		
	a	Menzies Aviation (India) Private Limited	0.05	0.07

D. Outstanding balances at the end of the year:

S. No.		Particulars	31-Mar-17		31-Mar-16		01-Apr-15	
			Non-Current	Current	Non-Current	Current	Non-Current	Current
(i)		*Balance Recoverable / (Payable):*						
	a	GMR Enterprises Private Limited	-	0.01	-	0.01	-	0.01
	b	GMR Infrastructure Limited	-	(3.06)	-	(1.89)	-	(1.10)
	c	GMR Airports Limited	-	(2.37)	-	(2.29)	-	(0.87)
	d	Raxa Security Services Limited	-	(1.95)	-	(1.54)	-	(1.35)
	e	Delhi International Airport Limited	-	(0.17)	(0.11)	(0.04)	(0.16)	(0.01)
	f	GMR Rajahmundry Energy Limited	-	0.04	-	0.04	-	0.04
	g	GMR Hyderabad Vijayawada Expressways Private Limited	-	0.01	-	0.11	-	0.01
	h	GMR Aviation Private Limited	-	(0.04)	-	(0.07)	-	(0.61)
	i	GMR Airport Developers Limited	-	(3.31)	-	(3.50)	-	(0.88)
	j	Kakinada SEZ Private Limited	-	0.34	-	0.02	-	0.03
	K	GMR Energy Trading Limited	-	0.01	-	0.02	-	-
	l	GMR Power Corporation Limited	-	-	-	-	-	0.00
	m	GMR Corporate Affairs Private Limited	-	(0.11)	-	(0.08)	-	(0.10)
	n	GMR Highways Limited	-	(0.00)	-	0.00	-	-

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S. No.		Particulars	31-Mar-17		31-Mar-16		01-Apr-15	
	o	GEOKNO India Pvt Ltd	-	0.38	-	-	-	-
	p	GADL International Limited	-	-	-	-	-	(0.07)
	q	GMR Chhattisgarh Energy Limited	-	-	-	-	-	0.00
	r	EMCO Energy Limited	-	-	-	-	-	0.00
	s	GMR Infrastructure (Singapore) Pte Limited	-	-	-	-	-	0.32
	t	GMR Krishnagiri SEZ Ltd	-	-	-	(0.02)		
	u	GMR Energy Limited	-	-	-	-	-	0.00
	v	GMR Tuni Anakapalli Expressways Private Limited	-	-	-	-	-	0.00
	w	GMR Tambaram Tindivanam Expressways Private Limited	-	-	-	-	-	0.00
	x	GMR Goa International Airport Limited	-	0.00	-	-	-	-
	y	GMR Business Process Services Private Limited	-	0.00	-	-	-	-
	z	Laqshya Hyderabad Airport Media Private Limited	-	4.79	-	0.75	-	4.62
	aa	Asia Pacific Flight Training Academy Limited	-	2.50	-	2.24	-	0.82
	ab	Government of Telangana	-	(3.37)	-	(3.20)	-	(0.08)
	ac	Menzies Aviation Plc (UK)	-	(4.40)	-	(0.80)	-	(0.60)
	ad	Menzies Aviation (India) Private Limited	-	(0.02)	-	0.00	-	(0.02)
	ae	Airports Authority of India	-	4.30	-	2.62	-	1.24
	af	GMR Family Fund Trust	-	(0.09)	-	-	-	-
	ag	GMR Varalakshmi Foundation	-	(0.03)	-	0.01	-	0.02
(ii)		*Security deposit received from / (paid) to related parties reccognised at amortised cost:*						
	a	GMR Infrastructure Limited	-	0.02	-	0.02	0.02	0.01
	b	Raxa Security Services Limited	(1.75)	-	(1.75)	-	(1.75)	-
	c	Asia Pacific Flight Training Academy Limited	0.14	-	0.10	-	0.14	-
	d	Laqshya Hyderabad Airport Media Private Limited	0.30	-	0.26	-	0.23	-
	e	GMR Varalakshmi Foundation	0.12	-	0.11	-	0.90	-
	f	GMR Family Fund trust	(0.39)	-	-	-	-	-
(iii)		*Deferred income on deposits received recognized at amortised cost*						
	a	Asia Pacific Flight Training Academy Limited	0.01	-	0.02	0.01	-	-
	b	Laqshya Hyderabad Airport Media Private Limited	0.03	0.03	0.08	0.03	0.09	0.03
	c	GMR Varalakshmi Foundation	0.01	0.01	0.03	0.01	0.03	0.02
(iv)		*Investment in joint venture company:*						
	a	Asia Pacific Flight Training Academy Limited	3.56	-	3.56	-	3.53	-
	b	Laqshya Hyderabad Airport Media Private Limited	9.80	-	9.80	-	9.80	-

(All amounts in Rupees Crores, except otherwise stated)

S. No.		Particulars	31-Mar-17		31-Mar-16		01-Apr-15	
(v)		*Investment in Joint venture on account of amortisation of Loans given and Fair valuation of Financial guarantees:*						
	a	Laqshya Hyderabad Airport Media Private Limited	5.58	-	5.58	-	5.58	-
(vi)		*Loans given :*						
	a	Laqshya Hyderabad Airport Media Private Limited	4.76	0.99	5.76	0.76	6.51	0.29
(vii)		*Borrowings:*						
	a	Menzies Aviation (India) Private Limited	(0.42)	-	(0.47)	-	(0.60)	-
(viii)		*Equity Component of Related party loans*						
	a	Menzies Aviation (India) Private Limited	(0.58)	-	(0.58)	-	(0.58)	-

E. Outstanding guarantees / pledge of equity shares at the end of the year:

S. No.		Related Party Transactions	31-Mar-17	31-Mar-16	01-Apr-15
(i)		*Pledge of equity shares by the shareholders having significant influence in GHIAL, with banks against the loan taken:*			
	a	GMR Airports Limited	164.12	164.12	164.12
	b	MAHB (Mauritius) Private Limited	28.66	28.66	28.66
(ii)		*Corporate guarantee availed from the intermediary holding company against loan taken from banks:*			
	a	GMR Infrastructure Limited	-	1,249.26	1,159.27
	b	GMR Airport Limited	131.00	131.00	-

$ During the year, entire equity share capital of GMR Hyderabad Airport Resource management Limited has been sold to GMR Infrastructure limited for a nominal sum of Rs. 1 and the loss on sale of the equity is been booked for Rs. 0.05.

Note: GHIAL has provided certain corporate group support services such as internal audit services, software and IT support etc. to its joint venture companies, which are free of charge.

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

35. Commitments and Contingencies

I. Leases

Operating lease commitments: Group as lessee

As per the terms of the Concession Agreement and Land Lease Agreement, the Government of Telangana leased the land to 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 significant risk and rewards of the ownership have not been transferred and accordingly lease is classified as an operating lease.

GHIAL has taken land and office spaces on operating lease having a term of 30 years and 5 years respectively. The land lease has an escalation of 5% per annum from the 8th anniversary of the Commercial Operations Date (i.e. March 23, 2008) and it has a renewal option for another thirty years which is co-terminus with the concession period. The office spaces leases have an escalation of 5% per annum and are renewable at the end of the lease period with mutual consent.

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

	March 31, 2017	March 31, 2016	April 1, 2015
Within one year	3.75	3.26	3.10
After one year but not more than five	21.22	18.91	18.01
More than five years	731.38	735.75	739.91

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:

	March 31, 2017	March 31, 2016	April 1, 2015
Within one year	42.17	39.52	36.83
After one year but not more than five years	142.57	116.55	125.48
More than five years	342.50	143.27	165.43

II. Litigation and Contingent Liabilities

A. 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, 2016: 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) below on contingent liabilities of GMR Hyderabad Aerotropolis Limited for which an amount of Rs. 0.85 crore (March 31, 2016: Rs. 0.85 crore. April 01, 2015: Rs. 0.85 crore) have been provided for in the books of account.

iii. Direct taxes:

a) 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. 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. During the current 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.

b) 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). During the current 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.

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c) GHIAL received assessment orders for the A.Y. 2014-15 and 2015-16 disallowing expenses aggregating to Rs. 23.79 crore and Rs. 19.82 crore respectively against which, GHIAL has filed an appeal with the Commissioner of Income Tax (Appeals), Bengaluru.

d) GHAL had filed the Appeal against the assessment order passed u/s 143(3) for AY 2012-13 from the office of Deputy Commissioner of Income Tax wherein the assessing officer had disallowed Rs. 0.10 crore (March 31,2016 Rs. 0.10 crore; April 01,2015 Rs, 0.10 crore) debited to statement of profit and loss stating that the business is yet to start.

iv. In accordance with the provisions of the amended and restated Joint Venture agreement dated November 16, 2010 executed by HMACPL with Menzies Aviation Plc, Menzies Aviation Cargo (Hyderabad) Limited (MACL), Menzies Aviation (India) Private Limited and Hyderabad Menzies Air Cargo Private Limited (HMACPL), HMACPL exercised its buy back rights to buy the shares held by MACL in HMACPL. MACL disputed GHIAL's position as regards exercising the buyback rights. In view of the above dispute, GHIAL invoked Arbitration proceedings which is currently in progress.

B. Guarantees excluding financial guarantees

In case of GHIAL, Bank guarantees outstanding in respect of customs and others Rs. 20 crore (March 31, 2016: Rs. 18.99 crore).

In the case of GHRL, Bank guarantees outstanding in respect of customs department Rs. 0.74 crore (March 31, 2016: Rs. Nil).

In the case of HDFRL, Bank guarantees outstanding in respect of customs department Rs. Nil (March 31, 2016: Rs. 13.16 crore).

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, 2016: Rs. 24.54 crore). The order also includes penalty of Rs. 31.11 crore (March 31, 2016: 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.

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, 2016: 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.

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, 2016: Rs. 1.53 crore), including penalty of Rs 1.67 crore (March 31, 2016: 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 Show Cause Notice dated June 17, 2013 from the Office of Commissioner of Customs, Central Excise and Service Tax on non- payment of service tax on import of service amounting to Rs. 0.33 crore (March 31, 2016: Rs. 0.33 crore). The Notice also included penalty of Rs. 0.41 crore (March 31, 2016: Rs. 0.41 crore).

v. GHIAL had received the Show Cause Notices dated October 23, 2013 and dated April 22, 2015 from the Office of Deputy Commissioner of Customs, Central Excise and Service Tax and from the Office of Assistant

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Commissioner of Customs, Central Excise and Service Tax amounting to Rs. 0.03 crore and Rs. 0.04 crore (March 31, 2016: 0.07 crore) respectively on irregular availment of cenvat credit. During the year, GHIAL has received an order dated February 29, 2016 from the Office of Assistant Commissioner of Customs, Central Excise and Service Tax amounting to 0.07 crore. The order also includes the interest payable thereon and penalty of Rs. 0.07 crore (March 31, 2016: Rs. 0.07 crore). GHIAL has filed the appeal before the office of Commissioner Customs, Excise and Service Tax (Appeal) and deposited an amount of Rs. 0.01 crore with the service tax department as required to file the appeal.

vi. GHIAL has received show cause notices from the Office of Assistant Commissioner of Customs, Central Excise and Service Tax on irregular availment of cenvat credit amounting to Rs. 0.13 crore (March 31, 2016: Rs. 0.13 crore). The notice also includes the interest payable thereon and penalty of Rs. 0.13 crore (March 31, 2016: Rs. 0.13 crore).

vii. GHIAL has received a Show Cause Notice dated July 20, 2015 from the Office of Additional Commissioner of Customs, Central Excise and Service Tax on irregular availment of cenvat credit amounting to Rs. 0.06 crore (March 31, 2016: Rs. 0.06 crore). During the year, GHIAL has received an order dated April 24, 2016 from the Office of Additional Commissioner of Customs, Central Excise and Service Tax amounting to Rs. 0.06 crore. The order also includes the interest payable thereon and penalty of Rs. 0.01 crore (March 31, 2016: Rs. 0.06 crore). GHIAL has filed the appeal before the office of Commissioner Customs, Excise and Service Tax (Appeal) and deposited an amount of Rs. 0.01 crore with the service tax department as required to file the appeal.

viii. GHIAL had received the Show Cause Notice dated April 23, 2014 from the Office of Commissioner of Customs, Central Excise and Service Tax on Irregular availment of cenvat credit amounting to Rs. 0.62 crore (March 31, 2016: 0.62 crore). The Notice also includes the interest payable thereon and penalty of Rs. 0.62 crore (March 31, 2015: Rs. 0.62 crore). In the previous year, GHIAL had received an order from the Office of Commissioner of Customs, Central Excise and Service Tax dated June 11, 2015 confirming the demand of Rs. 0.62 crore. The order also includes penalty of Rs. 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.

ix. GHAL had received a show cause notice No O.R.No.79/2014 -Adj.(Commr) from Commissioner of Customs, Central Excise & Service Tax dated April 23,2014 on irregular availment of the Cenvat Credit amounting to Rs. 0.29 crore (for the period October 2008 to March 2011) including a penalty of Rs 1.14 crore (March 31,2016 Rs 1.14 crore April 1,2015 Rs 1.14 crore). During the previous year, GHAL has received an order from the office of 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 including a penalty of Rs 0.29 crore. GHAL has preferred an appeal with CESTAT, Hyderabad.

x. GHAL had received an order from Commissioner of Customs, Central Excise & Service Tax dated June 22, 2016 against their reply to show cause notice No 35/2016-17 regarding short payment of service tax of Rs.1.47 crore under RCM on Architecture service. GHAL had preferred an appeal with Commissioner of Customs, Central Excise & Service Tax and reversed cenvat credit of Rs.0.11 crore towards pre-deposit.

xi. 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 31,2016: Rs.0.01 crore ; April 01,2015 : Nil) has been denied.

xii. Subsequent to the year end, GHASL has received a Show Cause Notice (SCN) from the Commissioner (Audit), Central Excise and Service Tax for an amount of Rs. 8.55 crore (March 31,2016: Nil; April 01, 2015: Nil) for granting exemption of service tax under renting of immovable property services without obtaining Form A1 / A2 for the period from October 2011 to March 2016.

xiii. GHRL has received a show cause notice from the assistant commissioner of service tax levying service tax on 100% value of Room retention charges amounting to Rs. 0.04 crore (March 31,2016: Rs. Nil; April 01, 2015: Rs. Nil) as against the current practice of discharging the service tax on 60% value.

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xiv. HMACPL 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. HMACPL. 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 HMACPL had reversed the accrued customs cost amounting to 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.

xv. HMACPL had rendered cargo handling services for export cargo during the period March 2008 to June 2010 on which HMACPL had not paid service tax in view of the exemption available under cargo handling services. HMACPL had received a show cause notice from the Office of Commissioner of Customs & Central Excise requiring HMACPL 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, HMCPL 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 as service tax for the period March 2008 to June 2010 under Airport Services and 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.

xvi. HMACPL had availed CENVAT credit on capital goods during the period April 2007 to March 2012 amounting to Rs. 0.07 crore and department is of the view that HMACPL has irregularly claimed input credit on ineligible items and raised a demand of Rs. 0.07 crore along with applicable interest and penalty. The Commissioner (Appeals) has upheld the order issued by the Additional Commissioner against the claim by HMACPL. HMACPL aggrieved by the said order, has paid an amount of Rs. 0.07 crore under protest as per the stay application hearing with Commissioner (Appeals) and an appeal has been filed with CESTAT. CESTAT has passed the stay order on August 1, 2014 from payment of interest and penalty.

xvii. GHRL had received notices of demand in the year 2013 from commercial taxes department, levying Value Added Tax on leasing of Audio Video Equipment's amounting to Rs. 0.36 crore (March 31, 2016: Rs. 0.24 crore; April 01, 2015: Rs. 0.24 crore). GHRL has replied to the department against the said notices of demand.

xviii. HMACPL 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-IA of the Income Tax Act, 1961 and demanding tax of Rs. 1.54 crore (including interest of Rs 0.22 crore), Rs. 2.73 crore (including interest of Rs 0.70 crore), Rs. 3.03 crore (including interest of Rs.0.74 crore) and Rs. 2.54 crore (including interest of Rs 0.66 crore) for the respective assessment years. HMACPL had filed an appeal with Commissioner of Income - Tax (Appeals), Hyderabad and had paid Rs. 1.54 crore, Rs. 2.73 crore, Rs. 3.03 crore, and Rs. 2.54 crore for the assessment years 2009-2010, 2010-2011, 2011-2012 and 2012-13 respectively under protest. During the previous years, the said appeals were dismissed by the Commissioner of Income - Tax (Appeals), Hyderabad against which HMACPL had filed an appeal with the Income Tax Appellate Tribunal, Hyderabad. During the current year, HMACPL 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 2009-2010, 2010-2011, 2011-2012 and 2012-13. However, the department has preferred further appeal before high court.

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xix. HMACPL received an order from the Assistant Commissioner of Income Tax for the assessment year 2013-14 on February 29, 2016 denying the deduction u/s 80-IA of the Income Tax Act, 1961. Per this order the refund receivable to HMACPL has a reduced by Rs. 4.18 crore. Aggrieved by the reduction in refund, HMACPL has filed an appeal with the Commissioner of Income - Tax (Appeals), Hyderabad on April 6, 2016.

xx. HMACPL 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. HMACPL has filed an appeal with the Commissioner of Income - Tax (Appeals), Hyderabad on May 5, 2015.

xxi. 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 amounting to Rs. 25.20 crore (March 31, 2016: Rs. 25.20 crore). GHIAL had received the stay order against the said order in the earlier years.

xxii. 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 March 31, 2017 amounts to Rs. 3.94 crore (March 31, 2016: Rs. 3.63 crore).

xxiii. Recovery from PSF (SC) Escrow account:

a) The Ministry of Civil Aviation (MoCA) had issued the order vide order no. AV 13024/03/2011-AS (Pt. I), dated February 18, 2014 requiring the Airport Operators to reverse the expenditure incurred, 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. GHIAL had incurred Rs. 93.83 crore (March 31, 2016: Rs. 92.29 crore towards capital expenditure (including the construction cost and cost of land mentioned in note b and excluding related maintenance expense and interest thereon) till March 31, 2017 out of PSF (SC) escrow account as per 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 is contrary to and inconsistent with SOPs, guidelines and clarification issued by the MoCA from time to time in this regard, GHIAL had challenged the said order before Hon'ble High court of Andhra Pradesh. The Honorable 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 GHIAL, it shall reverse all the expenditure incurred from PSF (SC).

Accordingly, the GHIAL is continuing to incur the procurement and maintenance cost of security systems / equipment from PSF (SC) escrow account and during the year ended March 31, 2017 incurred an amount of Rs. 2.88 crore (March 31, 2016 Rs. 2.66 crore) on maintenance of security systems / equipment from the PSF (SC) escrow account.

b) As per the advice from the Ministry of Home Affairs and the SOP issued by the MoCA on March 06, 2002, GHIAL, through its 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 amounting to Rs. 69.92 crore (March 31, 2016: Rs. 69.92 crore) 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, GHIAL 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 GHIAL 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

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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, GHIAL 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 financial statements.

xxiv. Fuel surcharge adjustments (FSA) for the period from April 2008 to March 2010 amounting to Rs. 2.05 crore (March 31, 2016: Rs. 2.05 crore).

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 March 31, 2017.

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.77.78 crore (March 31, 2016: Rs.18.03 crore; April 1, 2015: Rs.18.67 crore).

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 GHIAL.

ii. For commitments pertaining to lease arrangement refer clause I of note 35.

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

iv. As per the amended and restated joint venture agreement dated November 16, 2010 executed between GMR Hyderabad International Airport Ltd, Menzies Aviation Plc, Menzies Aviation Cargo (Hyderabad) Limited, Menzies Aviation (India) Private Limited and Hyderabad Menzies Air Cargo Private Limited, HMACPL shall pay preference dividends at a coupon rate of 11.97% on the paid up value of compulsorily convertible cumulative preference shares which is amounting to Rs.2.16 crore and tax thereon for the year ended March 31, 2017. Pending the approval of the directors of the board, the same has been disclosed as contingent liability.

36. Significant accounting judgments, estimates and assumptions:

The preparation of the Group's consolidated 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

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judgments, which has the effect on the amounts recognised in the 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. 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 A to Ind AS 11 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 A of Ind AS 11. 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.

Applicability of Service Concession Agreement (SCA) to HMACPL

HMACPL, 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 A to Ind AS 11 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 HMACPL receives a right (i.e. a concessionaire) to charge users of the public service. The financial model is used when HMACPL 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 HMACPL alongwith leasing of the part of the cargo infrastructure facility but since HMACPL 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

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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, the Company, based on Legal Opinion, has provided the concession fee to MOCA based on Gross Revenue as per the Ind AS financial statements after adjusting such incomes/credits.

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 consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the group. Such changes are reflected in the assumptions when they occur.

Discounting rate

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

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. See Note 32 for further disclosures.

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

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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 36 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 38, 39 and 40 for further disclosures.

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. See Note 29 for further disclosures.

GAEL 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, GAEL 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 judgement 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 year.

37. Fair values:

The carrying amount of all financial assets and liabilities appearing in the financial statements is reasonable approximation of fair values.

	Carrying value			Fair value		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Financial assets						
At Fair Value through profit or loss						
Investments	387.34	223.86	29.46	387.34	223.86	29.46
Financial liabilities						
Financial liabilities carried at fair value through profit or loss						
Interest rate swaps	58.60	109.20	112.94	58.60	109.20	112.94

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The management assessed the cash and cash equivalent, trade receivables trade payables, bank overdrafts and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. In case of long term borrowings, all borrowings carry floating rate of interest and hence, the carrying value is considered to be 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. Interest rate swaps:-The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observables yield curve.
ii. The fair values of quoted mutual funds and commercial paper are based on price quotations at the reporting date.

38. 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 31 March 2017:

Particulars	Date of Valuation	Total	Fair value measurement using		
			Quoted prices in active markets	Significant observable inputs	Significant un observable inputs
			Level-1	Level-2	Level-3
Assets measured at fair value					
At FVTPL					
Investment in mutual funds	March 31, 2017	387.34	387.34	-	-
Liabilities measured at fair value					
Derivative not designated as hedge (Interest rate swap)	March 31, 2017	58.60	-	58.60	-

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

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

Particulars	Date of Valuation	Total	Fair value measurement using		
			Quoted prices in active markets	Significant observable inputs	Significant un observable inputs
			Level-1	Level-2	Level-3
Assets measured at fair value					
At FVTPL					
Investment in mutual funds	March 31, 2016	223.86	223.86	-	-
Liabilities measured at fair value					
Derivative not designated as hedge (Interest rate swap)	March 31, 2016	109.20	-	109.20	-

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Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 1 April, 2015:

Particulars	Date of Valuation	Total	Fair value measurement using		
			Quoted prices in active markets	Significant observable inputs	Significant un observable inputs
			Level-1	Level-2	Level-3
Assets measured at fair value					
At FVTPL					
Investment in mutual funds	April 1, 2015	29.46	29.46	-	-
Liabilities measured at fair value					
Derivative not designated as hedge (Interest rate swap)	April 1, 2015	112.94	-	112.94	-

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 Interest rate swaps is calculated as the present value of estimated future cash flows based on observable interest yield curves.

39. Financial risk management objectives and policies:

The Group's activities expose it to variety of finance risk, market risk, credit risk and liquidity risk. The Group's focus is to foresee such risks and seek to minimize potential adverse impact on its financial performance.

Financial risk

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

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

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and Demand risk. Financial instruments affected by market risk include loans and borrowings, Investments carried at FVTPL and deposits.

However, in case of GHIAL it may be noted that as part of one of principle source of revenue i.e. aeronautical charges which are regulated, the risks are mitigated to a larger extent in case of any movement as the same are allowed as true up through determination of aeronautical tariff for the next control period.

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

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

The analysis exclude the impact of movements in market variables on: the carrying values of gratuity and other post-retirement obligations; provisions. The analysis for the contingent consideration liability is provided in Note 36 B.

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

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as at 31 March 2017 and 31 March 2016.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

To manage the interest rate risk, GHIAL and GAEL entered into interest rate swap arrangements.

The exposure of the Group's borrowing to interest rate changes at the end of the reporting period for actual outstanding balances as at year end:

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Rupee term loan*	1,625.96	1,713.21	1,593.33
ECB loan borrowings	479.86	548.18	574.16

*The borrowings exposures are disclosed on the basis of actual transaction value. All loans are carried at floating rate of interest.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Movement in basis points	Impact on profit before tax
March 31, 2017		
INR	50	8.88
USD		
External Commercial Borrowing (ECB)	50	(0.04)
Interest rate swap on ECB	50	0.04
31 March, 2016		
INR	50	8.48
USD		
External Commercial Borrowing (ECB)	50	(0.04)
Interest rate swap on ECB	50	0.04

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Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's external commercial borrowings and operating activities.

The Group's exposure to foreign currency risk at the end of the reporting period expressed in foreign currency is as follows:

As at	March 31, 2017	March 31, 2017	March 31, 2016	March 31, 2016	April 1, 2015	April 1, 2015
Foreign Currency	Foreign Currency	(Rs. in crores)	Foreign Currency	(Rs. in crores)	Foreign Currency	(Rs. in crores)
Payable						
EUR	110,258.25	0.77	122,525.13	0.91	162,509.08	1.10
SGD	7,197.51	0.03	7,280.06	0.04	6,835.58	0.03
AED	140,737.00	0.25	-	-	-	-
GBP	156,954.00	1.27	236,536.36	2.26	101,283.00	2.27
USD	7,917,796.97	51.95	1,822,231.81	11.82	854,653.94	5.42
CHF	44,225.00	0.29	24,076.00	0.17	17,629.00	0.11
USD-Loan	73,150,000.00	479.86	82,756,348.00	552.56	91,674,248.00	578.10
Total		**534.42**		**567.76**		**587.03**
Receivable						
USD	245,482.00	41.52	67,847,560.00	14.14	98,114.00	0.62
CHF	15,047.00	0.10	7,154.00	0.05	9,135.00	0.06
EURO	746.00	0.01	1,099.00	0.01	1,179.00	0.01
Total		**41.63**		**14.20**		**0.69**
Bank balances (including credit card collection)						
USD	833,519.61	5.47	683,066.00	4.71	671,633.00	5.64
Loans & Advances						
USD	847.00	0.01	217.00	0.00	13,251.00	0.08
CHF	277.00	0.00	277.00	0.00	-	-
GBP	463.00	0.00	-	-	-	-
EUR	-	-	-	-	2,446.00	0.02
Total		**0.01**		**0.00**	**13,251.00**	**0.10**
Foreign Currency on hand						
AED	9,526.00	0.02	2,720.00	0.00	4,395.00	0.01
AUD	186.00	0.00	241.00	0.00	1,408.00	0.01
CAD	160.00	0.00	60.00	0.00	135.00	0.00
CHF	7.00	0.00	7.00	0.00	7.00	0.00
EURO	593.00	0.00	178.00	0.00	228.00	0.00
GBP	110.00	0.00	5.00	0.00	438.00	0.00
HKD	28.00	0.00	28.00	0.00	28.00	0.00
JPY	17,042.00	0.00	42.00	0.00	42.00	0.00
KWD	151.00	0.00	21.00	0.00	131.00	0.00
MYR	140.00	0.00	2.00	0.00	383.00	0.00
NZD	8.00	0.00	8.00	0.00	8.00	0.00
OMR	244.00	0.00	-	-	40.00	0.00
QAR	675.00	0.00	130.00	0.00	320.00	0.00
SAR	9,420.00	0.02	2,134.00	0.00	5,006.00	0.01
SGD	381.00	0.00	35.00	0.00	687.00	0.00
THB	367.00	0.00	87.00	0.00	3,287.00	0.00
USD	31,719.00	0.21	16,400.00	0.11	21,510.00	0.14
Total		**0.25**		**0.11**		**0.16**

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Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Group's profit before tax is as under:-

Foreign Currency	Nature of transaction	Change in Rate	March 31, 2017 Rs.	March 31, 2016 Rs.
USD	Change in fair valuation of financial liabilities and financial assets	5%	9.33	0.38
USD	Change in depreciation on account of capitalisation of foreign exchange gain or loss on ECB	5%	1.71	1.94

The Group's exposure to foreign currency changes for all other currencies is not material.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by the Group as per approved debtors policy and established procedures and controls relating to customer credit risk management. Outstanding customer receivables are regularly monitored and any credit to new customers are generally covered by appropriate security in the form of deposits and/ bank guarantees.

At March 31, 2017, GHIAL had 20 customers (31 March 2016: 14 customers, 1 April 2015: 10 customers) that owed GHIAL more than 1% each of total receivable and accounted for approximately 83% (31 March 2016: 84%, 1 April 2015: 87%) of all the receivables outstanding. There were 4 customers (31 March 2016: 2 customers, 1 April 2015: 4 customers) with balances greater than 5% each accounting for approximately 52% (31 March 2016: 64%, 1 April 2015: 77%) of the total amounts receivable.

Apart from the above, the carrying amount of financial assets of the group represents the maximum credit exposure. The maximum exposure to credit risk was Rs. 3.72 crore, Rs. 7.54 crore and Rs. 4.76 crore as of March 31, 2017, March 31, 2016 and April 1, 2015 respectively, being the total of the carrying amount of balances with trade receivables.

An impairment analysis is performed at each reporting date. The Group does not hold collateral as security. GHIAL evaluates the concentration of risk with respect to trade receivables as moderate, as its customers are broad-based, however, they operate largely in dependent market.

Collateral

GAEL has pledged part of its margin money deposits in order to fulfil the collateral requirements for the derivatives contracts. At 31 March 2017, 31 March 2016 and 1 April 2015, the fair values of the short-term deposits pledged were Rs. 5 crore, Rs. Nil and Rs. Nil, respectively. There are no other significant terms and conditions associated with the use of collateral.

Financial instruments (security deposits) and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with

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approved counterparties and within prudent limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

Liquidity risk

The Group monitors its risk of a shortage of funds using a rolling cash flow forecasts.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of working capital facilities and bank loans. The Group's policy is to ensure that the repayments of borrowings are in sync with the cash flows generated from the operations. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders, if required.

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

	On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Year ended March 31, 2017						
Borrowings	21.05	30.60	91.86	814.85	1,608.57	2,566.93
Trade & other payables	22.54	88.35	13.19	-	-	124.08
Other financial liabilities	2.58	26.11	35.75	116.67	166.54	347.65
	46.17	**145.06**	**140.80**	**931.52**	**1,775.11**	**3,038.66**
Year ended March 31, 2016						
Borrowings	23.42	15.78	201.06	652.16	1,721.93	2,614.35
Trade & other payables	15.97	79.63	10.07	-	-	105.67
Other financial liabilities	1.72	4.62	40.61	75.04	159.73	281.72
	41.11	**100.03**	**251.74**	**727.20**	**1,881.66**	**3,001.74**
As at April 1, 2015						
Borrowings	22.41	21.56	69.60	611.64	1,755.35	2,480.55
Trade & other payables	15.77	52.68	8.81	-	-	77.26
Other financial liabilities	1.75	1.51	25.55	52.86	146.87	228.51
	39.93	**75.75**	**103.96**	**664.50**	**1,902.22**	**2,786.32**

Excessive risk concentration

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

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

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40. Capital management

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Group monitors capital using a gearing ratio, which is debt divided by total capital plus debt. The Group's policy is to keep the gearing ratio at an optimal level to ensure that the debt related covenants are complied with.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Borrowings	2,553.25	2,609.47	2,539.83
Borrowings	**2,553.25**	**2,609.47**	**2,539.83**
Equity	378.00	378.00	378.00
Other equity	(127.92)*	(409.23)	(342.74)
Total Capital	**250.08**	**(31.23)**	**35.26**
Capital and borrowings	**2,803.33**	**2,578.24**	**2,575.09**
Gearing ratio	**91.08%**	**101.21%**	**98.63%**

*The above is inclusive of final dividend of Rs. 2.50 per fully paid equity share (31 March 2016 – Rs. Nil) recommended by the Board of Directors of GHIAL in its meeting held on May 4, 2017. The proposed dividend will require total outflow of Rs. 113.74 crore inclusive of dividend distribution tax thereon. The proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.

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

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

41. As at March 31, 2017, GHIAL has accrued Rs.1.98 crore including superannuation fund of Rs.0.09 crore towards the remuneration to its Managing Director, including Rs. 0.80 crore in excess of the limits specified in Sub Section (3) of Section 197 read with Schedule V of the Companies Act, 2013 in respect of year ended as at March 31, 2015. The said remuneration is approved by the Board of Directors, the Nomination and Remuneration Committee and by the Shareholders. Accordingly, GHIAL had applied to the Central Government for obtaining necessary approvals for payment of such remuneration and that, the amount in excess of the limits as mentioned above, will be paid as and when the approval is received from the Central Government. The Management of GHIAL is of the opinion that, the approval for payment of the remuneration will be obtained in due course and as such no adjustments have been made in these financial statements.

42. GHIAL has recognized, Minimum alternate tax (MAT) credit entitlement of Rs. 171.96 crore (March 31, 2016: Rs.66.57 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.

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43. The Airport Economic Regulatory Authority ('AERA'), passed an Aeronautical tariff order No. 38 dated February 24, 2014, in respect of control period from April 1, 2011 to March 31, 2016. GHIAL had filed an appeal, challenging the disallowance of pre control period losses, foreign exchange loss on ECB and other issues for determination of its tariff with the AERA Appellate Tribunal (AERAAT) against the aforesaid order. Due to non-constitution of AERAAT Bench, GHIAL had filed a writ petition with the Honorable High Court at Hyderabad for the State of Telangana and for the State of Andhra Pradesh, which is yet to be heard.

44. 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. 19 dated March 31, 2017 has allowed to continue to charge the Aeronautical tariff as prevailed on 31.03.2017 for a period of 6 months w.e.f. April 1, 2017 or till determination of tariff for the aforesaid period whichever is earlier.

45. The 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.

46. GHIAL has agreed to buy out the 60% stake i.e. 60% shareholding amounting to Rs. 5.34 crore, in Asia Pacific Flight Training Academy Ltd.(APFTAL) held by its JV partner M/s Asia Pacific Flight Training Academy, SDN, BHD, Malaysia (APFT-Malaysia) at a value of One US Dollar considering the market potential of flight training business in India.

47. During the year, GMR Hotels and Resorts Ltd. (GHRL) and Hyderabad Duty Free Retail Ltd. (HDFRL), two of GHIAL wholly owned subsidiary companies filed a Scheme of Arrangement for merger of HDFRL into GHRL "the scheme" under Section 391 and 394 (1) of the Companies Act, 1956. The National Company Law Tribunal (NCLT) passed an order on April 18, 2017, approving the said scheme with appointed date as April 1, 2016. The aforesaid order was filed with the Registrar of Companies on April 27, 2016. Accordingly, HDFRL has been merged into GHRL with appointed date as April 01, 2016.

48. 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 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.

Additionally, Management is of the view that reversal of provision for impairment in the value of investment in GHRL recognized as an exceptional item does not represent receipts from business operation and the same is not considered for computation of Concession fee to MoCA.

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Description	Incomes forming part of
Reversal of Fair value of financial instruments Interest Rate Swap on actual settlement	Finance income
Discounting of interest free loan given to subsidiaries#	Finance income
Discounting of interest free loan given to Joint Venture	Finance income
Income arising from fair valuation of financial guarantee#	Finance income
Discounting on fair valuation of deposit received from concessionaries	Other income
Income from government grant	Other income
Amortisation of deferred income	Other income
Provision for impairment in investments in subsidiary written back #	Exceptional Item

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

49. In case of HMACPL, 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. 2.47 crore (March 31, 2016: Rs. 2.00 crore). The Management is confident that there would be no additional liability other than the amount accrued in the books of account.

50. 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 Consolidated Financial Statements.

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

Expense head	For the Year ended March31, 2017	For the Year ended March31, 2016
Electricity and water charges	21.05	17.98
Salaries, wages and bonus	0.38	0.16
Staff welfare expenses	0.46	0.41
Miscellaneous expenses	-	0.04
Travelling and conveyance	0.02	0.04
Communication expenses	0.00	0.00
Office Maintenance	0.03	-
Legal and professional fees	-	0.02

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52. **Disclosure as per the Schedule III of the Companies Act, 2013:**

A) Net Assets, i.e. total assets minus total liabilities as at:

Name of the Entity	March 31, 2017		March 31, 2016		April 1, 2015	
	As % of consolidated net assets	Amount	As % of consolidated net assets	Amount	As % of consolidated net assets	Amount
GHIAL	44.78%	135.54	(490.52)%	(63.58)	(60.46)%	(45.77)
HMACPL	29.05%	87.90	499.94%	64.80	76.74%	58.09
HASSL	0.10%	0.31	(95.27)%	(12.35)	(33.33)%	(25.23)
GHARML	-	-	(0.08)%	(0.01)	0.06%	0.04
GHAL	24.61%	74.48	235.15%	30.48	43.23%	32.72
GHASL	7.24%	21.92	230.45%	29.87	53.35%	40.38
GHMSL	-	-	0.04%	0.01	0.01%	0.01
GAEL including GATL	(28.99)%	(87.73)	(743.58)%	(96.38)	(60.95)%	(46.13)
HDFRL	-	-	206.69%	26.79	30.85%	23.35
GAHSCL	-	-	0.19%	0.02	0.04%	0.03
GHAPDL	0.01%	0.03	0.24%	0.03	0.04%	0.03
GHRL	20.89%	63.21	234.17%	30.35	49.42%	37.41
Jointly controlled entities (as per Equity method)						
APFTAL	-	-	-	-	-	-
LHAMPL	2.31%	6.99	22.58%	2.93	1.00%	0.76
Total	**100.00%**	**302.65**	**100.00%**	**12.96**	**100.00%**	**75.69**
Non-controlling interest in a subsidiary						
HMACPL	-	52.56	-	44.17	-	40.43

B) Share of profit and loss for the financial year:

Name of the entity	2016-17		2015-16	
	As % of consolidated profit or loss	Amount	As % of consolidated profit or loss	Amount
GHIAL	88.67%	261.16	97.41%	(49.66)
HMACPL	15.09%	44.43	(89.76)%	45.76
HASSL	0.01%	0.02	(0.32)%	0.17
GHARML	-	-	(0.01)%	0.00
GHAL	0.05%	0.14	4.11%	(2.10)
GHASL	(3.83)%	(11.29)	17.66%	(9.00)
GHMSL	-	-	0.01%	(0.00)
GAEL including GATL(wholly owned subsidiary)	(16.30)%	(48.02)	108.28%	(55.19)
HDFRL	-	-	(59.86)%	30.51
GAHSCL	-	-	0.01%	(0.00)
GHAPDL	-	-	0.00%	(0.00)
GHRL	14.95%	44.02	26.72%	(13.62)
Jointly controlled entities (as per Equity method)				
APFTAL	-	-	-	-
LHAMPL	1.38%	4.06	(4.25)%	2.16
Non-controlling interest in a subsidiary				
HMACPL	-	8.39		3.74

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53. **Interest in Joint Venture**

a. The Group has a 49% interest in Laqshya Hyderabad Airport Media Private Limited (LHAMPL), a joint venture engaged in offering Out of Home (OOH) / Outdoor Media Services for display of advertisement at the airport. The Group's interest in LHAMPL is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture, based on its Ind AS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

Summarised Balance Sheet as at March 31, 2017:

	March 31 2017	March 31 2016	1 April 2015
Current assets, including cash and cash equivalents Rs. 1.16 crore (March 2016: Rs.0.68 crore, April 1, 2015: Rs. 1.37 crore)	27.59	16.56	15.23
Non-current assets	23.06	24.66	26.25
Current liabilities	(13.16)	(8.26)	(10.15)
Non-current liabilities including borrowing Rs. 15.91 crore (March 2016: Rs.19.45 crore, April 1, 2015: Rs. 22.33 crore)	(16.16)	(19.93)	(22.72)
Equity	**21.33**	**13.03**	**8.61**
Proportion of the Group's ownership	**49%**	**49%**	**49%**
Carrying amount of the investment	**10.45**	**6.39**	**4.22**

Summarised statement of Profit and Loss account as at March 31, 2017:

	For the year ended March 31, 2017	For the year ended March 31, 2016
Revenue from operations	60.44	42.83
Other Income	0.35	0.14
Total Income	**60.79**	**42.97**
Employee benefit expenses	2.71	2.16
Other expenses	41.09	30.31
Depreciation	1.77	1.71
Finance cost	2.96	3.08
Total expenses	**48.53**	**37.26**
Profit before tax	**12.26**	**5.71**
Tax expenses	4.00	1.23
Profit after tax	**8.26**	**4.48**
Other comprehensive income	0.02	(0.05)
Total comprehensive income	**8.28**	**4.43**
Group's share of profit for the year	4.06	2.17

Group's share of contingent liabilities of the jointly controlled entity is Rs. 0.23 crore (March 2016: Rs. 0.17 crore, April 1, 2015: Rs. 0.11 crore).

b. The Group has a 40% interest in Asia Pacific Flight Training Academy Limited (APFTAL), a joint venture engaged in the business of flight training academy for pilot training, advanced training, Aeronautical and Ground Engineering training. The Group's interest in APFTAL is accounted for using the equity method in the consolidated financial statements. Summarized financial information of the joint venture, based on its Ind AS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

Summarised Balance Sheet as at March 31, 2017:

	March 31 2017	March 31 2016	1 April 2015
Current assets, including cash and cash equivalents Rs. 1.38 crore (March 2016: Rs.1.31 crore, April 1, 2015: Rs. 0.11 crore)	3.32	3.25	1.06
Non-current assets	1.46	1.22	1.74
Current liabilities	(9.08)	(6.51)	(3.47)
Non-current liabilities	(0.13)	(0.06)	(0.06)
Equity	**(4.43)**	**(2.10)**	**(0.73)**
Proportion of the Group's ownership	**40%**	**39.66%**	**39.66%**
Carrying amount of the investment	**(1.77)**	**(0.84)**	**(0.29)**

Summarised statement of Profit and Loss account as at March 31, 2017:

	For the year ended March 31, 2017	For the year ended March 31, 2016
Revenue from operations	6.43	5.41
Other income	0.14	0.10
Total Income	**6.57**	**5.51**
Employee benefit expenses	2.07	1.39
Other expenses	6.06	4.89
Depreciation	0.53	0.39
Finance cost	0.20	0.23
Total expenses	**8.86**	**6.90**
Loss for the year	**(2.29)**	**(1.39)**
Other comprehensive income	(0.03)	0.01
Total comprehensive income / (loss)	**(2.32)**	**(1.38)**
Group's share of loss for the year	(0.93)	(0.55)

Group's share of contingent liabilities of the jointly controlled entity is Rs. 0.39 crore (March 2016: Rs. 0.39 crore, April 1, 2015: Rs. Nil crore).

54. **Goodwill on acquisition:**

During August 2014, GHIAL has made additional investment of 5% stake in GAEL, thereby making the shareholding from 50% to 55% making GAEL and GATL from jointly controlled entities to subsidiaries. Subsequently in December'14, GHIAL has acquired the balance stake thereby making GAEL 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 GAEL& GATL (wholly owned subsidiary of GAEL) is given below:

Particulars		GAEL *
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 GAEL).

Note: The Consolidated Financial statements as at March 31, 2017 include goodwill on additional investment by GHIAL during the financial year 2014-15 in subsidiary GAEL. GAEL has a wholly owned

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subsidiary GATL which has incurred losses of Rs. 39.18 crore (March 31, 2016: Rs. 73.36 crore) for the year and has accumulated losses as at March 31, 2017 of Rs. 363.92 crore (March 31, 2016: Rs. 324.82 crore) which exceeds its net worth. Also GATL has incurred cash loss in the current and 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.

Impairment testing of goodwill:

Goodwill acquired through business combinations has been allocated to the below MRO business managed through the above referred operating entities for impairment testing:

Carrying amount of goodwill allocated to MRO business:

Intangible Assets	March 31, 2017	March 31, 2016	April 1, 2015
Goodwill	36.27	36.27	36.27

The Group performed its annual impairment test for years ended 31 March 2017 and 31 March 2016 in April 2016 and April 2017, respectively (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 GATL and 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 Consolidated Financial Statements do not include any adjustment relating to the impairment of Goodwill acquired through business combination.

MRO:

The recoverable amount of the MRO business, Rs. 36.27 Crs as at March 31, 2017, has been determined based on the management approved business plan of the operating entity covering a twelve-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 year is 13.69% (March 31, 2016: 13.69%) and cash flows beyond the twelve-year period are extrapolated using a 3.0% growth rate (March 31, 2016: 3.0%) 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 statement 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 10% per annum was applied for initial 3 years and then stabilized at 8% growth rate for remaining period.

Discount rates - Discount rates represent the current market assessment of the risks specific to the business,

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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.

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 10% per annum was applied for initial 3 years and then stabilized at 8% growth rate for remaining period. A decreased demand can lead to a decline in revenue. A decrease in revenue growth by 2.40% 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 7%. 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 3%. The management recognizes that the possibility of new entrants can have a significant impact on growth rate assumptions and a reduction of 9% perpetual growth rate after forecast period will result in impairment.

55. First Time Adoption of Ind AS

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

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

a) Mandatory exceptions to retrospective applications:

Ind AS 101 allows first time adopters certain exemptions from the retrospective application of certain requirements under INDAS. The Group has applied the following exemptions:

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i) Estimates

The estimates at April 1, 2015 and at March 31, 2016 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) The estimates used by the Group to present these amounts in accordance with Ind AS reflect conditions at 1 April 2015, the date of transition to Ind AS, as of 31 March 2016.

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

The Group has applied the exception related impairment of financial assets given in Ind AS 101. It has used reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial assets were initially recognized and compared that to the credit risk as at April 1, 2015.

iii) De-recognition of financial assets and financial liabilities

There are no items of financial asset and liabilities which are required to be derecognised as per Ind AS 109, except as mentioned under foot note (x) to reconciliation of equity.

iv) Classification and measurement of financial assets

The Group has classified financial assets in accordance with conditions that existed at the date of transition to Ind AS.

b) Exemptions applied:

i) Deemed cost-Previous GAAP carrying amount: (PPE and Intangible Assets)

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

ii) Long Term Foreign Currency Monetary Items: (Long term foreign currency borrowings)

Under previous GAAP, as per MCA circular dated August 09, 2012, the GHIAL has adjusted exchange differences to the cost of fixed assets being total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the period. In other words, GHIAL does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference.

In accordance with paragraph D13AA of Ind AS 101, includes an optional exemption that allows a first-time adopter to continue the above accounting treatment in respect of the long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period.

GHIAL has elected to continue policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the consolidated financial statements as per previous GAAP.

iii) Non-Controlling Interest :

The following requirements of Ind AS 110 are applied prospectively from the date of transition to Ind AS (provided that Ind AS 103 is not applied retrospectively to past business combinations):

- ► To attribute total comprehensive income to non-controlling interests irrespective of whether this results in a deficit balance
- ► To treat changes in a parents ownership interest as equity transactions
- ► To apply Ind AS 110 to loss of control of a subsidiary

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(All amounts in Rupees Crores, except otherwise stated)

iv) Business Combination

Ind AS 101 provides the option to apply Ind AS 103 prospectively. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date.

The group has elected to apply Ind AS 103 prospectively to business combinations occurring after its transition date. Business combinations occurring prior to the transition date have not been restated.

v) Fair value measurement of financial assets or financial liabilities

In accordance with paragraph D20 of Ind AS 101, the Group has applied to day one gain or loss provisions prospectively to transactions occurring on or after the date of transition to Ind AS. Therefore, unless a first-time adopter elects to apply Ind AS 109 retrospectively to day one gain or loss transactions, transactions that occurred prior to the date of transition to Ind AS do not need to be retrospectively restated.

Reconciliation of Equity as at April 1, 2015 :

	April 1, 2015		
	IGAAP	**Ind AS adjustments**	**Ind AS**
ASSETS			
Non-current assets			
Property, plant and equipment	2,341.11	(23.71)	2,317.40
Capital work in progress	55.51	(0.25)	55.26
Intangible assets	64.39	(1.59)	62.80
Intangible assets under development	-	0.19	0.19
Investment in joint venture	-	0.76	0.76
Financial assets			
Loans	323.71	(317.17)	6.54
Bank balances other than cash and cash equivalents	-	7.31	7.31
Other non-current financial assets	-	8.83	8.83
Non-current tax assets	-	44.57	44.57
Deferred tax asset (net)	-	102.77	102.77
Other non- current assets	6.63	182.52	189.15
	2,815.07	**4.23**	**2,819.30**
Current assets			
Inventories	44.00	(0.12)	43.88
Financial assets			
Investments	29.42	0.04	29.46
Trade receivables	88.40	(2.00)	86.40
Bank balances other than cash and cash equivalents	-	19.27	19.27
Cash and cash equivalents	53.74	(21.12)	32.62
Loans	25.28	(24.94)	0.34
Other current financial assets	-	10.71	10.71
Current tax assets	-	16.61	16.61
Other current assets	10.96	1.56	12.52
	251.80	**0.01**	**251.81**
TOTAL ASSETS	**3,066.87**	**4.24**	**3,071.11**
Equity			
Equity share capital	378.00	-	378.00
Other reserves	107.00	-	107.00
Retained Earnings	(364.45)	(85.29)	(449.74)
Equity attributable to equity holders of the parent	**120.55**	**(85.29)**	**35.26**

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Non-controlling interest	**39.52**	**0.91**	**40.43**
Non-current liabilities			
Financial Liabilities			
Borrowings	2,452.98	(21.04)	2,431.94
Other financial liabilities	215.26	72.94	288.20
Deferred tax liability (net)	1.49	0.06	1.55
Other non-current liabilities	-	37.53	37.53
Long Term provisions	1.50	(0.08)	1.42
	2,671.23	**89.41**	**2,760.64**
Current liabilities			
Financial Liabilities			
Borrowings	27.42	(0.00)	27.42
Trade Payable	67.61	0.91	68.52
Other current financial liabilities	130.79	(23.85)	106.94
Other liabilities	-	21.09	21.09
Short Term Provisions	9.75	(2.37)	7.38
Current tax liability (net)	-	3.43	3.43
	235.55	**(0.77)**	**234.78**
Total liabilities	**2,906.78**	**88.64**	**2,995.42**
TOTAL EQUITY AND LIABILITIES	**3,066.87**	**4.24**	**3,071.11**

Reconciliation of Equity as at March 31, 2016:

	March 31, 2016		
	IGAAP	**Ind AS adjustments**	**Ind AS**
ASSETS			
Non-current assets			
Property, plant and equipment	2,296.71	(22.99)	2,273.72
Capital work in progress	69.97	(0.74)	69.23
Other Intangible assets	56.19	(1.68)	54.51
Intangible assets under development	-	0.63	0.63
Financial assets			
Investments in joint venture	-	2.93	2.93
Loans	229.77	(224.01)	5.76
Bank balance other than cash and cash equivalents	-	4.51	4.51
Other financial assets	-	8.09	8.09
Non-current tax assets	-	65.70	65.70
Deferred tax assets (net)	37.86	62.87	100.73
Other non-current assets	4.51	84.25	88.76
	2,695.01	**(20.44)**	**2,674.57**
Current assets			
Inventories	48.57	(0.22)	48.35
Financial assets			
Investments	223.57	0.29	223.86
Trade receivables	134.95	(3.70)	131.25
Other current financial assets	-	12.92	12.92
Bank balances other than cash and cash equivalents	-	26.20	26.20
Cash and short-term deposits	52.30	(27.06)	25.24
Loans	15.80	(15.00)	0.80
Current tax assets	-	2.21	2.21
Other current assets	15.16	(4.26)	10.90
	490.35	**(8.62)**	**481.73**

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Notes to the Consolidated Ind AS Financial Statements for the year ended March 31, 2017
(All amounts in Rupees Crores, except otherwise stated)

	March 31, 2016		
	IGAAP	Ind AS adjustments	Ind AS
TOTAL ASSETS	3,185.36	(29.06)	3,156.30
Equity			
Equity share capital	378.00	-	378.00
Other reserves	107.00	-	107.00
Retained Earnings	(393.88)	(122.35)	(516.23)
Equity attributable to equity holder of the parent	**91.12**	**(122.35)**	**(31.23)**
Non-controlling interests	42.89	1.30	44.19
Non-current liabilities			
Financial Liabilities			
Borrowings	2,500.91	(18.45)	2,482.46
Other financial liabilities	254.10	47.64	301.74
Government grants	-	12.08	12.08
Long Term provisions	-	1.84	1.84
Deferred tax liability (net)	-	1,23	1.23
Other non-current liabilities	1.66	33.46	35.12
	2,756.67	**77.80**	**2,834.47**
Current liabilities			
Financial Liabilities			
Borrowings	27.66	-	27.66
Trade Payable	89.43	6.17	95.60
Other financial liabilities	165.28	(17.11)	148.17
Government grants	-	1.13	1.13
Current tax liability (net)	-	11.69	11.69
Provisions	12.32	(4.08)	8.24
Other current liabilities	-	16.38	16.38
	294.69	**14.18**	**308.87**
Total liabilities	**3,051.36**	**91.98**	**3,143.34**
TOTAL EQUITY AND LIABILITIES	**3,185.37**	**(29.07)**	**3,156.30**

Reconciliation statement of profit and loss for the year ended March 31, 2016:

	March 31, 2016		
	IGAAP	Ind AS adjustments	Ind AS
CONTINUING OPERATIONS			
Revenue from operations	883.46	(8.00)	875.46
Other income	26.27	(18.17)	8.10
Total Revenue	**909.73**	**(26.17)**	**883.56**
Concession Fees	25.79	-	25.79
Purchase of traded goods	36.18	5.97	42.16
Increase in traded goods	(2.59)	-	(2.59)
Employee benefit expenses	120.83	(1.25)	119.59
Depreciation and amortisation expenses	254.17	(0.87)	253.30
Finance income	-	(24.88)	(24.88)
Finance costs	245.34	1.29	246.63
Other expenses	269.53	(4.24)	265.29
Total Expenses	**949.26**	**(23.96)**	**925.28**
Profit/(loss) before exceptional items and tax from continuing operations	**(39.52)**	**(2.21)**	**(41.73)**

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Share of Profit / loss of an associate and joint ventures	-	2.16	2.16
Exceptional item	2.77	(2.77)	-
Profit/(loss) before and tax from continuing operations	**(42.30)**	**2.72**	**(39.58)**
Deferred tax	(39.35)	41.52	2.18
Current tax	11.79	(0.36)	11.44
Tax of earlier years	(0.81)	0.88	0.06
Minimum alternate tax credit entitlement	0.06	(0.52)	(0.46)
Income tax expense	**(28.30)**	**41.52**	**13.22**
Profit/(loss) for the year from continuing operations	**(13.99)**	**(38.80)**	**(52.79)**
Profit for the year	**(13.99)**	**(38.80)**	**(52.79)**
OTHER COMPREHENSIVE INCOME			
Re-measurement gains (losses) on defined benefit plans	-	0.09	0.05
	-	**0.09**	**0.05**
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	-	0.09	0.05
Other comprehensive income for the year, net of tax	**-**	**0.09**	**0.05**
Total comprehensive income for the year, net of tax	**(13.99)**	**(38.75)**	**(52.74)**
Attributable to:			
Equity holders of the parent	(24.63)	(31.87)	(56.50)
Non-controlling interests	10.64	(6.88)	3.76

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

i) Security deposit:

Under the previous GAAP, interest free security deposits received from concessionaires / land lease arrangements or Interest free security deposits given for lease arrangements (that are refundable in cash on completion of its term) are recorded at their transaction value. Under Ind AS, the Group has fair valued these security deposits. Difference between the fair value and transaction value of the security deposits have been recognised as deferred revenue. Consequent to this change, the amount of security deposits received from concessionaire decreased by Rs. 0.14 crore (1st April, 2015 Rs. 1.76 crore). The deferred revenue is increased by Rs. 0.01 crore (1st April 2015, Rs. 1.56 crore). The profit for the year and total equity as at March 31, 2016 increased by Rs. 0.35 crore due to amortisation of the deferred income of Rs. 0.35 crore

ii) Investment in joint venture:

a) GHIAL hold 49% interest in Laqshya Hyderabad Airport Media Private Limited (LHAMPL), and exercises joint control over the entity. Under Indian-GAAP group has proportionately consolidated its interest in LHAMPL in the consolidated financial statement. On transition to Ind AS the group has assessed and determined that LHAMPL is its JV under Ind AS 111 Joint Arrangements. Therefore, it needs to be accounted for using the equity method as against proportionate consolidation. For the application of equity method, the initial investment is measured as the aggregate of Ind AS amount of assets and liabilities that the group had previously proportionately consolidated including any goodwill arising on acquisition. Derecognition of proportionately consolidated LHAMPL limited has resulted in change in balance sheet, statement of profit and loss and cash flow statement. For its impact on the financial statement refer note 53.

b) GHIAL hold 39.66% interest in Asia Pacific Flight Training Academy Limited (APFTAL), and exercises joint control over the entity. Under Indian-GAAP group has proportionately consolidated its interest in APFTAL in the consolidated financial statement. On transition to Ind AS the group has assessed and determined that APFTAL is its JV under Ind AS 111 Joint Arrangements. Therefore, it needs to be accounted for using the equity method as against proportionate consolidation. For the application of equity method, the initial investment is measured as the aggregate of Ind AS amount of assets and liabilities that the group had previously proportionately consolidated. Derecognition of proportionately consolidated APFTAL limited has resulted in change in balance sheet, statement of profit and loss and cash flow statement. For its impact on the financial statement refer note 53.

iii) Intangible assets

In case of HMACPL, as per Appendix A to Ind AS 11 on Service Concession Arrangements, Intangible asset model is used to the extent that HMACPL receives a right (i.e. a concessionaire) to charge users of the public service. As per previous GAAP, HMACPL has recognized it's assets as tangible and intangible assets. Accordingly, since all the assets of HMACPL are covered under service concession arrangement, an intangible asset -"Right to operate cargo facility" as granted by the government has been recognized in the bools of accounts. The intangible asset is amortised over the shorter of the estimated period of future economic benefits which the intangible assets are expected to generate or the concession period, from the date they are available for use.

iv) Borrowings:

Ind AS 109 requires transaction costs incurred towards origination of borrowings to be deducted from the carrying amount of borrowings on initial recognition. These costs are recognised in statement of profit or loss over the tenure of the borrowings as part of the interest expense by applying the effective interest method.

Under the previous GAAP, these transactions cost were amortised on a straight line basis over the period of loan. In case of GHIAL, unamortised prepaid upfront cost of Rs. 72.40 crore as at April 1, 2015 has been reduced with a corresponding adjustment to borrowings. Accordingly, borrowings as at March 31, 2016

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have been reduced by Rs. 7.37 crore (April 1, 2015: Rs. 7.05 crore) with a corresponding adjustment to borrowings and retained earnings. The total equity decreased by Rs. 0.13 crore as at transition date. The

profit for the year ended March 31, 2016 reduced by Rs. 0.62 crore as a result of the additional interest expense.

Further, in case of GHASL, as required under Ind AS 109 proportionate cost of upfront fee paid on obtaining loan towards Property plant, equipment to be charged to Statement of Profit and Loss. Accordingly, as on the date of transition the upfront fee to the extent capitalised in the earlier period net of depreciation reversal amounting to Rs. 0.36 crore is credited to Property, Plant and Equipment.

Further, impacts of the above said adjustment in respect of other companies are immaterial.

v) Fair valuation of investments in mutual fund

Under the previous GAAP, investment in mutual fund is classified as current investment based on the intended holding period and realisability. Current investments were carried at lower of cost and fair value. Under Ind AS, these investments are required to be measured at fair value. The resulting fair value changes of these investments have been recognised in retained earnings as at the date of transition and subsequently in the profit or loss for the year ended March 31, 2016. This increased the retained earnings by Rs. 0.29 crore (1st April, 2015: Rs. 0.04 crore).

vi) Interest rate swap not designated as hedging instruments

Under the previous GAAP, GHIAL has considered the critical terms of the interest rate swap (IRS) and those of the principal term loan are same and based on the internal assessment carried out by the management, no adjustment were being made in the respective financial statements.

Under Ind AS, derivative instruments (not hedged) i.e. IRS is fair valued with mark to market loss of Rs. 112.47 crore as at April 01, 2015, being recognised in the retained earnings. For the year ended 31 March 2016, the fair valuation of IRS resulted in a gain of Rs 3.75 crore and the same is recognised in the statement of profit and loss with a corresponding reduction in the IRS provision.

vii) Revenue and operation and maintenance cost

HMACPL, as per appendix A of Ind AS 11, recognizes revenues and the associated costs of improvements to service concession assets which it is obligated to perform at the airports as established by the concession agreement. The cost for such additions and improvements to concession assets is based on actual costs incurred by it in the execution of the additions or improvements, considering the requirements in the concession agreement. The amount of Rs. 2.04 crore of revenues for these services is equal to the amount of costs incurred, as HMACPL do not obtain any profit margin for these construction services.

viii) Re-measurements of post-employment benefit plans

Under Ind AS, re-measurements i.e. actuarial gain and losses and the return on plan assets, except for amounts included in the net interest expense on the net defined liability are recognised in other comprehensive income instead of statement of profit and loss. Under the previous GAAP, these measurements were forming part of the profit or loss for the year. As a result of this change, the loss for the year ended March 31, 2016 is increased by Rs. 0.05 crore. There is no impact on the total equity as at March 31, 2016.

ix) Deferred tax

Indian GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP.

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In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Group has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

x) Dividend

Under Indian GAAP, proposed dividends including DDT are recognised as a liability in the period to which they relate, irrespective of when they are declared. Under Ind AS, proposed dividend is recognised as a liability in the period in which it is declared by the respective subsidiaries (when approved by shareholders in a general meeting) or paid. Therefore, the liability towards proposed dividend amounting to Rs. 6.99 crore as at April 01, 2015, and Rs.8.46 crore as at March 31, 2016, has been derecognised against retained earnings and adjusted as an appropriation for the period in which it is declared. Further, dividend distribution tax amounting to Rs. 4.24 Crore on dividend declared by HMACPL and HDFRL during the year ended March 31, 2016 to the extent pertaining to GHIAL has been charged off in the Statement of Profit and Loss.

xi) Statement of cash flows

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

xii) Other comprehensive income

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

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xiii) Loan to joint venture

Under previous GAAP, loans to joint venture were recognised at their face/transaction values. GHIAL has given interest free loans to its joint venture in earlier years the outstanding amount of which on transition date was Rs 10 crore. Considering that the loans given were interest free, they have been fair valued and the differential amount of the carrying value and fair value has been recognised as equity component(additional investment in joint venture) as per guidance under Ind AS 32.

GHIAL has recognised Rs 5.58 crore as additional investment in the joint venture subsidiary as on the date of transition. Interest income of Rs 2.38 crore upto the date of transition has been recognised in retained earnings. Interest income of Rs 0.77 crore has been recognised in the statement of profit and loss during the year ended 31 March 2016.

As per our report of even date.

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

per Shankar Srinivasan
Partner
Membership No.: 213271

Place: Hyderabad
Date: July 19, 2017

For Brahmayya & Co.,
ICAI Firm Registration Number: 000515S
Chartered Accountants

per G. Srinivas
Partner
Membership No.:086761

Place: New Delhi
Date: July 19,2017

For and on behalf of the Board of Directors of
GMR Hyderabad International Airport Limited

Srinivas Bommidala
Managing Director
DIN.:00061464

RSSLN Bhaskarudu
Director
DIN.:00058527

Anup Kumar Samal
Company Secretary

Rajesh Arora
Chief Financial Officer

Place: Hyderabad
Date: July 19, 2017