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STATEMENTS OF CONSOLIDATED AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2017

(₹ in Crore)

Sr No		Particulars	Year Ended April 2016 - March 2017 Audited	Year Ended October 2014 - March 2016 Audited
1		**Income**		
	(a)	Revenue from Operations	1667.62	7981.92
	(b)	Other Income	121.20	90.65
		Total Income	**1788.82**	**8072.57**
2		**Expenses**		
	(a)	Cost of material consumed	370.55	1926.13
	(b)	Purchases of stock-in-trade	8.18	165.78
	(c)	Changes in inventories of finished goods, work-in progress and stock-in-trade	71.06	463.75
	(d)	Subcontracting Expenses	442.55	1,906.92
	(e)	Employee benefits expense	155.31	660.52
	(f)	Finance Costs	874.97	1757.02
	(g)	Depreciation & amortization	90.44	377.67
	(h)	Other expenses	594.27	1487.89
		Total Expenses	**2607.33**	**8745.67**
3		**Profit/(Loss) before exceptional items and tax (1-2)**	**(818.51)**	**(673.10)**
4		Exceptional items (Income) / Expense	291.98	30.80
5		**Profit / (loss) before share of (profit)/loss of associates and joint ventures and tax (3-4)**	**(1110.49)**	**(703.90)**
6		Share of profit / (loss) of associates and joint ventures	**(26.41)**	**(19.53)**
7		**Profit/(loss) before tax (5-6)**	**(1136.90)**	**(723.43)**
8		**Profit/(Loss) from continuing operations**	**(1089.00)**	**(443.95)**
9		**Tax expenses**		
		Current Tax	22.30	65.64
		Excess / Short Provision of Earlier years	2.93	20.65
		Deferred Tax Liability / (asset)	(8.36)	46.06
		Total tax expenses	**16.87**	**132.35**
10		**Profit/(Loss) for the period from continuing operations (8-9)**	**(1105.87)**	**(576.30)**
11		**Profit/(Loss) from discontinued Operations**	(47.90)	(279.48)
12		**Tax expenses**		
		Current Tax	-	1.66
		Excess / Short Provision of Earlier years	-	-
		Deferred Tax Liability / (asset)	-	26.49
		Total tax expenses	**0.00**	**28.15**
13		**Profit/(Loss) from Discontinued Operations after Tax (11-12)**	**(47.90)**	**(307.63)**
14		**PROFIT FOR THE YEAR (10) + (13)**	**(1153.77)**	**(883.93)**
15		**Other Comprehensive Income:**		
		Items that will not be reclassified to profit or loss:		
		- Remeasurements of the defined benefit plans [net of tax]	(3.02)	(0.67)
		Items that will be reclassified to profit or loss		
		- Exchange differences through OCI	66.48	(42.34)
		- Net gain/ (loss) on fair value of equity instruments through OCI	401.18	84.88
		Other Comprehensive Income for the year	**464.64**	**41.87**
16		**Total Comprehensive Income / (Loss) For The Period**		
		Profit for the year attributable to:		
		- Owners of the Company	(1086.45)	(779.28)
		- Non- Controlling interest	(67.32)	(104.66)
17		**Other Comprehensive Income attributable to:**		
		- Owners of the Company	464.63	41.96
		- Non- Controlling interest	0.01	(0.09)
18		**Total Comprehensive Income attributable to:**		
		- Owners of the Company	(621.82)	(737.32)
		- Non- Controlling interest	(67.31)	(104.75)
19		**Earnings per equity share**		
		Basic	(29.52)	(47.29)
		Diluted	(29.46)	(47.09)

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CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(₹ in Crore)

Particulars	As at March 31, 2017	As at March 31, 2016
ASSETS		
NON-CURRENT ASSETS		
(a) Property, plant and equipment	707.58	1,499.04
(b) Capital work-in-progress	105.45	102.80
(c) Investment Property	-	-
(d) Intangible Asset	1,918.15	1,952.24
(e) Goodwill on Consolidation	622.55	680.55
(f) Intangible Assets under development	723.42	508.37
Financial assets		
(i) Investments	968.07	442.16
(ii) Trade receivable	1,356.43	1,735.93
(iii) Loans	350.79	430.89
(iv) Others financial assets	153.90	69.49
(e) Deferred tax assets (net)	74.02	52.67
(f) Other non-current assets	1,351.06	1,874.35
TOTAL NON-CURRENT ASSETS	**8,331.42**	**9,348.49**
CURRENT ASSETS		
(a) Inventories	2,423.77	3,182.18
(b) Financial assets		
(i) Investments	153.13	27.97
(ii) Trade receivables	500.97	736.13
(iii) Cash and cash equivalents	105.93	250.54
(iv) Bank balances	10.03	335.06
(v) Loans	132.66	277.63
(vi) Others	37.20	60.27
(c) Current tax assets (net)	-	-
(d) Other current assets	112.80	461.36
TOTAL CURRENT ASSETS	**3,476.49**	**5,331.14**
TOTAL ASSETS	**11,807.91**	**14,679.63**
EQUITY AND LIABILITIES		
EQUITY		
(a) Equity share capital	74.11	73.28
(b) Other equity	(473.64)	147.39
Equity attributable to owners of the parent	**(399.53)**	**220.67**
(c) Non-controlling interests	243.81	308.64
TOTAL EQUITY	**(155.72)**	**529.31**
LIABILITIES		
NON-CURRENT LIABILITIES		
(a) Financial liabilities		
(i) Borrowings	5,587.38	5,849.64
(ii) Trade payables	30.40	121.57
(iii) Other financial liabilities	730.17	652.79
(b) Provisions	33.76	35.12
(c) Deferred tax liabilities (net)	300.81	280.59
(d) Other non-current liabilities	670.06	771.67
TOTAL NON-CURRENT LIABILITIES	**7,352.58**	**7,711.38**
CURRENT LIABILITIES		
(a) Financial liabilities		
(i) Borrowings	1,378.70	2,507.27
(ii) Trade payables	389.98	1,221.34
(iii) Other financial liabilities	2,379.00	1,814.63
(b) Other current liabilities	251.35	785.84
(c) Provisions	181.89	84.60
(d) Current tax liabilities (net)	30.13	25.26
TOTAL CURRENT LIABILITIES	**4,611.05**	**6,438.94**
TOTAL EQUITY AND LIABILITIES	**11,807.91**	**14,679.63**

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Notes:

1. The Consolidated Financial Results for the year ended 31st March 2017 were reviewed by the Audit Committee and taken on record by the Board of Directors of the Company at its meeting held on 06th February 2018.

2. The current period ending 31st March 2017 is for twelve months and in the previous period the Company had closed its accounts for eighteen months period ended 31st March 2016. Therefore the figures for current audited period are not strictly comparable with those of the previous audited period.

3. The above published audited consolidated results for the year ended 31 March 2017 have been prepared in accordance with the Companies (Indian Accounting Standards) Regulation, 2015 specified under Section 133 of the Companies Act, 2013), read with relevant Rules thereon and other accounting principles generally accepted in India.

4. The reconciliation of Net Profit as previously reported and the total comprehensive income as per IND AS is as per table below:

(a) Net Profit Reconciliation:

Particulars	Consolidated
	March 31, 2016 (Audited) Rs. In crores
Net profit / (loss) under previous India GAAP	**(502.51)**
Less: On account of Transfer of Business w.e.f Jan 1, 2016	97.80
Less: Changes on account of Audited and Unaudited of Components	23.90
Adjusted Equity / Shareholders funds under previous GAAP	**(624.21)**
INDAS Adjustments on account of:	
INDAS 109 " Financial Instruments"	(186.88)
INDAS 21 " Effects of Changes in Foreign Exchange Rates"	24.05
INDAS 18 " Revenue"	(5.73)
Ind AS 19 "Employee Benefits"	1.32
IND AS 12" Income Taxes"	(55.18)
Application of INDAS 11- Service concession agreement	(65.53)
Changes in Non-Controlling Interest	85.12
Changes in share of Profit/ Loss of Assocaites and Joint ventures	48.00
Others	(0.24)
Total INDAS Adjustment	**(155.07)**
Net profit as per IND AS	**(779.28)**

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(b) Reconciliation of Equity as on March 2016:

Particulars	Consolidated	
	As at March 31, 2016	As at October 1, 2014
	(Audited)	(Audited)
	(Rs in crores)	(Rs in crores)
Equity as per Previous GAAP	**(450.62)**	**(324.15)**
Less: On account of Transfer of Business w.e.f Jan 1, 2016	86.27	-
Less: Changes on account of Audited and Unaudited of Components	23.90	-
Adjusted Equity / Shareholders funds under previous GAAP	**(560.79)**	**-**
Adjustments on account of IND AS:		
Reclassification of Financial Liabilities	98.31	98.31
Net Fair Value Adjustments arising on Deemed Cost of Certain PPE	355.26	355.34
Fair Valuation of Long term Investments	442.14	442.14
Fair Valuation of Long term Investments carried at FVTOCI	14.10	(70.79)
IND AS 20 Grant accounting	(98.76)	(98.76)
Interest and Guarantee on application of INDAS 109	(95.49)	91.39
IND AS 21 The Effects of Changes In Foreign Exchange Rates.	16.39	20.37
Application of INDAS 11- Service concession agreement	51.21	166.52
Changes in Income tax	(131.99)	(76.81)
Changes in Non-Controlling Interest	64.92	(20.20)
Changes in share of Profit/ Loss of Associates	56.56	8.56
Re-measurement of net defined	2.01	0.69
INDAS 18 - Revenue Recognition	(5.73)	-
Others	12.54	5.96
Total IND AS Adjustments	**781.47**	**922.73**
Total equity under Ind AS	**220.68**	**598.58**

5. The Board of Franco tosi Mecanica S.p.A (FTM) filed on May 30th 2013 with the court of Milan (and with the Companies Registry) a "preliminary" request for admission to the procedure of pre-insolvency composition agreement with creditors and restructuring debts ("concordato preventivo"), under Articles 161 Clause 6, Italian Government Publication dated 10 March 1942 No 267 – further amended in September 2012 in light of acute financial stress being faced by the Company due to several extraneous reasons. The said application was admitted by the Court on 7 June 2013 and the court soon thereafter appointed a Judicial Commissioner to evaluate the possibility of FTM continuing its operations. Thereafter the commissioner in charge of the Extraordinary Administration of Franco Tosi Meccanica S.p.A. has already concluded the sale of the operating business of FTM to the successful bidder and has commenced the disposal of the non-core assets (i.e. those assets which were not part of the sale of operating business), which includes 60 acres of land in Legnano, Italy. The commissioner has not started the actual disposal of the property. The valuation pegged by the commissioner is based on the valuation of land in adjoining premises which is also under administration. However the liabilities to be discharged against the surplus on disposal (net of tax) have not been made available by the commissioner. However in light of the ongoing procedure the

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Commissioner has not released any financial statements of the Company to date and it is expected that this will not be released until the entire process is complete.

On account of the above facts and the absence of financial statements of the said FTM, FTM functions under severe long term restrictions which impair its ability to transfer funds to its parent. Further the parent does not have any control whatsoever as the entire control lies with the commissioner and the parent does not have access to information also. The Management of the Company and the Board of FTM have no say in the matter and has no access to records which are with the Commissioner. Therefore, in accordance with INDAS 110 – Consolidated Financial Statements, in the absence of control, the said FTM is excluded from Consolidation. This was also done under the previous IGAAP as per para 11(b) of AS-21 – Consolidated Financial Statements from the period ended 30th September 2014.

The investment in the equity shares has been shown as financial asset accounted on fair Value through Other Comprehensive Income (FVTOCI). The group's funded and non-funded exposure towards FTM is Rs. 309 Crore net of provisions towards impairment made and the losses already accounted in the past. Since no information is available from the commissioner, the fair value changes cannot be identified and the investment is carried without further fair value changes.

Despite the factors stated above the management expects that the surplus available to the equity shareholder will be adequate to cover the exposure of the Company towards FTM and no further provision for diminution in the value required.

The auditors have qualified their report on this account as follows

"The accounts of one of the entities M/s Franco Tosi Meccanica S.p.A, Italy (FTM) in which the Holding Company owns 83.94% stake have not been audited since December 2011 for reasons mentioned in note 5 which inter-alia covers the application for pre-insolvency composition agreement with creditors in Italian court, partial completion of the composition agreement where the control of the operating/core asset of the said FTM has been transferred to the successful bidder and the Company is entitled only to the surplus arising out of disposal of non-core assets of FTM after paying off all other creditors/liabilities of FTM. In the light of what is stated in the aforesaid note, the Holding Company does not have any control over the financial and operating decisions of the said FTM. Therefore the said FTM has not been consolidated in accordance with INDAS 110 – Consolidated Financial Statements. Further the management contends that considering the status as detailed in the above-referred note the entity operates under severe restrictions, which significantly impairs its access to variable returns. The said Subsidiary has therefore been accounted as Financial Instrument accounted on Fair Value through Other Comprehensive Income. However since the financial information and other records are not available the fair value could not be determined. The funded and non-funded exposure of the group to FTM net of eliminations is Rs. 309 Crores as at 31st March 2017 including towards the corporate guarantees issued towards the bank guarantees issued in favour of the said FTM. The management as detailed in the said note is awaiting the details of the surplus arising out of the disposal of the non-core assets and the recovery of the liabilities therefrom. The management expects that the surplus will be adequate to cover the exposure however in the absence of any indication of the value of the non-core assets or the surplus and we are unable to quantify the possible further provision towards the exposure of the Group and determine whether the said entity carrying value is appropriate as FVTOCI and whether the effect on the consolidated loss of the Group for the year ended March 31, 2017 is appropriate."

6. (a) The Ministry of Corporate affairs vide its letter dated November 24, 2016 and March 28, 2017 had rejected the company's application for waiver of excess remuneration paid to Chairman and Managing Director (CMD) for the periods April 1, 2012 to May 16, 2016. The Company in its extra-ordinary general meeting held on June 29, 2017 had sought the approval of the shareholders for waiver of recovery of remuneration of Rs.17.19 Crore paid (from April 1, 2012 to September 30, 2014) to CMD, for which resolution was not approved by the shareholders. Considering the efforts made by CMD in steering the Company through the challenging times and the contribution made by him in the CDR package, the Board on the recommendation of the Nomination and Remuneration Committee has decided to seek shareholders' approval afresh for waiver of remuneration paid to CMD. No

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remuneration has been paid to him since October 2014 and only provision has been made in books for the same.

Further the Company's application for payment of remuneration of Rs. 4 Crore per annum payable for a period of three years effective from May 17, 2016 has also been rejected by the Ministry due to non-recovery of remuneration paid from April 1, 2012 to September 30, 2014. The total amount of remuneration due to CMD till March 31, 2017 is 30.54 Crore.

Similarly the Company's application for waiver of recovery of excess remuneration paid to its erstwhile Executive Director Mr. Himanshu Parikh for an aggregate amount of Rs. 59.85 lakhs was also rejected. The Company has made a representation to the Ministry to reconsider its decision as Mr. Parikh has resigned from the Company's services since April, 2013. In view of the aforementioned facts no adjustments are made in these financials.

The auditors have qualified their report on this account as follows

"We invite attention to Note 6(a) of the Statement wherein the total excess remuneration to the Chairman and Managing Director for past years up to March 31, 2017 is Rs 30.54 crores. The MCA has not approved the excess remuneration. The Company's Application for waiver of recovery of managerial remuneration aggregating to Rs. 17.19 crores for the Chairman and Managing Director has been rejected by the shareholders in their meeting held on June 29, 2017. The Board of Directors considering the efforts made by Chairman and Managing Director in steering the Company through the challenging times and the contribution made by him in the CDR package, on the recommendation of the Nomination and Remuneration Committee has decided to seek shareholders approval afresh for waiver of remuneration paid to Chairman and Managing Director Therefore no adjustments have been made for the amount of Rs. 30.54 crores. Similarly for one of erstwhile executive director the MCA has rejected the excess remuneration of Rs. 0.59 crores for which the Company is making a fresh representation. In the absence of the fresh approval of the shareholders, as aforesaid we are unable to ascertain the impact on profits on this account for the quarter and year ended March 31, 2017."

(b) Similarly in respect of the Gammon Infrastructure Projects Limited - During the financial year ended 30th September, 2014 and 31st March, 2016, on account of inadequacy of profits, the managerial remuneration paid in respect of two personnel was in excess of the limits specified under Schedule XIII of the Companies Act 1956 and Schedule V of the Companies Act 2013 wherever applicable, and refundable to the extent of Rs. 2.04 crores and Rs. 1.84 crores respectively, which were approved by the Nomination & Remuneration Committee, Board of Directors and also by the shareholders at the last Annual General Meeting held on 30th September, 2016. The Company had made applications to the Ministry of Corporate Affairs (Ministry) for approval of waiver of recovery of such excess remuneration. One of the Company's applications had been partially allowed and the Ministry has rejected the others, with the direction to the Company to recover the excess amounts paid which were not approved. However, the Company has once again submitted its representation to the Ministry to reconsider its decision and allow the waiver of recovery of the excess remuneration paid for the said periods aggregating to Rs. 3.88 crores. Pending the same no adjustments have been made to the financial statements. Similarly for the current year the remuneration in excess of the limits computed under the provisions of Section 197 read with Schedule V to the Companies Act 2013 is Rs. 1.08 crores for which the Company is in the process of making an application to the Central Government for approval / waiver of the same. Pending the approval, no adjustments have been made to the financial statements for the remuneration of the current period.

The auditors have qualified their report on this account as follows

"Similarly attention is invited to note 6(b) relating to the excess managerial remuneration, in respect of M/s Gammon Infrastructure Projects Limited (GIPL), paid of Rs. 3.88 crores for the previous periods 1st January 2014 to 30th September 2014 and 1st October 2014 to 31st March 2016. GIPL had made an application for waiver of refund of the managerial remuneration to the Ministry of Corporate Affairs, which has been rejected by the Ministry. However, GIPL has once again submitted its representation to the Ministry to reconsider its decision and allow the waiver of recovery of the excess remuneration paid for the said periods aggregating to Rs. 3.88 crores. If the Company's application is

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not accepted then the company would be required to recover the excess remuneration from the managerial personnel and to that extent the profit for the period will be higher by an amount of Rs. 3.88 crores. Pending the same no adjustments have been made to the Consolidated Ind AS Financial Statements. Subject to the outcome of the application made to the MCA, we are unable to ascertain the impact on profits on this account for the year ended March 31, 2017. Similarly for the current year the remuneration in excess of the limits computed under the provisions of Section 197 read with Schedule V to the Companies Act 2013 is Rs. 1.09 crores for which GIPL is in the process of making an application to the Central Government for approval / waiver of the same. Pending the approval, no adjustments have been made to the Consolidated Ind AS Financial Statements for the remuneration of the current period. This matter has been qualified in the consolidated financial statements of GIPL."

7. There are disputes in seven projects of the Company. The total exposure against these projects is Rs. 376.92 Crore. The Company is pursuing legal recourse / negotiations for addressing the disputes in favour of the Company and is of the opinion that it has a good case in the matter hence does not require any provision considering the claims of the Company against the Clients.

   The auditors have qualified their report on this account as follows

   "Trade receivables and loans and advances includes an amount of Rs. 376.92 crores in respect of disputes in seven projects of the Company and/or its SPVs. The Company is pursuing legal recourse/ negotiations for addressing the disputes in favour of the Company. Pending the conclusion of the matters we are unable to state whether any provisions would be required against the Company's exposure (refer Note 7)".

8. The Company, as part of its restructuring scheme through which it carved out the EPC and T & D business into separate entities with residual non-core assets, some projects and some claims remaining in the main Company, had during the eighteen month period ended march 31, 2017 evaluated its existing claims in respect of on-going, completed and/or terminated contracts with the help of an independent expert in the field of claims and arbitration to assess the likely amount of claims being settled in favour of the Company. The expert had reviewed the claims and had opined that an amount aggregating to Rs. 1657.22 will be reasonably certain to be settled in favour of the Company. Accordingly the Company had during the previous year recognised an aggregate amount of Rs. 1343.97 net of amounts recognised based on management estimates. Out of the total claim amount the Company has, as part of the transfer of business through BTA and slump exchange, through court approval scheme of arrangement, transferred certain claims recognised as part of the jobs transferred to GECPL. The balance claims of Rs. 871.01 crores are being carried in the books as due and receivable. The management contends that the same are due to them and they have a very good chance of realisation.

   The auditors have qualified their opinion.

   "We invite attention to note no 8, detailing the recognition of claims during the previous period ended March 31, 2016 in respect of on-going, completed and/or terminated contracts. The aggregate amount of claims outstanding as at March 31, 2017 is Rs. 871.01 crores after the transfer of claims under slump exchange scheme and BTA as detailed in aforesaid note. These claims are recognised only on the basis of opinion of an expert in the field of claims and arbitration as part of the requirement of the Strategic Debt Restructuring scheme with the lenders. In view of the above-mentioned circumstances and facts we are unable to comment upon the amounts recognised, its realisation and the consequent effect on the Consolidated INDAS Financial Statements for the year ended March 31, 2017."

9. (a) The Company's operating results have been affected in the last few years by various factors including liquidity crunch, unavailability of resources on timely basis, delays in execution of projects, delays in land acquisition, approval of design etc. by client, scarcity in availability of labour & materials, operational issues etc. Company's overseas operations are characterized due to weak order booking

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paucity of working capital and uncertain business environment. This has also resulted in various winding up claims filed against the Company which the Company is pursuing.

As at March 31, 2017, the Group's current liabilities exceed current assets by Rs 1134.54 crores.

The facilities of the parent company are presently marked as a Non Performing Asset by the lenders as at June 30, 2017.

As part of its plan of revival under the CDR/SDR mechanism, demerger of certain businesses was carried out during the year.

The demerger of the transmission and distribution business and part of the civil epc business has resulted in the reduction of CDR lenders exposure by Rs. 10,362 crores including funded and non-funded exposures.

After the aforementioned carve out of businesses the total exposure of the lenders in the parent company is RS. 4263 crores (Fund based-Rs. 3872 crores (excluding interest) and Non-Fund Based - Rs. 391 crores).

The Company has filed a fresh proposal with the lenders to carve out certain other business in which it proposes to invite strategic investors for taking over the business/ assets along with the corresponding debt of the banks

Details of the business being transferred to the new company are as follows:

S. No.	Particulars of Assets/business being carved out	Debts being carved out (Rs. In crores)	Proposed GIL interest in the carved out entity
1	Carve out of Residual Civil EPC Business together with all assets and liabilities including pre-qualifications in two phases that is through a slump sale by way of a Business Transfer Agreement and a slump exchange through a Scheme of arrangement to Gammon Transmission Ltd. A wholly owned subsidiary. Wherein an Investor will invest and acquire a 90% controlling stake .	Fund Based - Rs, 70 crores Non-Fund based - Rs. 52 crores	10%
2.	Sale of 90% of the Company's shareholding in its subsidiary Metropolitan Infrahousing Private Limited to Gammon Real Estate Developers (WOS) together with secured debt . The Company has invited strategic investor to invest in Gammon Real Estate Developers who will acquire 90% controlling stake and will develop the "Dombivli" land owned by MIPL and will discharge the secured debt	Fund Based Rs.886 crores	10%
3.	Debt Asset Swap Arrangement Two lenders viz. Union Bank of India and United Bank of India hold a first charge on Gammon House. It is now proposed to enter into a Debt Asset Swap arrangement for the subject property, wherein two principal lenders i.e. Union Bank and United Bank who hold first charge on Gammon House would swap a part of their debt with the property. The swap value for the purpose is proposed at INR 435 Cr.	Fund Based Union Bank = 207.16 United Bank = 227.84 Total Rs. 435 Cr.	
4.	GIPL Stake sale The fund based debts of ICICI bank and IDBI bank are backed by pledge of shares of GIPL. Debt to the extent of INR 170 Cr has been considered for the current proposal.	Fund Based IDBI – 85 Cr. ICICI – 85 Cr.	

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S. No.	Particulars of Assets/business being carved out	Debts being carved out (Rs. In crores)	Proposed GIL interest in the carved out entity
	The OD/ STL facilities of IDBI and ICICI Bank are proposed to be resolved through sale of GIPL shares.	Total 170 Cr.	

The company is also actively exploring various options for monetisation of various assets to repay the debt. For that purpose shareholders have approved following resolution:

The Company has obtained shareholders approval for the EPC carve out through a slump sale and for sale of its holdings in MIPL ,as well as for further sale /dilution of upto 90% of its holdings in its aforementioned wholly owned subsidiaries to / in favour of strategic investors vide a Postal Ballot results of which were declared on 15th May,2017 .The said proposals are to be approved by the lenders for which the Company has filed the Information Memorandum .

After the proposed carve outs secured debt of Rs. 2650 crores (Rs 2311 crores Fund Based and Rs 339 crores Non Fund Based) Crores and interest for the year is remaining in the Company which is proposed to be serviced through existing claims, future stake sale of 25% of the company's shareholding in GECPL and TLL, 10% stake in MIPL, 10% stake in Gammon Transmission Limited, future stake sale of its investments in Campo Puma Oriente , and Miscellaneous real estate Assets owned by the company.

The Company has also received a proposal from an investor which is under consideration by the relevant parties.

As part of its future growth strategy the Company also is exploring new business avenues to generate revenues and surplus.

The above action plan of the Company for repaying the debts and servicing the same is exposed to material uncertainties including the necessary value of the balance stake being available and realised, realisation of the claim amounts filed by the Company, monetisation of the stake sale of Campo Puma and other investments. The management is however hopeful of being successful in accomplishing its objective and servicing the debt and maintain its going concern status. Therefore in the views of the management the going concern assumption of GIL is intact and these financials are prepared on a going concern basis.

(b) In respect of GIPL, the company had divested some of its subsidiaries in the previous periods for a cash surplus, which reduced the current liability and current asset mismatch. However there is a continuing mismatch including defaults in payment of its financial obligations. The management is taking active steps to tide over the present situations for which based on detailed evaluation of the current situation plans are formulated and active discussions are underway with various stakeholders. There is significant uncertainty over the cash flows expected and the Company's ability to continue as a going concern. However the Management is confident that the going concern assumption and the carrying values of the assets and liabilities in these quarterly financial results are appropriate. Accordingly the financial results do not include any adjustments that may result from these uncertainties.

10. As detailed in the Consolidated financial statements, the Company as part of the restructuring exercise carved out the Civil Engineering business of the Company in two phases i.e. by way of a slump sale through a Business Transfer Agreement between the Company and Gammon Engineers and Contractors Private Limited ("GECPL") , then a wholly owned subsidiary of the Company and secondly by way of a slump exchange through a Scheme of Arrangement ("Scheme") between the Company and GECPL and its respective shareholders and creditors .

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The approvals for the BTA from the lenders were finally received in March 2017 and the BTA transaction was completed on March 21, 2017. The National Company Law Tribunal (NCLT) in its hearing held on March 22, 2017 also approved the Scheme of Arrangement and the Order became operational from 31st March,2017 .

Accordingly, on and from July 1, 2016, the Company is entitled to 25% stake in GECPL with the balance controlling state with the GP Group. The equity shares evidencing the 25% stake have been proportionately issued since the Balance Sheet date. The Company has accordingly accounted for the investment in GECPL as an Associate under equity method based on the financials of the said GECPL for the year ended March 31, 2017. There were no material transactions in the said GECPL upto June 30, 2016.

11. Similarly the Transmission and Distribution business (T & D) of the Company was also carved out in two phases effective from 1st January,2016 i.e by way of a slump sale through a Business Transfer Agreement between the Company and Transrail Lighting Limited ("TLL") and a Slump exchange by way of a Scheme of Arrangement ("Scheme") between the Company and TLL and their respective shareholders and creditors("The Scheme"). The BTA was accounted in the previous period of 18 month ended March 31, 2016 w.e.f January 1, 2016.

The National Company Law Tribunal (NCLT) vide its Order dated 30th March , 2017 approved the Scheme. On the Scheme becoming operational, the T&D undertaking is transferred to TLL with effect from 1st January,2016 being the appointed date. Since the accounts of the previous comparative 18-month period March 2016 are being recast under INDAS, the effect has been given in the previous year ended March 2016 as the appointed date of the scheme is 1st January 2016.

Accordingly, the said TLL recast its previous year figures incorporating the results of the operations w.e.f. January 1, 2016 in its first set of IndAS Financials. The Company has therefore accounted its stake in TLL @ 25% under Equity Method based on the financials of the said TLL for the year ended March 31, 2017 in these first set of Consolidated financial statements for the year ended March 31, 2017 by restating the equity interest of March 31,2016 based on the aforementioned recast TLL financial statements. The profit upto the period January 1, 2016 has been accounted as a Subsidiary.

12. The Company's exposure to one of the subsidiary company developing a real estate project in Bhopal is Rs 998.38 crores. Due to slow down in the real estate market the subsidiary company is facing problems in its development and sale. The management is of the opinion that the current situation is temporary and the value of the business arising out of the development is higher than the carrying value as aforesaid and therefore no provision for impairment is necessary presently.

The auditors have qualified their report on this account as follows

"We invite attention to note no 12 relating to the exposure of the Company to a real estate project of one of its subsidiary engaged in real estate development in Bhopal. In the absence of any indicators of value arising out of the project we are unable to state whether any provision is required towards the carrying value of the property development in progress (Real Estate WIP) of Rs. 998.38 crores."

13. During the previous period, a subsidiary of the GIPL has lost inventory worth Rs 5.21 crores due to fire at its plant storage site. It has made a claim to the insurance company for a sum of Rs. 5.20 crores. The claim is still under process for admission by the insurance company. The management is certain of recovering its loss and has accordingly recognised the claim amount. The net loss of Rs 0.01 crores was shown under Exceptional items. The Management is of the firm view that the claim will eventually be received and contends that the whole amount is receivable.

The auditors have qualified their opinion.

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"Attention is invited to Note no 13 relating to the recoverability of the Insurance claim in respect of one of the subsidiaries of the Company. The financial statements of the subsidiary has been qualified by the statutory auditors that in the absence of any intimation of acceptance of the claim or receipt of any survey report findings they are unable to comment upon the recoverability of the amount of Insurance claim aggregating to Rs. 5.20 crores. The Management is however confident that its claim will be approved and the insurance claim will be realised."

14. GIPL has defaulted in fulfilling its obligation under the one time settlement with Industrial Financial Corporation of India (IFCI). GIPL was required to pay the entire outstanding by September 30, 2017. GIPL has been unable to discharge the liability and has not been able to get further extension for the payment of the outstanding although it is actively engaged with IFCI for the extension of the time period for the payment of the outstanding. In terms of the original arrangement, the benefits received under the one time settlement were to be reversed. The management is hopeful of receiving the extension and / or non-reversal of the benefits of OTS. Pending that no adjustments have been made in these financial results.

The Auditors have qualified their report on this matter as follows

"Attention is invited to Note no 14, where GIPL has defaulted in fulfilling its obligation under the one time settlement with Industrial Financial Corporation of India (IFCI). GIPL was required to pay the entire outstanding by September 30, 2017. Based on the update since the balance sheet date GIPL has been unable to discharge the liability and has not been able to get further extension for the payment of the outstanding although it is actively engaged with IFCI for obtaining the extension and/or non-reversal of the benefits of the OTS. In terms of the original arrangement, the benefits received under the one time settlement were to be reversed. Although the management is hopeful of obtaining the extension and / or non-reversal of the benefits of the OTS, pending the acceptance by IFCI we are unable to state whether the group has to account for the reversal of benefits of Rs. 18.05 crores in its financial statements for the period upto March 31, 2018."

15. Vijayawada Gundugolanu Road Project Private Limited one of the SPVs of GIPL had received termination notice from NHAI on 26th Aug 2016 and consequently NHAI took possession of the Toll Plazas at the Project Site on 27th August 2016. As a result of GIPL efforts and dialogues with top officials of NHAI and MORTH, NHAI has agreed to revoke the termination notice vide letter dated 16th Jan, 2017 and also agreed to handover of Toll plazas subject to completing financial closure and fulfilling other commitments as specified in the letter within the stipulated time frame. Though GIPL have not fulfilled the condition of revocation of termination notice by NHAI i.e., financial closure and other commitments including entering into a binding agreement with Hinduja Group, GIPL is still engaged with NHAI for a mutual and amicable settlement . The exposure of the company in the SPV is Rs. 160.62 crores (funded and non-funded).

The Auditors have qualified their report on this matter as follows

"Attention is invited to Note no 15 in respect of the Tolling Road Project in Andhra Pradesh where termination notice was received from NHAI on 26th August 2016 and consequently NHAI took over possession of toll plaza. Based on the subsequent negotiation and discussion with the grantor, the grantor has agreed to revoke the termination notice vide its letter dated 16th January 2017 subject to completing of financial closure and fulfilling other Commitments as specified in the letter within the stipulated timeframe. GIPL has since the balance sheet date as updated to us has not fulfilled the condition of revocation of termination notice by NHAI i.e., financial closure and other commitments including entering into a binding agreement with Hinduja Group. GIPL is still negotiating with NHAI for a mutual and amicable settlement. The exposure of the company in the SPV is Rs. 160.62 crores (including Bank guarantee of Rs 84.20crores). We are unable to comment upon the fructification of the amicable settlement with NHAI or continuance of the project."

16. The financial statements of the following material Associate, Subsidiaries and Joint Ventures are based on un-audited management prepared financial statements including the INDAS effects:

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i. M/s Campo Puma Oriente S.A, Panama, a Subsidiary of the Company whose financial statements reflect Total Assets of Rs. 297.34 Crores, Revenue of Rs. 36.86 Crores for the period ended 31st December 2016. These financials are signed by one of the Director representing GIL on account of differences between the Group Company and the other Shareholder. There are no audited financial statements after 31st December 2011.
ii. M/s Deepmala Infrastructure Private Limited , a subsidiary of the Company whose financial statements reflects total assets of Rs. 1154.80 crores and total revenues of Rs. 39.29 crores.
iii. M/s SAE Powerlines S.r.L, a wholly owned subsidiary of the Company whose financial statements reflect total assets of Rs. 206.16 crores and total revenue of Rs. 157.33 crores.
iv. M/s Gammon OJSC Mosmetrostroy, a Joint Venture of the group whose financial statements reflect Total Assets of Rs. 161.18 Crores, Revenue of Rs. NIL Crores for the year ended March 31, 2017, the groups share in the Revenue being Rs. NIL Crores. The JV is accounted on equity method.

The auditors have qualified their opinion.

"The financial statements of the following material Associate, Subsidiaries and Joint Ventures are based on un-audited management prepared financial statements and have been accounted as such and on which no further audit procedures have been carried out by us, including to determine whether the INDAS effects have been appropriately considered , as follows.

i. M/s Campo Puma Oriente S.A, Panama, a Subsidiary of the Company whose financial statements reflect Total Assets of Rs. 297.34 Crores, Revenue of Rs. 36.86 Crores for the period ended 31st December 2016. These financials are signed by one of the Director representing GIL on account of differences between the Group Company and the other Shareholder. There are no audited financial statements after 31st December 2011.
ii. M/s Deepmala Infrastructure Private Limited , a subsidiary of the Company whose financial statements reflects total assets of Rs. 1154.80 crores and total revenues of Rs. 39.29 crores. These financial statements are signed by one of the directors of the Company representing GIL on the Board.
iii. M/s SAE Powerlines S.r.L, a wholly owned subsidiary of the Company whose financial statements reflect total assets of Rs. 206.16 crores and total revenue of Rs. 157.33 crores.
iv. M/s Gammon OJSC Mosmetrostroy, a Joint Venture of the group whose financial statements reflect Total Assets of Rs. 161.18 Crores, Revenue of Rs. NIL Crores for the year ended March 31, 2017, the groups share in the Revenue being Rs. NIL Crores.. The JV is accounted on equity method.

Since the Subsidiaries, Joint Ventures and Associates mentioned above are material; the Assets, Revenue and Cash Flow represented in those financial statements are subject to audit and consequent effect, if any."

17. The auditors of three subsidiaries of the Company have qualified their auditors' report which is being replicated by the Group auditor as follows:

Ansaldo Caldaie Boilers India Limited:

- *"In respect of trade receivable of Rs. 35.84 crores due from M/s Nagai Power. Based on the development as detailed in the contract, the management is of the view that the debts are good and receivable. No adjustments are therefore made for the same in the books except for provision for expected credit loss.*

ACBI had received amounts as Share Application Money of Rs. 16.64 crores for further allotment of shares which were to be issued on terms and conditions to be decided by the Board and in line with the extant regulation of the RBI. The Reserve Bank of India had on January 29, 2014 directed the company to refund the said amounts to Ansaldo Caldaie S.P.A. The company has subsequently applied to RBI vide letter dated 28th February 2014 to convert the share application money as ECB Loan which has also been approved by the Board of Ansaldo Caldaie S.P.A. However on 25 June 14 RBI had turned down the Companies request to

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convert the share application money in to loan and directed to allot the share or refund the money within one year. Since Ansaldo S.P.A was unable to increase its holding in the company in the absence of equivalent contribution from the holding company, it has irrevocably waived its right to be allotted further equity shares and has also waived its right to receive a refund of the advance share application money vide its letter dated 18th May 2015. The appropriate effects of the said amount will be given on receiving final approval from Reserve Bank of India."

i. *In the case of G&B Contracting LLC:*
"Included in accounts and other receivables is an amount of AED 2.7 million (Rs 4.76 crores) (31st march 2016:AED 2.7 million (Rs 4.86 crores)) , Which due to the Company as a sub- contractor. Since the company has back to back terms with its customer i.e. the main contractor, the recoverability of the amount is dependent on the successful outcome of the customers dispute with the main client , a matter which could potentially be referred to arbitration .In view of the foregoing, we were unable to satisfy ourselves as to the extent of the recoverability of the receivables of AED 2.7 million (Rs 4.76 crores) (31st march 2016: AED 2.7 million(Rs 4.86 crores)) and are of the view that a substantial portion thereof could be impaired."

ii. *In the case of Gammon & Billimoria Limited:*
- *"On account of sticky advances, interest on advances given is not provided in books of accounts. Interest provision not made is of Rs 9.72 crores.*
- *TDS on interest payable amounting to Rs 4.93 crores is not deducted and paid to Central Government.*
- *Interest is not paid provided on Loans outstanding in the name of Bebanco Developers Limited in view of financial loss. Company appreciates and acknowledges the right of Bebanco Developers Limited for the interest of Rs 4.74 crores not provided in the books as and when the financial position of the company improves.*

Consequent effects of two qualifications are as under:
1. *On account of non- provision of interest profits would go up by Rs 9.71 crores.*
2. *On account of non- provision of interest on amount advance profit would go down by Rs 4.73 crores*

Net effects profit would go up by Rs 4.98 crores "

The above would impact the Consolidated financial statement by non-provision of Rs 4.74 crores towards the loan of Bebanco Developers Limited and to that extent consolidated loss is lower by Rs 4.74 crores.

18. The Company in evaluating its jobs has considered an amount of Rs. 7.56 Crore relating to the likelihood of the claim materializing in favour of the Company, arising out of claims for work done, cost overruns arising due to client delays, changes of scope, escalation claims, variation orders, deviation in design and other charges recoverable from the client which are pending acceptance or certification by the client or referred the matter to the dispute resolution board / arbitration panel. In furtherance to the recommendation of the Dispute Resolution Board (DRB) and Arbitration Awards in the Company's favour, the Company has recognized income to the extent of Rs.60.99 Crore, which is part of Long Term Trade Receivable. The Company contends that such awards have reached finality for the determination of the amounts of such claims and are reasonably confident of recovery of such claims although the client has moved the court to set aside the awards. Considering the fact that the Company has received favorable awards from the DRB and the Arbitration Tribunal, the management is reasonably certain that the claims will get favorable verdict from the courts.

19. The Company has receivable including retention and work in progress (unbilled revenue) aggregating to Rs. 62.47 crores in various jobs relating to the real Estate Projects due to the problems faced by the Real Estate Sector. The management is confident of ultimate recovery considering its contractual position and therefore no adjustments are required to be made in respect of such contracts.

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20. In respect of the GIPL and its SPV projects, there are legal issues, arbitration proceedings or negotiations with the grantor for which the management is taking necessary steps to resolve the matters. These issues are commonly encountered in the Infrastructure business and the management is confident of a favorable resolution in due course. Following are the details of such issues:

(a) One of the SPVs of the group is engaged in a bridge project at Cochin, the Greater Cochin Development Authority has sought to end the toll collection by unilaterally sealing the toll booth. The subsidiary has initiated arbitration / settlement. GIPL has also in parallel filed a writ in the matter before the Hon. Kerala High Court for specific performance. However Government of Kerala approached the Hon'ble High Court for further extension of time and the Court vide order dated 20.10.2016, granted extension of 3 months from March 28, 2017 to settle the matter. Exposure of the Group in the SPV is Rs. 26.31 crores (funded and non-funded).

(b) The hydro power project of one of the SPVs of the group at Himachal Pradesh is stalled due to local agitation relating to environment issues. The matter with State Government is under active negotiation to restart the project or reimburse the costs incurred. The exposure of the GIPL Group in the SPV is Rs.67.89 crores.

(c) In one of the joint venture of the GIPL group at Indira Container terminal at Mumbai, the project is delayed due to non-fulfillment of certain conditions by the Mumbai Port Trust. This has resulted in the Company incurring losses and default in repayment of debt obligation. The matter with the MBPT was under active discussions for resolving the outstanding issues and the Project being re-organized with change in Cargo Mix (i.e. all Clean cargo including containers). Pursuant to detailed negotiation with MbPT on the concession agreement for the Offshore Container Terminal, the parties have finally agreed in principle to enter into a joint supplementary agreement between Board of Trustees of MbPT, JV company and the lenders. The supplementary agreement is in the draft form and is subject to clearance from the Ministry of Shipping. The project is proposed for re-bid and the draft agreement provides for a mix of cargo of containers, steel and RORO. The JV has a Right Of First Refusal (ROFR) to match the winning bid. The draft agreement also provides for waiver of a part of the loan of the JV. The management is hopeful that it will successfully match the bid and win the concession and continue to operate the facility. The management has since the balance sheet date acquired further stake from the JV partner and has obtained control over the JV and holds 74% of the equity of the JV company. The exposure of the Group in the SPV is Rs. 735.91 crores (funded and non-funded).

(d) One of the SPV of the GIPL Group has commenced its operation on the Tolling Bridge Project situated in Andhra Pradesh with effect from November 1, 2015. The monthly toll collections for the year have not been sufficient to repay the monthly interest obligations to the lenders. The actual net cash inflows during the year ended 31st March 2017 are significantly lower than the projections for the same period. Thereafter, the lenders have classified the term loan borrowing by the SPV as a Non Performing Asset. In order to overcome the current situation and after due deliberations with all the lenders, the SPV has submitted a proposal under the Reserve Bank of India's Scheme for Sustainable Structuring of Stressed Assets (S4A) to the lenders for their approval. As per the said scheme the SPV expects substantial reduction in the interest burden and thus increase in available Cash flows. The proposal has been in principle accepted by the lenders and is in advance stages of approval (subject to final approval of Managing Committee of the lenders). The Company and the SPV is confident of the proposal being sanctioned. In view of above, no impairment of assets has been accounted as per Ind AS 36 in the hands of the SPV or towards the Investment by the Company in the SPV. In the event, the S4A Proposal of the Company is not approved by the lenders, as envisaged by the management, the Company would be required to reassess the impairment and the ability of the SPV to continue as a going concern. The exposure of the Group in the SPV is Rs. 1052.75 crores (funded and non-funded).

(e) In respect of another project on annuity basis of one of the SPVs of the Group, the SPV has recorded the project in accordance with the requirement of Appendix A to Ind AS 11, titled "Service Concession Arrangement" with retrospective period in accordance with the requirements of Ind AS 101- First Time Adoption. Accordingly, the SPV has recognized "Trade Receivables" being financial asset as against the earlier accounting as per previous GAAP of

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Intangible Asset under Development. The SPV will have cost overrun on account of issue beyond the scope of the SPV and attributable to the Grantor. This will not result in any changes in the Annuity from the grantor. However this amount will be treated separately as receivable from the Grantor based on certification of delay period attributable to the Grantor certified by the Independent Engineer. The SPV expects a sizeable claim on this amount and has obtained legal support for the validity of its claim from an Independent Expert on claim and litigation. The SPV has also separately applied to the lenders for Scheme for Sustainable Structuring of Stressed Assets (S4A). Considering the S4A application and also the probable claim towards the delay period, the management contends that there will be no impairment necessary towards the financial asset or towards the investment of the Company. The exposure of the group in the SPV is Rs. 283.88 crores.

21. The management has assessed value of SAE, company's step down subsidiary, based on its present realisability. The company following the concept of prudence and conservatism has made full provision against the goodwill in earlier years. The management is of the view that the receivable of the said SAE are good and recoverable. The company earlier was in active discussion with a potential investor who has shown interest in acquisition of SAE. However the deal with the potential investor did not materialize hence investment in SAE is not shown under assets held for sale. The company is in search of the new investor.

22. The Company is engaged in three segments - Construction and Engineering, Oil exploration and Realty Development including businesses acquired on account of new acquisitions. The revenue/assets from oil exploration and realty development are less than threshold limit of 10% and hence no disclosure of separate segment reporting is made in terms of Accounting Standard INDAS -108. Similarly although the Group operates on a worldwide basis across the globe, they operate in two principal geographical areas of the world in India and the other countries. However during the period the overseas segment constitute more than 10% of total revenue but does not constitute more than 10% of total assets of the Group and hence the segment-wise reporting is disclosed only for Revenue in India and Outside India.

Particulars	**12 months period ended March 31, 2017**		**18 months period ended March 31, 2017**	
	Rs in Crs	**%**	**Rs in Crs**	**%**
Revenue within India	1485.68	89.09	7712.18	96.62
Revenue outside India	181.94	10.91	269.74	3.38
Total Revenue	1667.62	100.00	7981.92	100.00

23. Exceptional items represents the following

Particulars	**12 months period ended March 31, 2017**	**18 months period ended March 31, 2017**
Profit recognized on divestment of subsidiaries of GIPL	-	52.62
Profit on divestment of subsidiary of GIL	-	10.30
Professional fees in connection with disposal of SPV's	-	6.15
Adjustable receipt of earlier year accounted	-	(8.18)
Claim Recovery from Trade receivable	(14.90)	(29.33)
Impairment provisions of Investments , Goodwill and Loans and Receivables	309.29	-

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Particulars	12 months period ended March 31, 2017	18 months period ended March 31, 2017
Project Claim Received	(2.41)	-
Others	-	(0.76)
TOTAL	**291.98**	**30.80**

24. Corresponding figures of the previous period have been regrouped / rearranged wherever necessary.

For **Gammon India Limited**

Abhijit Rajan
Chairman & Managing Director
Mumbai, February 6, 2018

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Auditor's Report On Consolidated Financial Results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To
The Board of Directors of
Gammon India Limited,

1. We have audited the accompanying Statement of Consolidated Ind AS Financial Results of Gammon India Limited ("the Company") and its subsidiaries and Joint Ventures (the Company and its subsidiaries and Joint Ventures together referred to as "the Group") for the year ended March 31, 2017 ("the Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016. This Statement, which is the responsibility of the Company's Management and approved by the Board of Directors, has been prepared on the basis of the related consolidated Ind AS financial statements of the Group, which is in accordance with the Companies (Indian Accounting Standards) Regulations, 2015 specified under Section 133 of the Companies Act, 2013, read with relevant Rules thereon and other accounting principles generally accepted in India. Our responsibility is to express an opinion on the Statement.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

3. (a) We did not audit the financial statements and other financial information, in respect of 38 subsidiaries, whose Ind AS financial statements reflect total assets of Rs. 4185.01 crores as at March 31, 2017, total revenues of Rs. 319.34 crores and net cash flow amounting to Rs. 10.96 crores for the year ended on that date, before giving effect to elimination of intra-group transactions as considered in the preparation of the consolidated financial statements. The consolidated financial statements also includes the Group's share of net profit after tax of Rs.1.55 crores in respect of 4 Jointly controlled entities and Rs 12.73 crores in respect of 1 associate for the year ended March 31, 2017, as considered in the consolidated financial statements, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, jointly controlled entities and associates, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiaries, jointly controlled entities and associates in India, is based solely on the reports of the other auditors. One subsidiary located outside India whose financial statements and other financial information

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have been prepared in accordance with accounting principles generally accepted in its respective country and which have been audited by other auditors under generally accepted auditing standards applicable in its respective country. The Company's management has converted the financial statements of the subsidiary from accounting principles generally accepted in its respective country to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiary located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Company.

(b) We did not audit the financial statements of 1 subsidiary, whose financial statements reflect total assets of Rs. 12.43 crores as at March 31, 2017, total revenues of Rs. 0.02 crores and net cash flow amounting to Rs. (0.25) crores for the year ended on that date, as considered in the preparation of the consolidated financial statements. We also did not audit the financial statements of 3 joint ventures whose financial statements reflect total assets of Rs. 16.17 crores and total revenue of Rs. 0.01 crores, the Company's share of profit/loss in such joint ventures accounted under equity method being Rs. 0.01 crores. These financial statements are unaudited and have been furnished to us by the Management including the application of the INDAS accounting standards. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary and joint ventures, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act in so far as it relates to the aforesaid subsidiary and joint ventures, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

4. Basis of Qualified Opinion

a. The accounts of one of the entities M/s Franco Tosi Meccanica S.p.A, Italy (FTM) in which the Holding Company owns 83.94% stake have not been audited since December 2011 for reasons mentioned in note 5 which inter-alia covers the application for pre-insolvency composition agreement with creditors in Italian court, partial completion of the composition agreement where the control of the operating/core asset of the said FTM has been transferred to the successful bidder and the Company is entitled only to the surplus arising out of disposal of non-core assets of FTM after paying off all other creditors/liabilities of FTM. In the light of what is stated in the aforesaid note, the Holding Company does not have any control over the financial and operating decisions of the said FTM. Therefore the said FTM has not been consolidated in accordance with INDAS 110 – Consolidated Financial Statements. Further the management contends that considering the status as detailed in the above-referred note the entity operates under severe restrictions, which significantly impairs its access to variable returns. The said Subsidiary has therefore been accounted as Financial Instrument accounted on Fair Value through Other Comprehensive Income. However since the financial information and other records are not available the fair value could not be determined. The funded and non-funded exposure of the group to

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FTM net of eliminations is Rs. 309 Crores as at 31st March 2017 including towards the corporate guarantees issued towards the bank guarantees issued in favour of the said FTM. The management as detailed in the said note is awaiting the details of the surplus arising out of the disposal of the non-core assets and the recovery of the liabilities therefrom. The management expects that the surplus will be adequate to cover the exposure however in the absence of any indication of the value of the non-core assets or the surplus and we are unable to quantify the possible further provision towards the exposure of the Group and determine whether the said entity carrying value is appropriate as FVTOCI and whether the effect on the consolidated loss of the Group for the year ended March 31, 2017 is appropriate.

b. We invite attention to Note 6(a) of the Statement wherein the total excess remuneration to the Chairman and Managing Director for past years up to March 31, 2017 is Rs 30.54 crores. The MCA has not approved the excess remuneration. The Company's Application for waiver of recovery of managerial remuneration aggregating to Rs. 17.19 crores for the Chairman and Managing Director has been rejected by the shareholders in their meeting held on June 29, 2017. The Board of Directors considering the efforts made by Chairman and Managing Director in steering the Company through the challenging times and the contribution made by him in the CDR package, on the recommendation of the Nomination and Remuneration Committee has decided to seek shareholders approval afresh for waiver of remuneration paid to Chairman and Managing Director Therefore no adjustments have been made for the amount of Rs. 30.54 crores. Similarly for one of erstwhile executive director the MCA has rejected the excess remuneration of Rs. 0.59 crores for which the Company is making a fresh representation. In the absence of the fresh approval of the shareholders, as aforesaid we are unable to ascertain the impact on profits on this account for the quarter and year ended March 31, 2017.

c. Similarly attention is invited to note 6(b) relating to the excess managerial remuneration, in respect of M/s Gammon Infrastructure Projects Limited (GIPL) , paid of Rs. 3.88 crores for the previous periods 1st January 2014 to 30th September 2014 and 1st October 2014 to 31st March 2016. GIPL had made an application for waiver of refund of the managerial remuneration to the Ministry of Corporate Affairs, which has been rejected by the Ministry. However, GIPL has once again submitted its representation to the Ministry to reconsider its decision and allow the waiver of recovery of the excess remuneration paid for the said periods aggregating to Rs. 3.88 crores. If the Company's application is not accepted then the company would be required to recover the excess remuneration from the managerial personnel and to that extent the profit for the period will be higher by an amount of Rs. 3.88 crores. Pending the same no adjustments have been made to the Consolidated Ind AS Financial Statements. Subject to the outcome of the application made to the MCA, we are unable to ascertain the impact on profits on this account for the year ended March 31, 2017. Similarly for the current year the remuneration in excess of the limits computed under the provisions of Section 197 read with Schedule V to the Companies Act 2013 is Rs. 1.09 crores for which GIPL is in the process of making an application to the

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Central Government for approval / waiver of the same. Pending the approval, no adjustments have been made to the Consolidated Ind AS Financial Statements for the remuneration of the current period. This matter has been qualified in the consolidated financial statements of GIPL.

d. Trade receivables and loans and advances includes an amount of Rs. 376.92 crores in respect of disputes in seven projects of the Company and/or its SPVs. The Company is pursuing legal recourse/ negotiations for addressing the disputes in favour of the Company. Pending the conclusion of the matters we are unable to state whether any provisions would be required against the Company's exposure (refer Note 7).

e. We invite attention to note no 8, detailing the recognition of claims during the previous period ended March 31, 2016 in respect of on-going, completed and/or terminated contracts. The aggregate amount of claims outstanding as at March 31, 2017 is Rs. 871.01 crores after the transfer of claims under slump exchange scheme and BTA as detailed in aforesaid note. These claims are recognised only on the basis of opinion of an expert in the field of claims and arbitration as part of the requirement of the Strategic Debt Restructuring scheme with the lenders. In view of the above-mentioned circumstances and facts we are unable to comment upon the amounts recognised, its realisation and the consequent effect on the Consolidated INDAS Financial Statements for the year ended March 31, 2017.

f. We invite attention to note no 12 relating to the exposure of the Company to a real estate project of one of its subsidiary engaged in real estate development in Bhopal. In the absence of any indicators of value arising out of the project we are unable to state whether any provision is required towards the carrying value of the property development in progress (Real Estate WIP) of Rs. 998.38 crores.

g. Attention is invited to Note no 13 relating to the recoverability of the Insurance claim in respect of one of the subsidiaries of the Company. The financial statements of the subsidiary has been qualified by the statutory auditors that in the absence of any intimation of acceptance of the claim or receipt of any survey report findings they are unable to comment upon the recoverability of the amount of Insurance claim aggregating to Rs. 5.20 crores. The Management is however confident that its claim will be approved and the insurance claim will be realised.

h. Attention is invited to Note no 14, where GIPL has defaulted in fulfilling its obligation under the one time settlement with Industrial Financial Corporation of India (IFCI). GIPL was required to pay the entire outstanding by September 30, 2017. Based on the update since the balance sheet date GIPL has been unable to discharge the liability and has not been able to get further extension for the payment of the outstanding although it is actively engaged with IFCI for obtaining the extension and/or non-reversal of the benefits of the OTS. In terms of the original arrangement, the benefits received under the one time settlement were to be reversed. Although the management is hopeful of obtaining the extension and / or non-reversal of the benefits

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of the OTS, pending the acceptance by IFCI we are unable to state whether the group has to account for the reversal of benefits of Rs. 18.05 crores in its financial statements for the period upto March 31, 2018.

i. Attention is invited to Note no 15 in respect of the Tolling Road Project in Andhra Pradesh where termination notice was received from NHAI on 26th August 2016 and consequently NHAI took over possession of toll plaza. Based on the subsequent negotiation and discussion with the grantor, the grantor has agreed to revoke the termination notice vide its letter dated 16th January 2017 subject to completing of financial closure and fulfilling other Commitments as specified in the letter within the stipulated timeframe. GIPL has since the balance sheet date as updated to us has not fulfilled the condition of revocation of termination notice by NHAI i.e., financial closure and other commitments including entering into a binding agreement with Hinduja Group. GIPL is still negotiating with NHAI for a mutual and amicable settlement. The exposure of the company in the SPV is Rs. 160.62 crores (including Bank guarantee of Rs 84.20crores). We are unable to comment upon the fructification of the amicable settlement with NHAI or continuance of the project

j. The financial statements of the following material Associate, Subsidiaries and Joint Ventures are based on un-audited management prepared financial statements and have been accounted as such and on which no further audit procedures have been carried out by us, including to determine whether the INDAS effects have been appropriately considered , as follows.

   i. M/s Campo Puma Oriente S.A, Panama, a Subsidiary of the Company whose financial statements reflect Total Assets of Rs. 297.34 Crores, Revenue of Rs. 36.86 Crores for the period ended 31st December 2016. These financials are signed by one of the Director representing GIL on account of differences between the Group Company and the other Shareholder. There are no audited financial statements after 31st December 2011.
   ii. M/s Deepmala Infrastructure Private Limited , a subsidiary of the Company whose financial statements reflects total assets of Rs. 1154.80 crores and total revenues of Rs. 39.29 crores.
   iii. M/s SAE Powerlines S.r.L, a wholly owned subsidiary of the Company whose financial statements reflect total assets of Rs. 206.16 crores and total revenue of Rs. 157.33 crores.
   iv. M/s Gammon OJSC Mosmetrostroy, a Joint Venture of the group whose financial statements reflect Total Assets of Rs. 161.18 Crores, Revenue of Rs. NIL Crores for the year ended March 31, 2017, the groups share in the Revenue being Rs. NIL Crores.. The JV is accounted on equity method.

Since the Subsidiaries, Joint Ventures and Associates mentioned above are material; the Assets, Revenue and Cash Flow represented in those financial statements are subject to audit and consequent effect, if any.

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k. The auditors of three subsidiaries of the Company have qualified their auditors' report as follows:

(i) Ansaldo Caldaie Boilers India Limited:

- "In respect of trade receivable of Rs. 35.84 crores due from M/s Nagai Power. Based on the development as detailed in the contract, the management is of the view that the debts are good and receivable. No adjustments are therefore made for the same in the books except for provision for expected credit loss.
- ACBI had received amounts as Share Application Money of Rs. 16.64 crores for further allotment of shares which were to be issued on terms and conditions to be decided by the Board and in line with the extant regulation of the RBI. The Reserve Bank of India had on January 29, 2014 directed the company to refund the said amounts to Ansaldo Caldaie S.P.A. The company has subsequently applied to RBI vide letter dated 28th February 2014 to convert the share application money as ECB Loan which has also been approved by the Board of Ansaldo Caldaie S.P.A. However on 25 June 14 RBI had turned down the Companies request to convert the share application money in to loan and directed to allot the share or refund the money within one year. Since Ansaldo S.P.A was unable to increase its holding in the company in the absence of equivalent contribution from the holding company, it has irrevocably waived its right to be allotted further equity shares and has also waived its right to receive a refund of the advance share application money vide its letter dated 18th May 2015. The appropriate effects of the said amount will be given on receiving final approval from Reserve Bank of India."

(ii) In the case of G&B Contracting LLC:

"Included in accounts and other receivables is an amount of AED 2.7 million (Rs 4.76 crores) (31st march 2016:AED 2.7 million (Rs 4.86 crores)) , Which due to the Company as a sub- contractor. Since the company has back to back terms with its customer i.e. the main contractor, the recoverability of the amount is dependent on the successful outcome of the customers dispute with the main client , a matter which could potentially be referred to arbitration .In view of the foregoing, we were unable to satisfy ourselves as to the extent of the recoverability of the receivables of AED 2.7 million (Rs 4.76 crores) (31st march 2016: AED 2.7 million(Rs 4.86 crores)) and are of the view that a substantial portion thereof could be impaired."

(iii) In the case of Gammon & Billimoria Limited:

- "On account of sticky advances, interest on advances given is not provided in books of accounts. Interest provision not made is of RS 9.72 crores
- Interest is not paid provided on Loans outstanding in the name of Bebanco Developers Limited in view of financial loss. Company appreciates and acknowledges the right of Bebanco Developers Limited for the interest of RS 4.74 crores not provided in the books as and when the financial position of the company improves.

Consequent effects of two qualifications are as under:

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1. On account of non- provision of interest profits would go up by Rs 9.71 crores.
2. On account of non- provision of interest on amount advance profit would go down by Rs 4.73 crores

Net effects profit would go up by Rs 4.98 crores "

The above would impact the Consolidated financial statement by non-provision of Rs 4.74 crores towards the loan of Bebanco Developers Limited and to that extent consolidated profit is higher by Rs 4.74 crores.

5. Except for the possible effects arising out of the matters mentioned in our basis for qualified opinion mentioned hereinabove, 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 reports of the other auditors referred to in paragraph 3 above, the Statement:

   (a) In the case of the consolidated financial results of the Group includes the results for the year ended March 31, 2017 of the companies listed in Annexure A to this report which are consolidated in accordance with the requirements of the Companies (Indian Accounting Standards) Rules 2015 specified under Section 133 of the Companies Act 2013 and the relevant rules thereon.;
   (b) is presented in accordance with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and
   (c) gives a true and fair view in conformity with the aforesaid Indian Accounting Standards and other accounting principles generally accepted in India in the case of the consolidated financial results of the Group of the net loss and other financial information of the Group for the year ended March 31, 2017.

6. Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matters;

a. We invite attention to the note no 9(a) of the Statement. There are continuing losses being incurred by the Company including at the group level primarily on account of finance cost and the liability-asset mismatch of the group where the group's current liabilities including interest and principal defaults exceed the current assets by Rs. 1134.54 crores. The Parent Company has been marked as a NPA from June 2017 onwards by the lenders. Further In view of the transfer of two of its businesses and the plans of the Company to transfer further businesses to subsidiaries to invite investors to run the business the cash flows of the Company to meet its obligations is dependent upon these business declaring dividends or other cash flow to the Company or the Company being able to monetise various assets and its stake in the businesses transferred and to be transferred as detailed in the aforesaid note 9(a) of the Statement. These conditions as detailed in note no 9(a) indicate existence of material uncertainties relating to the timing and realisation of the cash flows that may cast significant doubt about the going concern assumptions.

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b. We also invite attention to Note 9 (b) in respect of the going concern assumption and the management estimates and assertions relating to GIPL a subsidiary of the group. The conditions mentioned therein indicate significant uncertainties relating to the timing and amount of cash flows that may cast significant doubt over the ability of the said GIPL to continue as a going concern.

c. We draw attention to Note no 18. of the financial results relating to recoverability of an amount of *Rs.* 60.99 *crores* as at March 31, 2017 under trade receivables in respect of contract revenue where the Company has received arbitration awards in its favour in respect of which the client has preferred an appeal for setting aside the said arbitration awards, recognition of claims while evaluating the jobs of *Rs.*7.56 *crores* where the Company is confident of recovery. The recoverability is dependent upon the final outcome of the appeals & negotiations getting resolved in favour of the company.

d. We draw attention to Note 19 relating to the projects of real estate sector where the exposure is Rs. 62.47 crores. The management is confident of ultimate recovery of the amounts and we have relied on the management assertions of recoverability.

e. We invite attention to Note 20(a) to 20(e) relating to the various BOT projects of the group and the problems faced by the said projects/SPVs. The management is confident that the matters would get resolved in their favour and no adjustments are required in the financial statements. The total exposure of the group (funded and non-funded) in respect of these BOT projects is Rs. 2166.74 crores.

For Natvarlal Vepari & Co.
Chartered Accountants
Firm Registration No: 106971W

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N Jayendran
Partner
M. No. 40441
Mumbai, Dated : February 6, 2018

Annexure A

Sr no.	Name of Entity	Nature of Relationship
1.	Gammon India Limited	Parent
2.	Gammon Infrastructure Projects Limited	Subsidiary
3.	Andhra Expressway Limited ('AEL')	Subsidiary
4.	Aparna Infraenergy India Private Limited ('AIIPL')	Subsidiary
5.	Cochin Bridge Infrastructure Company Limited ('CBICL')	Subsidiary
6.	Chitoor Infra Company Private Limited ('CICPL')	Subsidiary
7.	Earthlink Infrastructure Projects Private Limited ('EIPPL')	Subsidiary
8.	Gammon Logistics Limited ('GLL')	Subsidiary
9.	Gammon Projects Developers Limited ('GPDL')	Subsidiary
10.	Gammon Renewable Energy Infrastructure Projects Limited ('GREIL')	Subsidiary
11.	Gammon Road Infrastructure Limited ('GRIL')	Subsidiary
12.	Gammon Seaport Infrastructure Limited ('GSIL')	Subsidiary
13.	Ghaggar Renewable Energy Private Limited ('GREPL')	Subsidiary
14.	Gorakhpur Infrastructure Company Limited ('GICL')	Subsidiary
15.	Haryana Biomass Power Limited ('HBPL')	Subsidiary
16.	Jaguar Projects Developers Limited ('JPDL')	Subsidiary
17.	Kosi Bridge Infrastructure Company Limited ('KBICL')	Subsidiary
18.	Lilac Infraprojects Developers Limited ('LIDL')	Subsidiary
19.	Marine Project Services Limited ('MPSL')	Subsidiary
20.	Mumbai Nasik Expressway Limited ('MNEL')	Subsidiary
21.	Patna Buxar Highways Limited ('PBHL')	Subsidiary
22.	Pataliputra Highways Limited ('PHL')	Subsidiary
23.	Patna Highway Projects Limited ('PHPL')	Subsidiary
24.	Pravara Renewable Energy Limited ('PREL')	Subsidiary
25.	Ras Cities and Townships Private Limited ('RCTPL')	Subsidiary
26.	Rajahmundry Expressway Limited ('REL')	Subsidiary
27.	Rajahmundry Godavari Bridge Limited ('RGBL')	Subsidiary
28.	Satluj Renewable Energy Private Limited ('SREPL')	Subsidiary
29.	Sikkim Hydro Power Ventures Limited ('SHPVL')	Subsidiary
30.	Segue Infrastructure Projects Private Limited ('SIPPL')	Subsidiary
31.	Tada Infra Development Company Limited ('TIDCL')	Subsidiary
32.	Tangri Renewable Energy Private Limited ('TREPL')	Subsidiary
33.	Tidong Hydro Power Limited ('THPL')	Subsidiary
34.	Vijaywada Gundugolanu Road Project Private Limited ('VGRPPL')	Subsidiary
35.	Vizag Seaport Private Limited ('VSPL')	Subsidiary
36.	Yamuna Minor Minerals Private Limited ('YMMPL')	Subsidiary
37.	Youngthang Power Ventures Limited ('YPVL')	Subsidiary
38.	Birmitrapur Barkote Highway Private Limited ('BBHPL')	Subsidiary
39.	Mormugao Terminal Limited ('MTL')**	Subsidiary
40.	Sidhi Singrauli Road Project Limited ('SSRPL')	Subsidiary
41.	Yamunanagar Panchkula Highway Private Limited ('YPHPL')	Subsidiary
42.	ATSL Infrastructure Projects Limited	Subsidiary

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Sr no.	Name of Entity	Nature of Relationship
43.	Gactel Turnkey Projects Limited. ('GACTEL')	Subsidiary
44.	Gammon & Billimoria Limited. ('GB')	Subsidiary
45.	G & B Contracting LLC ('GBLLC')	Subsidiary
46.	Gammon International FZE ('GIFZE')	Subsidiary
47.	P.Van Eerd Beheersmaatschappaji B.V. Netherlands ('PVAN')	Subsidiary
48.	Deepmala Infrastructure Private Limited ('DIPL')	Subsidiary
49.	Gammon Retail Infrastructure Private Limited ('GRIPL')	Subsidiary
50.	Gammon Power Limited. ('GPL')	Subsidiary
51.	ATSL Holding B.V. Netherlands	Subsidiary
52.	SAE Powerlines S.r.L (Subsidiary of ATSL Holdings B.V.)	Subsidiary
53.	Associated Transrail Structures Limited., Nigeria	Subsidiary
54.	Gammon Realty Limited. ('GRL')	Subsidiary
55.	Gammon Holdings B.V., Netherlands ('GHBV')	Subsidiary
56.	Franco Tosi Meccanica S.p.A (Refer Note 1(a)(ii))	Subsidiary
57.	Gammon Italy S.r.L	Subsidiary
58.	Gammon International B.V., Netherlands ('GIBV')	Subsidiary
59.	Metropolitan Infrahousing Private Limited ('MIPL')	Subsidiary
60.	Gammon Transmission Limited ('GTL')	Subsidiary
61.	Franco Tosi Hydro Private Limited ('FTH')	Subsidiary
62.	Preeti Townships Private Limited	Subsidiary
63.	Ansaldocaldaie Boilers India Private Limited ('ACB')	Subsidiary
64.	Gammon Holdings (Mauritius) Limited ('GHM')	Subsidiary
65.	Patna Water Supply Distribution Network Private Limited ('PWS')	Subsidiary
66.	Blue Water Iron Ore Terminal Private Limited ('BWIOTPL')	Joint Venture
67.	Indira Container Terminal Private Limited ('ICTPL')	Joint Venture
68.	SEZ Adityapur Limited ('SEZAL')	Joint Venture
69.	GIPL - GIL JV	Joint Venture
70.	Gammon Encee Rail (Consortium) (GEC)	Joint Venture
71.	Gammon - Cons - Tensaccia – JV('GCT')	Joint Venture
72.	Gammon – Ojsc Mosmetrostroy – JV('GOM')	Joint Venture
73.	Ansaldocaldaie-GB Engineering Private Limited.('ACGB')	Joint Venture
74.	Gammon SEW('GSEW')	Joint Venture
75.	Gammon CMC JV('CMC')	Joint Venture
76.	GAMMON-SPSCPL JOINT VENTURE	Joint Venture
77.	Campo Puma Oriente S.A.	Subsidiary
78.	ESMSPL	Associates
79.	MTL	Associates
80.	Fin est S.p.A	Associates
81.	Sofinter S.p.A	Associates
82.	Transrail Lighting Limited (TLL)	Associates

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ANNEXURE I
Statement on Impact of Audit Qualifications
(for audit report with modified opinion) submitted along-with
Annual Audited Financial Results (Consolidated)

Statement on Impact of Audit Qualifications for the Financial Year Ended March 31, 2017 [See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]				
I.	**Sr. no.**	**Particulars**	**Audited Figures (as reported before adjusting for qualifications)**	**Adjusted Figures (audited figures after adjusting for qualifications)**
	1	Turnover/Total Income	1,788.82	1,788.82
	2	Total Expenditure	2,925.72	2,930.46
	3	Net Profit/(loss)	(1,086.45)	(1,088.87)
	4	Earnings Per Share	(29.52)	(29.59)
	5	Total Assets	11,807.91	11,807.91
	6	Total Liabilities	11,807.91	11,807.91
	7	Net Worth	(399.53)	(401.95)
	8	Any Other Financial Item	-	-

II. **Audit Qualification (each audit qualification separately):**

1. a. **Details of Audit Qualification:**

The accounts of one of the entities M/s Franco Tosi Meccanica S.p.A, Italy (FTM) in which the Holding Company owns 83.94% stake have not been audited since December 2011 for reasons mentioned in note 5 which inter-alia covers the application for pre-insolvency composition agreement with creditors in Italian court, partial completion of the composition agreement where the control of the operating/core asset of the said FTM has been transferred to the successful bidder and the Company is entitled only to the surplus arising out of disposal of non-core assets of FTM after paying off all other creditors/liabilities of FTM. In the light of what is stated in the aforesaid note, the Holding Company does not have any control over the financial and operating decisions of the said FTM. Therefore the said FTM has not been consolidated in accordance with INDAS 110 – Consolidated Financial Statements. Further the management contends that considering the status as detailed in the above-referred note the entity operates under severe restrictions, which significantly impairs its access to variable returns. The said Subsidiary has therefore been accounted as Financial Instrument accounted on Fair Value through Other Comprehensive Income. However since the financial information and other records are not available the fair value could not be determined. The funded and non-funded exposure of the group to FTM net of eliminations is Rs. 309 Crores as at 31st March 2017 including towards the corporate guarantees issued towards the bank guarantees issued in favour of the said FTM. The management as detailed in the said note is awaiting the details of the surplus arising out of the disposal of the non-core assets and the recovery of the liabilities therefrom. The management expects that the surplus will be adequate to cover the exposure however in the absence of any indication of the value of the non-core assets or the surplus and we are unable to quantify the possible further provision towards the exposure of the Group and determine whether the said entity carrying value is appropriate as FVTOCI and whether the effect on the consolidated loss of the Group for the year ended March 31, 2017 is appropriate.

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

c. **Frequency of qualification:** Since December 2013 – 4th Time in audited accounts.

d. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: NA**

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

(i) **Management's estimation on the impact of audit qualification:**

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	Based on estimation given by the Commissioner in charge, the management believes the value of non-core assets including land is sufficient to cover external liabilities of FTM as also the exposure of the Group. However on a prudential basis Company has provided Rs.100 crores. Accordingly Board has come to the conclusion that no impairment is required for the Company.
	(ii) **If management is unable to estimate the impact, reasons for the same:** **Not Applicable**
	(iii) **Auditors' Comments on (i) or (ii) above:** In the absence of any indication of the value of the non-core assets or the surplus we are unable to quantify the possible provision towards the exposure of the Company and therefore also the effect on the loss/profit of the Company for the quarter and the period ended 31st March 2017.
2.	a. **Details of Audit Qualification:** We invite attention to note no 8, detailing the recognition of claims during the previous period ended March 31, 2016 in respect of on-going, completed and/or terminated contracts. The aggregate amount of claims outstanding as at March 31, 2017 is Rs. 871.01 crores after the transfer of claims under slump exchange scheme and BTA as detailed in aforesaid note. These claims are recognised only on the basis of opinion of an expert in the field of claims ~~and arbitration~~ as part of the requirement of the Strategic Debt Restructuring scheme with the lenders. In view of the above-mentioned circumstances and facts we are unable to comment upon the amounts recognised, its realisation and the consequent effect on the Consolidated INDAS Financial Statements for the year ended March 31, 2017.
	b. **Type of Audit Qualification: Qualified Opinion**
	c. **Frequency of qualification:** 2nd Time in Audited Accounts
	d. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** **Not Applicable**
	e. **For Audit Qualification(s) where the impact is not quantified by the auditor:**
	(i) **Management's estimation on the impact of audit qualification:** The management believes that they have strong case for each of the claims lodged against the client. This has been validated by independent techno legal consultant. The Board therefore has decided to account the claims.
	(ii) **If management is unable to estimate the impact, reasons for the same:** **Not Applicable**
	(iii) **Auditors' Comments on (i) or (ii) above:** In the absence of confirmations from the client we are unable to comment upon the amounts recognised, its realisation and the consequent effect on the financial results for the year ended 31st March 2017
3.	a. **Details of Audit Qualification:** We invite attention to Note 6(a) of the Statement wherein the Company's Application for managerial remuneration aggregating to Rs. 30.54 crores for the Chairman and Managing Director has been rejected by the shareholders in their meeting held on June 29, 2017. The Board of Directors considering the efforts made by Chairman and Managing Director in steering the Company through the challenging times and the contribution made by him in the CDR package, on the recommendation of the Nomination and Remuneration Committee has decided to seek shareholders approval afresh for waiver of remuneration paid to Chairman and Managing Director Therefore no adjustments have been made for the amount of Rs. 30.54 crores. Similarly for one of erstwhile executive director the MCA has rejected the excess remuneration of Rs. 0.59 crores for which the Company is making a fresh representation. In the absence of the fresh approval of the shareholders, as aforesaid we are unable to ascertain the impact on profits on this account for the quarter and year ended March 31, 2017.

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		Similarly attention is invited to note 6(b) relating to the excess managerial remuneration, in respect of M/s Gammon Infrastructure Projects Limited (GIPL) , paid of Rs. 3.88 crores for the previous periods 1st January 2014 to 30th September 2014 and 1st October 2014 to 31st March 2016. GIPL had made an application for waiver of refund of the managerial remuneration to the Ministry of Corporate Affairs, which has been rejected by the Ministry. However, GIPL has once again submitted its representation to the Ministry to reconsider its decision and allow the waiver of recovery of the excess remuneration paid for the said periods aggregating to Rs. 3.88 crores. If the Company's application is not accepted then the company would be required to recover the excess remuneration from the managerial personnel and to that extent the profit for the period will be higher by an amount of Rs. 3.88 crores. Pending the same no adjustments have been made to the Consolidated Ind AS Financial Statements. Subject to the outcome of the application made to the MCA, we are unable to ascertain the impact on profits on this account for the year ended March 31, 2017. Similarly for the current year the remuneration in excess of the limits computed under the provisions of Section 197 read with Schedule V to the Companies Act 2013 is Rs. 1.09 crores for which GIPL is in the process of making an application to the Central Government for approval / waiver of the same. Pending the approval, no adjustments have been made to the Consolidated Ind AS Financial Statements for the remuneration of the current period. This matter has been qualified in the consolidated financial statements of GIPL.
	b.	**Type of Audit Qualification: Qualified Opinion**
	c.	**Frequency of qualification:** Since December 2013 – 4th Time in audited accounts for GIL and 1st time for GIPL
	d.	**For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** a. **Not Applicable**
	e.	**For Audit Qualification(s) where the impact is not quantified by the auditor:**
		(i) **Management's estimation on the impact of audit qualification:** Considering the efforts made by CMD in steering the Company through the challenging times and the contribution made by him in CDR/SDR package, getting new investors on board, the Board on the recommendation of the Nomination and Remuneration Committee has decided to seek shareholders' approval afresh for waiver of remuneration paid to CMD. No remuneration has been paid to him since October 14 and only provision has been made in books for the same. . Further the company also proposes to make a representation to the Central Government in respect of excess remuneration paid to the erstwhile executive director. GIPL has made a representation to the MCA for the previous periods for the said amount of Rs. 3.88 crores and is in the process of making application for the current year ended March 31st 201 of Rs. 1.09 crores.
		(ii) **If management is unable to estimate the impact, reasons for the same:** **Not Applicable**
		(iii) **Auditors' Comments on (i) or (ii) above:** In the absence of the fresh update, as aforesaid we are unable to ascertain the impact on profits on this account for the year ended March 31st 2017 also in the absence of indication of the MCA decision, we are unable to comment.
4.	a.	**Details of Audit Qualification:** Trade receivables and loans and advances includes an amount of Rs. 376.92 crores in respect of disputes in seven projects of the Company and/or its SPVs. The Company is pursuing legal recourse/ negotiations for addressing the disputes in favour of the Company. Pending the conclusion of the matters we are unable to state whether any provisions would be required against the Company's exposure (refer Note 7).

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	b. **Type of Audit Qualification: Qualified Opinion**
	c. **Frequency of qualification:** 2nd Time in Audited Accounts
	d. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** **Not Applicable**
	e. **For Audit Qualification(s) where the impact is not quantified by the auditor:**
	(i) **Management's estimation on the impact of audit qualification:** There are disputes in seven projects of the Company. The total exposure against these projects is Rs. 376.92 crore. The Company is pursuing legal recourse / negotiations for addressing the disputes in favour of the Company and is of the opinion that it has a good case in the matter hence does not require any provision considering the claims of the Company against the Clients.
	(ii) **If management is unable to estimate the impact, reasons for the same:** **Not Applicable**
	(iii) **Auditors' Comments on (i) or (ii) above:** Pending the conclusion of the disputes we are unable to state whether any provisions would be required against the Company's exposure.
5.	a. **Details of Audit Qualification:** We invite attention to note no 12 relating to the exposure of the Company to a real estate project of one of its subsidiary engaged in real estate development in Bhopal. In the absence of any indicators of value arising out of the project we are unable to state whether any provision is required towards the carrying value of the property development in progress (Real Estate WIP) of Rs. 998.38 crores.
	b. **Type of Audit Qualification: Qualified Opinion**
	c. **Frequency of qualification:** 1st Time in Audited Accounts
	d. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** **Not Applicable**
	e. **For Audit Qualification(s) where the impact is not quantified by the auditor:**
	(i) **Management's estimation on the impact of audit qualification:** The management is of the opinion that the current situation is temporary and the value of the business arising out of the development is higher than the carrying value as aforesaid and therefore no provision for impairment is necessary presently.
	(ii) **If management is unable to estimate the impact, reasons for the same:** **Not Applicable**
	(iii) **Auditors' Comments on (i) or (ii) above:** In the absence of any indicators of value arising out of the project we are unable to state whether any provision is required towards the exposure of Rs. 998.38 crores.
6.	a. **Details of Audit Qualification:** Attention is invited to Note no 13 relating to the recoverability of the Insurance claim in respect of one of the subsidiaries of the Company. The financial statements of the subsidiary has been qualified by the statutory auditors that in the absence of any intimation of acceptance of the claim or receipt of any survey report findings they are unable to comment upon the recoverability of the amount of Insurance claim aggregating to Rs. 5.20 crores. The Management is however confident that its claim will be approved and the insurance claim will be realised.
	b. **Type of Audit Qualification: Qualified Opinion**
	c. **Frequency of qualification:** 1st Time in Audited Accounts
	d. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** **Not Applicable**
	e. **For Audit Qualification(s) where the impact is not quantified by the auditor:**
	(i) **Management's estimation on the impact of audit qualification:** The Subsidiary Company is in talks with insurer and expects to receive the claim at the earliest.

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	(ii) If management is unable to estimate the impact, reasons for the same: **Not Applicable**
	(iii) Auditors' Comments on (i) or (ii) above: In the absence of indication from insurance company, we are unable to comment.
7.	**a. Details of Audit Qualification:** Attention is invited to Note no 14, where GIPL has defaulted in fulfilling its obligation under the one time settlement with Industrial Financial Corporation of India (IFCI). GIPL was required to pay the entire outstanding by September 30, 2017. Based on the update since the balance sheet date GIPL has been unable to discharge the liability and has not been able to get further extension for the payment of the outstanding although it is actively engaged with IFCI for obtaining the extension and/or non-reversal of the benefits of the OTS. In terms of the original arrangement, the benefits received under the one time settlement were to be reversed. Although the management is hopeful of obtaining the extension and / or non-reversal of the benefits of the OTS, pending the acceptance by IFCI we are unable to state whether the group has to account for the reversal of benefits of Rs. 18.05 crores in its financial statements for the period upto March 31, 2018.
	b. Type of Audit Qualification: Qualified Opinion
	c. Frequency of qualification: 1st Time in Audited Accounts
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: **Not Applicable**
	e. For Audit Qualification(s) where the impact is not quantified by the auditor:
	(i) Management's estimation on the impact of audit qualification: The Company (GIPL) has requested for a further extension of time for the one time settlement (OTS) till 31st March 2018 in Nov 2017 and is hopeful that IFCI would respond favorably. Pending receipt of response from IFCI, the amount of Rs 18.05 crores has not been provided.
	(ii) If management is unable to estimate the impact, reasons for the same: **Not Applicable**
	(iii) Auditors' Comments on (i) or (ii) above: In the absence of confirmation of acceptance from IFCI, we are unable to comment on the impact to be provided.
8.	**a. Details of Audit Qualification:** Attention is invited to Note no 15 in respect of the Tolling Road Project in Andhra Pradesh where termination notice was received from NHAI on 26th August 2016 and consequently NHAI took over possession of toll plaza. Based on the subsequent negotiation and discussion with the grantor, the grantor has agreed to revoke the termination notice vide its letter dated 16th January 2017 subject to completing of financial closure and fulfilling other Commitments as specified in the letter within the stipulated timeframe. GIPL has since the balance sheet date as updated to us has not fulfilled the condition of revocation of termination notice by NHAI i.e., financial closure and other commitments including entering into a binding agreement with Hinduja Group. GIPL is still negotiating with NHAI for a mutual and amicable settlement. The exposure of GIPL in the SPV is Rs. 160.62 crores (including Bank guarantee of Rs 84.20crores). We are unable to comment upon the fructification of the amicable settlement with NHAI or continuance of the project
	b. Type of Audit Qualification: Qualified Opinion
	c. Frequency of qualification: 1st Time in Audited Accounts
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: **Not Applicable**
	e. For Audit Qualification(s) where the impact is not quantified by the auditor:
	(i) Management's estimation on the impact of audit qualification: The SPV (VGRPPL) and the holding company (GIPL) are currently in

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		discussion with NHAI for a mutually acceptable exit.
	(ii)	**If management is unable to estimate the impact, reasons for the same:** **Not Applicable**
	(iii)	**Auditors' Comments on (i) or (ii) above:** In the absence of outcome of such negotiation with NHAI, we are unable to state the impact on the carrying value of the project
9.	a.	**Details of Audit Qualification:** a. The financial statements of the following material Associate, Subsidiaries and Joint Ventures are based on un-audited management prepared financial statements and have been accounted as such and on which no further audit procedures have been carried out by us, including to determine whether the INDAS effects have been appropriately considered , as follows. i. M/s Campo Puma Oriente S.A, Panama, a Subsidiary of the Company whose financial statements reflect Total Assets of Rs. 297.34 Crores, Revenue of Rs. 36.86 Crores for the period ended 31st December 2016. These financials are signed by one of the Director representing GIL on account of differences between the Group Company and the other Shareholder. There are no audited financial statements after 31st December 2011. ii. M/s Deepmala Infrastructure Private Limited , a subsidiary of the Company whose financial statements reflects total assets of Rs. 1154.80 crores and total revenues of Rs. 39.29 crores. iii. M/s SAE Powerlines S.r.L, a wholly owned subsidiary of the Company whose financial statements reflect total assets of Rs. 206.16 crores and total revenue of Rs. 157.33 crores. iv. M/s Gammon OJSC Mosmetrostroy, a Joint Venture of the group whose financial statements reflect Total Assets of Rs. 161.18 Crores, Revenue of Rs. NIL Crores for the year ended March 31, 2017, the groups share in the Revenue being Rs. NIL Crores. The JV is accounted on equity method. Since the Subsidiaries, Joint Ventures and Associates mentioned above are material, the Assets, Revenue and Cash Flow represented in those financial statements are subject to audit and consequent effect, if any.
	b.	**Type of Audit Qualification: Qualified Opinion**
	c.	**Frequency of qualification:** 4th Time in Audited Accounts
	d.	**For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** **Not Applicable**
	e.	**For Audit Qualification(s) where the impact is not quantified by the auditor:**
	(i)	**Management's estimation on the impact of audit qualification:** The audit could not be completed due to various reasons for the above entities. Based on the discussions with the respective managements, we do not foresee any material impacts arising out of audit in the aforesaid financials statements.
	(ii)	**If management is unable to estimate the impact, reasons for the same:** **Not Applicable**
	(iii)	**Auditors' Comments on (i) or (ii) above:** In the absence of audit reports we are unable to further comments on the management response
10	a.	**Details of Audit Qualification:** *The auditors of three subsidiaries of the Company have qualified their auditors' report as follows:* i. *Ansaldo Caldaie Boilers India Limited:*

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- "In respect of trade receivable of Rs. 35.84 crores due from M/s Nagai Power. Based on the development as detailed in the contract, the management is of the view that the debts are good and receivable. No adjustments are therefore made for the same in the books except for provision for expected credit loss.

- ACBI had received amounts as Share Application Money of Rs. 16.64 crores for further allotment of shares which were to be issued on terms and conditions to be decided by the Board and in line with the extant regulation of the RBI. The Reserve Bank of India had on January 29, 2014 directed the company to refund the said amounts to Ansaldo Caldaie S.P.A. The company has subsequently applied to RBI vide letter dated 28th February 2014 to convert the share application money as ECB Loan which has also been approved by the Board of Ansaldo Caldaie S.P.A. However on 25 June 14 RBI had turned down the Companies request to convert the share application money in to loan and directed to allot the share or refund the money within one year. Since Ansaldo S.P.A was unable to increase its holding in the company in the absence of equivalent contribution from the holding company, it has irrevocably waived its right to be allotted further equity shares and has also waived its right to receive a refund of the advance share application money vide its letter dated 18th May 2015. The appropriate effects of the said amount will be given on receiving final approval from Reserve Bank of India."

ii. In the case of G&B Contracting LLC:

"Included in accounts and other receivables is an amount of AED 2.7 million (Rs 4.76 crores) (31st march 2016:AED 2.7 million (Rs 4.86 crores)) , Which due to the Company as a sub- contractor. Since the company has back to back terms with its customer i.e. the main contractor, the recoverability of the amount is dependent on the successful outcome of the customers dispute with the main client , a matter which could potentially be referred to arbitration .In view of the foregoing, we were unable to satisfy ourselves as to the extent of the recoverability of the receivables of AED 2.7 million (Rs 4.76 crores) (31st march 2016: AED 2.7 million(Rs 4.86 crores)) and are of the view that a substantial portion thereof could be impaired."

iii. In the case of Gammon & Billimoria Limited:

- "On account of sticky advances, interest on advances given is not provided in books of accounts. Interest provision not made is of RS 9.72 crores

- Interest is not paid provided on Loans outstanding in the name of Bebanco Developers Limited in view of financial loss. Company appreciates and acknowledges the right of Bebanco Developers Limited for the interest of RS 4.74 crores not provided in the books as and when the financial position of the company improves."

Consequent effects of two qualifications are as under:

1. On account of non- provision of interest profits would go up by Rs 9.71 crores.

2. On account of non- provision of interest on amount advance profit would go down by Rs 4.73 crores

Net effects profit would go up by Rs 4.98 crores "

The above would impact the Consolidated financial statement by non-provision of Rs 4.74 crores towards the loan of Bebanco Developers Limited and to that extent

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	consolidated profit is higher by Rs 4.74 crores.
	b. **Type of Audit Qualification: Qualified Opinion**
	c. **Frequency of qualification:** In respect ofACBI – 1st time In respect of G&B Contracting LLC : Continuing since March 31, 2012 In respect of Gammon & Billimoria Limited: 1st time
	d. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** In respect of Gammon & Billimoria Limited due to financial losses and liquidity crunch it was agreed by Bebanco Developers Ltd that till the financial condition of Gammon & Billimoria Ltd. Improves, it can defer provisioning of interest on loans provided by Bebanco Developers Ltd. Accordingly Gammon & Billimoria Ltd. has not provided interest on loan given by Bebanco Developers Ltd.
	e. **For Audit Qualification(s) where the impact is not quantified by the auditor:**
	(iv) Management's estimation on the impact of audit qualification: In respect of ACBI- the contract with M/s Nagai Power has been revived and the company is confident to recover the whole amount. ACBI has made an application to RBI for write back of the share application money received from Ansaldo Caldaie Italy. . In respect of G&B Contracting LLC (GBLLC) –the management continues to be hopeful of receiving the amount from the Customer.
	(v) If management is unable to estimate the impact, reasons for the same: **Not Applicable**
	(vi) Auditors' Comments on (i) or (ii) above: In respect of ACBI and GBLLC- In the absence of fresh development we are unable to offer further comments. In respect of Gammon & Billimoria Limited- The Company i.e,. Gammon & Billimoria is required to accrue the interest as it follows mercantile system of accounting.

III.	**Signatories:**	**Signatures**
	Chairman & Managing Director Mr. Abhijit Rajan	
	Audit Committee Chairman. Mr. Naval Choudhary	
	Auditors For Natvarlal Vepari & Co. Chartered Accountants Firm Registration No. 106971W N Jayendran Partner M. No. 040441	
	Place: Mumbai	
	Date: February 6, 2018.	

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