GAMMON

STATEMENT OF UNAUDITED STANDALONE RESULTS FOR THE QUARTER ENDED JUNE 30, 2017

(₹ in Crore except earning per share data)

Sr. No.	Particulars	Quarter ended			Year ended
		30 June 2017	31 March 2017	30 June 2016	31 March 2017
		Unaudited	Unaudited	Unaudited	Audited
I	**Income**				
	a) Revenue from Operations :	29.25	71.28	861.10	761.68
	b) Other Income	62.45	76.37	71.93	308.17
	Total Income (a+b)	**91.70**	**147.65**	**933.03**	**1,069.85**
II	**Expenses**				
	a) Cost of material consumed	39.69	7.16	330.37	246.10
	b) Excide Duty	-	-	3.08	-
	c) Purchases of stock-in-trade	-	-	48.86	-
	d) Changes in inventories of finished goods, work-in progress and stock-in-trade	(12.88)	4.14	11.83	49.39
	e) Subcontracting Expenses	6.77	13.78	209.63	203.44
	f) Employee benefits expense	3.05	5.15	77.95	78.43
	g) Finance Costs	135.53	129.89	164.60	518.90
	h) Depreciation & amortization	2.60	3.02	29.23	32.65
	i) Other expenses	42.42	134.07	113.80	298.57
	Total Expenses	**217.18**	**297.21**	**989.35**	**1,427.48**
III	**Profit/(Loss) before exceptional items and tax**	**(125.48)**	**(149.56)**	**(56.32)**	**(357.63)**
IV	**Exceptional items Income / (Expense)**	(236.00)	(1,259.63)	(40.98)	(1,305.09)
V	**Profit / (Loss) before tax**	**(361.48)**	**(1,409.19)**	**(97.30)**	**(1,662.72)**
VI	**Profit/(Loss) from continuing operations**	**(361.48)**	**(1,409.19)**	**(66.25)**	**(1,614.82)**
VII	**Tax expenses**				
	Current Tax	-	-	0.46	-
	Excess / Short Provision of Earlier years	-	2.93	-	2.93
	Deferred Tax Liability / (asset)	-	(0.01)	(6.90)	(5.73)
	Total tax expenses	-	**2.92**	**(6.44)**	**(2.80)**
VIII	**Profit/(Loss) for the period from continuing operations**	**(361.48)**	**(1,412.11)**	**(59.81)**	**(1,612.02)**
IX	**Profit/(Loss) from discontinued Operations**	-	-	(31.05)	(47.90)
X	**Tax expenses**				
	Current Tax				
	Excess / Short Provision of Earlier years	-	-	-	-
	Deferred Tax Liability / (asset)	-	-	(0.24)	-
	Total tax expenses	-	-	**(0.24)**	-
XI	**Profit/(Loss) from Discontinued Operations after Tax**	-	-	**(30.81)**	**(47.90)**
XII	**PROFIT FOR THE YEAR**	**(361.48)**	**(1,412.11)**	**(90.62)**	**(1,659.92)**
XIII	**Other Comprehensive Income:**				
	Items that will not be reclassified to profit or loss (net of Tax)	(0.04)	(1.28)	(1.49)	(2.03)
XIV	**Total Comprehensive Income / (Loss) For The Period**	**(361.52)**	**(1,413.39)**	**(92.11)**	**(1,661.95)**
XVII	**Paid up Equity Share Capital (Face Value ₹ 2 per Equity share)**	74.11	74.11	74.11	74.11
XVIII	**Other Equity**	-	-	-	569.47
XIX	**Earnings per equity share**				
	Basic	(9.80)	(38.37)	(2.48)	(45.10)
	Diluted	(9.78)	(38.29)	(2.47)	(45.01)

See accompanying notes to the financial results

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MANAGEMENT SYSTEM CERTIFICATION DNV·GL ISO 9001 ISO 14001 OHSAS 18001
MGMT. SYS. RvA C024

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Notes:

1. The Financial Results for the quarter ended June 30, 2017 were reviewed by the Audit Committee and approved by the Board of Directors of the Company at its meeting held on March 06, 2018 and have been subjected to limited review by the Statutory Auditors of the Company.

2. Results for the quarter ended June 30, 2017 have been prepared in accordance with the Indian Accounting Standards (Ind-AS) as prescribed under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rule, 2015 and Companies(Indian Accounting Standards) Amendment Rule, 2016.

3. The figures for the quarter ended March 17 are derived from the audited figures of the twelve months period ended March 31, 2017 and the published year to date figures upto December 31 2016, which were subjected to limited review by the statutory auditors as adjusted for the effects of the scheme and BTA in respect of EPC and the Scheme in respect of Transmission and Distribution division which have been given effect to w.e.f July 1, 2016 and January 1, 2016 respectively. This adjustment was necessary to reflect the correct quarterly figures for the quarter ended March 31, 2017

   However the figures for the quarter ended June 30, 2016 are as published which were subject to limited review by the auditors. These figures are not adjusted for the effects of scheme and BTA in respect of Transmission and Distribution division. Therefore the previous period quarterly numbers of June 30, 2016 are not comparable with the current quarter ended June 30, 2017.

4. The Company's funded and non-funded exposure towards Franco Tosi Mecannica S.p.A (FTM) group is Rs. 932.14 crores (net of provisions made) as at June 30, 2017 including Investments and guarantees towards the acquisition loan taken by the SPV. 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) are not yet crystallised and firmed up as on date. The Commissioner of the said FTM has released summarized statement of affairs from July 2016 to December 2016 from which also the values of assets and liabilities to be discharged there against are unclear. Despite these factors the management expects that the surplus available to the equity shareholder will be adequate to cover the exposure of the Company towards FTM.

   The auditors have qualified their report on this account as follows

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"We invite attention to note no 4 relating to one of the subsidiaries M/s Franco Tosi Meccanica S.p.A (FTM). As described in the note, 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. The funded and non-funded exposure of the Company to FTM is Rs. 932.14.crores (net of provisions made) as at June 30, 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 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 ended June 30, 2017. This matter has been qualified in our earlier reports on the audited annual financial statements and the limited review of the quarterly financial statements."

5. 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 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 June 30, 2017 is 30.57 Crore. The Company has revised remuneration to CMD to Rs. 0.12 Crore per annum w.e.f. 1st April, 2017 which is subject to the lenders and shareholders approval.

   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. 0.60 crores was also rejected. The Company has made a representation to the Ministry to re-consider 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

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"We invite attention to Note 5 of the Statement wherein the Company's Application for managerial remuneration aggregating to Rs. 30.57 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 executive director the MCA has rejected the excess remuneration of Rs. 0.59 crores for which the Company is making a fresh representation. For the current quarter the remuneration in excess of the limits is Rs. 0.03 crores. 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."

6. There are disputes in seven projects of the Company. The total exposure against these projects is Rs. 405.76 Crore. The Company is pursuing legal recourse / negotiations for settling 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. 405.76 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 6)."

7. The accounts of a subsidiary M/s Campo Puma Oriente S.A. have not been audited since December 2012, due to certain disputes with the partner in the project. Furthermore, IDBI Bank Dubai, invoked the Stand by letter of credit provided by IDBI Mumbai in the month of October 2016. The exposure of the Company in the said subsidiary is Rs. 297.89 crores (net of provisions made). The company had received a valuation report for $ 60 Million approximately from an independent merchant banker for its share more than 24 months ago, which the management believes is still valid. Furthermore, the company is in the process of enhancing its output of oil field from the current level, which is expected to further improve the value. The disputes between the partners are expected to be resolved within a short time after which the financial statements will be signed and released. The Company has already made a provision of Rs 130 crores in March 2017 against its exposure based on internal estimates of the realisable value and the management is confident that there will be no further provision required towards impairment.

   The auditors have qualified their report on this account as follows

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"We invite attention to note no 7 relating to the Company's Exposure to Campo Puma Oriente S.A. of Rs. 297.89 crores. In the light of the on-going dispute with the partners resulting in the financial statements not being finalised and in view of the impairment testing of the said exposure not being carried out by Gammon India Limited and the available independent valuations are more than 24 months old. The internal estimates of realisability are not backed by independent valuation and therefore we are therefore unable to state whether the said impairment carried out is adequate or not."

8. 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.

9. The Company has receivable including retention and work in progress (unbilled revenue) aggregating to Rs. 59.25 crores in jobs relating to some of the contracts of 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.

10. The Company, as part of its restructuring scheme through which it carved out the EPC and T & D business into separate entities retaining residual non-core assets, some projects and some claims remaining in the main Company, had during the period ended March 31, 2016 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 years also 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

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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 10, detailing the recognition of claims in the previous financial years in respect of on-going, completed and/or terminated contracts. The aggregate amount of claims outstanding as at June 30, 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 financial results of the quarter ended June 30, 2017."

11. The Company's operating result 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, 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.
The current liabilities far exceed the current assets and as at March 31, 2017, the current liabilities exceed current assets by Rs 2397.79 crores.
The facilities of the 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, the demerger of certain businesses was carried out during the previous year.
The demerger of the transmission and distribution business and 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 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 is proposed to invite strategic investors for taking over the business/ assets along with the residual debt of the banks in order to be able to invite investors and ensure that the lenders debts are fully discharged.
Accordingly, the following are being carved out into separate entities along with the sustainable debts, which the new investors will be willing to take up. The Companies holding in each of these businesses is also mentioned.

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	Fund Based - Rs, 70 crores	10%

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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
	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 .	Non-Fund based - Rs. 52 crores	
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. The OD/ STL facilities of IDBI and ICICI Bank are proposed to be resolved through sale of GIPL shares.	Fund Based IDBI – 85 Cr. ICICI – 85 Cr. 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

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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 is also 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

The auditors have qualified their report on this account as follows

"We invite attention to the note no 11 relating to the present financial situation of the Company and the going concern assumptions. The Company is finding it difficult to meet its financial obligations and the lenders have still not approved its further restructuring plan. Further due to the issues detailed in the note 16 the Company is continuously delayed in the preparation of the financial statements and submissions to the stock exchanges as per the timelines of the listing agreement. The trading in the equity shares of the Company is presently suspended. Considering the issues as stated above, the significant uncertainties mentioned in the restructuring plan of the Company including the pending lenders approval of the plan since considerable elapse of time detailed in note no 11 above, the increasing debt which is classified as NPA by the lenders and absence of approved business plans, we are unable to comment upon the going concern assumption of the management and its possible impact on the financial statements."

12. The Company's exposure to one of the subsidiary company developing a real estate project in Bhopal is Rs 349.33 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

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"We invite attention to note no 12 relating to the exposure of the Company to a 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 exposure of Rs. 349.33 crores".

13. The Company is engaged mainly in "Construction and Engineering" segment. The Company also has "Real Estate Development" as other segments. Revenue from such activities is not significant and accounts for less than 10% of the total revenue and total assets of the Company. Therefore no disclosure of separate segment reporting as required in terms of Indian Accounting Standard INDAS -108 is done in respect of this segment.

14. The Company has got the valuation of the Land at Dombivali in its subsidiary "Metropolitan Infrahousing Private Limited", from a real estate valuer. The Company believes that the downward changes in the value of land are temporary. However on a conservative basis the company has made a net provision for impairment of its investment in the subsidiary of Rs. 236 Crores net of the reversal of the provision of deferred tax liability recognised on transition date of Rs. 69 Crores. The said impairment is reflected as exceptional item.

15. The management has assessed value of SAE, company's step down subsidiary, based on its present realisability. 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. The company is in search of the new investor. The company following the concept of prudence and conservatism has made full provision against the receivables of Rs. 21.63 crores, which is included in other expenses.

16. The Company had filed two Schemes of Arrangement with the National Company Law Tribunal ('NCLT') for transfer of the Transmission & Distribution (T&D) Undertaking to Transrail Lighting Limited (for T&D Business) and Gammon Engineers and Contractors Private Limited (GECPL) for transfer of the Civil EPC Undertaking. The NCLT approved the Schemes of Arrangement vide its Order dated 22nd March, 2017 for transfer of Civil EPC business and Order dated 30th March, 2017 for transfer of the T&D Business. The effective date of the Scheme for Civil EPC Business is 31st March, 2017 and for T&D Division is 19th April, 2017.On both the Schemes coming into operation, the financials of the Company were recast to give effect to the NCLT Orders. Further w.e.f. 1st April, 2016 IND AS was applicable to the Company and the consolidated financial statements for the year ended 31st March, 2017 were prepared as per IND AS. Further due to the transfer of business as aforementioned the employees employed in those business have been transferred which has resulted in shortage of employees in the Company. Due to the above mentioned reasons the entire process of preparation, approval and publication of the Company's Financial Statements (Standalone and Consolidated) for the financial year ended 31st March, 2017 was delayed. Consequently the results for the quarters ended June 2017, September 2017 and December 2017 have been delayed. Due to

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delay in submitting the results trading in Company's shares is presently suspended. Accordingly the result of June 2017 quarter has also been delayed.

17. The Exceptional items include the following

Particulars	Quarter ended June 30, 2017	Quarter ended March 31, 2017	Year ended March 31, 2017
	(Rs in Crores)		
Net provision for impairment of Investments net of DTL reversal	236.00	557.97	557.97
Impairment provisions of Loans		606.26	606.26
Impairment provisions of Trade Receivable		73.83	119.28
Impairment provision of Other Receivable		28.55	28.55
Write back of Diminution in the value of Investment		(6.98)	(6.98)
Total	236.00	1259.63	1305.09

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

For **Gammon India Limited**

Abhijit Rajan
Chairman & Managing Director
Mumbai, March 06, 2018

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Review Report

To
The Board of Directors
Gammon India Limited,
Mumbai.

1. We have reviewed the accompanying statement of standalone unaudited financial results ("Statement") of Gammon India Limited ("the Company") for the quarter ended June 30, 2017 being submitted by the Company pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, as modified by Circular No. CIR / CFD / FAC / 62 / 2016 dated July 5, 2016. This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors. This Statement has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" (Ind-AS 34) prescribed under section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to issue a report on this Statement based on our review.

2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statement is free of material misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

3. **Basis of Qualified Conclusion**
   a. *We invite attention to note no 4 relating to one of the subsidiaries M/s Franco Tosi Meccanica S.p.A (FTM). As described in the note, 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. The funded and non-funded exposure of the Company to FTM is Rs. 932.14.crores (net of provisions made) as at June 30, 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*

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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 ended June 30, 2017. This matter has been qualified in our earlier reports on the audited annual financial statements and the limited review of the quarterly financial statements.

b. *We invite attention to note no 10, detailing the recognition of claims in the previous financial years in respect of on-going, completed and/or terminated contracts. The aggregate amount of claims outstanding as at June 30, 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 financial results of the quarter ended June 30, 2017.*

c. *We invite attention to note no 7 relating to the Company's Exposure to Campo Puma Oriente S.A. of Rs. 297.89 crores. In the light of the on-going dispute with the partners resulting in the financial statements not being finalised and in view of the impairment testing of the said exposure not being carried out by Gammon India Limited and the available independent valuations are more than 24 months old. The internal estimates of realisability are not backed by independent valuation and therefore we are therefore unable to state whether the said impairment carried out is adequate or not.*

d. *We invite attention to Note 5 of the Statement wherein the Company's Application for managerial remuneration aggregating to Rs. 30.57 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 executive director the MCA has rejected the excess remuneration of Rs. 0.59 crores for which the Company is making a fresh representation. For the current quarter the remuneration in excess of the limits is Rs. 0.03 crores. 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.*

e. *Trade receivables and loans and advances includes an amount of Rs. 405.76 crores in respect of disputes in seven projects of the Company and/or its SPVs. The Company is pursuing legal recourse/ negotiations for addressing*

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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 6).

f. *We invite attention to note no 12 relating to the exposure of the Company to a 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 exposure of Rs. 349.33 crores.*

g. *We invite attention to the note no 11 relating to the present financial situation of the Company and the going concern assumptions. The Company is finding it difficult to meet its financial obligations and the lenders have still not approved its further restructuring plan. Further due to the issues detailed in the note 16 the Company is continuously delayed in the preparation of the financial statements and submissions to the stock exchanges as per the timelines of the listing agreement. The trading in the equity shares of the Company is presently suspended. Considering the issues as stated above, the significant uncertainties mentioned in the restructuring plan of the Company including the pending lenders approval of the plan since considerable elapse of time detailed in note no 11 above, the increasing debt which is classified as NPA by the lenders and absence of approved business plans, we are unable to comment upon the going concern assumption of the management and its possible impact on the financial statements.*

4. Qualified Conclusion

Except for the possible effects arising out of the matters mentioned in para a to g of our Basis for Qualified Conclusion mentioned hereinabove, nothing has come to our attention that causes us to believe that the accompanying Statement prepared in accordance with applicable accounting standards as specified under section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014 and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI circular bearing nos. Circular No. CIR / CFD / CMD / 15 / 2015 dated November 30, 2015 and CIR / CFD / FAC / 62 / 2016 dated July 5, 2016 including the manner in which it is to be disclosed, or that it contains any material misstatement.

5. Emphasis of Matter

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

a) We draw attention to Note no 8 of the financial results relating to recoverability of an amount of *Rs.*60.99 *crores* as at June 30, 2017 under trade receivables in respect of contract revenue where the Company has

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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.

b) We draw attention to Note 9 relating to the projects of real estate sector where the exposure is Rs. 59.25 crores. The management is confident of ultimate recovery of the amounts and we have relied on the management assertions of recoverability.

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

NATVARLAL VEPARI & CO. ★ CHARTERED ACCOUNTANTS ★ Mumbai

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