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GAMMON INDIA LIMITED

Unaudited Financial Results for the Quarter Ended 31 December 2014

(Rupees in Crore)

S.No.	Particulars	Quarter Ended			9 Month Ended
		Unaudited	Audited *	Audited *	Audited
		31 Dec 2014	30 Sep 2014	31 Dec 2013	30 Sep 2014
1	**Income from Operations**				
	Net Sales / Income from Operations	**699.37**	**902.97**	**1,018.03**	**2,966.99**
2	**Expenses**				
	Cost of Material Consumed	304.84	401.47	433.66	1,295.77
	Purchases of Stock-in-trade	19.55	57.22	50.32	164.37
	Change in inventory of WIP and FG	(44.26)	(17.26)	20.35	46.24
	Subcontracting Expenses	186.79	213.13	250.34	625.67
	Employee Benefits Expenses	105.07	114.28	107.67	336.65
	Depreciation and Amortisation	36.50	27.02	28.41	81.85
	Other Expenses	156.65	207.42	310.72	587.03
	Total Expenses	765.14	1,003.28	1,201.47	3,137.58
3	**Profit/(Loss) from Operations Before Other Income, Finance Costs**	**(65.77)**	**(100.31)**	**(183.44)**	**(170.59)**
4	Interest & Other Income	49.55	632.02	36.02	708.46
5	**Profit/(Loss) from Ordinary Activities Before Finance Costs and Forex Fluctuation**	**(16.22)**	**531.71**	**(147.42)**	**537.87**
6	Finance Cost	164.06	161.40	143.95	452.72
7	Forex Fluctuation (Gain) / Loss	(2.48)	1.76	2.20	7.71
8	Exceptional Items	-	-	281.41	-
9	**Profit Before Tax**	**(177.80)**	**368.55**	**(574.98)**	**77.44**
10	Tax Expenses	(17.05)	6.89	(120.57)	9.64
11	**Net Profit/(Loss) for the period**	**(160.75)**	**361.66**	**(454.41)**	**67.80**
12	Paid-up Equity Share Capital (Face Value Rs.2/- per Equity Share)	27.16	27.16	27.16	27.16
13	Reserves, excluding Revaluation Reserve as per Audited Balance Sheet				955.88
14	**Earning Per Share (Rupees)**				
	Basic	(11.84)	21.69	(33.47)	0.05
	Diluted #	(11.84)	21.69	(33.47)	0.05
A	**Particulars of Shareholding**				
1	Public Shareholding				
	- Number of Shares	8,87,43,314	8,87,43,314	8,87,43,314	8,87,43,314
	- Percentage of Shareholding	65.01%	65.01%	65.01%	65.01%
2	Promoters & Promoter Group Shareholding				
	Pledge/ Encumbered				
	- Number of Shares	4,46,53,699	4,46,53,699	4,46,53,699	4,46,53,699
	- Percentage of Shares				
	(as a % of total Shareholding of Promoter & Promoter group)	93.50%	93.50%	93.50%	93.50%
	(as a % of total Share Capital of the Company)	32.72%	32.72%	32.72%	32.72%
	Non-encumbered				
	- Number of Shares	31,03,455	31,03,455	31,03,455	31,03,455
	- Percentage of Shareholding				
	(as a % of total Shareholding of Promoter & Promoter group)	6.50%	6.50%	6.50%	6.50%
	(as a % of total Share Capital of the Company)	2.27%	2.27%	2.27%	2.27%

B	**Investor Complaints**	
	Pending at the beginning of the period	0
	Received during the period	2
	Disposed of during the period	2
	Remaining unresolved at the end of the period	0

Since the options granted are anti dilutive hence diluted EPS is not computed

* Refer Note 2

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Notes:

1. The Financial Results for the quarter ended December 2014 were reviewed by the Audit Committee and taken on record by the Board of Directors of the Company at its meeting held on 13 February 2015 and have been subjected to limited review by the Statutory Auditors of the Company as required by Clause 41 of the listing.

2. The figures for the quarter ended 30 September 2014 and 31 December 2013 are the balancing figure between the audited figures in respect of full 9 month period ended 30 September 2014 and 31 December 2013 and the unaudited year to date published figure up to 30 June 2014 and 30 September 2013 respectively.

3. During September 2014 quarter, the Company has sold its entire stake in its subsidiary M/s Gammon Infrastructure Projects Limited to its subsidiary M/s Gammon Power Limited. The excess of the consideration over the book value of the investments amounting to Rs.605.92 Crore has been shown under other income.

4. The Company's exposure towards Franco Tosi Mecannica S.p.A (FTM) group is Rs.568.85 Crore of funded exposure and Rs.589.87 Crore of non-funded exposure against Corporate Guarantee as at December 2014 including Investments and guarantees towards the acquisition loan taken by the SPV. The application for a pre-insolvency procedure filed by FTM was admitted by the court of Milan on 7 June 2013 after having received confirmation of the possibility of continuity of the Company, by calling for bids for the lease of its business. However the commissioner has revised the procedure by which, instead of lease of a business the bidder will have to place an offer for outright sale of operational business to prospective bidders. Three bids were received by the commissioner on 22 December 2014. Negotiations have started with the bidders and it is expected that the successful bidder for the operating business of FTM will be finalized within end of March 2015.

   Once the successful bidder takes over the operational business, the process of re-instating the encashed guarantees of Euro 17.80 Million will be initiated which management is hopeful to successfully conclude in near future hence no effect have been given by the company.

   The auditors have qualified their report expressing their inability to comment upon possible further liability arising out of such corporate guarantees.

5. The Auditors of M/s SAE Powerlines S.r.l, Italy (SAE), a subsidiary of the Company have expressed their inability to opine on the financial statements in view of the said SAE's ability to operate as a going concern being at risk and the directors of the said SAE have highlighted the liquidity crisis. The total exposure of the Company in SAE and ATSL Netherlands B.V., the holding Company of SAE towards investments including guarantees towards the acquisition loan taken by SPV is Rs.354.48 Crore. The Company had made provision for impairment of investments and loan of Rs.110.45 Crore and provision for Rs.88.29 Crore for risk and contingencies for corporate guarantees for acquisition loan of the SPV and the net exposure of the Company is Rs.155.74 Crore. The Company has carried out a valuation of the business of SAE by independent valuers and based on the valuation an amount of Rs.82.59 Crore has not been provided for being the net exposure in excess of the fair value. The management is of the opinion that considering the order book position and adequate references and strengths in international markets the provision made by it for impairment of its investment, loans and trade receivable is adequate.

   The auditors have qualified their report on this account.

6. The Company's application for approval of remuneration to its chairman and managing director has been rejected for the period up to 31 March 2014. Since the Company is proposing to file an appeal against the rejection hence no effects has been given in accounts. The total amount of remuneration rejected pending appeal and its effect is Rs.6.00 Crore for the year 2013-14 and Rs.8.12 Crore for the year 2012-13.

   The application for the remuneration paid since April 2014 to chairman and managing director is pending for approval from the Central Government.

   The auditors have qualified their report on this account.

7. The Company has extended support to one of its SPV (Subsidiary) for Rs.50.56 Crore for business operations. Due to termination of contract by the client for which management is seeking legal advice that it has a good case in the matter hence does not require any provision.

   The auditors have qualified their report on this account.

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8. The Company has granted unsecured loan to its joint ventures, including the facility provided by the bankers for the purposes of business operation out of the limits of the company. Further advance to the employee given is in excess of the limits specified U/s 186 of the Companies Act 2013.

   The auditors have qualified their report on this account.

9. The Company in evaluating its jobs has considered an amount of Rs.454.81 Crore arising out of claims for work done on account of 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.170.15 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 favourable awards from the DRB and the Arbitration Tribunal, the management is reasonably certain that the claims will get favourable verdict from the courts.

   Trade Receivables includes Rs.123.80 Crore in respect of two of its project based on advanced negotiation and discussion with the client and is confident of realising the same, pending the final revision in contract value.

10. The Company is exploring several options for overcoming the liquidity crisis. The Group is in the process of monetizing its land bank as well as some of its overseas operations and to divest its non-core business, recovery towards final bills, retention money, settlement of non-routine collection including claims, arbitration awards etc. to meet the working capital needs. The Company is having a good order book in hand as on December 2014 of Rs.12,500 Crore.

    After detailed evaluation of current situation, the management is confident to come out of liquidity crisis with support of bankers for continuation of operations of the Company. In view of this assessment by the management the going concern assumption is appropriate.

11. Pursuant to the put option exercised, one of the subsidiary of the Company has paid $ 32 Million (Rs.219.99 Crore) for acquisition of further 35% stake in Sofinter Group. Pending the transfer of the shares in the name of the subsidiary, Sofinter is considered an associate with the stake of 32.5%.

12. The Company is engaged mainly in "Construction and Engineering" segment. The Company also has "Real Estate Development" and Windmills 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 Accounting Standard AS -17 is done in respect of these segments.

13. In accordance with the provisions of Schedule II to the Companies Act 2013, effective from 1 April 2014, the Company has revised the useful lives of its fixed assets. As a consequence of such revision, the charge for depreciation is higher than the previously applied rates by Rs.10.03 Crore for the quarter ended 31 December 2014. For assets that have completed the useful lives as a consequence of the aforesaid revision, the carrying value as on 1 October 2014 of Rs.21.01 Crore (net of taxes Rs.9.39 Crore) has been charged to the opening balance of the surplus in Statement of Profit and Loss.

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

For **Gammon India Limited**

Abhijit Rajan
Chairman & Managing Director
Mumbai, 13 February 2015

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Limited Review Report

Review Report to
The Board of Directors
Gammon India Limited

1. We have reviewed the accompanying statement of unaudited Standalone financial results of Gammon India Limited ('the Company') for the quarter ended December 31, 2014 (the "Statement"), except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding', which have been traced from disclosures made by the management and have not been audited by us. This Statement is the responsibility of the Company's management and has been approved by the Board of Directors. Our responsibility is to issue a report on the 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 Statement is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3. We did not review the statement of unaudited financial results of Gammon India Limited – Nagpur Branch including the overseas branches at Algeria, Nigeria, Kenya, Bhutan, Ethiopia, Rwanda, Yemen & Italy, whose financial information includes total revenues of Rs. 217.70 crores. The financial information of the aforesaid branch has been reviewed by the Branch Auditors whose report has been received by us. Our conclusion so far as transactions of the said Branches are concerned, is based solely on the limited review report of the Branch Auditors'.

4. *Basis For Qualified Conclusion*
    a. *We invite attention to note no 4 relating to the accounts of one of the subsidiaries M/s Franco Tosi Meccanica S.p.A (FTM) which have not been audited since December 2011 and in respect of which the financials are not available. As detailed in the said note the commissioner has received three bids in respect of which the negotiations are in progress. The company's exposure in the said subsidiary (net of provisions and credit balance in Foreign exchange translation reserve) is Rs. 1158.72 crores which includes the loans made and Investments made (net of provisions) of Rs. 254.03 crores, the exposure of corporate guarantee towards the borrowing made by the overseas SPV through which the step down subsidiary is held of Rs. 314.82 crores and corporate guarantee exposures in respect of the said FTM by way of corporate guarantee issued by the company towards the non-fund based limits granted to the said FTM based on which guarantees were given to the projects of the said subsidiary of Rs. 589.87 crores. In the absence of financial statements and any*

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indications of the value arising out of the negotiations as aforesaid from the bidders we are unable to comment upon the adequacy of the provision for diminution in the value of Investment and loans resulting in a net carrying value as aforesaid.

b. *In respect of the corporate guarantees issued towards the jobs of FTM the Company has received demands for euro 21.84 million(Rs. 168.18 crores) against which the Company has made a provision of Rs. 31.59 crores towards liabilities arising from demand against some of the corporate guarantees. In respect of the balance demand of Euro 17.80 million (Rs. 137.07 crores) in respect of another project no provision is made as the Company is in active negotiation with the clients of the subsidiary for the cancellation of the demand. In view of the uncertainties involved in the negotiation settling in favour of the Company and the future of the business of FTM we are unable to comment upon possible further liabilities arising from such corporate guarantees.*

c. *The branch auditors of the company have modified their report stating that the Auditors of M/s SAE Powerlines Srl, Italy (SAE) , a subsidiary of the Company have expressed their inability to opine on the financial statements in view of the said SAE's ability to operate as a going concern being at risk and the directors of the said SAE have highlighted the liquidity crisis. The total exposure of the company in SAE and ATSL Netherlands BV, the holding company of SAE towards investments including guarantees towards the acquisition loan taken by SPV and guarantees towards the operating business of SAE is Rs. 354.48 Crores. The Company has made provision for impairment of investments and Loan of Rs. 110.45 crores and provision for risk and contingencies towards corporate guarantees for acquisition loan of the SPV of Rs. 88.29 resulting in the net exposure of the Company at Rs.155.74 crores. The Company contends that the carrying value of Rs. 155.74 crores does not need any provision despite the valuation of the business of SAE by independent valuers indicating an excess carrying value of Rs. 82.59 Crores that has not been provided for.*

d. *The Company's Application for managerial remuneration aggregating to Rs. 12.47 crores for the Chairman and Managing Director has been rejected for the accounting years 2012-13 and 9-month period ended December 2013. The company has preferred appeals for review of the matters with the central government for all the years for which the same is rejected. The remuneration for the 9 months ended September 2014 and quarter ended 31st December 2014 of the chairman and managing director is Rs. 6.16 crores, for which application is made subject to receipt of approvals from the CDR lenders. Pending the review, appeal and the application of the company for the accounting periods 2012-13, 9-month period ended December 2013 , 9-months period ended 30th September 2014 and quarter ended 31st December 2014 no adjustments have been made for an amount of Rs.18.63 crores.*

e. *The client of one of the subsidiary, a SPV for executing a specific contract has terminated the contract and has encashed the Bank Guarantees for a total amount of Rs 65.85 crores. In view of the termination of the contract the subsidiary does not have any means of repaying the aforesaid amount of Rs. 50.56 crores (net of adjustments of liabilities to the said subsidiary). The management is contesting the*

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termination of the contract but in the absence of any result from the legal proceeding we are unable to comment upon the recoverability of the aforesaid sum of Rs. 50.56 crores and the diminution in the value of investment of Rs. 0.00 crores (Rs. 74,000) in the said subsidiary.

f. *The Company has given unsecured loans of Rs.33.11crores to its joint ventures as a lead partner for which it does not have any prior approval of the members in general meeting. The company has also given certain loans to its employees for which no prior approval of members in general meeting is taken as required by the provisions of section 186 of Companies Act 2013.*

The above paras (a) to (d) were the subject matter of our modified opinion on the Financial Statements for the period ended September 2014.

5. Without qualifying our review report we re-iterate our emphasis of matter contained in our audit report dated December 5, 2014 on the financial statements for the nine month period ended 30th September 2014 and further updation thereon relating to:

(a) We draw attention to Note no 9 of the Statement relating to recoverability of an amount of *Rs. 170.15 crores* as at December 14 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. 454.81 crores* towards work done on account of cost overruns arising due to client delays, changes of scope, deviation in design and other charges recoverable from the client which are pending approval or certification by the client and *Rs. 123.80 crores* where the Company is confident of recovery based on advanced stage of negotiation and discussion. The recoverability is dependent upon the final outcome of the appeals & negotiations getting resolved in favour of the company.

(b) The company has cash losses from operations after reducing the interest payments and has unabsorbed losses to the tune of Rs. (957.08) crores. These conditions, along with other matters as set forth in Note 10 of the attached statement, indicate the existence of an uncertainty as to timing and realisation of cash flow.

(c) Note No 11 relating to the exposure of *Rs. 219.99 crores* which includes non-fund based guarantees of Rs. *123.31 crores* towards acquisition of further stake of 35% in Sofinter. The transfer of shares to be done as detailed in the aforesaid note is essential to support the exposure of the company towards the funded and non-funded exposure towards M/s Gammon Holding Mauritius Limited for the additional 35% equity stake in Sofinter. Further the management has made assertions about the investment and reasons why the same does not require any provision towards diminution in the value of investment and loans provided to M/s Gammon International BV. Relying on the assertions and on the further acquisition of interest in M/s Sofinter as detailed in the aforesaid note no adjustments have been made in the financials towards possible impairment.

(d) We also re-iterate our emphasis of matter in our audit report dated December 5, 2014 on the financial statements for the period ended 30th September 2014 in case

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of Gactel Turnkey Projects Limited & G&B Contracting LLC where the management has made assertions about the investment and reasons why the same does not require any provision towards diminution in the value of investment and loans provided. Relying on the assertions no adjustments have been made in the financials towards possible impairment.

6. Based on our review conducted, *except for the the possible effects of the matters described in our basis for qualified conclusion paragraph referred to para 4(a) to 4(f)*, nothing has come to our attention that causes us to believe that the Statement of Unaudited Financial Results prepared in accordance with recognition and measurement principles laid down in Accounting Standard 25 "Interim Financial Reporting", specified under the Companies Act, 1956 (which are deemed to be applicable as per 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 Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

For Natvarlal Vepari & Co.
Chartered Accountants
Firm registration number: 106971W

NATVARLAL VEPARI & CO. * CHARTERED ACCOUNTANTS * Mumbai

N Jayendran
Partner
M. No. 40441
Mumbai, Dated : February 13, 2015