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GAMMON INDIA LIMITED

Unaudited Financial Results for the Quarter and Period Ended 31 December 2015

(Rupees in Crore)

S.No.	Particulars	Quarter Ended			15 Month Ended		9 Month Ended
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
		31 Dec 15	30 Sep 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	30 Sep 2014
1	**Income from Operations**						
	Net Sales / Income from Operations	**807.50**	**1,761.81**	**699.37**	**5,031.92**	**4,684.39**	**2,966.99**
2	**Expenses**						
	Cost of Material Consumed	272.02	320.37	304.84	1,585.04	2,034.27	1,295.77
	Purchases of Stock-in-trade	14.63	9.91	19.55	113.44	234.24	164.37
	Change in inventory of WIP and FG	5.50	318.21	(44.26)	285.29	22.33	46.24
	Subcontracting Expenses	224.02	183.62	186.79	1,036.84	1,062.80	625.67
	Employee Benefits Expenses	91.71	83.66	105.07	476.86	549.39	336.65
	Depreciation and Amortisation	35.23	68.53	36.50	223.48	146.76	81.85
	Other Expenses	176.57	175.45	156.65	828.81	1,054.40	587.03
	Total Expenses	819.68	1,159.75	765.14	4,549.76	5,104.19	3,137.58
3	**Profit/(Loss) from Operations Before Other Income, Finance Costs**	**(12.18)**	**602.06**	**(65.77)**	**482.16**	**(419.80)**	**(170.59)**
4	Interest & Other Income	69.43	81.69	49.55	324.65	794.03	708.46
5	**Profit/(Loss) from Ordinary Activities Before Finance Costs and Forex Fluctuation**	**57.25**	**683.75**	**(16.22)**	**806.81**	**374.23**	**537.87**
6	Finance Cost	180.68	178.90	164.06	864.53	760.73	452.72
7	Forex Fluctuation (Gain) / Loss	(0.84)	(4.87)	(2.48)	(8.78)	7.43	7.71
8	Exceptional Items	-	27.90	-	27.90	281.41	-
9	**Profit Before Tax**	**(122.59)**	**481.82**	**(177.80)**	**(76.84)**	**(675.34)**	**77.44**
10	Tax Expenses	(1.38)	(22.38)	(17.05)	(38.07)	(127.98)	9.64
11	**Net Profit/(Loss) for the period**	**(121.21)**	**504.20**	**(160.75)**	**(38.77)**	**(547.36)**	**67.80**
12	Paid-up Equity Share Capital (Face Value Rs.2/- per Equity Share)	57.37	27.16	27.16	57.37	27.16	27.16
13	Reserves, excluding Revaluation Reserve as per Audited Balance Sheet						955.88
14	**Earning Per Share (Rupees)**						
	Basic	(8.86)	37.13	(11.84)	(2.83)	(40.31)	4.99
	Diluted	(8.82)	36.94	(11.78)	(2.82)	(40.34)	4.97

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Notes:

1. The Financial Results for the quarter ended December 2015 were reviewed by the Audit Committee and taken on record by the Board of Directors of the Company at its meeting held on 12 February 2016 and have been subjected to limited review by the Statutory Auditors of the Company.

2. In the previous period the Company had closed its accounts for nine month period ended 31 December 2013 and 30th September 2014. Comparative figures for fifteen months ended 31 December 2014 are derived by aggregating the figures for the quarter ended 31 December 2013, 9 month period ended 30 September 2014 and quarter ended 31 December 2014.

3. During previous period ended 30 September 2014, 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 funded and non-funded exposure towards Franco Tosi Mecannica S.p.A (FTM) group is Rs. 667.75 (net of provisions already made) Crore as at December 2015 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. On conclusion of the disposal of these assets, the available funds will be utilized to clear the liabilities of Franco Tosi on the basis of ranking beginning with the privileged liabilities with last preference to the shareholders.

   In view of the above, the company is in the process of evaluating the value of all non-core assets, based on valuation as well as the actual sale price expected to be realized shortly from the sale of similar assets in the adjoining premises which are also under extraordinary administrator to determine the surplus which will cover the exposure of the company. Valuer is expected to give their report shortly. Pending the determination of the value of the non-core assets, the company has not made any provision for diminution in value of investments, loans and advances or exposure towards corporate guarantee to lenders.

   The auditors have qualified their report on this account as follows

   "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. 667.75 crores as at 31st December 2015. The management as detailed in the said note has appointed a valuer for the determination of the value of non-core assets whose report is not received till date. In the absence of any indication of the value of the non-core assets, the management has not carried out the required impairment. In the above circumstances we are also unable to quantify the effect on the loss/profit of the Company for the quarter and the period ended 31st December 2015.

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In respect of the corporate guarantees issued towards the jobs of FTM the Company has received intimation for USD 30.00 million (Rs. 198.98 crores). The Company is in active negotiation with the clients of the subsidiary and also the buyer of the operating assets of FTM for the cancellation of the demand or re-imbursement of the same. In view of the uncertainties involved in the negotiation settling in favour of the Company we are unable to comment upon the non-provision towards the demand."

5. The total exposure of the Branch in SAE Powerlines Srl, Italy (SAE), a subsidiary of the Company and ATSL BV, Netherlands, the holding company of SAE, towards investments including guarantees towards the acquisition loan taken by the SPV is Rs. 396.95 Crores. The Branch has made provision for impairment of investments and Loan of Rs. 128.08 Crores and provision for Rs. 88.29 Crores for risk and contingencies for corporate guarantees for acquisition loan of the SPV and net exposure of the Branch is Rs. 180.58 Crores. The Company had carried out a valuation of the business of SAE by an independent valuer in September 2014 who determined the value at Rs. 68.88 crores. The Management is of the opinion that considering the order book position and adequate references and strengths in international markets, the provision already made by it for impairment of its investment, loan and trade receivable is adequate.

   The auditors have qualified their report on this account as follows.

   "The total exposure of the Branch in SAE Powerlines Srl, Italy ("SAE"), a subsidiary of the Company, and ATSL BV, Netherlands, the holding company of SAE, towards investments including guarantees towards the acquisition loan taken by the SPV is Rs. 396.95 Crores. The Branch has made provision for impairment of investments and Loan of Rs. 128.08 Crores and provision for Rs. 88.29 Crores for risk and contingencies for corporate guarantees for acquisition loan of the SPV, leaving a net exposure of the Branch of Rs. 180.58 Crores un-provided for. The Company had carried out a valuation of the business of SAE by an independent valuer in September 2014, who determined a valuation of Rs. 68.88 Crores, which is not updated to cover the present financial position. In the absence of a fresh valuation of the business of SAE, we are unable to comment whether further provisioning is required towards the net exposure of Rs. 180.58 Crores. "

6. The Ministry of Corporate affairs vide its letter dated 5th February, 2016 has directed the Company to either recover remuneration paid to Mr. Abhijit Rajan –Chairman and Managing Director for the period from 1st April,2012 to 30th September,2015 aggregating to Rs. 18 crores **OR** to file application for waiver of remuneration paid . The Board on the recommendation of the Nomination and Remuneration Committee has, subject to shareholders approval, decided to seek approval from the Central Government waiver of excess remuneration paid. The total amount of excess remuneration till 31st December 2015 is 24.62 crores. In view of the above no adjustments are made in these financials.

   The auditors have qualified their report on this account as follows

   "The Company's Application for managerial remuneration aggregating to Rs. 24.64 crores for the Chairman and Managing Director has been rejected for the accounting years 2012-13 and 9-month period ended December 2013 and 30th September 2014 and for the current fifteen months ended 31st December 2015 for want of NOC from the CDR lenders. The Company had once again made applications to the Ministry for the aforementioned periods on obtaining the NOC from the CDR Lenders. The MCA has rejected the application and directed the Company to recover the money from the Chairman and Managing Director. The Board however on the recommendation of the Nomination and Remuneration Committee has, subject to shareholders approval, decided to seek approval from the Central Government for waiver of excess remuneration paid. Pending the same no adjustments have been made for the amount of Rs. 24.64 crores."

7. There are disputes in six projects of the Company. The total exposure against these projects is Rs. 394.94 Crore. The Company is pursuing legal recourse / negotiations for addressing the disputes in favour of the

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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 394.94 crores in respect of disputes in six 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"

8. The Company has granted unsecured loans to its joint ventures, aggregating to Rs. 14.77 crores including the facility provided by the bankers for the purposes of business operation out of the limits of the company. This loan facility is in excess of the limits specified U/s 186 of the Companies Act 2013. The Company will obtain the shareholders consent in the next General Meeting.

The auditors have qualified their report on this account as follows.

"The Company has given unsecured loans of Rs. 14.77 crores to its joint ventures as a lead partner for which it does not have prior approval of the members"

9. The Company in evaluating its jobs has considered an amount of Rs. 154.19 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.135.75 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. 213.88 Crore in respect 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'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.

The Company is exploring several options for overcoming the liquidity crisis. The Group is in the process of development of its land parcel as well as monetizing its overseas investments and to divest some of its businesses, 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 also in discussion with client for overcoming bottlenecks in timely executing the existing projects and to increase the order book. The Company is having a good order book in hand as on December 2015 of Rs. 12,250 Crore.

The Company continues to negotiate with vendors for settlement, improved commercial terms and better credit facility and is in process of arranging additional working capital finance to improve short term liquidity position. The Company is evaluating and exploring various courses of action for raising funds for Company's operations, including options for strategic restructuring.

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However due to the continuing stress and the inability of the promoters to infuse fresh funds into the Company and the continuing losses, The Corporate Debt Restructuring Empowered group in its meeting held on 23rd November, 2015 has discussed and noted the proposal of the CDR Lenders for invocation of Strategic Debt Restructuring ("SDR") in the Company and carve out of the Civil Engineering, Procurement and Construction Business and the Transmission and Distribution businesses with change of management. The "Reference date" for the purpose of the SDR is 17th November 2015. The lenders have invoked SDR and the requisite majority for approval of the SDR scheme in value and numbers had already been received and the CDR lenders have converted part of their loans and interest by taking a 52.55% stake in the Company.

The SDR scheme proposes inter-alia to carry out a restructuring of the business of the Company by carving out the EPC business and the T & D business into separate entities wherein new investors would be invited. The Company has identified investor and has signed agreement in respect of the T & D business. The Company is scouting for an investor for the EPC business.

Based on various developments including SDR by lenders resulting in lenders having majority stake and restructuring of businesses, the management is of the view that the Company will remain as going concern for future on the basis of existing order book, future business potential, pre-qualifications for project bidding and previous track record.

11. The Company, as part of its restructuring scheme in which it is carving out the EPC and T & D business into separate entities with residual non-core assets and some claims remaining in the main Company, had during the quarter ended 30 September 2015 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. 1357.22 crores will be reasonably certain to be settled in favour of the Company.

Based on the above opinion, the Company had during the previous quarter recognised claims of an aggregate amount of Rs. 1043.97 excluding amounts recognised earlier of Rs. 313.25 based on management estimates of reasonable realisation. These claims have been accounted as unbilled revenue and shown under other current assets in the Balance sheet while the effects in the statement of profit and loss is dependent upon the stage of completion.

The auditors have qualified their conclusion.

"We invite attention to note no 11, detailing the recognition of claims during the quarter ended 30th September 2015 in respect of on-going, completed and/or terminated contracts aggregating to Rs. 1043.97 crores excluding amounts recognised earlier of Rs. 313.25 based on management estimates of reasonable realisation which were subject matter of our emphasis of matter in our earlier reports. These additional claims are recognised 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 30th September 2015 and the fifteen-month period ended 31st December 2015. "

12. Pursuant to the put option exercised, one of the Subsidiaries of the Company had paid $ 32 Million (Rs. 243.84 Crore) for acquisition of further 35% stake in Sofinter Group. The transferor has created pledge in favour of the lenders of the transferee company. The process of transferring the ownership in favour of the transferee company is expected to be completed in the near future. Considering the proposed combined holding of 67.5% in Sofinter, the order book position and the current financials of Sofinter,

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the Management is of the view that no impairment is required in the exposure of the Company towards its combined exposure of Rs. 859.33 crores in Sofinter group.

13. 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.

14. 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. 56.44 Crore for the 15 months period ended 31 December 2015. Further 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. 23.32 Crore (net of taxes Rs.10.43 Crore) has been charged to Profit & Loss statement during the quarter ended 30 September 2015 which was earlier adjusted against the opening balance of Surplus in the Profit and Loss Account.

15. 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. The exposure of the Company in the said subsidiary is Rs. 382.75 crores net of provisions made. The management is confident that the disputes and the reconciliation differences would be resolved and there would be no impairment.

16. In the Extra-Ordinary General Meeting held on 26 May 2015, the shareholders had approved the issue of Unsecured Zero Coupon Compulsorily Convertible Debentures ("CCD"s) of up to RS.100 Crore to the Promoters against their promoters' contribution made pursuant to the Company's CDR Package. No allotment of the CCD's has been made to the Promoters till date since the Company is awaiting in-principal approval from BSE Limited.

17. The Company has during the quarter allotted 15,10,54,133 equity shares of Rs. 2 each fully paid up at a premium of Rs. 9.89 per share aggregating to Rs. 179.60 crores to the Lenders as part of the Strategic Debt Restructuring Scheme. The allotment was done on 29th December 2015 by debit to the Principal and Interest outstanding figures of the different banks. Pursuant to the allotment the lenders hold 52.55% of the equity capital of the Company.

18. Exceptional items for the quarter ended 30 September 2015 and for the fifteen month ended 31 December 2015 represents provision for diminution in the value of investment in Transrail Lighting Limited, a wholly owned subsidiary of the Company. For the 15 month period ended 31 December 2014 , the exceptional item includes provision towards impairment and risk and contingencies which was charged during the quarter ended 31 December 2013.

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

For **Gammon India Limited**

Abhijit Rajan
Chairman & Managing Director
Mumbai, 12 February 2016

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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 and fifteen months period ended December 31, 2015. 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 these financial statements 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. 1089.90 crores for the fifteen month period ended 31st December 2015. 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 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. 667.75 crores as at 31st December 2015. The management as detailed in the said note has appointed a valuer for the determination of the value of non-core assets whose report is not received till date. In the absence of any indication of the value of the non-core assets, the management has not carried out the required impairment. In the above circumstances we are also unable to quantify the effect on the loss/profit of the Company for the quarter and the period ended 31st December 2015.*
   b. *In respect of the corporate guarantees issued towards the jobs of FTM the Company has received intimation for USD 30.00 million (Rs. 198.98 crores). The Company is in*

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active negotiation with the clients of the subsidiary and also the buyer of the operating assets of FTM for the cancellation of the demand or re-imbursement of the same. In view of the uncertainties involved in the negotiation settling in favour of the Company we are unable to comment upon the non-provision towards the demand.

c. *We invite attention to note no 11, detailing the recognition of claims during the quarter ended 30th September 2015 in respect of on-going, completed and/or terminated contracts aggregating to Rs. 1043.97 crores excluding amounts recognised earlier of Rs. 313.25 based on management estimates of reasonable realisation which were subject matter of our emphasis of matter in our earlier reports. These additional claims are recognised 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 30th September 2015 and the fifteen-month period ended 31st December 2015.*

d. *The total exposure of the Branch in SAE Powerlines Srl, Italy ("SAE"), a subsidiary of the Company, and ATSL BV, Netherlands, the holding company of SAE, towards investments including guarantees towards the acquisition loan taken by the SPV is Rs. 396.95 Crores. The Branch has made provision for impairment of investments and Loan of Rs. 128.08 Crores and provision for Rs. 88.29 Crores for risk and contingencies for corporate guarantees for acquisition loan of the SPV, leaving a net exposure of the Branch of Rs. 180.58 Crores un-provided for. The Company had carried out a valuation of the business of SAE by an independent valuer in September 2014, who determined a valuation of Rs. 68.88 Crores, which is not updated to cover the present financial position. In the absence of a fresh valuation of the business of SAE, we are unable to comment whether further provisioning is required towards the net exposure of Rs. 180.58 Crores. (Refer Note 5)*

e. *The Company's Application for managerial remuneration aggregating to Rs. 24.64 crores for the Chairman and Managing Director has been rejected for the accounting years 2012-13 and 9-month period ended December 2013 and 30th September 2014 and for the current fifteen months ended 31st December 2015 for want of NOC from the CDR lenders. The Company had once again made applications to the Ministry for the aforementioned periods on obtaining the NOC from the CDR Lenders. The MCA has rejected the application and directed the Company to recover the money from the Chairman and Managing Director. The Board however on the recommendation of the Nomination and Remuneration Committee has, subject to shareholders approval, decided to seek approval from the Central Government for waiver of excess remuneration paid. Pending the same no adjustments have been made for the amount of Rs. 24.64 crores. (Refer Note 6).*

f. *Trade receivables and loans and advances includes an amount of Rs 394.94 crores in respect of disputes in six 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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g. *The Company has given unsecured loans of Rs. 14.77 crores to its joint ventures as a lead partner for which it does not have any prior approval of the members (refer Note 8).*

The above paras (b), (d), (e), and (g) were the subject matter of our modified opinion on the Financial Statements for the period ended September 2014.

5. Based on our review conducted as above, *except for the possible effects of the matters arising out of our comments in paragraph 4(a) to 4(g) above,* nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited financial results 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 including the manner in which it is to be disclosed, or that it contains any material misstatement.

6. 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.*135.75 *crores* as at 31st December 2015 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.* 154.19 *crores* and *Rs.* 213.88 *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 lenders have invoked Strategic Debt Restructuring and have converted part of their principal and interest outstanding into equity shares and as part of the SDR scheme is in the process of approving the restructuring scheme, which includes carving out the EPC business, and the T & D business into separate entities wherein new investors would be invited to take control as detailed in Note 10. Pending the same due to the liquidity situation and the continuing losses the Company is unable to meet its various liabilities on time. These conditions, along with other matters as set forth in Note 10 of the attached statement, indicate the existence of a significant uncertainty as to timing and realisation of cash flow to support the going concern assumption and operations of the Company.

   (c) The Company as detailed in Note 12 has exposure of *Rs.* 243.84 *crores* which includes non-fund based guarantees of Rs. 126.78 *crores* towards acquisition of further stake of 35% in Sofinter. The transfer of shares in favour of M/s Gammon Holding Mauritius Limited, wholly owned subsidiary of the Company, is pending from

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a long time. 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 and M/s Gammon Holding Mauritius Limited and the guarantees given for the loans for the acquisition of stake in Sofinter aggregating to Rs. 859.33 crores for the proposed combined holding of 67.50%.

(d) 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. The exposure of the Company in the said subsidiary is Rs. 382.75 crores net of provisions made. The management is confident that the disputes and the reconciliation differences would be resolved and there would be no impairment. (refer note 15)

(e) 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 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.

For Natvarlal Vepari & Co.
Chartered Accountants
Firm Registration Number:106971W

N Jayendran
Partner
M. No. 40441
Mumbai, Dated : February 12, 2016

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