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GAMMON INDIA LIMITED

Unaudited Financial Results for the Quarter and Period Ended 30 June 2015

(Rupees in Crore)

S.No.	Particulars	Quarter Ended			9 Month Ended		9 Month Ended
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
		30 Jun 2015	31 Mar 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014	30 Sep 2014
1	**Income from Operations**						
	Net Sales / Income from Operations	**744.23**	**1,019.02**	**922.82**	**2,462.62**	**3,082.05**	**2,966.99**
2	**Expenses**						
	Cost of Material Consumed	328.84	358.95	382.07	992.63	1,327.96	1,295.77
	Purchases of Stock-in-trade	27.27	42.08	30.61	88.90	157.47	164.37
	Change in inventory of WIP and FG	7.54	(1.68)	19.97	(38.40)	83.85	46.24
	Subcontracting Expenses	203.86	238.56	166.05	629.21	662.88	625.67
	Employee Benefits Expenses	92.78	103.62	106.36	301.47	330.04	336.65
	Depreciation and Amortisation	36.36	46.86	27.21	119.72	83.24	81.85
	Other Expenses	139.25	180.91	189.27	476.81	690.33	587.03
	Total Expenses	835.90	969.30	921.54	2,570.34	3,335.77	3,137.58
3	**Profit/(Loss) from Operations Before Other Income, Finance Costs**	**(91.67)**	**49.72**	**1.28**	**(107.72)**	**(253.72)**	**(170.59)**
4	Interest & Other Income	62.85	61.11	43.13	173.51	112.46	708.46
5	**Profit/(Loss) from Ordinary Activities Before Finance Costs and Forex Fluctuation**	**(28.82)**	**110.83**	**44.41**	**65.79**	**(141.26)**	**537.87**
6	Finance Cost	172.35	168.56	147.90	504.97	435.27	452.72
7	Forex Fluctuation (Gain) / Loss	(5.03)	4.43	2.61	(3.08)	8.15	7.71
8	Exceptional Items	-	-	-	-	281.41	-
9	**Profit Before Tax**	**(196.14)**	**(62.16)**	**(106.10)**	**(436.10)**	**(866.09)**	**77.44**
10	Tax Expenses	(8.64)	11.37	14.17	(14.32)	(117.82)	9.64
11	**Net Profit/(Loss) for the period**	**(187.50)**	**(73.53)**	**(120.27)**	**(421.78)**	**(748.27)**	**67.80**
12	Paid-up Equity Share Capital (Face Value Rs.2/- per Equity Share)	27.16	27.16	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	(13.81)	(5.42)	(8.86)	(31.06)	(55.11)	0.05
	Diluted	(13.81)	(5.42)	(8.86)	(31.06)	(55.11)	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	8,87,43,314	8,87,43,314
	- Percentage of Shareholding	65.01%	65.01%	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	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%	93.50%	93.50%
	(as a % of total Share Capital of the Company)	32.72%	32.72%	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	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%	6.50%	6.50%
	(as a % of total Share Capital of the Company)	2.27%	2.27%	2.27%	2.27%	2.27%	2.27%

B	**Investor Complaints**	Quarter	9 Month
	Pending at the beginning of the period	0	0
	Received during the period	5	7
	Disposed of during the period	5	7
	Remaining unresolved at the end of the period	0	0

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Notes:

1. The Financial Results for the quarter ended June 2015 were reviewed by the Audit Committee and taken on record by the Board of Directors of the Company at its meeting held on 14 August 2015 and have been subjected to limited review by the Statutory Auditors of the Company as required by Clause 41 of the listing agreement.

2. In the previous period the Company had closed its accounts for 9 month ended 31st December 2013 and 30th September 2014. Comparative figure for nine months ended 30 June 2014 are derived by aggregating the figures for the quarter ended 31 December 2013, 31 March 2014 and 30 June 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 exposure towards Franco Tosi Mecannica S.p.A (FTM) group is Rs.623.10 Crore of funded exposure and Rs.556.61 Crore of non-funded exposure against Corporate Guarantees as at June 2015 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. Three bids were received by the commissioner on 22 December 2014 and all 3 bids were found to be compliant resulting in negotiations with all and selection of the second highest bidder who is obliged under the terms of the procedure to fulfill all requirements, inter-alia including replacement of all outstanding Bank Guarantees issued by FTM against Corporate guarantees of the Company before signing of the final contract with the commissioner within a stipulated time period. The company has not so far received any official communication from the commissioner about the completion of process and the terms. Furthermore, as on date while having fulfilled other formalities, the selected bidder has not yet fulfilled the obligation of replacing the Bank Guarantees which might ultimately lead to litigation and re-bid.

   The Auditors have qualified their report expressing their inability to comment on the adjustments to be made in the financial statements of the Company in the absence of financial statements of FTM pending completion of the procedure.

   Meanwhile since effects of the encashed amounts have not 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.376.23 Crore. The Branch has made provision for impairment of investments and loan of Rs.125.45 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.162.49 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.94.85 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 Ministry of Corporate Affairs has rejected the Company's application for payment of remuneration to the Chairman and Managing Director on grounds of non receipt of approval from CDR Lenders. The Company has since received the NOC from the CDR lenders and is in the process of filing a revised application to the Ministry.

   The auditors have qualified their report on this account.

7. There are disputes in four projects of the Company including the Chennai Metro Rail Corporation Project. The total exposure against these projects is Rs.446.92 Crore. The Company is pursuing legal recourse / negotiations for addressing the disputes in favour of the Company and is of the opinion that it has a good case in the matter hence does not require any provision considering the claims of the Company against the Client.

   The auditors have qualified their report on this account.

8. The Company has granted unsecured loans to its joint ventures, 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 due course.

   The auditors have qualified their report on this account.

9. The Company in evaluating its jobs has considered an amount of Rs.582.65 Crore, which includes Rs.170.54 Crore during the previous quarter in respect of two projects based on legal opinion received 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.135.67 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.146.10 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's operating result have been affected in the last few years by various factors including liquidity crunch, unavailability of resources on timely basis , delay execution of projects, delay in land acquisition, approval of design etc. by client, scarcity in availability of labour & materials, operational issues etc. Company's overseas operations are characterised due to weak order booking, absence of skilled labour, paucity of working capital and uncertain business environment.

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On account of its operational and financial position, during previous quarters, the Company had delayed payment to various parties. These factors resulted in a material uncertainty that may cause significant doubt about the Company's ability to continue as a going concern.

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 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 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 Jun 2015 of Rs.11,666 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.

The Board of Directors has approved a restructuring proposal for segregation of businesses as detailed herein after.

By this restructuring, existing prequalification, previous track record etc. management is of the view that the Company will be able to raise funds as necessary to achieve profitable operations and meet its liabilities as they fall due. Accordingly these financial results have been prepared on the basis that the Company will continue as a going concern for the foreseeable future.

11. Pursuant to the put option exercised, one of the Subsidiary of the Company has paid $ 32 Million (Rs.228.83 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 Board of Directors in its meeting held on 14 August 2015, has approved a restructuring proposal for segregation of businesses. The said restructuring would be achieved by a Scheme of Arrangement for transfer of Civil Engineering, Procurement and Construction Business and Transmission & Distribution Business to its wholly owned subsidiaries viz. Gammon Retail Infrastructure Limited ('GRIL') and Transrail Lighting Limited ('TLL') respectively. The said Scheme is subject to the approval of the CDR lenders, the shareholders and creditors of the Company and all other concerned persons or authorities.

    The rationale and objective of the restructuring inter-alia includes (i) creating sector focused companies, (ii) To enable investments by strategic investor, (iii) De-risk businesses from each other and (iv) Deleverage balance sheet of the company.

    The Scheme *inter-alia* provides for the following:

    i. Transfer and vesting of the Company's Civil EPC Undertaking (as defined in the Scheme) viz; Civil Engineering, Procurement and Construction business carried by the Company in roads, hydro-power, nuclear power, tunnels, bridges, buildings, cooling towers, chimneys and other sectors as a going concern, which shall include all the properties, rights and powers and all debts, liabilities, duties and obligations comprised in/and pertaining to the EPC business (as defined in the Scheme) into GRIL against issue and allotment of equity shares by GRIL to GIL.
    ii. Transfer and vesting of the Company's T&D Undertaking (as defined in the Scheme) comprising of the Engineering, Procurement and Construction business of the Company in the Transmission and Distribution sector, including the tower testing facility located at Deoli and the tower manufacturing facilities located at Baroda and Nagpur, but excluding the tower manufacturing facility located at Deoli and the conductor manufacturing facility located at Silvassa, as a going concern, which shall include all properties, rights and powers and all debts, liabilities, duties and obligations comprised in and / or pertaining to the T&D Business (as defined in the Scheme) into TLL against issue and allotment of equity shares by TLL to GIL.
    iii. The Appointed Date of the Scheme is 1 September 2015 or such other date as may be fixed or approved by the High Court of Judicature at Bombay.
    iv. The Scheme will become effective upon receipt of approval, inter-alia, from the lenders, the BSE Limited and National Stock Exchange of India Limited, Securities Exchange Board of India, the Shareholders and Creditors of the Company, the High Court of Bombay and filing of the Order of the High Court approving the Scheme with the concerned Registrar of Companies.

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

14. 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.

15. 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.33.06 Crore for the 9 month period ended 30 June 2015. 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 the opening balance of the surplus in Statement of Profit and Loss.

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

For **Gammon India Limited**

Abhijit Rajan
Chairman & Managing Director
Mumbai, 14 August 2015

NATVARLAL VEPARI & CO. CHARTERED ACCOUNTANTS Mumbai

Natvarlal Vepari & Co.
CHARTERED ACCOUNTANTS
Oricon House, 4th Floor, 12, K. Dubash Marg, Mumbai-400 023. • Tel : 6752 7100 • Fax : 6752 7101 • E-Mail : nvc@nvc.in

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 June 30, 2015 (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 total revenues of Rs.216.91 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 selected the bid of one of the bidders, however in the absence of any communication and adherence to requirements of the bid the same could result into litigation and re-bid. The company's exposure in the said subsidiary (net of provisions and credit balance in Foreign exchange translation reserve) is Rs. 1179.71 crores which includes the loans made and Investments made (net of provisions) of Rs. 395.07 crores, the exposure of corporate guarantee towards the borrowing made by the overseas SPV through which the step down subsidiary is held of Rs. 228.03 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*

Oricon House, 4th Floor, 12, K. Dubash Marg, Mumbai-400 023. • Tel : 6752 7100 • Fax : 6752 7101 • E-Mail : nvc@nvc.in

of the said subsidiary of Rs. 556.61crores. In the absence of financial statements and any 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. 155.50crores) 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 Euro17.80 million (Rs. 126.74 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 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 Branch in SAE and ATSL BV, Netherlands, the holding company of SAE, towards investments including guarantees towards the acquisition loan taken by SPV is Rs. 376.23 Crores. The Branch has made provision for impairment of investments and Loan of Rs. 125.45 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. 162.49 Crores. The Company has carried out a valuation of the business of SAE by an independent valuer and based on the valuation, an amount of Rs. 94.85 Crores has not been provided for, being the net exposure in excess of the fair value (refer note 5).*

d. *The Company's Application for managerial remuneration aggregating to Rs. 21.74 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 nine months ended 30th June 2015 for want of NOC from the CDR lenders. The Company has preferred a review of the application in view of the CDR lender NOC that is being received by the Company. Pending the review application no adjustments have been made for the amount of Rs. 21.74 crores (refer Note 6).*

e. *There are disputes in four projects of the Company and/or its SPVs including in respect of the Chennai Metro Rail Project in the current quarter. The total exposure against these projects is Rs. 446.92 crores. 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).*

f. *The Company has given unsecured loans of Rs. 52.83 crores to its joint ventures as a lead partner for which it does not have any prior approval of the members (refer Note 8).*

NATVARLAL VEPARI & CO. Mumbai CHARTERED ACCOUNTANTS

Natvarlal Vepari & Co.
CHARTERED ACCOUNTANTS
Oricon House, 4th Floor, 12, K. Dubash Marg, Mumbai-400 023. • Tel : 6752 7100 • Fax : 6752 7101 • E-Mail : nvc@nvc.in

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. 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(f) above,* nothing has come to our attention that causes us to believe that the Statement prepared in accordance with recognition and measurement principles laid down in Accounting Standard 25 "Interim Financial Reporting", as specified under section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014 and other recognised 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.

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.*135.67 *crores* as at June 15 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.* 582.65 *crores* and *Rs.* 146.10 *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 accumulated losses to the tune of Rs. 1220.42 crores. The Company is trying 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 uncertainty as to timing and realisation of cash flow to support the going concern assumption and operations of the Company. The management is taking various steps to address the same.

   (c) Note No 11 relating to the exposure of *Rs.* 228.83 *crores* which includes non-fund based guarantees of Rs. 117.13 *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) 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 management is confident that the disputes and the reconciliation differences would

Natvarlal Vepari & Co.
CHARTERED ACCOUNTANTS
Oricon House, 4th Floor, 12, K. Dubash Marg, Mumbai-400 023. • Tel : 6752 7100 • Fax : 6752 7101 • E-Mail : nvc@nvc.in

be resolved and there would be no impact on the financial statements of the company. The exposure of the Company in the said subsidiary is Rs. 390.05 *crores.*

(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

NATVARLAL VEPARI & CO.
Mumbai
CHARTERED ACCOUNTANTS

N Jayendran
Partner
M. No. 40441
Mumbai, Dated : August 14, 2015