GAMMON INDIA LIMITED

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

(Rupees in Crore)

S.No.	Particulars	Quarter Ended			12 Month Ended		9 Month Ended
		Unaudited	Unaudited	Audited *	Unaudited	Unaudited	Audited
		30 Sep 2015	30 Jun 2015	30 Sep 2014	30 Sep 2015	30 Sep 2014	30 Sep 2014
1	**Income from Operations**						
	Net Sales / Income from Operations	**1,761.81**	**744.23**	**902.97**	**4,224.43**	**3,985.02**	**2,966.99**
2	**Expenses**						
	Cost of Material Consumed	320.37	328.84	401.47	1,313.01	1,729.43	1,295.77
	Purchases of Stock-in-trade	9.91	27.27	57.22	98.81	214.69	164.37
	Change in inventory of WIP and FG	318.21	7.54	(17.26)	279.80	66.59	46.24
	Subcontracting Expenses	183.62	203.86	213.13	812.83	876.01	625.67
	Employee Benefits Expenses	83.66	92.78	114.28	385.14	444.32	336.65
	Depreciation and Amortisation	68.53	36.36	27.02	188.25	110.26	81.85
	Other Expenses	175.45	139.25	207.42	652.26	897.75	587.03
	Total Expenses	1,159.75	835.90	1,003.28	3,730.10	4,339.05	3,137.58
3	**Profit/(Loss) from Operations Before Other Income, Finance Costs**	**602.06**	**(91.67)**	**(100.31)**	**494.33**	**(354.03)**	**(170.59)**
4	Interest & Other Income	81.69	62.85	632.02	255.20	744.48	708.46
5	**Profit/(Loss) from Ordinary Activities Before Finance Costs and Forex Fluctuation**	**683.75**	**(28.82)**	**531.71**	**749.53**	**390.45**	**537.87**
6	Finance Cost	178.90	172.35	161.40	683.86	596.67	452.72
7	Forex Fluctuation (Gain) / Loss	(4.87)	(5.03)	1.76	(7.95)	9.91	7.71
8	Exceptional Items	27.90	-	-	27.90	281.41	-
9	**Profit Before Tax**	**481.82**	**(196.14)**	**368.55**	**45.72**	**(497.54)**	**77.44**
10	Tax Expenses	(22.38)	(8.64)	6.89	(36.69)	(110.93)	9.64
11	**Net Profit/(Loss) for the period**	**504.20**	**(187.50)**	**361.66**	**82.41**	**(386.61)**	**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	37.13	(13.81)	21.69	6.07	(55.11)	0.05
	Diluted	37.13	(13.81)	21.69	6.07	(55.11)	0.05
15	**Ratio**						
	Debt Service Coverage Ratio(DSCR)**				0.90		1.53
	Interest Service Coverage Ratio (ISCR)***				1.34		1.35
A	**Particulars of Shareholding**						
1	Public Shareholding						
	- Number of Shares	88,743,314	88,743,314	88,743,314	88,743,314	88,743,314	88,743,314
	- 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	44,653,699	44,653,699	44,653,699	44,653,699	44,653,699	44,653,699
	- 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	3,103,455	3,103,455	3,103,455	3,103,455	3,103,455	3,103,455
	- 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**						
	Pending at the beginning of the period	0			0		
	Received during the period	3			10		
	Disposed of during the period	3			10		
	Remaining unresolved at the end of the period	0			0		

** DSCR = (PAT+Depreciation+Interest on long term loans) / (Interest & Principal repayment of long term loans during the year)

*** ISCR= (PBT+Depreciation+Gross Interest) / Interest expenses during the year

NATVARLAL VEPARI & CO. CHARTERED ACCOUNTANTS Mumbai

GAMMON INDIA LIMITED

An ISO 9001 Company

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CIN: L74999MH1922PLC000997

ISO 9001 REGISTERED DNV MGMT SYS RvA C024 DNV Certification B.V., The Netherlands

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CIN : L74999MH1922PLC000997

Statement of Standalone Assets and Liabilities

S.No.	Particulars	As At 30 Sep 2015	As At 30 Sep 2014
A	**EQUITY AND LIABILITIES**		
1	**Shareholders' Funds**		
	Share Capital	27.50	27.50
	Reserves and Surplus	1,185.40	1,064.54
		1,212.90	1,092.04
2	**Non-Current Liabilities**		
	Long Term Borrowings	3,293.56	3,568.97
	Deferred Tax Liabilities (Net)	-	-
	Other Long Term Liabilities	372.30	381.20
	Long Term Provisions	243.48	253.49
		3,909.34	4,203.66
3	**Current Liabilities**		
	Short Term Borrowings	1,961.49	1,177.13
	Trade Payables	1,434.76	1,442.67
	Other Current Liabilities	1,461.02	1,140.52
	Short Term Provisions	8.53	11.82
		4,865.80	3,772.14
	TOTAL EQUITY AND LIABILITIES	**9,988.04**	**9,067.84**
B	**ASSETS**		
1	**Non-Current Assets**		
	Fixed Assets (Net)	946.68	1,092.64
	Non-Current Investments	48.25	76.27
	Deferred Tax Assets (Net)	127.17	82.69
	Long Term Loans and Advances	3,191.92	2,225.85
	Long Term Trade Receivable	712.86	848.42
	Other Non-Current Assets	438.16	109.71
		5,465.04	4,435.58
2	**Current Assets**		
	Current Investments	2.12	2.50
	Inventories	1,391.74	1,722.51
	Trade Receivables	1,188.37	1,352.20
	Cash and Cash Equivalents	62.86	90.71
	Short Term Loan and Advances	449.11	431.53
	Other Current Assets	1,428.80	1,032.81
		4,523.00	4,632.26
	TOTAL ASSETS	**9,988.04**	**9,067.84**

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Notes:

1. The Financial Results for the quarter ended September 2015 were reviewed by the Audit Committee and taken on record by the Board of Directors of the Company at its meeting held on 18 December 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 period ended 31st December 2013 and 30th September 2014. Comparative figures for twelve months ended 30 September 2014 are derived by aggregating the figures for the quarter ended 31 December 2013, 31 March 2014,30 June 2014 and 30 September 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. 651.84 (net of provisions already made) Crore as at September 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 June 7th, 2013. Three bids were received by the Commissioner on Dec 22nd, 2014 and all 3 bids were found to be compliant resulting in negotiations with all and selection of the second highest bidder viz. Bruno Presezzi S.p.A. 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 stipulated time period. The selected bidder has fulfilled all the pre-conditions stipulated in the bid documents and accordingly has assumed control of the operating business of FTM.

   Further the commissioner in charge of the Extraordinary Administration of Franco Tosi Meccanica S.p.A. will now commence the next phase of disposing 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 process of appointing Valuer to evaluate the value of the non-core assets, 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.

5. Public Prosecutor in Italy has filed a bankruptcy petition against M/s SAE Powerlines Srl, Italy (SAE), a subsidiary of the Company, for non-payment of statutory dues, which is pending in Court of Monza, Italy and in the event of an adverse ruling against SAE therein shall result in the SAE being declared bankrupt. However the statutory auditors of SAE have dropped their qualification on going concern and also the Company has received a deferred payment

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schedule for the statutory liabilities. The total exposure of the Company in SAE and ATSL BV, Netherlands, the holding company of SAE, towards investments including guarantees towards the acquisition loan taken by the SPV is Rs. 393.54 Crores. The Company 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. 177.17 Crores. The Company had carried out a valuation of the business of SAE by an independent valuer in September, 2014. 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, loan 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 has filed a revised application to the Ministry. The aggregate managerial remuneration is Rs. 23.19 crores for the Chairman and Managing Director for the accounting years 2012-13 and 9-month period ended December 2013 and 30th September 2014 and for the current twelve months ended 30th September 2015.

   The auditors have qualified their report on this account.

7. There are disputes in four projects of the Company. The total exposure against these projects is Rs.338.08 Crore. The Company is pursuing legal recourse / negotiations for addressing the disputes in favour of the Company and is of the opinion that it has a good case in the matter hence does not require any provision considering the claims of the Company against the Clients.

   The auditors have qualified their report on this account.

8. The Company has granted unsecured loans to its joint ventures, aggregating to Rs. 15.10 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.

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

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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. 205.47 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 September 2015 of Rs. 13,150 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.

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 has already been received as on date. The SDR will be effected by the CDR Lenders taking a majority stake in the Company through conversion of a part of their outstanding loans and interest into equity Shares. It is proposed that Rs. 244.49 Crore will be converted into equity shares to be held by the CDR Lenders so as to hold 60.10% in the equity capital post conversion.

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 subject to shareholder and lenders approval. The Company is scouting for an investor for the EPC business.

Based on various developments not restricted to approval of SDR by lenders, the management is of the view that the Company will remain as going concern for future on the basis of existing order book, pre-qualifications for project bidding and previous track record.

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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, has 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 has reviewed the claims and has 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 has during the 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 in respect of the above expressing their inability to comment about the amounts recognised, their realisation and the consequent effects in the financial statements.

12. Pursuant to the put option exercised, one of the Subsidiaries of the Company had paid $ 32 Million (Rs.237.66 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%. Pending the transfer, the transferor has created the pledge on the shares in favour of the lenders who have lent the money for the acquisition of the stake pursuant to the Put Call. Considering the proposed combined holding of 67.5% in Sofinter, the order book position and the current financials of Sofinter, the Management is of the view that no impairment is required in the exposure of the Company towards its stake in Sofinter.

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. 49.67 Crore for the 12 months period ended 30 September 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 this quarter which was hitherto adjusted against the opening balance of Surplus in the Profit and Loss Account. As a consequence thereof, Depreciation for the Quarter ended 30th September, 2015 is higher by Rs. 33.75 Crore and Profit for the period is lower to that extent.

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15. 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.

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

For **Gammon India Limited**

Abhijit Rajan
Chairman & Managing Director
Mumbai, 18 December 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 September 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 includes total revenues of Rs. 183.30 crores and total assets of Rs. 1455.68 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 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. 651.84 crores as at 30th September 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*

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the effect on the loss/profit of the Company for the quarter and the period ended 30th September 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.* 197.22 *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.*

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 this quarter and the period ended 30th September 2015.*

d. *The Public Prosecutor in Italy has filed a bankruptcy petition against M/s SAE Powerlines Srl, Italy (SAE), a subsidiary of the Company, for non-payment of statutory dues, which is pending in Court of Monza, Italy and in the event of an adverse ruling against SAE therein shall result in SAE being declared bankrupt. The total exposure of the Company in SAE and ATSL BV, Netherlands, the holding company of SAE, towards investments including guarantees towards the acquisition loan taken by the SPV is Rs. 393.54 Crores. The Company has in the earlier years 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. 177.17 Crores un-provided for. The Company had carried out a valuation of the business of SAE by an independent valuer in September, 2014. In view of recent developments and in the absence of a fresh valuation of the business of SAE, the net exposure of Rs. 177.17 Crores has not been provided for. (Refer Note 5)*

e. *The Company's Application for managerial remuneration aggregating to Rs.* 23.19 *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 twelve months ended 30th September 2015 for want of NOC from the CDR lenders. The Company has once again made applications to the Ministry for the aforementioned periods on obtaining the NOC from the CDR Lenders. Pending the same application no adjustments have been made for the amount of Rs.* 23.19 *crores (Refer Note 6).*

f. *Trade receivables and loans and advances includes an amount of Rs 338.08 crores in respect of disputes in four projects of the Company and/or its SPVs. The Company is pursuing legal recourse/ negotiations for addressing the disputes in favour of the*

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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).

g. The Company has given unsecured loans of Rs. 15.10 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 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.*135.75 *crores* as at September 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.* 154.19 *crores* and *Rs.* 205.47 *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 are 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 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.* 237.66 *crores* which includes non-fund based guarantees of Rs. 123.22 *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 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

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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. 843.17 crores for the proposed combined holding of 67.50%. The transfer of shares for the additional 35% is done for the Company to eventually control Sofinter to the extent of 67.5% and fresh assessment of the value of the business of Sofinter is essential to support the assertion of the Management.

(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 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. 403.43 *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

N Jayendran
Partner
M. No. 40441
Mumbai, Dated : December 18, 2015

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