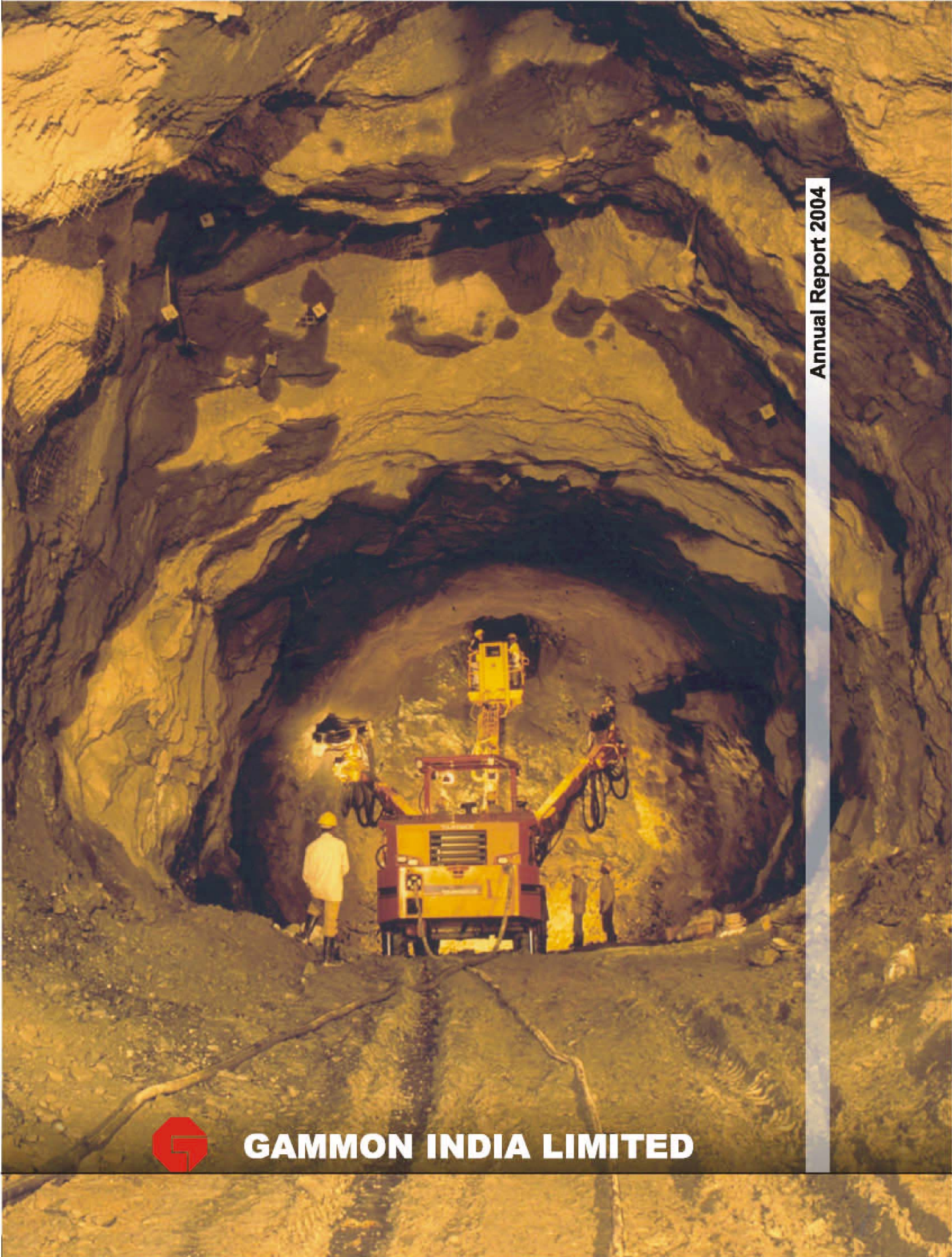




GAMMON INDIA LIMITED





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Vidyasagar Setu

Chairman's Letter



Dear Shareholders,

It gives me great pleasure to share my thoughts with you once again.

The process of infrastructure development in our country has now irreversibly caught the imagination of all the stakeholders. The policy makers, the investors, the financial markets, the developers and the contractors are all contributing towards ensuring that this process continues the momentum that has gradually built-up in the last few years.

The central government as well as the state governments are accelerating the implementation of projects across a wide spectrum of sectors like transportation, power, energy, water and waste water management, ports, airports, urban infrastructure, irrigation and pipelines. These projects are being funded by a mix of government spending and private sector participation.

Your company is well positioned to take advantage of these developments. The contracting business has over the years been the core strength of your company. Further your company has been an early entrant in public-private partnership projects which are being managed through Gammon Infrastructure Projects Limited, a subsidiary of your company.

The year under review was a modest year as far as top line growth is concerned with the turnover growing marginally. This however has to be seen in the backdrop of the company having more than doubled its turnover in the preceding two years. The order backlog is approximately Rs.3800 crores indicating that your company should once again post a surge in turnover during 2005-2006.

Last year the macro economic factors were favourable for the capital markets. Heightened interest in the infrastructure sector saw most of the large companies opting to strengthen their net worth. Your company made a preferential issue of equity shares as well as a GDR issue totaling Rs.145 crores. Consequently the net worth of your company has increased from Rs.150 crores to Rs.325 crores.

Our sights are now on the future, full of emerging opportunities. Having formidable engineering and technological expertise at its command, your company is set to scale greater heights in the years ahead when India is poised for sustained economic growth riding on its infrastructure development.

Your company owes this remarkable growth to the spirited efforts and dedication of its human resources, which has resulted in it deservingly being called the 'Builders to the Nation'.

A handwritten signature in blue ink, appearing to read 'Abhijit Rajan'. The signature is stylized and fluid.

Abhijit Rajan
Chairman & Managing Director



Board of Directors

Abhijit Rajan
Chairman & Managing Director

Peter Gammon
Chairman Emeritus

Himanshu Parikh
Executive Director

Rajul A. Bhansali
Executive Director

W. Paul Harriman
Director

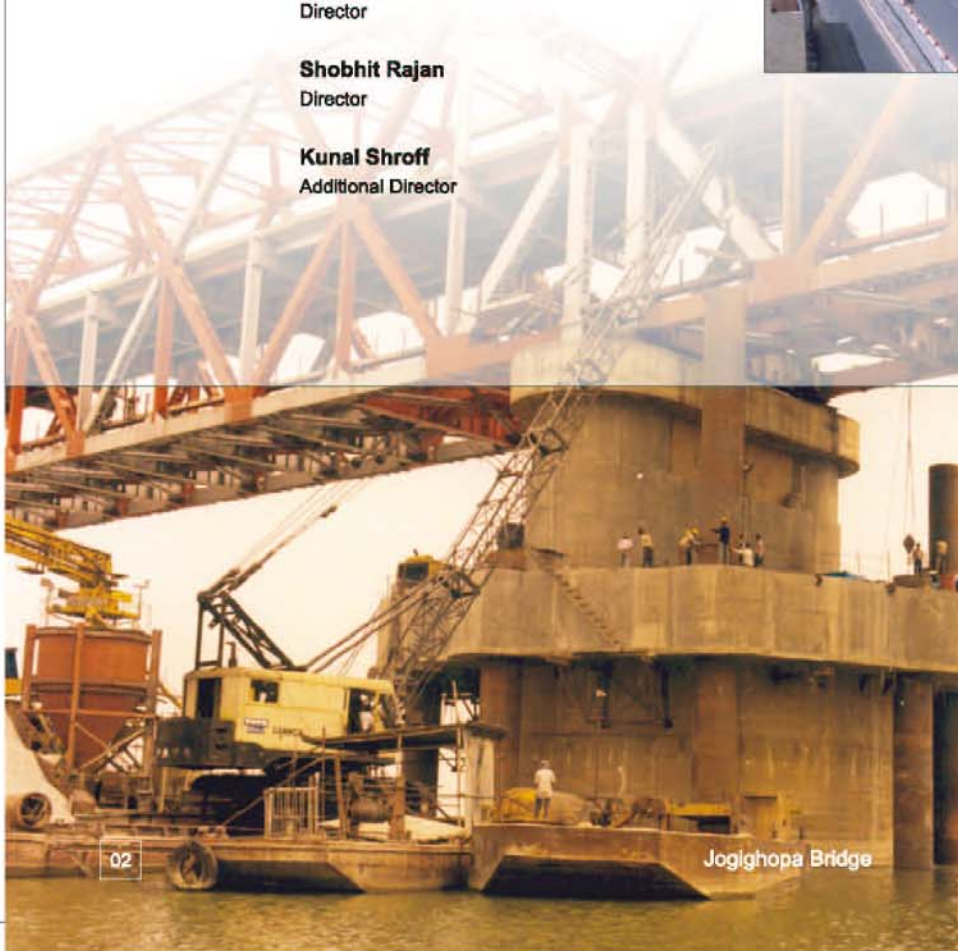
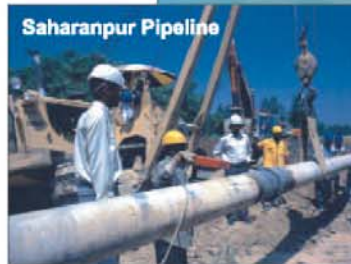
C. C. Dayal
Director

S. K. Guha Thakurta
Director

Atul Dayal
Director

Shobhit Rajan
Director

Kunal Shroff
Additional Director



REGISTERED OFFICE

Gammon House, Veer Savarkar Marg,
Prabhadevi, Mumbai - 400 025

Tel: +91-22-5661 4000
+91-22-2430 6761
+91-22-2430 1084

Fax: +91-22-2430 0529
+91-22-2430 0221
+91-22-5661 4025

gammon@gammonindia.com

Consortium Bankers

CANARA BANK

PUNJAB NATIONAL BANK

ALLAHABAD BANK

ICICI BANK

SYNDICATE BANK

IDBI BANK

ING VYSYA BANK



J.J. Flyover



Vashi Flyover



Parbati Hydro Electric Power Project



Haldia IDCT

AUDITORS
NATVARLAL VEPARI & CO.



Gammon's Projects



Andheri Sports Complex



Panvel Bridge



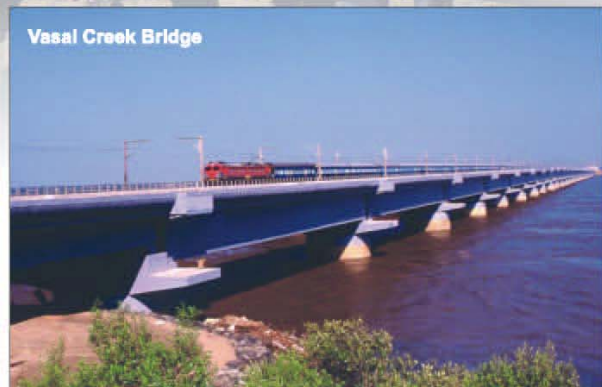
Delhi Metro Rail



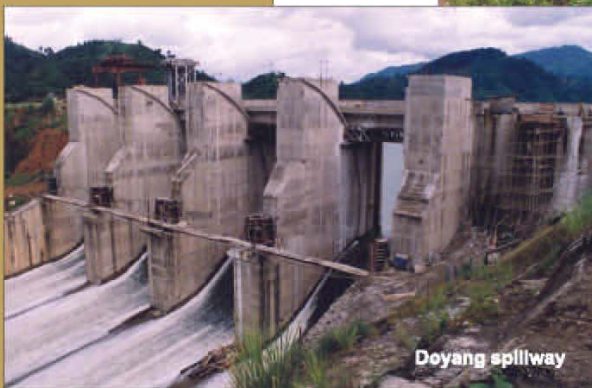
Bangladesh Jetty



Saharanpur Pipeline



Vasal Creek Bridge



Doyang spillway



Jadukatta Bridge



Consolidating position as an industry leader

Balance Sheet (Rs. In Lacs)

| Particulars | As at 31st December 2004 | As at 31st March 1998 | Particulars | As at 31st December 2004 | As at 31st March 1998 |
|-------------------------------|-----------------------------|--------------------------|-----------------------------------|-----------------------------|--------------------------|
| SOURCES OF FUNDS : | | | APPLICATION OF FUNDS : | | |
| Own Funds | 32520 | 3952 | Fixed Assets | 25334 | 4622 |
| Borrowed Funds | 30309 | 3666 | Investments | 8962 | 724 |
| Deferred Tax Liability | 3659 | - | Working Capital | 32192 | 2272 |
| | 66488 | 7618 | | 66488 | 7618 |

Profit & Loss Account (Rs. In Lacs)

| Particulars | Apr.04 to Dec.04 (9 months) | 2003-2004 | 2002-2003 | 2001-2002 | 2000-2001 | 1999-2000 | 1998-1999 | 1997-1998 |
|-------------------|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Turnover | 86660 | 111972 | 72665 | 51399 | 50376 | 45167 | 32768 | 21501 |
| Profit Before Tax | 5159 | 5446 | 3528 | 3158 | 2016 | 1820 | 1241 | 1016 |

Consistent Growth in Work Order Position

| Year Ended | Annual Turnover (Rs. In Lacs) | Closing Work Order Position (Rs. In Lacs) | Cover Annualised (Expressed in years) |
|------------------------------|----------------------------------|--|--|
| March, 1998 | 21501 | 77135 | 3.6 |
| March, 1999 | 32768 | 95725 | 2.9 |
| March, 2000 | 45167 | 98815 | 2.2 |
| March, 2001 | 50376 | 133045 | 2.6 |
| March, 2002 | 51399 | 228130 | 4.4 |
| March, 2003 | 72665 | 285915 | 3.9 |
| March, 2004 | 111972 | 307848 | 2.7 |
| December, 2004 (9 months) | 86660 | 374668 | 3.2 |

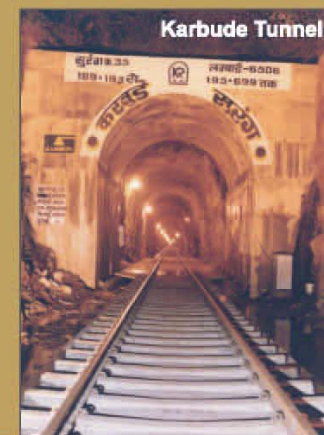
Strong Financial Ratings

CARE has assigned the following rates :

| | TENURE (Months) | AMOUNT (Rs. In lacs) | RATING |
|------------|-----------------|----------------------|------------------|
| Short Term | 12 | 13500 | PR1 ⁺ |
| Long Term | 84 | 4000 | AA |
| Long Term | 120 | 5000 | AA |
| Long Term | 120 | 5000 | AA |

and

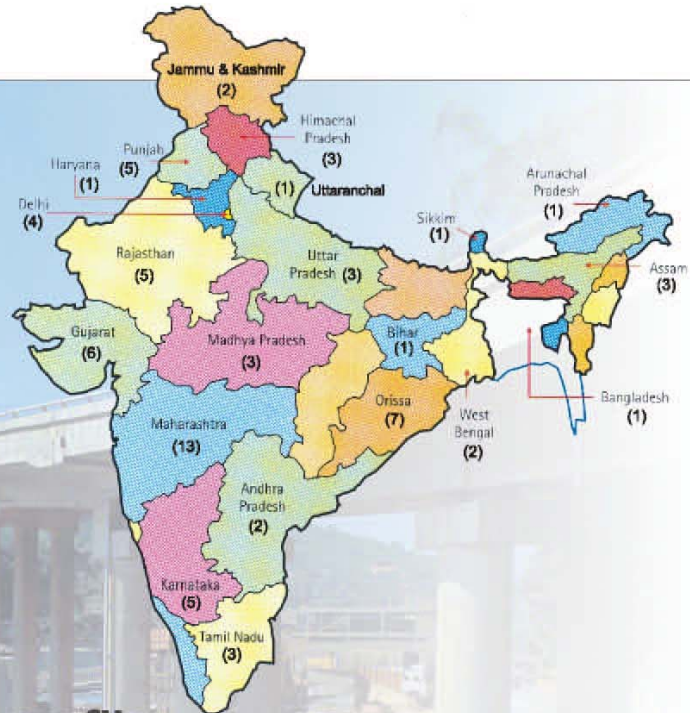
CRISIL has assigned a "AA, stable rating" for Non Convertible Debenture of Rs 5000 lacs.



Projects being executed as on 31st December, 2004

Areas of Specialisation

| Areas of Specialisation | North | South | East | West | Foreign | Total |
|---|-----------|-----------|-----------|-----------|----------|-----------|
| Transportation Engineering | 12 | 2 | 10 | 5 | - | 29 |
| Energy Projects & Highrise Structures | 3 | 4 | - | 6 | - | 13 |
| Hydraulic Works & Irrigation Projects | 2 | 2 | 1 | 2 | - | 7 |
| Tunnel Engineering | 2 | - | - | - | 1 | 3 |
| Marine Structures | - | - | - | - | 1 | 1 |
| Public Utility Structures | 3 | 1 | 1 | 1 | - | 6 |
| Ground Engineering & Environment Protection | 1 | - | 1 | 6 | - | 8 |
| Pipelines | 1 | 1 | 1 | 2 | 1 | 6 |
| Total | 24 | 10 | 14 | 22 | 3 | 73 |

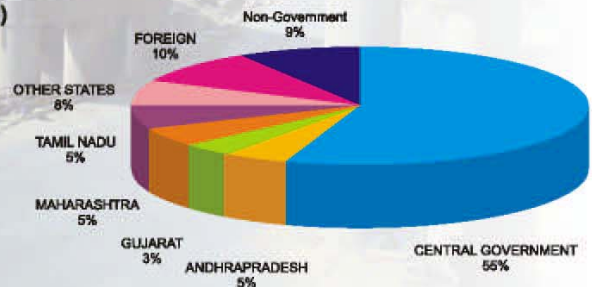


Beas Bridge

Client profile

(Contracts - value wise)

- Central Government
- Andhra Pradesh
- Gujarat
- Maharashtra
- Tamil Nadu
- Other States
- Foreign
- Non-Government





Ten years of financial highlights

| | 1995-96 | 1996-97 | 1997-98 |
|---|---------------|---------------|---------------|
| A.FINANCIAL POSITION : | | | |
| Share Capital | 216 | 216 | 216 |
| Reserves & Surpluses (Excluding Revaluation of Assets) | 2,722 | 3,106 | 3,736 |
| Revaluation Reserve | - | - | - |
| SHAREHOLDERS' FUNDS | 2,938 | 3,322 | 3,952 |
| Loan Funds | 3,686 | 3,973 | 3,666 |
| Deferred Tax Liability | - | - | - |
| TOTAL CAPITAL EMPLOYED | 6,624 | 7,295 | 7,618 |
| ASSETS : | | | |
| Fixed Assets (Net) (Excluding Revaluation of Assets) | 3,391 | 3,657 | 4,622 |
| Amount of Revaluation | - | - | - |
| Total Net Fixed Assets (Including Revaluation of Assets) | 3,391 | 3,657 | 4,622 |
| Current Assets (Net) | 2,400 | 2,929 | 2,272 |
| Investments | 833 | 709 | 724 |
| TOTAL ASSETS | 6,624 | 7,295 | 7,618 |
| B.OPERATING RESULTS : | | | |
| TURNOVER | 15,157 | 17,478 | 21,501 |
| Other Income | 1,684 | 900 | 252 |
| TOTAL INCOME : | 16,841 | 18,378 | 21,753 |
| Net Profit After Tax | 656 | 455 | 701 |
| Dividend Distributed | 76 | 76 | 76 |
| Tax on Dividend | - | 8 | 8 |
| Cash Profits | 966 | 818 | 1,092 |
| C.EQUITY SHARE DATA : | | | |
| Earnings Per Share (Rs) (On Base Capital of 1995-96) | 30 | 21 | 32 |
| Earnings Per Share (Rs) (On Weighted Average Capital) | 30 | 21 | 32 |
| D.IMPORTANT RATIOS : | | | |
| Debt Equity Ratio | 1.25 | 1.20 | 0.93 |
| Sales / Average of Net Fixed Assets (Number of Times) | 4.97 | 4.96 | 5.19 |
| Sales / Average of Net Working Capital (Number of Times) | 7.64 | 6.56 | 8.27 |
| Book value of Share (Without Revaluation Reserve) | | | |
| Book value of Share (With Revaluation Reserve) | | | |

Jindal Chimney

(Rs. in Lacs)

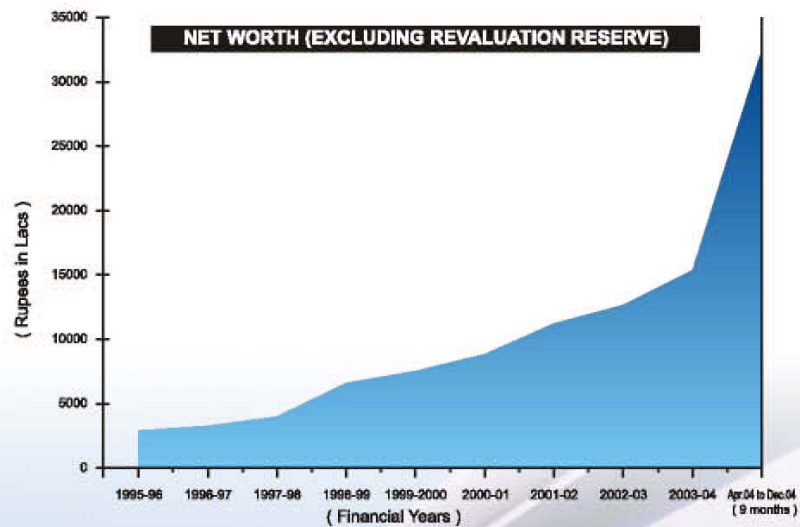
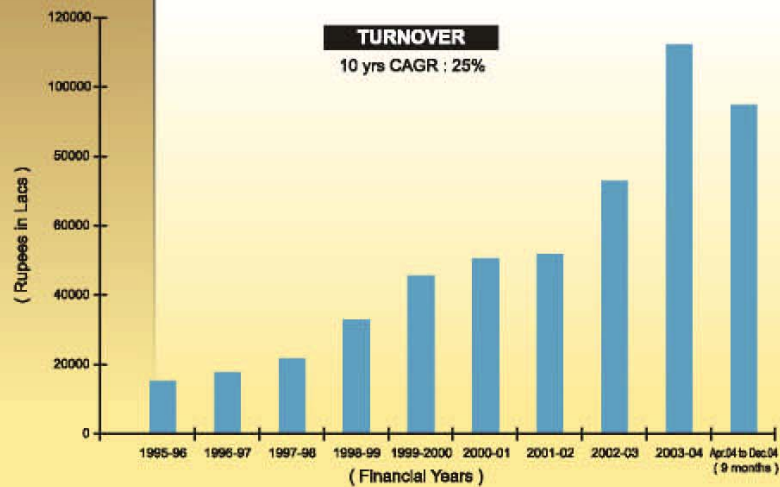
| 1998-99 | 1999-2000 | 2000-2001 | 2001 - 2002 | 2002 - 2003 | 2003 -2004 | Apr 04 - Dec 04 (9 Months) |
|---------|-----------|-----------|-------------|-------------|------------|-------------------------------|
| 630 | 631 | 657 | 1,284 | 1,284 | 1,284 | 1,558 |
| 5,846 | 6,936 | 8,119 | 9,831 | 11,355 | 13,925 | 30,962 |
| 7,860 | 7,675 | 7,499 | 7,332 | 7,173 | 7,022 | 6,913 |
| 14,336 | 15,242 | 16,275 | 18,447 | 19,812 | 22,231 | 39,433 |
| 3,910 | 6,558 | 8,885 | 14,917 | 18,826 | 21,818 | 30,310 |
| - | - | - | 1,746 | 2,661 | 3,198 | 3,659 |
| 18,246 | 21,800 | 25,160 | 35,110 | 41,299 | 47,247 | 73,402 |
| 5,891 | 8,213 | 10,298 | 16,787 | 21,517 | 22,509 | 25,334 |
| 7,860 | 7,675 | 7,499 | 7,332 | 7,173 | 7,022 | 6,913 |
| 13,751 | 15,888 | 17,797 | 24,119 | 28,690 | 29,531 | 32,247 |
| 2,832 | 4,137 | 5,638 | 9,421 | 4,919 | 9,666 | 32,192 |
| 1,663 | 1,775 | 1,725 | 1,570 | 7,690 | 8,050 | 8,963 |
| 18,246 | 21,800 | 25,160 | 35,110 | 41,299 | 47,247 | 73,402 |
| 32,768 | 45,167 | 50,376 | 51,399 | 72,665 | 111,972 | 86,660 |
| 296 | 509 | 701 | 661 | 962 | 997 | 1,603 |
| 33,064 | 45,676 | 51,077 | 52,060 | 73,627 | 112,969 | 88,263 |
| 1,001 | 1,398 | 1,486 | 1,967 | 2,093 | 3,409 | 4,290 |
| 95 | 117 | 253 | 126 | 316 | 316 | 385 |
| 10 | 13 | 26 | - | 40 | 40 | 55 |
| 1,492 | 2,069 | 2,385 | 3,583 | 4,700 | 5,940 | 6,396 |
| 46 | 65 | 69 | 91 | 97 | 158 | 208 |
| 25 | 22 | 24 | 25 | 15 | 23 | 30 |
| 0.60 | 0.87 | 1.01 | 1.34 | 1.48 | 1.43 | 0.93 |
| 6.23 | 6.40 | 5.44 | 3.80 | 3.79 | 5.09 | 4.83 |
| 12.84 | 12.96 | 10.31 | 6.83 | 10.13 | 15.35 | 5.52 |
| | | | | | | 211.06 |
| | | | | | | 255.93 |

The Company had a "Rights Issue" in the ratio of 2:1 in October, 1998 and in the ratio of 1:1 in December, 2001. Further the Company had allotted 18,25,000 new Equity Shares under preferential issue in November, 2004 and had allotted 9,16,030 new equity shares under the Global Depository Receipts in December, 2004.

EPS of shares indicated above is on increased share capital.



Performance highlights

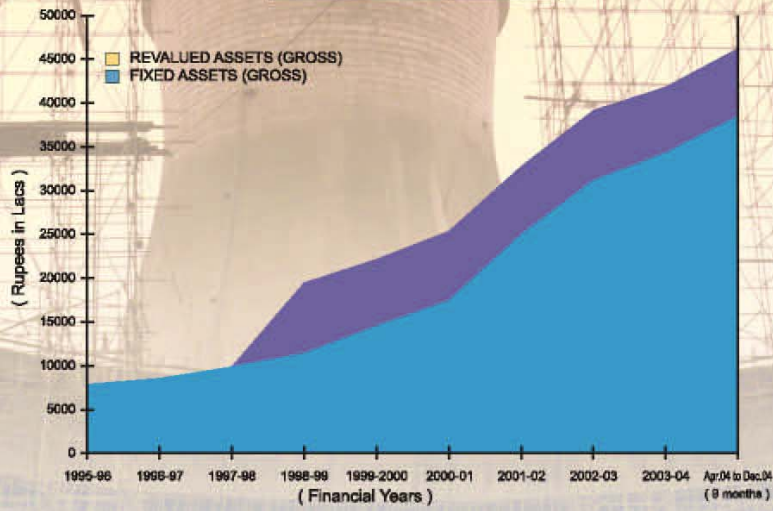


Vasai Creek Bridge



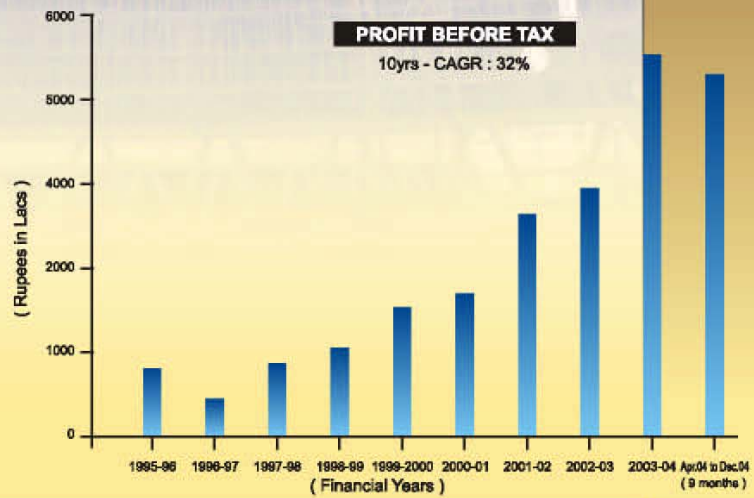
Wanakbori Cooling Towers

FIXED ASSETS (GROSS)

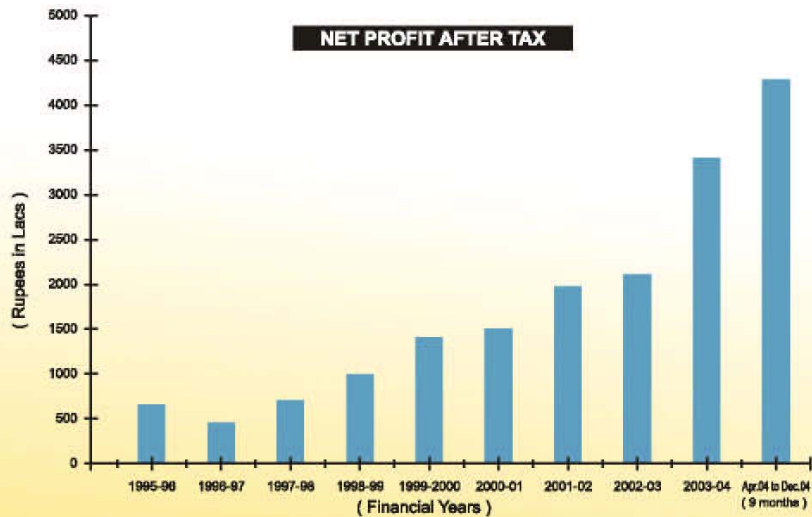


PROFIT BEFORE TAX

10yrs - CAGR : 32%



NET PROFIT AFTER TAX





Top 10 Projects Under Execution

Sohar Water Transmission System

Client : The Ministry of Housing, Electricity and Water, Sultanate of Oman
Project Profile : Construction of water reservoir, pumping station and laying of pipeline from Sohar to Buraimi and Sinhaus in Oman.
Completion period : 622 days

Rs. 646 crores

Parbati Hydro Electric Project :

Client : National Hydroelectric Power Corporation Ltd.
Project Profile : Civil & hydro mechanical works for part of head race tunnel surge shaft. Pressure shaft at 30 to be done by Tunnel Boring Machine for the first time in India.
Completion period : 55 months

Rs. 603 crores

Teesta Head Race Tunnel

Client : National Hydroelectric Power Corporation Ltd.
Project Profile : Construction of head race tunnel and three adits tunnel totaling to 14.85 km long, forms part of 510MW Hydro Electric Power project.
Completion period : 67 months

Rs. 454 crores

Delhi Metro Rail Project

Client : Delhi Metro Rail Corporation
Project Profile : 15 kms of elevated viaduct with precast segmental superstructure.
Completion period : 20 months

Rs. 335 crores

Andhra Pradesh Irrigation Works

Client : Government of Andhra Pradesh Irrigation & CAD Department
Project Profile : Excavation of main canal, formation of earthen bunds and construction of CM and CD works
Completion period : 30 months

Rs 294 crores

Precasting Yard

Kaiga Power Project

Client : Nuclear Power Corporation
Project Profile : Construction of main plant buildings for Unit 3 and 4 for Kaiga Unit of NPCIL in Karnataka.
Completion period :50 months

Rs 284 crores

Anji Khad Bridge

Client : Konkan Railway Corporation Ltd.
Project Profile : Design and construction of high level steel arch bridge on river Anjikhad on the Undhampur-Srinagar- Baramulla rail link
Completion period : 30 months

Rs 207 crores

Kol Dam Hydro Electric Power Project

Client : National Thermal Power Corporation Ltd.
Project Profile : Construction of Pen stocks and Power house for 800 MW Hydro Electric Project
Completion period : 45 months

Rs 198 crores

Seva Hydro Electric Project (Stage II Lot SWI of 120 MW)

Client : National Hydroelectric Power Corporation Ltd. (NHPC)
Project Profile : Civil works for Diversion Tunnel, Coffer Dams, Concrete Gravity Dam, Desilting Chambers, Head-Race Tunnel and associated works.
Completion period : 45 months

Rs 196 crores

Agra Makhanpur Road Works Package 1(A)

Client : National Highways Authority of India
Project Profile : On NH-2 in Uttar Pradesh from Agra to Makhanpur.
Total Length of Road 50km.
Completion period : 36 months

Rs 181 crores

Delhi Metro Rail Project



Our Presence in Public Private Partnership Projects



SLBC Pumphouse



Rajahmundry Expressway Ltd (REL)

- Rs 2640 Mn. Annuity road project
- Client : National Highways Authority of India (NHAI)
- Concession Period : 17.5 years
- Commercial Operations started from 20th September, 2004,
70 days before the scheduled date for which bonus is due from NHAI



Vizag Seaport Pvt. Ltd (VSPL)

- Rs 3000 Mn. BOT seaport Project
- Client : Visakhapatnam Port Trust
- License period : 30 years
- Commercial Operations started
- Tie up for committed cargo of 3 MT. P. A.



Parbati Hydro Electric Power Project



Andhra Expressway Ltd (AEL)

- Rs 2560 Mn. Annuity road project
- Client : National Highways Authority of India (NHAI)
- Concession Period : 17.5 years
- Commercial Operations started from 30th October, 2004,
30 days before the scheduled date for which bonus is due from NHAI



Cochin Bridge Infrastructure Company Ltd (CBICL)

- Rs 260 Mn. BOT cum Annuity bridge project
- Client : Government of Kerala
- Concession Period : The project has been converted from a BOT project to a BOT cum Annuity project and the concession period has been increased from 13 years 9 months to 19 years 9 months.
Fourth year of commercial operations.



Beas Bridge at Ramshila



SLBC Pump House



Sharanpur Pipeline



Hebbal Flyover

DIRECTORS' REPORT

Your Directors have pleasure in presenting their 83rd Annual Report together with the Audited Accounts for the period ended 31st December, 2004.

1. FINANCIAL RESULTS :

The Company has changed its financial year end from March to December and accordingly the financial results relate to a period of nine months ended 31st December, 2004. The turnover stood at Rs. 86,659.60 lacs and Profit before depreciation and taxation was Rs. 6804.10 lacs (Rs. 7440.06 lacs). After providing Rs. 1645.31 lacs towards depreciation (Rs. 1994.26 lacs) and Rs. 868.60 lacs towards tax (Rs. 2037.00 lacs), the net profit amounted to Rs. 4290.19 lacs (Rs. 3408.80 lacs) posting a rise of 57% over the previous year on annualised basis.

| | Current Period Rupees in lacs (9 months) | <i>Previous Year Rupees in lacs (12 months)</i> |
|--|---|---|
| The profit for the year before providing Depreciation and Taxation amounted to | 6804.10 | 7440.06 |
| From which is to be deducted : | | |
| Depreciation | 1645.31 | <u>1994.26</u> |
| Profit before Tax | 5158.79 | <u>5445.80</u> |
| Provision for Tax | | |
| Current Tax | 408.00 | 1500.00 |
| Deferred Tax | 460.60 | <u>537.00</u> |
| Profit after Tax | 4290.19 | <u>3408.80</u> |
| To which is to be added/(deducted) Provisions for earlier years : | | |
| Provision for Taxation (Net of write back of excess provision) | (475.91) | (482.30) |
| Profit brought forward from last year | 3543.17 | <u>2977.19</u> |
| Amount available for appropriation | 7357.45 | <u>5903.69</u> |
| Less: Amount Transferred to General Reserve | 1606.08 | 900.00 |
| Debenture Redemption Reserve | 1072.00 | 1072.00 |
| Foreign Projects Reserve | — | 32.00 |
| Proposed Dividend | 384.55 | 316.03 |
| Provision for Tax on Dividend | 54.75 | <u>40.49</u> |
| Balance carried to Balance Sheet | 4240.07 | <u>3543.17</u> |



2. DIVIDEND :

Your Directors recommend a Dividend of 25% for the nine months period ended 31st December, 2004 absorbing Rs. 384.55 lacs.

3. SHARE CAPITAL :

During the period under review 18,25,000 equity shares of Rs. 10/- each were issued on preferential basis to Uno Investments, a wholly owned subsidiary of Chrys Capital III LLC, Mauritius at a premium of Rs. 495/- per share raising Rs. 9216 lacs. The Company also issued 9,16,030 Global Depository Receipts by way of international offering priced at US \$ 13.10 per depository receipt (approx. Rs. 575/- per share) underlying equal number of equity shares raising Rs. 5267 lacs. The Depository Receipts were listed on Luxembourg Stock Exchange.

The said issues were made for the purpose of funding the growth of the Company in the Engineering, Procurement and Construction Business and the BOT Business Model. Out of these issue proceeds Rs. 5500 lacs were utilised towards BOT business and the balance was utilised towards Engineering, Procurement and Construction Business.

As approved by the shareholders at the Extra-Ordinary General Meeting held on 28th February, 2005 the nominal value of equity shares of the Company of Rs. 10/- per share has been sub-divided into Rs. 2/- per share.

4. FINANCE :

The following credit ratings from CARE continue:

- (i) PR1+ for short-term commercial paper of Rs. 130 crores.
- (ii) AA for Non-Convertible Debentures of Rs. 90 crores.
- (iii) AA for Non-Convertible Debentures of Rs. 50 crores.

CRISIL has also assigned AA rating for Non-Convertible Debentures of Rs. 50 crores.

The Directors certify that the proceeds of debentures were utilised for the purpose for which they were raised.

Capital expenditure on plant and machinery during the period under review amounted to Rs. 3259 lacs.

5. FIXED DEPOSITS :

491 Deposits amounting to Rs. 66.79 lacs remained unclaimed as on 31st December, 2004. Out of these, 294 deposits amounting to Rs. 43.52 lacs have since been repaid.

6. INVESTMENTS IN INFRASTRUCTURE ACTIVITIES :

Your company has been a major participant in infrastructure facilities on BOT/ BOOT basis and is currently managing the following four Special Purpose Vehicles (SPVs):

Rajahmundry — Dharmavaram Annuity Road Project (Rajahmundry Expressway Limited — REL)

During the period under review this project achieved significant progress. The Company has received in-principle sanction to refinance the entire debt of Rs. 2,350 million from ICICI Bank at significantly low interest rate.

REL has also received the Commercial Operations Date (COD) notification from the National Highways Authority of India and earned 70 days bonus of Rs. 115.2 million for early completion of the project.

Dharmavaram — Tuni Annuity Road Project (Andhra Expressway Limited — AEL)

AEL has also received an in-principle sanction to refinance its entire debt of Rs. 2,270 million from ICICI Bank at significantly low interest rate.

The Company has received the COD notification and earned 30 days bonus of Rs. 46.5 million for early completion of the project.

Two multipurpose berths at Visakhapatnam Port (Vizag Seaport Private Limited — VSPL)

The Company is operating two multi-purpose cargo berths at India's largest port at Visakhapatnam and has started commercial operations.

During the period under review, VSPL entered into a "Take or Pay" agreement for 3 million tons per annum with a leading steel manufacturer. This has significantly reduced the revenue risk associated with the Project and the SPV is expected to receive higher credit rating on this account.

During the period under review, VSPL has tied up its equity as required under the financing documents. VSPL has also received long-term debt sanctions to the tune of Rs. 2,650 million. The disbursements are expected shortly.

Cargo handling has been increasing gradually and VSPL has already handled 1 million tons. It aims to focus on high value commodities to ensure higher yield per ton of throughput.

New Mattancherry Bridge Project, Cochin, Kerala (Cochin Bridge Infrastructure Company Limited — CBICL)

This BOT project, the first of its kind in the state of Kerala, has completed 3 years of stable operations.

During the period under review, CBICL retired its high cost debt with fresh loans from IDBI Ltd. at significantly low interest rate. Currently, the company is in the process of re-financing this loan with a long-term loan.

The Government of Kerala vide a Government Order has re-structured the Project Concession. This will result in extension of the Concession period by six years along with a fixed annuity amount till the end of the new concession period starting from January 2004. This is expected to significantly improve the profitability of the project.

CBICL continues to experience good traffic growth for the third continuous year of operations and has reported a compounded annual growth of around 8% in traffic for the last 3 years.

7. BUSINESS PROSPECTS :

Infrastructure sector has witnessed one more year of growth and it is expected that the current year too would prove to be full of opportunities across the entire spectrum of the sector.

Your Company has secured a Rs. 640 crore Water Transmission System Project in Oman being executed in joint venture with a local partner. It is bidding for and is hopeful of bagging some more projects overseas. Your Company is also quite optimistic of bagging major projects in India in roads, pipelines, ports and hydroelectric sectors. The Company is making foray into Mass Rapid Transit Systems, a segment holding immense potential. The order book position as on 31st December, 2004 was around Rs. 3800 crores, indicating buoyancy in the industry.

8. SUBSIDIARY COMPANIES :

Rajahmundry Expressway Limited and Andhra Expressway Limited became subsidiaries of your Company with effect from 7th February, 2005 and Vizag Seaport Private Limited ceased to be a subsidiary with effect from 17th March, 2005.

A statement pursuant to Section 212(3) of the Companies Act, 1956 relating to subsidiary Companies is attached.

The Company has been granted exemption by the Central Government pursuant to the provisions of Section 212(8) of the Companies Act, 1956, from attaching the Balance Sheet and Profit & Loss Account of its Subsidiaries and hence the same have not been attached to your Company's accounts for the period ended 31st December, 2004. However information such as capital, reserves, assets etc. about each subsidiary as on 31st December, 2004 has been separately disclosed.

The Annual Accounts of subsidiary companies and the detailed related information are available to the investors of your company as well as to those of respective subsidiaries, seeking such information at any point of time. The annual accounts of the subsidiaries are also available for inspection by the investors at the Registered Office of the Company as well as at the offices of subsidiary companies.



9. CONSOLIDATED FINANCIAL STATEMENTS :

As required under the listing agreement the consolidated financial statements have been prepared on the basis of financial statements of the Company, its subsidiaries, associates and joint ventures in accordance with Accounting Standards AS-21, AS-23 and AS-27 of The Institute of Chartered Accountants of India.

10. REPORT ON CORPORATE GOVERNANCE :

As required under Clause 49 of the Listing Agreement, Report on Corporate Governance is attached and forms part of this Annual Report.

11. DIRECTORS :

Mr. Peter Gammon, Mr. W. Paul Harriman and Mr. R. A. Bhansali retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. Kunal Shroff, a nominee of Uno Investments, was appointed as Additional Director of the Company w.e.f. 8th November, 2004 and holds office only upto the date of the ensuing Annual General Meeting of the Company. A notice under Section 257 of the Companies Act, 1956 along with the requisite deposit has been received from a member signifying his intention to propose Mr. Shroff as a candidate for the office of Director of the Company.

Mr. Himanshu Parikh has been appointed as Executive Director w.e.f. 1st May, 2005 for a period three years.

Mr. S. A. Reddi, Dr. N. V. Nayak, Mr. M. S. Bisaria and Mr. V. M. Dharap resigned as Directors of the Company w.e.f. 1st March, 2005. They were associated with the Company in senior capacities for a long time. The Board places on record its sincere appreciation of the valuable contribution made by them during their tenure.

12. DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217(2AA) of the Companies (Amendment), Act, 2000, the Directors confirm that:

1. the applicable accounting standards have been followed by the Company in preparation of the annual accounts for the period ended 31st December, 2004;
2. they have selected accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the period ended 31st December, 2004 and of the profit of the Company for the said period ended 31st December, 2004;
3. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. the annual accounts are prepared on a going concern basis.

13. HEALTH, SAFETY & ENVIRONMENT :

Your Company is committed to providing a working environment that ensures health and safety of its employees. At all the project sites the concerns relating to Health, Safety and Environment are addressed in a systematic and well documented manner and remedial measures, where required, taken quickly. These areas remain under continuous focus of the management.

14. RESEARCH & DEVELOPMENT :

The quest of your Company in developing techniques which culminate in improving operational efficiency and optimizing human and material resources is an integral part of its working and operations. Various such techniques have been developed in the past and sustained efforts are made to improve upon existing techniques and the development of new ones.

15. AUDITORS :

M/s. Natvarlal Vepari & Co., Chartered Accountants, Statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment. A certificate to the effect that their appointment, if made, will be within the prescribed limits u/s 224(1B) of the Companies Act, 1956 has been received from them.

16. AUDITORS' REPORT :

In the opinion of the Directors, the notes to accounts are self-explanatory and adequately explain the matters which are dealt with in the Auditors' Report.

17. PARTICULARS OF EMPLOYEES :

The statement pursuant to the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is annexed to this report (Annexure A).

18. PARTICULARS UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 :

A. Conservation of Energy :

The conservation of energy in all the possible areas is undertaken as an important means of achieving cost reduction. Savings in electricity, fuel and power consumption receive due attention of the management on a continuous basis.

B. Technology Absorption :

Many innovative techniques have been developed in-house and put to effective use in the operations of the Company. The efforts to develop new techniques continue unabated.

C. Foreign Exchange earnings and outgo :

| | (Rs. in lacs) | |
|-------------------------|-----------------------|----------------------|
| | <u>Current Period</u> | <u>Previous Year</u> |
| Foreign Exchange used | 4148.33 | 2698.44 |
| Foreign Exchange earned | 3653.14 | 4110.55 |

19. GENERAL :

Your Directors thank all its valued customers and various Government, Semi-Government and Local Authorities, suppliers and other business associates. Your Directors appreciate continued support from Banks and Financial Institutions and look forward to their co-operation in the future.

Your Directors place on record their appreciation of the dedicated efforts put in by the employees at all levels and thank the Shareholders and deposit holders for their unstinted support and co-operation.

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing Director

Place : Mumbai
Dated : 19th May, 2005



ANNEXURE "A" TO DIRECTORS' REPORT

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975.

| Name | Age | Designation | Gross Remuneration (Rs.) | Qualifications | Total Experience (Years) | Date of Commencement of Employment | Last Employment held | | |
|-------------------|-----|------------------------------|-----------------------------|----------------------------------|-----------------------------|---------------------------------------|------------------------|---------------------|-------------------|
| | | | | | | | Name of the Company | Position held | Period of Service |
| Mr. Abhijit Rajan | 45 | Chairman & Managing Director | 26,95,328 | B. Com., L. S. E. (London) | 25 | 17.05.1991 | IPCA Laboratories Ltd. | Whole-time Director | 5 years |

Notes :

1. Gross Remuneration includes salary, allowances, commission, contribution to Provident Fund, Superannuation Fund, Gratuity and taxable value of perquisites.
2. The nature of employment is contractual.
3. Mr. Abhijit Rajan is related to Mr. Shobhit Rajan, a Director of the Company.
4. Mr. Abhijit Rajan does not hold more than 2% of paid up capital of the Company.
5. Designation denotes nature of duties also.

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing Director

Place : Mumbai
Dated : 19th May, 2005

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

Your Company firmly believes in and is committed to following the principles of corporate governance. It adopts fair business practices and is determined to pursue these principles with the aim of creating value for all its stakeholders.

1. BOARD OF DIRECTORS (BOARD) :

As on 31st December, 2004, the Strength of the Board was 14 members of which seven were Independent and seven were Non-Independent.

During the period ended 31st December, 2004, eleven Board Meetings were held the dates of which are as follows: 3rd May, 2004, 30th June, 2004, 31st July, 2004, 17th August, 2004, 29th September, 2004, 5th October, 2004, 30th October, 2004, 8th November, 2004, 23rd November, 2004, 16th December, 2004 and 22nd December, 2004.

The composition of the Board, category of Directors and details of attendance of each Director at Board Meetings and last Annual General Meeting, details of other directorships & membership of committees are as stated below :

| Name and Designation of Director | Category of Directors | No. of Board Meetings attended (01.04.2004 to 31.12.2004) | Whether attended last A.G.M (held on 29.09.2004) | No. of Directorships in other Companies | | No. of Chairmanship and Membership of Committees of other Public Ltd. Companies | |
|--|---|---|--|---|---------|---|--------|
| | | | | Public | Private | Chairman | Member |
| Mr. Abhijit Rajan Chairman & Managing Director | Promoter/ Executive | 9 | Yes | 7 | 3 | — | 2 |
| Mr. Peter Gammon Chairman Emeritus | Promoter/ Non-Executive | — | No | 3 | — | — | — |
| Mr. S. A. Reddi Director | Executive (upto 18 th September, 2004) | 8 | Yes | — | — | — | — |
| Dr. N. V. Nayak Director | Executive (upto 31 st October, 2004) | 9 | Yes | 1 | — | — | — |
| Mr. M. S. Bisaria Additional Director | Executive (upto 30 th September, 2004) | 8 | Yes | 1 | — | — | — |
| Mr. Rajul A. Bhansali Executive Director | Executive | 9 | Yes | 1 | — | — | — |
| Mr. W. Paul Harriman Director | Independent/ Non-Executive | — | No | 1 | — | — | — |
| Mr. Shobhit Rajan Director | Promoter/ Non-Executive | — | No | 5 | 12 | — | — |
| Mr. C. C. Dayal Director | Independent/ Non-Executive | 9 | Yes | 9 | 5 | — | 2 |
| Mr. S. K. Guha Thakurta Director | -do- | 7 | Yes | 1 | — | — | — |
| Mr. Himanshu Parikh Director | -do- | 10 | Yes | 9 | 3 | — | 6 |
| Mr. Atul Dayal Director | -do- | 9 | No | 7 | — | — | 1 |
| Mr. V. M. Dharap Director | -do- | 9 | Yes | 3 | 1 | — | 1 |
| Mr. Kunal Shroff * Additional Director | -do- | — | — | 3 | 2 | — | — |

* Appointed w.e.f. 8th November, 2004.

The Information as required under Annexure – IA to Clause 49 of the listing agreement is made available to the Board.

**DETAILS OF REMUNERATION PAID FOR THE PERIOD ENDED 31.12.2004 :****EXECUTIVE DIRECTORS :**

| Name of the Director | Salary & Perquisites (Rs.) | Commission* (Rs.) | Total (Rs.) |
|-----------------------|----------------------------|-------------------|------------------|
| Mr. Abhijit Rajan | 19,45,328 | 7,50,000 | 26,95,328 |
| Mr. S. A. Reddi | 5,33,737 | 4,05,000 | 9,38,737 |
| Dr. N. V. Nayak | 9,37,497 | 3,90,000 | 13,27,497 |
| Mr. M. S. Bisaria | 6,82,697 | 3,60,000 | 10,42,697 |
| Mr. Rajul A. Bhansali | 10,63,841 | 3,60,000 | 14,23,841 |
| Total | 51,63,100 | 22,65,000 | 74,28,100 |

* Commission paid during the period relates to the financial year 2003-2004.

NON-EXECUTIVE DIRECTORS :

A sitting fee of Rs. 500/- per meeting is paid to each Non-Executive Director for attending meetings of the Board of Directors.

No commission has been paid to the Non-Executive Directors during the period.

2. AUDIT COMMITTEE :

As on 31st December, 2004, the Audit Committee comprised of four Non-Executive Independent Directors viz.: Mr. C. C. Dayal (Chairman), Mr. S. K. Guha Thakurta, Mr. Atul Dayal and Mr. V. M. Dharap. The Company Secretary acts as Secretary to the Audit Committee.

During the period under review, the Audit Committee met 3 times and the dates of such meetings were: 30th June, 2004, 31st July, 2004 and 30th October, 2004. The attendance of the Audit Committee Members at such meetings is as stated below :

| Name of the Member | No. of Audit Committee meetings attended |
|-------------------------|--|
| Mr. C. C. Dayal | 3 |
| Mr. S. K. Guha Thakurta | 3 |
| Mr. Atul Dayal | 3 |
| Mr. V. M. Dharap | 2 |

The terms of reference stipulated by the Board to the Audit Committee are as per Clause 49 of the Listing agreement and Section 292A of the Companies Act, 1956 and include :

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

-
- (c) Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
- Any changes in accounting policies and practices
 - Major accounting entries based on exercise of judgement by management
 - Qualifications in draft audit report
 - Significant adjustments arising out of audit
 - The going concern assumption
 - Compliance with accounting standards
 - Compliance with Stock Exchange and legal requirements concerning financial statements
 - Any related party transactions i.e transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
- (d) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- (e) Reviewing the adequacy of internal audit functions, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (f) Discussion with internal auditors, any significant findings and follow up thereon.
- (g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- (h) Discussion with external auditors before the audit commences, nature and scope of audit as well as have post audit discussion to ascertain any area of concern.
- (i) Reviewing the Company's financial and risk management policies.
- (j) To look into the reasons for substantial defaults in the payment to the depositors, debenture-holders, shareholders (in the case of non payment of declared dividends) and creditors.

3. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE :

As on 31st December, 2004 the Shareholders/Investors Grievance Committee comprised of five members all of whom were Non-Executive Directors. Mr. C. C. Dayal is the Chairman of the Committee. During the period under review, the Committee met 18 times.

The Committee approves and monitors share transfers, transmissions, dematerialisation, rematerialisation, issue of duplicate share certificates, etc. The Committee also monitors redressal of complaints from Shareholders relating to transfer of shares, non-receipt of Annual Report, dividends etc.

The Status of Shareholders' complaints received upto 31st December, 2004 is as stated below:

| | |
|--|------|
| No. of complaints received during the nine months period ended 31 st December, 2004 | Nine |
| No. of complaints resolved to the satisfaction of shareholders during the said period | Nine |
| No. of pending share transfers as on 31 st December, 2004 | Nil |

Mr. P. S. Gupchup, Company Secretary, is the Compliance Officer.



4. GENERAL BODY MEETINGS :

Particulars about the last three Annual General Meetings (AGMs) of the Company :

| AGM | Financial Year | Date | Time |
|------------------|----------------|----------------------------------|-----------|
| 82 nd | 2003-2004 | 29 th September, 2004 | 3.00 p.m. |
| 81 st | 2002-2003 | 29 th September, 2003 | 3.00 p.m. |
| 80 th | 2001-2002 | 28 th September, 2002 | 3.00 p.m. |

All the aforesaid AGMs were held at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Mumbai-400034.

One Extra-Ordinary General Meeting was held on 29th October, 2004 at 3.00 p.m. at Gammon House, Veer Savarkar Marg, Prabhadevi, Mumbai-400 025 for the purpose of approval of Preferential and GDR Issues.

During the period under review, shareholders approval by postal ballot was sought for making of loans, investments, giving guarantees etc. to various bodies corporate u/s 372A of the Companies Act, 1956.

As per the report of Mr. Hareesh B. Purohit of M/s. Chaitanya C. Dalal & Co., Chartered Accountants, Mumbai who was appointed as Scrutinizer for conducting postal ballot, the aforesaid Special Resolution was passed with 98.90% of the votes cast in favour of the Resolution.

At the ensuing AGM a resolution u/s 372A of the Companies Act, 1956 will be proposed for making of loans, investments, giving guarantees etc. to various bodies corporate, for passing by way of postal ballot.

5. DISCLOSURES :

Other than transactions entered into in the normal course of business for which necessary approvals are taken and disclosures made, the Company has not entered into any materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large. However the Company has annexed to the accounts a list of related parties as per Accounting Standard 18 and the transactions entered into with them.

There is no material pecuniary transaction with any Non-Executive as well as Independent Directors of the Company that requires a separate disclosure.

No penalties, strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

6. MEANS OF COMMUNICATION :

The main source of information to the Shareholders is the Annual Report of the Company, press publications of its quarterly financial results and website of the Company viz. www.gammonindia.com

As required under the listing agreement, Quarterly and Half-Yearly results of the Company are announced within one month from the end of the respective quarter and the annual audited results are announced within three months from the end of the financial year. The financial results are published usually in Business Standard (English) & Sakal (Marathi).

These results are also posted on the website of the Company at www.gammonindia.com. The official press releases and other relevant information are available on the aforesaid website.

As per the requirements of Clause 51 of the listing agreement, all the data related to quarterly financial results, shareholding pattern etc. is uploaded on SEBI's website www.sebidifar.nic.in

The shareholders have an opportunity to attend the Annual General Meeting at which the business outlook is presented and relevant aspects of the Company's operations are discussed. The Company's share department serves as a contact point for shareholders on issues such as share transfers, dividends and other investor related matters.

The Management Discussion & Analysis forms part of this Annual Report.

7. GENERAL SHAREHOLDER INFORMATION :

| | |
|---|---|
| Date, Time and Venue of the 83 rd Annual General Meeting | Tuesday, 28 th day of June, 2005 at 3.00 p.m. at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Mumbai 400 034. |
| Financial Calendar for the year 2005 (Tentative) | Results for the quarter ending 31 st March, 2005 – 28 th April, 2005 Results for the half year ending 30 th June, 2005 – Last week of July, 2005. Results for the quarter ending 30 th September, 2005 – Last week of October, 2005. Results for the year ending 31 st December, 2005 – Last week of March, 2006. |
| Date of Book Closure | Tuesday, 21 st June, 2005 to Tuesday, 28 th June, 2005 (Both days inclusive) |
| Dividend Payment Date | On or before 27 th July, 2005 |
| Listing on Stock Exchanges • Equity Shares • Global Depository Receipts | The Stock Exchange, Mumbai P. J. Towers, Dalal Street, Fort, Mumbai 400 001. Telephone : 022 - 2272 1233/34 Facsimile : 022 - 2272 3353/55 (stock code: 509550) AND The National Stock Exchange of India Limited, Exchange Plaza, Plot No. C/1, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051. Telephone : 022 - 2659 8100/8114 Facsimile : 022 - 2659 8237/ 8238 (stock code: GAMMONIND EQ) Luxembourg Stock Exchange BP 165, L-2011 Luxembourg Telephone : +352 47 79 36-272 Telex : +352 47 79 36-204 Cusip No. : 36467M200 Common Code : 20772565 |
| Listing Fees | Paid to the above Stock Exchanges for the Financial Year 2005-2006. |
| International Securities Identification No. (ISIN) | Equity : INE 259B01020 GDR : US 36467M2008 |
| Registrar & Share Transfer Agent | M/s. Sharepro Services (India) Pvt. Ltd. (upto 31 st March, 2005) Satam Estate, 3 rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai 400 099. Telephone : 022 - 2832 9828/2834 8218 Facsimile : 022 - 2837 5646 e-mail : sharepro@bom7.vsnl.net.in |

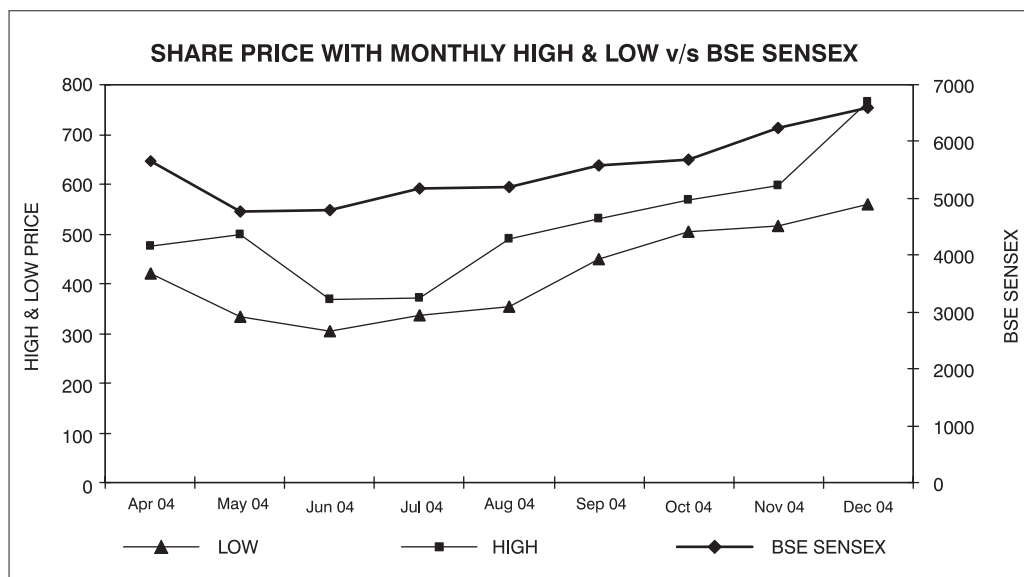


| | |
|-----------------------|--|
| | <p>M/s. Intime Spectrum Registry Limited (w.e.f. 1st April, 2005) C-13, Pannalal Silk Mills Compound, L.B.S. Road, Bhandup (West), Mumbai 400 078 Telephone : 022 - 5555 5454 Facsimile : 022 - 5555 5353 e-mail : gammon@intimespectrum.com</p> |
| Share Transfer System | Trading in Company's Shares on the Stock Exchanges takes place in electronic form. However physical shares are normally transferred and returned within 15 days from the date of lodgement provided the necessary documents are in order. |

MARKET PRICE DATA : High and low (in Rs.) during each month for the period ended 31st December, 2004

| Month | BSE | | NSE | |
|-----------------|--------|--------|--------|--------|
| | High | Low | High | Low |
| April, 2004 | 467.00 | 426.00 | 476.00 | 420.00 |
| May, 2004 | 445.50 | 333.15 | 449.00 | 332.60 |
| June, 2004 | 371.00 | 304.05 | 366.80 | 304.00 |
| July, 2004 | 377.00 | 333.00 | 372.00 | 337.05 |
| August, 2004 | 479.65 | 360.25 | 489.95 | 353.10 |
| September, 2004 | 518.70 | 449.55 | 531.00 | 450.05 |
| October, 2004 | 563.00 | 504.00 | 569.00 | 505.00 |
| November, 2004 | 580.00 | 515.50 | 597.00 | 516.30 |
| December, 2004 | 771.00 | 555.05 | 765.90 | 560.05 |

PERFORMANCE IN COMPARISON TO BROAD BASED INDICES SUCH AS BSE SENSEX :



8. DISTRIBUTION OF SHAREHOLDING AS ON 31ST DECEMBER, 2004 :

| No. of Equity Shares held | Shareholders | | Shareholding | |
|---------------------------|--------------|------------|--------------|------------|
| | Number | % of total | Rs. | % of total |
| Upto – 500 | 6850 | 95.33 | 50,62,150 | 3.32 |
| 501 – 1000 | 185 | 2.57 | 13,14,060 | 0.86 |
| 1001 – 2000 | 81 | 1.13 | 10,91,260 | 0.72 |
| 2001 – 3000 | 13 | 0.18 | 3,05,170 | 0.20 |
| 3001 – 4000 | 10 | 0.14 | 3,41,840 | 0.22 |
| 4001 – 5000 | 2 | 0.03 | 94,610 | 0.06 |
| 5001 – 10000 | 8 | 0.11 | 6,17,860 | 0.41 |
| 10001 and above | 37 | 0.51 | 14,35,43,190 | 94.21 |
| TOTAL | 7186 | 100.00 | 15,23,70,140 | 100.00 |

(145160 Equity Shares held in abeyance are excluded).

9. DEMATERIALISATION OF SHARES AS ON 31ST DECEMBER, 2004 :

| Particulars | No. of Equity Shares | % to Share Capital |
|-------------|----------------------|--------------------|
| NSDL | 1,27,89,487 | 83.14 |
| CDSL | 27,097 | 0.18 |
| Physical | 25,65,590 | 16.68 |
| Total | *1,53,82,174 | 100.00 |

(* 145160 Equity Shares held in abeyance are included).

Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on Equity :

The Company issued 9,16,030 Depository Receipts at a price of USD 13.10 each (approx. Rs. 575/- per share) underlying 9,16,030 equity shares of Rs. 10/- each, on 22nd December, 2004. The underlying shares were issued to The Bank of New York in its capacity as custodian on behalf of the holders of depository receipts. Equity capital increased by Rs. 91,60,300/- consequent to the said issue.

10. PLANT LOCATIONS : (Project size – more than Rs. 250 Crores)

| | |
|---|---|
| 1 | Parbati Hydro Electric Project Village & P O – Sainj District – Kulu, Himachal Pradesh |
| 2 | Teesta Head Race Tunnel Makha-Post Singtam, District – East Sikkim, Pin Code - 737 134 |
| 3 | Kaiga Nuclear Power Project Unit 3 & 4 Kaiga, District – Uttar Kannada, Karnataka-581 400 |

**11. ADDRESS FOR CORRESPONDENCE :****Registered Office :**

Gammon House, Veer Savarkar Marg,
Prabhadevi, Mumbai 400 025.
Telephone : 022 - 5661 4000.
Facsimile : 022 - 2430 0529
e-mail : gammon@vsnl.com

12. CATEGORIES OF SHAREHOLDERS : (As on 31st December, 2004)

| Category | No. of Shares held (Rs. 10/- each) | Percentage (%) of Shareholding |
|---|---------------------------------------|-----------------------------------|
| Promoters' Holding | | |
| Resident | 48,25,368 | 31.37 |
| Non-Resident | 11,13,979 | 7.24 |
| TOTAL (A) | 59,39,347 | 38.61 |
| Institutional Investors | — | — |
| Mutual Funds & UTI | 5,10,715 | 3.32 |
| Banks, Financial Institutions, Insurance Companies | 2,099 | 0.02 |
| FIs | 12,11,260 | 7.87 |
| TOTAL (B) | 17,24,074 | 11.21 |
| Private Corporate Bodies | 26,68,794 | 17.35 |
| Indian Public | 8,00,325 | 5.20 |
| NRIs/ OCBs/ NR | 31,88,444 | 20.73 |
| Any Other (Please specify) | | |
| Abeyance Shares | 1,45,160 | 0.94 |
| Shares underlying GDR issue | 9,16,030 | 5.96 |
| TOTAL (C) | 77,18,753 | 50.18 |
| GRAND TOTAL (A+B+C) | 1,53,82,174 | 100 |

For GAMMON INDIA LTD.

Place : Mumbai
Dated : 19th May, 2005

ABHIJIT RAJAN
Chairman & Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of

GAMMON INDIA LIMITED

1. We have examined the compliance of conditions of Corporate Governance by **GAMMON INDIA LIMITED** for the period ended on 31st December, 2004 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our intimation and according to the explanations given to us, subject to the Company not having complied with the requirement of having 50% Independent Directors on its Board till 18th September, 2004, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. We state that no investor grievance is pending for a period exceeding one month against the Company from the date of receipt of the grievance by the Company as per the records and other documents maintained by the Shareholders/Investors Grievance Committee.
5. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For NATVARLAL VEPARI & CO.
Chartered Accountants

P. N. VEPARI
Partner
M. No. 4954

Place : Mumbai
Dated : 19th May, 2005



MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and Developments :

The dynamics of infrastructure industry has undergone a massive change in the last few years. Though importance of infrastructure sector and the crucial role it plays in the growth of the economy was never in doubt, nonetheless remained undermined. However, its acknowledged importance and the impetus provided by the Central and State Governments have ensured that this industry gets due attention. Various sectors of this industry such as roads, bridges, ports, airports, hydroelectric projects, water and pipeline projects are witnessing a lot of activities with new projects coming up across the country at a furious pace.

Various arms of the Central and State Governments and nodal agencies viz. NHAI, NHPC, NEEPCO are on the verge of releasing work orders, the sheer size and scale of which will make this sector post robust growth.

2. Opportunities and Threats :

National Highways Authority of India (NHAI) is expected to release the balance work orders of Golden Quadrilateral and NSEW corridor work orders for NHDP – Phase III are also expected to be released in the current year. Magnitude of these orders will be huge making road projects as one of the fastest growing sectors of the industry. Water and pipeline projects also offer vast opportunities.

An area that has awesome business potential is Urban Infrastructure. Annoying traffic jams and bottlenecks have provided impetus to the development of faster, economical and reliable mass transport systems. This offers huge potential and your Company has taken measures to tap the same.

Your Company had taken a strategic decision to aggressively explore business opportunities overseas, in general and in the Middle East, in particular. Pipeline and Transportation sectors, which have great potential, will be the focus areas of your Company in the region.

The opportunities invariably bring with them competition as is natural in case of every business and industry. Sensing the boom the industry has seen influx of a large number of players with the result that except where complicated techniques or expertise are involved or the size of the project is large, competition is increasing especially in transport sector.

3. Projects :

The Company's range of operations covers entire gamut of construction activities and it has proven expertise in almost all the spheres of civil construction.

(a) Transportation Engineering :

Your Company has bagged Anji Khad Bridge project (Rs. 208 crores) which is one of the longest arch bridges in India. It has secured a contract of Rs. 108 crores involving construction of more than 100 bridges in the State of Karnataka. It has also secured contracts for construction of two bridges, one on Mahanadi (Rs. 65 crores) and the other in West Bengal (Rs. 36 crores) for Railways. Your Company is the lowest bidder in respect of a bridge & flyover project of NHAI (Rs. 156 crores), a flyover project in Hyderabad (Rs. 34 crores) and a bridge project in Himachal Pradesh (Rs. 25 crores).

(b) Energy Projects and High Rise Structures :

The Company is currently executing four Hydro Power Projects and two Nuclear Power Projects.

The Nuclear Power Projects at Kaiga and Kalpakkam are progressing well. The Company has achieved a significant milestone at Kaiga by completing the dome. Kalpakkam project which was affected by tsunami is now back on track and construction activities have resumed.

The contracts awarded during the period under review for Cooling Towers and Chimneys include SIPAT (Rs. 81 crores), Bellary (Rs. 52 crores) and Parli (Rs. 19 crores).

(c) Hydroelectricity Works and Irrigation Projects :

There is great potential in Hydroelectric sector with many large projects being contemplated in North and North East parts of India. NHPC, the biggest hydroelectric power corporation in the country, has invited quotations for three major projects and your Company is bidding for the same. NTPC has also entered the field of Hydro power projects and their first such project is under construction viz. Koldam, which has been awarded to your Company. NEEPCO, operating in North East, has got approval for two projects, tenders for which are likely to be invited in the current year.

In Andhra Pradesh big schemes for Harvesting River Water and Lift Irrigation are coming up. The Company has secured the project of Earthwork excavation of GNSS Main Canal including construction of CM & CD works (Rs. 294 crores) and construction of proposed diversion scheme across Peddavagu project near Jagannathpur, Adilabad District (Rs. 118 crores). You will be pleased to note that your Company is the lowest bidder in Kalwakurti project (Rs. 694 crores) and Modikunta project (Rs. 120 crores).

(d) Tunnel Engineering :

Teesta, Parbati and SEWA Hydro-electric projects are progressing as per schedule. At Parbati boring by TBM has started. A novel feature of this project is an inclined tunnel of over 3 kms. which is being done for the first time in India and very rarely in the world.

(e) Marine Structures :

The Company has completed Dolphin Jetty project (Rs. 33 crores) at Chittagong in Bangladesh. Commercial operations of Vizag Seaport Private Limited have commenced with ships having started berthing since July, 2004.

(f) Water Projects :

Surendranagar District integrated water supply scheme (Rs. 131 crores) and Mangalore Water Distribution System (Rs. 20 crores) are at advanced stage of completion. The Company has secured Water Supply project at Guwahati (Rs. 10 Crores). The Company has also submitted bid for a 200 MLD water supply project on BOT basis by Ulhasnagar Municipal Corporation and the outcome is awaited.

(g) Pipeline Projects :

During the period under review, Mora – Sajod Pipeline project (Rs. 80 crores) on EPC basis for Gujarat State Petronet Ltd. and construction of export pipeline for Hazira LNG Private Limited (A group company of Royal Dutch Shell) have been successfully completed. The Company was awarded the Paradip – Haldia Pipeline project by Indian Oil Corporation Limited (Rs. 34 crores) and the same is under execution. It is with great pride the Management wishes to inform you that your Company has also been awarded Water Transmission System Project at Sohar by Ministry of Housing, Electricity and Water, Sultanate of Oman (Rs. 640 crores) and the project is under execution. This is a very significant development for it marks your Company's strategic foray in the Middle East.



(h) Road Projects:

This sector offers tremendous opportunities and the outlook remains extremely encouraging for the next couple of years. It is expected that almost Rs. 50,000 crores will be spent on the road projects in the country over the next few years. Road projects undertaken through SPVs namely Rajahmundry – Dharmavaram (Rs. 219 crores) and Dharmavaram – Tuni (Rs. 212 crores) have been completed. A significant achievement is that both these projects have been completed ahead of schedule. Your Company is the lowest bidder in respect of Nashik project on BOT basis (Rs. 650 crores) and Kerala State Transport Project (Rs. 211 crores). Work orders for these projects are expected to be issued shortly. The progress of Khurda – Bhubaneswar, Bihar and Agra – Makhanpur Road projects is satisfactory and these are expected to be completed by next year.

4. Financial and Operational Performance :

The turnover of the Company stood at Rs. 86,659.60 lacs for the nine months period ended 31st December, 2004. Operating profit (PBDIT) amounted to Rs. 9,619.19 lacs as against Rs. 10,844.39 lacs in the previous year. After providing Rs. 1,645.31 lacs towards depreciation (Rs. 1,994.26 lacs), Rs. 868.60 lacs towards tax (Rs. 2,037 lacs) for current and deferred taxation, the net profit amounted to Rs. 4,290.19 lacs (Rs. 3,408.80 lacs), an increase of 26%. On annualised basis the percentage increase in net profit is 57%.

5. Outlook :

With the economy expected to grow at around 7% for the next few years and a large number of projects slated to come up in all the sectors, the outlook for infrastructure industry remains quite encouraging. For a Company like yours having formidable capabilities across the entire spectrum of construction activities, this augurs well for the long term. The order book position of your Company as on 31st December, 2004 was around Rs. 3,800 crores.

6. Risks and Concerns :

Prices of steel and cement, major raw materials for construction industry, continued to rule high throughout the period under review, which remained an area of concern. It is quite difficult to predict how the prices will move in the current year however it can only be hoped that these will stabilise.

7. Internal Control Systems and their adequacy :

Your Company having grown rapidly over the last few years, lays great importance on internal control systems across the organization. Continuous monitoring of systems and prompt attention to the areas of concern ensure that the systems prove their adequacy and utility.

Special emphasis is laid on major sites where Internal Audit is carried out continuously. Periodic audits are carried out at other sites and audit observations are thoroughly reviewed and remedial action taken promptly.

8. Material Developments in human resources, industrial relations front including number of people employed :

Your Company which has grown manifold during the last decade is acutely aware of the significance of human resource development. It believes that it is the human factor that makes all the difference to its sustained growth.

Emphasis in Human Resource Management is to build organizational capabilities through talent scouting, leadership development, improvement in problem solving capabilities, and training for upgradation of technical and managerial skills. Efforts are directed to help individuals recognize their potential through challenging assignments involving increased responsibilities.

The Company has always maintained excellent relations with its employees throughout the organization and these remained cordial during the period under review. There are around 1500 employees in the management and staff category and around 6000 skilled personnel engaged at various sites at any given time.

9. Cautionary Statement :

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations are "forward looking statements". Actual results might differ from those anticipated because of changing ground realities, government policies, economic & political developments, market conditions etc.

For GAMMON INDIA LTD.

ABHIJIT RAJAN
Chairman & Managing Director

Place : Mumbai

Dated : 19th May, 2005



**AUDITORS' REPORT
TO
THE MEMBERS OF GAMMON INDIA LIMITED**

We have audited the attached Balance Sheet of **GAMMON INDIA LIMITED** as at 31st December, 2004 and the Profit and Loss Account of the Company for the Nine Month period ended on that date annexed thereto and the Cash Flow Statement for the Nine month period ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit.
- (ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of the books.
- (iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- (v) On the basis of the written representation received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December, 2004 from being appointed as a director in terms of Clause (g) of Sub-section (1) of section 274 of the Companies Act, 1956 on the said date.
- (vi) In our opinion and to the best of our information and according to the explanation given to us, the accounts read with the notes thereon give the information required by the Companies Act, 1956 in the manner so require and give a true and fair view:
 - (a) in the case of Balance Sheet of the State of Affairs of the Company as at 31st December, 2004,
 - (b) in the case of Profit and Loss Account of the Profit for the Nine month period ended on 31st December, 2004and
 - (c) In the case of the Cash Flow Statement, of the cash flow for the Nine month period ended on that date.

*For NATVARLAL VEPARI & CO.
Chartered Accountants*

N. JAYENDRAN
Partner
M. No. 40441

Mumbai, Dated: March 25, 2005.

**ANNEXURE TO THE AUDITORS' REPORT
(REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE)**

- (i) (a) The Company is maintaining proper records showing particulars, including quantitative details and situation of fixed assets;
- (b) The Company has a regular programme for physical verification of its fixed assets which in our opinion is reasonable having regard to the size of the Company and the nature of its assets and operations. In accordance with this programme, the Management during the current year has physically verified significant fixed assets and no material discrepancies have been identified on such verification. In respect of the fixed assets lying in Iraq and Libya, the present status thereof is uncertain. Reference is invited to Note B-4 of schedule 16.
- (c) The Company has not disposed off any substantial part of the fixed assets.
- (ii) (a) The Company is a construction company having work sites spread all over India and Abroad. The records of materials, stores are maintained at the respective sites, which have been verified by the Management during the year at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedure of physical verification of stock followed by the Management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The discrepancies noticed between the physical stocks and books stocks were not material and the valuation of stock has been done on the basis of physically verified quantity. Therefore Shortage / Excess automatically get adjusted and the same is properly dealt in the books of accounts.
- (iii) (a) There are Nine parties covered in the register maintained under section 301 of the Companies Act, 1956 including the subsidiaries to which the Company has granted loans. The maximum amount involved during the year was Rs. 6,763.13 lacs and at the end of the year balance of loans granted to such parties were Rs. 5,134.61 lacs.
- (b) In our opinion the rate of interest wherever charged and the other terms and conditions of such loans are not *prima-facie* prejudicial to the interest of the Company.
- (c) There are no stipulations for the repayment of principal and the interest. The outstanding interest receivable as at 31st December, 2004 was Rs. 83.11 lacs, which has since been received.
- (d) The Company has taken loans from two parties listed in the register maintained under section 301 of the Company. The aggregate amount of the maximum outstanding during the year was Rs. 693.92 lacs and the balance outstanding at the end of the year was Rs. Nil.
- (e) The rate of interest and the terms and conditions are not *prima facie* prejudicial to the interests of the Company.
- (f) There are no stipulations for the repayment of principal and the interest.
- (iv) In our opinion and according to the information and explanations given to us there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. We have not come across any continuing failure to correct major weaknesses in internal control.
- (v) (a) In our opinion and according to the information and explanations given to us the transactions that need to be entered into a register in pursuance of section 301 of the Act has been properly entered.
- (b) All the transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time and the nature of services rendered by such parties.
- (vi) The Company has not accepted any deposits from the public during the year under review, and consequently the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Act and the rules framed there under are not applicable. However, in respect of the existing deposits the Company has complied with the law framed under section 58A of the Act.



- (vii) In our opinion the Company has an Internal Audit system commensurate with the size of the Company and the nature of its business.
- (viii) According to the records produced and information given to us, the Central Government has not prescribed the maintenance of the cost records and accounts under section 209(1)(d) of the Companies Act, 1956.
- (ix) (a) The Company has been by and large regular in depositing Provident Fund, Employees State Insurance, Income tax, Wealth tax and Sales tax dues with the appropriate authorities. However, in case of service tax which has become applicable to the Company from Sep 04, the Company has not deposited the Service tax dues as required under the Law. The same has since been deposited as at the date of the Balance Sheet. On the basis of the audit procedures followed, test checks of the transaction and the representation from the Management there are no arrears of outstanding statutory dues as at the last day of the financial year for a period of more than six months from the date they became payable except the following amounts:

| S. No. | Nature of Dues | Amount Rs. |
|--------|----------------------------------|------------|
| 1 | Sales Tax/Works Contract Tax | 30,824 |
| 2 | Jharkand State Electricity Board | 50,42,755 |

- (b) According to the information and explanation given to us, the following Tax/duty etc. has not been deposited on account of dispute.

| Name of the Statute | Nature of Dues | Amount (Rs in Lacs) | Period to which the amount relates | Forum where dispute is pending |
|---------------------|--|---------------------|--|----------------------------------|
| Sales Tax | Want of E-1 Forms | 12.83 | 1987-88 | DC-Appeals |
| Sales Tax | Sales – tax Set off | 2.14 | 1985-86 | Tribunal |
| Sales Tax | Entry Tax | 0.53 | 1992-93/1993-94 | AC. Appeals |
| Sales Tax | Disallowance of Labour Charges | 32.87 | 01.04.92 to 31.03.96 01.04.98 to 31.03.03 | AC. Appeals |
| Sales Tax | Disallowance of Labour Charges | 29.83 | 2001-02 | DC-Appeals |
| Sales Tax | Disallowance of Form G | 80.68 | 2002-03/2003-04 | AC. Appeals |
| Sales Tax | Reassessment | 8.76 | 1999-2000 | DC-Appeals |
| Sales Tax | Disallowance of Stock Transfer | 67.00 | 2002-03 | DC-Appeals |
| Sales Tax | Wrong estimation of Gross Contractual Transfer price | 63.45 | 01.04.94 to 31.03.02 | Tribunal |
| Sales Tax | Benefit of Exemption on pre-cast component | 6.05 | 1993-94/1994-95 | Tribunal |
| Sales Tax | Benefit of Exemption on pre-cast component | 72.94 | 01.04.95 to 31.03.98 | AC. Appeals |
| Excise Duty | Disputed demand of Ratnagiri Job | 16.24 | 1994-95 | CEGAT, Mumbai. |
| Excise Duty | Disputed demand of Neyveli Chimney | 3.24 | 1988-89 | Comm. of Central Excise |
| Custom Duty | Disputed demand of NHAI Project | 32.47 | 2001-02 | Supreme Court |
| ESIC Matter | Old disputed demands | 20.54 | Nov'92 to Dec'95 | Addnl. District Judge, Rourkela. |

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- (x) The Company does not have any accumulated losses and has not incurred cash losses in current year and the previous year.
 - (xi) In our opinion and according to the information and explanation given to us by the Management the Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
 - (xii) On the basis of the audit procedures followed, the test checks of the transactions during the course of our audit and the representations from the Management, the Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
 - (xiii) The Company is not a nidhi/ mutual benefit fund/societies and accordingly clause (xiii) is not applicable.
 - (xiv) The Company has maintained proper records of securities and other investments, which it has traded in and also in respect of shares and other securities, held as investments and the said investments are in the name of the Company.
 - (xv) According to the information and explanations the Company has given corporate guarantee for loans taken by companies in the group from banks or financial institutions for which it has obtained counter guarantee from the other entities. The other terms and conditions are not prejudicial to the interest of the Company.
 - (xvi) The term loans taken during the year have been applied for the purpose for which the loans were obtained.
 - (xvii) According to the information and explanation given to us, on an over all examination of the Balance Sheet of the Company and the necessary representations from the Management including those represented to the bankers and lenders in the Credit Monitoring Arrangement Statement, we report that no short term funds raised by the Company have been applied towards long term assets/investments.
 - (xviii) The Company has made preferential allotment during the year to parties and companies other than those covered in the Register maintained under section 301 of the Act. Accordingly clause (xviii) of the Companies (Auditors' Report) Order, 2003 is not applicable.
 - (xix) The Company has created the charge and delivered the debentures in respect of debentures issued to the extent of Rs. 2,100 lacs during the previous year, which was pending to be created as at the last Balance Sheet date. No New debentures are issued during the year for which charge is required to be created.
 - (xx) The Company has raised money by way of Global Depository Receipts on the Luxemburg Stock Exchange. The Management has disclosed in the Balance Sheet that the proceeds from the issue are lying in an escrow account as at the Balance Sheet date. The relevant Bank Balance certificate has been verified by us.
 - (xxi) Based on the audit procedures performed and the information and explanation given by the Management we report that no fraud on or by the Company has been noticed or reported during the year.

*For NATVARLAL VEPARI & CO.
Chartered Accountants*

N. JAYENDRAN
Partner
M. No. 40441

Mumbai, Dated: March 25, 2005

**BALANCE SHEET AS AT 31ST DECEMBER, 2004**

| | Schedule No. | As at 31 st December, 2004 | | As at 31 st March, 2004 | |
|--|--------------|---------------------------------------|------------------|------------------------------------|------------------|
| | | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs |
| SOURCES OF FUNDS : | | | | | |
| Shareholders' Funds | | | | | |
| Capital | 1 | 1,557.91 | | 1,283.81 | |
| Reserves & Surplus | 2 | 37,875.17 | | 20,946.58 | |
| | | | 39,433.08 | | 22,230.39 |
| Loan Funds | | | | | |
| Secured Loans | 3 | 15,558.52 | | 11,428.39 | |
| Unsecured Loans | 4 | 14,751.00 | | 10,390.00 | |
| | | | 30,309.52 | | 21,818.39 |
| Deferred Tax Liability | | | 3,658.88 | | 3,198.28 |
| TOTAL | | | 73,401.48 | | 47,247.06 |
| APPLICATION OF FUNDS : | | | | | |
| Fixed Assets | 5 | | | | |
| — Gross Block | | 45,048.90 | | 41,420.10 | |
| Less : Depreciation & Impairment | | 14,082.46 | | 12,370.42 | |
| — Net Block | | 30,966.44 | | 29,049.68 | |
| Add : Capital Work-in-progress | | 1,280.70 | | 481.19 | |
| | | | 32,247.14 | | 29,530.87 |
| Investments | 6 | | 8,962.20 | | 8,048.79 |
| Current Assets, Loans and Advances : | | | | | |
| Interest Accrued Receivable | | 261.90 | | 212.41 | |
| Inventories | 7 | 34,943.88 | | 26,750.70 | |
| Sundry Debtors | 8 | 23,353.65 | | 17,179.95 | |
| Cash & Bank Balances | 9 | 7,280.18 | | 2,795.43 | |
| Loans & Advances | 10 | 16,744.24 | | 12,195.01 | |
| | | 82,583.85 | | 59,133.50 | |
| Less: Current Liabilities and Provisions : | 11 | | | | |
| Current Liabilities | | 49,476.21 | | 48,810.91 | |
| Provisions | | 915.50 | | 655.19 | |
| | | 50,391.71 | | 49,466.10 | |
| | | | 32,192.14 | | 9,667.40 |
| TOTAL | | | 73,401.48 | | 47,247.06 |
| Notes to Accounts | 16 | | | | |

Schedules 1 to 16 annexed hereto form part of the Balance Sheet and Profit and Loss Account.

As per our attached report of even date.

For and on behalf of the Board of Directors

For NATVARLAL VEPARI & CO.
Chartered AccountantsN. JAYENDRAN
Partner
M. No. 40441Mumbai, Dated: 25th March, 2005.ABHIJIT RAJAN
Chairman & Managing DirectorS. K. GUHA THAKURTA
DirectorRAJUL A. BHANSALI
Executive DirectorMumbai, Dated: 25th March, 2005.C. C. DAYAL
DirectorHIMANSHU PARIKH
DirectorP. S. GUPCHUP
Company Secretary

**PROFIT AND LOSS ACCOUNT FOR THE NINE MONTH
PERIOD ENDED 31st DECEMBER, 2004**

| | Schedule No. | April 2004 – December 2004 | | April 2003 – March 2004 | |
|---|--------------|----------------------------|-------------------|-------------------------|-------------------|
| | | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs |
| INCOME : | | | | | |
| Turnover | | 86,659.60 | | 111,971.53 | |
| Other Operating Income | 12 | 1,093.24 | | 406.50 | |
| Other Income | 12A | 25.75 | | 55.14 | |
| | | | 87,778.59 | | 112,433.17 |
| EXPENDITURE : | | | | | |
| Expenditure on Contracts | 13 | 75,931.92 | | 99,077.34 | |
| Establishment Expenses | 14 | 2,227.48 | | 2,511.44 | |
| Financial Costs | 15 | 2,815.09 | | 3,404.33 | |
| Depreciation | | 1,645.31 | | 1,994.26 | |
| PROFIT BEFORE TAX | | | 82,619.80 | | 106,987.37 |
| Provision for Taxation : | | | 5,158.79 | | 5,445.80 |
| — Current | | 408.00 | | 1,500.00 | |
| — Deferred | | 460.60 | | 537.00 | |
| | | | 868.60 | | 2,037.00 |
| PROFIT AFTER TAX | | | 4,290.19 | | 3,408.80 |
| Add/(Less) | | | | | |
| Short Provision of taxation for earlier years | | | (475.91) | | (482.30) |
| NET PROFIT FOR THE YEAR | | | 3,814.28 | | 2,926.50 |
| Profit Brought Forward from last year | | | 3,543.17 | | 2,977.19 |
| PROFIT AVAILABLE FOR APPROPRIATION | | | 7,357.45 | | 5,903.69 |
| Amount Transferred to General Reserve | | (1,606.08) | | (900.00) | |
| Debenture Redemption Reserve | | (1,072.00) | | (1,072.00) | |
| Foreign Projects Reserve | | — | | (32.00) | |
| Proposed Dividend | | (384.55) | | (316.03) | |
| Tax on Dividend | | (54.75) | | (40.49) | |
| | | | (3,117.38) | | (2,360.52) |
| Balance carried to Balance Sheet | | | 4,240.07 | | 3,543.17 |
| As at Balance Sheet before share split | | | | | |
| Weighted Average No. of Equity Shares O/S | | | 12,887,658 | | 12,495,984 |
| Nominal Value of Equity Shares | | | 10 | | 10 |
| Earnings Per Share | | | | | |
| Basic | | | 29.60 | | 23.42 |
| Diluted | | | 29.27 | | 23.15 |
| W.e.f. 28 th February, 2005 after stock split (Refer Note B - 16) | | | | | |
| Weighted Average No. of Equity Shares O/S | | | 64,438,290 | | 62,479,920 |
| Nominal Value of Equity Shares | | | 2 | | 2 |
| Earnings Per Share | | | | | |
| Basic | | | 5.92 | | 4.68 |
| Diluted | | | 5.85 | | 4.63 |
| Notes to Accounts | 16 | | | | |

Schedules 1 to 16 annexed hereto form part of the Balance Sheet and Profit and Loss Account.

As per our attached report of even date.

For and on behalf of the Board of Directors

For NATVARLAL VEPARI & CO.
Chartered Accountants

N. JAYENDRAN
Partner
M. No. 40441

Mumbai, Dated: 25th March, 2005.

ABHIJIT RAJAN
Chairman & Managing Director

S. K. GUHA THAKURTA
Director

RAJUL A. BHANSALI
Executive Director

Mumbai, Dated: 25th March, 2005.

C. C. DAYAL
Director

HIMANSHU PARIKH
Director

P. S. GUPCHUP
Company Secretary



**SCHEDULES 1 TO 16 ATTACHED TO AND FORMING PART OF THE BALANCE SHEET
AS AT 31st DECEMBER, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE
NINE MONTH PERIOD ENDED 31st DECEMBER, 2004**

| | 31.12.2004 | | 31.03.2004 | |
|--|-------------|-------------|-------------|-------------|
| | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs |
| SCHEDULE 1 | | | | |
| SHARE CAPITAL : | | | | |
| AUTHORISED : | | | | |
| 5,00,00,000 Equity Shares of Rs. 10/- each | | 5,000.00 | | 5,000.00 |
| ISSUED : | | | | |
| 1,55,53,122 (<i>Previous Year 1,28,12,092</i>) Equity Shares of Rs. 10/- each fully paid | | 1,555.31 | | 1,281.21 |
| SUBSCRIBED AND PAID-UP : | | | | |
| 1,54,07,962 (<i>Previous Year 1,26,66,932</i>) Equity Shares of Rs. 10/- each | 1,540.79 | | 1,266.69 | |
| Less: Forfeiture of 1,70,948 Equity Shares of Rs. 10/- each | 17.09 | | 17.09 | |
| | | 1,523.70 | | 1,249.60 |
| Of the above : | | | | |
| [52,800 Shares are issued for consideration other than Cash. 11,61,340 Shares are issued as fully paid Bonus Shares by Capitalisation of Rs. 70.68 lacs from Reserves and Rs. 45.45 lacs from Share Premium Account] | | | | |
| SHARE FORFEITURE ACCOUNT : | | | | |
| Money received in respect of 1,70,948 Rights Shares forfeited | | 34.21 | | 34.21 |
| | | 1,557.91 | | 1,283.81 |
| SCHEDULE 2 | | | | |
| RESERVES AND SURPLUS : | | | | |
| FOREIGN PROJECTS RESERVE ACCOUNT : | | | | |
| As per last Balance Sheet | 32.00 | | 100.00 | |
| Add: Transferred from Profit and Loss A/c | — | | 32.00 | |
| Less: Transferred to General Reserve A/c | — | | 100.00 | |
| | | 32.00 | | 32.00 |
| GENERAL RESERVE ACCOUNT : | | | | |
| As per last Balance Sheet | 6,000.00 | | 5,000.00 | |
| Add: Transferred from Foreign Project Reserve | — | | 100.00 | |
| Add: Transferred from Profit and Loss A/c | 1,606.08 | | 900.00 | |
| | 7,606.08 | | 6,000.00 | |
| Less: Impairment Charge of earlier year (Refer Note No. B-21 c) | 106.08 | | — | |
| | | 7,500.00 | | 6,000.00 |
| SECURITIES PREMIUM ACCOUNT : | | | | |
| As per last Balance Sheet | 2,415.82 | | 2,415.82 | |
| On issue of 18,25,000 Equity Shares @ Rs. 495/- per share | 9,033.75 | | — | |
| On issue of 9,16,030 Equity Shares @ Rs. 565/- per share | 5,175.57 | | — | |
| | 16,625.14 | | 2,415.82 | |
| Less: Share Issue Expenses | 441.21 | | — | |
| | | 16,183.93 | | 2,415.82 |
| Carried forward | | 23,715.93 | | 8,447.82 |

| | 31.12.2004 | | 31.03.2004 | |
|---|-----------------|------------------|-----------------|------------------|
| | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs |
| Brought forward | | 23,715.93 | | 8,447.82 |
| REVALUATION RESERVE ACCOUNT : | | | | |
| As per last Balance Sheet | 7,021.59 | | 7,172.88 | |
| Less: Depreciation on Revalued Assets | <u>108.42</u> | | <u>151.29</u> | |
| | | 6,913.17 | | 7,021.59 |
| DEBENTURE REDEMPTION RESERVE ACCOUNT : | | | | |
| As per last Balance Sheet | 1,934.00 | | 862.00 | |
| Add: Transferred from Profit and Loss A/c | <u>1,072.00</u> | | <u>1,072.00</u> | |
| | | 3,006.00 | | 1,934.00 |
| PROFIT AND LOSS ACCOUNT | | <u>4,240.07</u> | | <u>3,543.17</u> |
| | | <u>37,875.17</u> | | <u>20,946.58</u> |

| | 31.12.2004 | 31.03.2004 |
|---|------------------|------------------|
| | Rs. in Lacs | Rs. in Lacs |
| SCHEDULE 3 | | |
| SECURED LOANS : | | |
| Non Convertible Debentures placed with Banks and Financial Institutions. Refer Note: B-2 | 9,000.00 | 9,000.00 |
| From Canara Bank Led Consortium : | | |
| Short term loan secured by a charge over all the Company's Assets in India, including Equitable Mortgage of the immovable property (excluding Leasehold Property, Plant & Machinery hypothecated to the Bankers and Financial Institutions under various Asset Financing Schemes) | 6,524.84 | 4.23 |
| Loans (Secured by hypothecation of Assets purchased under the scheme): | | |
| Canara Bank | — | 2,384.17 |
| Ford Credit Kotak Mahindra Ltd. | 27.92 | 32.14 |
| Kotak Mahindra Primus Ltd. | 5.76 | 7.85 |
| [Out of the above loans Rs. 15.71 lacs are due for repayment within one year (Previous Year – Rs. 814.31 lacs)] | | |
| | <u>15,558.52</u> | <u>11,428.39</u> |



SCHEDULE 4

UNSECURED LOANS :

Fixed Deposits (Amounts due within one year Rs. 659.51 lacs;
Previous Year – Rs. 514.36 lacs)

Other Short Term Loans from Banks :

— Commercial Paper

— Other Loans

Commercial Paper maximum outstanding Rs. 9,500.00 lacs;
(Previous Year – Rs. 9,300.00 lacs)

| | 31.12.2004 | | 31.03.2004 | |
|--|-------------|-------------|-------------|-------------|
| | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs |
| Fixed Deposits (Amounts due within one year Rs. 659.51 lacs; Previous Year – Rs. 514.36 lacs) | | 751.00 | | 1,190.00 |
| Other Short Term Loans from Banks : | | | | |
| — Commercial Paper | 4,500.00 | | 9,200.00 | |
| — Other Loans | 9,500.00 | | — | |
| | | 14,000.00 | | 9,200.00 |
| Commercial Paper maximum outstanding Rs. 9,500.00 lacs; (Previous Year – Rs. 9,300.00 lacs) | | | | |
| | | 14,751.00 | | 10,390.00 |

SCHEDULE 5

FIXED ASSETS :

Rs. in Lacs

| PARTICULARS | GROSS BLOCK | | | DEPRECIATION | | | | NET BLOCK | | | |
|---------------------|---------------------|-----------------|--------------------------------------|---------------------|---------------------|-----------------|--------------------------------------|-----------------|---------------------|---------------------|---------------------|
| | AS AT 01.04.2004 | ADDI- TIONS | DEDUC- TIONS/ ADJUST- MENTS | AS AT 31.12.2004 | AS AT 01.04.2004 | FOR THE YEAR | DEDUC- TIONS/ ADJUST- MENTS | IMPAIR- MENT | AS AT 31.12.2004 | AS AT 31.12.2004 | AS AT 31.03.2004 |
| LEASEHOLD LAND | 3.93 | 0.39 | 0.09 | 4.23 | — | — | — | — | — | 4.23 | 3.93 |
| FREEHOLD PROPERTY | 8,657.72 | 0.30 | — | 8,658.02 | 1,009.65 | 118.33 | — | — | 1,127.98 | 7,530.04 | 7,648.07 |
| PLANT AND MACHINERY | 27,523.80 | 3,258.89 | 75.02 | 30,707.67 | 9,051.79 | 1,268.46 | 49.28 | 106.08 | 10,377.05 | 20,330.62 | 18,472.01 |
| MOTOR VEHICLES | 4,473.61 | 485.17 | 106.86 | 4,851.92 | 2,020.45 | 313.51 | 98.48 | — | 2,235.48 | 2,616.44 | 2,453.16 |
| OFFICE EQUIPMENTS | 761.04 | 66.97 | 0.95 | 827.06 | 288.53 | 53.43 | 0.01 | — | 341.95 | 485.11 | 472.51 |
| TOTAL | 41,420.10 | 3,811.72 | 182.92 | 45,048.90 | 12,370.42 | 1,753.73 | 147.77 | 106.08 | 14,082.46 | 30,966.44 | 29,049.68 |
| PREVIOUS YEAR | 38,078.85 | 3,503.48 | 162.22 | 41,420.10 | 10,289.69 | 2,145.54 | 64.82 | — | 12,370.42 | 29,049.68 | |

ADD: CAPITAL WORK IN
PROGRESS INCLUDING
CAPITAL ADVANCES

| | |
|-----------|-----------|
| 1,280.70 | 481.19 |
| 32,247.14 | 29,530.87 |

NOTES :

- Total of Gross Block of Fixed Assets includes cost of Fixed Assets at Foreign Sites Rs. 202.73 lacs (Previous Year – Rs. 359.26 lacs).
- Freehold Property includes cost of Freehold Land Rs. 341.64 lacs (Previous Year – Rs. 341.34 lacs).
- Leasehold Land is at cost less amount written off.
- The Company has revalued on 31st March, 1999 all its Freehold Property except three properties existing as on 31st March, 1999 by Approved valuers. The consequent increase in the value of Fixed Assets amounted to Rs. 7,860.00 lacs and has been credited to the Revaluation Reserve A/c.
- Depreciation for the nine months period amounts to Rs. 1,753.73 lacs (Previous Year – Rs. 2,145.54 lacs) from which has been deducted a sum of Rs. 108.42 lacs (Previous Year – Rs. 151.29 lacs) being the Depreciation in respect of Revaluation of Fixed Assets which has been drawn from the Revaluation Reserve A/c.
- Exchange Difference Capitalised/(Decapitalised) during the period Rs. 7.10 lacs (Previous Year – Rs. 18.29 lacs).
- As per the AS 28 the Company has conducted review of assets. (Refer Note B - 21).

| | Face Value Rupees | Nos. as on 31.12.2004 | Nos. as on 31.03.2004 | 31.12.2004 Rs. in Lacs | 31.03.2004 Rs. in Lacs |
|--|----------------------|--------------------------|--------------------------|---------------------------|---------------------------|
| SCHEDULE 6 | | | | | |
| INVESTMENTS : | | | | | |
| INVESTMENTS (AT BOOK VALUE) | | | | | |
| 1. INVESTMENT IN GOVERNMENT SECURITIES : | | | | | |
| (a) 6.75% Tax Free US64 Bonds | | 17,775 | 17,775 | 17.79 | 17.79 |
| MKVDC Bonds | 100,000 | 98 | 98 | 98.00 | 98.00 |
| (b) Other Government Securities lodged with Contractees as Deposit: | | | | | |
| Unquoted : | | | | | |
| Sardar Sarovar Narmada Nigam Ltd. – Bonds | | | | 10.00 | 10.00 |
| Others | | | | 12.05 | 12.05 |
| Government Securities Others – Unquoted (Indira Vikas Patras and National Savings Certificates) | | | | 1.10 | 1.10 |
| | | | | 138.94 | 138.94 |
| 2. INVESTMENT IN SHARES & DEBENTURES : | | | | | |
| (a) TRADE INVESTMENTS (FOREIGN) | | | | | |
| Ordinary Shares: (Unquoted, fully paid-up) | | | | | |
| Promet Berhad, M\$ 1 each | | 39,062 | 39,062 | — | — |
| Gammon Mideast Ltd., Dhs. 1,000 each Dhs. 7,85,000 (Under Liquidation) (Fully Provided) | | 1,142 | 1,142 | 17.56 | 17.56 |
| | | | | 17.56 | 17.56 |
| (b) TRADE INVESTMENTS: (INDIAN) (Fully paid-up unless otherwise stated) | | | | | |
| Ordinary Shares: (Unquoted) | | | | | |
| Shah Gammon Ltd. | 100 | 835 | 835 | 0.89 | 0.89 |
| Airscrew (India) Ltd. (Rs. 5/- paid-up) | 100 | 200 | 200 | 0.01 | 0.01 |
| Bhagirathi Bridge Construction Co. Ltd. | 100 | 300 | 300 | 0.30 | 0.30 |
| Equipment Management Co. (India) Ltd. | 10 | — | 4,990,010 | — | 499.00 |
| Gammon Cooling Towers Ltd. | 10 | 10 | 10 | — | — |
| STFA Piling (India) Ltd. (Fully Provided) | 10 | 217,321 | 217,321 | 21.73 | 21.73 |
| The Freyssinet Prestressed Concrete Co. Ltd. (FPCC) | 10 | 444,744 | 444,744 | 43.94 | 43.94 |
| Rajahmundry Expressway Ltd. [Refer Note No.: B 32 (i)] | 10 | 6,732,000 | 6,732,000 | 673.20 | 673.20 |
| Andhra Expressway Ltd. [Refer Note No.: B 32 (ii)] | 10 | 6,528,000 | 6,528,000 | 652.80 | 652.80 |
| Gammon Nirman Ltd. | 100 | 204 | 204 | 0.20 | 0.20 |
| Gammon Turnkeys Ltd. | 100 | 600 | 600 | 0.59 | 0.59 |
| Ordinary Shares: (Quoted) | | | | | |
| Associated Transrail Structures Ltd. | 100 | 2,902,340 | 2,902,340 | 168.57 | 168.57 |
| | | | | 1,562.23 | 2,061.23 |
| (c) INVESTMENT IN SUBSIDIARY COMPANIES (Fully paid-up unless otherwise stated) | | | | | |
| Ordinary Shares: (Unquoted) | | | | | |
| Cochin Bridge Infrastructure Company Ltd. [Refer Note No.: B 32 (iii)] | 10 | 3,264,056 | 3,264,056 | 326.41 | 326.41 |
| Vizag Seaport Private Ltd. | 10 | 14,275,000 | 7,550,000 | 1,427.50 | 755.00 |
| Gammon Infrastructure Projects Ltd. | 10 | 40,422,900 | 40,422,900 | 4,042.29 | 4,042.29 |
| Gammon & Billimoria Ltd. | 10 | 50,940 | 50,940 | 5.09 | 5.09 |
| | | | | 5,801.29 | 5,128.79 |
| (d) OTHER INVESTMENTS (Fully paid-up unless otherwise stated) | | | | | |
| Modern Flats Ltd (Unquoted) | | | | | |
| Equity Shares | 10 | 2,040 | 2,040 | 0.22 | 0.22 |
| Ordinary Shares: (Quoted) | | | | | |
| Centurion Bank Ltd. | 1 | 20,160 | 2,016 | 0.11 | 0.11 |
| Housing Development Finance Corporation Ltd. | 10 | 8,000 | 8,000 | 18.44 | 18.44 |
| HDFC Bank Ltd. | 10 | 1,000 | 1,000 | 2.26 | 2.26 |
| ICICI Bank Ltd. | 10 | 2,500 | 2,500 | 3.71 | 3.71 |
| Infosys Ltd. | 5 | 200 | 50 | 3.05 | 3.05 |
| Larsen & Toubro Ltd * (Previous Year Face Value Rs. 10/-) | 2 | 2,000 | 4,000 | 8.51 | 8.51 |
| Ultratech Cement Ltd.* | 10 | 1,600 | | | |
| | | | | 36.30 | 36.30 |
| Carried forward | | | | 7,556.32 | 7,382.82 |

*As the ratio on demerger of L&T Cement division from L&T is not disclosed, consolidated value of investment is shown in the books.



| | Face Value Rupees | Nos. as on 31.12.2004 | Nos. as on 31.03.2004 | 31.12.2004 Rs. in Lacs | 31.03.2004 Rs. in Lacs |
|--|----------------------|--------------------------|--------------------------|---------------------------|---------------------------|
| Brought forward | | | | 7,556.32 | 7,382.82 |
| (e) Share Application Money pending Allotment | | | | 1,446.77 | 706.86 |
| 3. INVESTMENT IN PARTNERSHIP : | | | | | |
| CAPITAL CONTRIBUTION | | | | | |
| Gammon Shah (Fully Provided) | | | | 0.25 | 0.25 |
| GRAND TOTAL | | | | <u>9,003.34</u> | <u>8,089.93</u> |
| Less : Provisions | | | | 41.14 | 41.14 |
| | | | | <u>8,962.20</u> | <u>8,048.79</u> |
| SUMMARY OF INVESTMENTS : | | | | | |
| Unquoted : | | | | | |
| Aggregate Book Value of Foreign Investments | | | | 17.56 | 17.56 |
| Aggregate Book Value of Indian Investments (including Share Application Money) | | | | 8,781.12 | 7,867.71 |
| | | | | <u>8,798.68</u> | <u>7,885.27</u> |
| Quoted : | | | | | |
| Aggregate Value of Investments | | | | 204.66 | 204.66 |
| GRAND TOTAL | | | | <u>9,003.34</u> | <u>8,089.93</u> |
| Market Value of Quoted Investments | | | | <u>246.10</u> | <u>229.11</u> |

SCHEDULE 7

INVENTORIES :

Stores and Construction Materials at or below Costs as verified and valued by Site Auditors
Less: Value of Materials drawn from Contractees Contra — Refer Schedule 11

Expenditure on Contracts including Estimated Profits

| | 31.12.2004 | | 31.03.2004 | |
|--|-------------|------------------|-------------|------------------|
| | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs |
| | 11,883.96 | | 9,022.91 | |
| | 494.25 | | 120.46 | |
| | | 11,389.71 | | 8,902.45 |
| | | <u>23,554.17</u> | | <u>17,848.25</u> |
| | | <u>34,943.88</u> | | <u>26,750.70</u> |

SCHEDULE 8

SUNDRY DEBTORS :

(Unsecured, Considered Good, Refer Note No.: B 3)
Outstanding for over six months (including Retention Money Rs. 4,907.07 lacs; Previous Year – Rs. 3,094.45 lacs)
Other Debts (including Retention Money Rs. 565.37 lacs; Previous Year – Rs. 2,113.28 lacs)

| | 31.12.2004 Rs. in Lacs | 31.03.2004 Rs. in Lacs |
|--|---------------------------|---------------------------|
| | 7,395.97 | 5,537.84 |
| | 15,957.68 | 11,642.11 |
| | <u>23,353.65</u> | <u>17,179.95</u> |

| | 31.12.2004 | | 31.03.2004 | |
|--|--|------------------|--|------------------|
| | Rs. in Lacs Maximum due at any time during the year | Rs. in Lacs | Rs. in Lacs Maximum due at any time during the year | Rs. in Lacs |
| SCHEDULE 9 | | | | |
| CASH AND BANK BALANCES : | | | | |
| Cash on Hand (Including at Foreign Site Rs. 2.58 lacs; <i>Previous Year – Rs. 2.75 lacs</i>) | — | 84.09 | — | 33.42 |
| Funds-in-Transit and in hand | — | 413.04 | — | 1,435.15 |
| With Scheduled Banks : | | | | |
| (a) On Current Accounts | — | 1,147.90 | — | 757.86 |
| (b) Unpaid Dividend Bank Account | — | 29.09 | — | 27.13 |
| (c) On Fixed Deposit Account | — | 86.38 | — | 305.81 |
| With Non-Scheduled Banks : | | | | |
| (a) On Current Accounts : | | | | |
| Canara Bank, Nepal | 0.35 | 0.35 | 0.35 | 0.35 |
| Bank of Bhutan | 0.03 | 0.03 | 0.03 | 0.03 |
| Rafidian Bank, Baghdad | 5.80 | 5.80 | 5.80 | 5.80 |
| Umma Bank, Al-Fatah | 0.08 | 0.08 | 0.08 | 0.08 |
| Umma Bank, Tripoli | 0.08 | 0.08 | 0.08 | 0.08 |
| Nepal Bank Ltd. | 0.01 | 0.01 | 0.01 | 0.01 |
| Nabil Bank Site Account | 0.04 | 0.04 | 0.04 | 0.04 |
| Nabil Bank Collection a/c. | 0.17 | 0.17 | 0.17 | 0.17 |
| Nabil Bank US \$ Account | 0.77 | 0.77 | 0.77 | 0.77 |
| Bank of Foreign Economic Affairs of the USSR. | 183.44 | 183.44 | 183.44 | 183.44 |
| Standard Chartered Bank, Bangladesh. | 82.46 | 54.78 | 66.31 | 21.23 |
| Allahabad Bank, Dolphin Jetty | 204.43 | 15.99 | 195.23 | 12.18 |
| HSBC, Abu Dhabi | 9.66 | 1.13 | 2.43 | 2.43 |
| Canara Bank, London (GDR proceeds) | 5,247.56 | 5,247.56 | — | — |
| (b) On Call Deposits : | | | | |
| — UCO Bank, London | 1.60 | 1.60 | 1.60 | 1.60 |
| (c) On Fixed Deposits : | | | | |
| — UCO Bank, London | 7.85 | 7.85 | 7.85 | 7.85 |
| | | <u>7,280.18</u> | | <u>2,795.43</u> |
| SCHEDULE 10 | | | | |
| LOANS AND ADVANCES : | | | | |
| (Unsecured, considered good, unless otherwise stated) | | | | |
| Advances recoverable in cash or in kind or for value to be received | 6,695.51 | | 5,687.85 | |
| Less : Provision made | <u>96.21</u> | | <u>96.21</u> | |
| | | 6,599.30 | | 5,591.64 |
| Dues from/loans to Subsidiary Companies : | | | | |
| Gammon & Billimoria Limited | 231.65 | | 165.63 | |
| Cochin Bridge Infrastructure Company Limited | 2,693.22 | | 10.47 | |
| Gammon Infrastructures Projects Limited | 261.95 | | 0.07 | |
| Vizag Seaport Private Ltd. | <u>1,169.14</u> | | <u>143.94</u> | |
| | | 4,355.96 | | 320.11 |
| Prepaid Taxes (Net of Provisions): | | | | |
| Advance Taxes Paid | 5,741.10 | | 5,012.46 | |
| Less : Provision for Taxation | <u>3,445.00</u> | | <u>2,558.96</u> | |
| | | 2,296.10 | | 2,453.50 |
| Tender Deposits | | 384.30 | | 738.50 |
| Other Deposits | | 2,207.58 | | 1,880.38 |
| Deposits with Joint Stock Companies : | | | | |
| — Considered Good | 901.00 | | 1,210.88 | |
| — Considered doubtful (including interest) | 640.17 | | 640.17 | |
| Less : Provision made | <u>(640.17)</u> | | <u>(640.17)</u> | |
| | | 901.00 | | 1,210.88 |
| | | <u>16,744.24</u> | | <u>12,195.01</u> |



| | 31.12.2004 | | 31.03.2004 | |
|--|-------------|------------------|---------------|------------------|
| | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs |
| SCHEDULE 11 | | | | |
| CURRENT LIABILITIES : | | | | |
| Sundry Creditors | | 30,296.22 | | 22,873.94 |
| Other Liabilities | | | | |
| Advances from Clients | 16,501.64 | | 22,903.62 | |
| Less : Value of Materials drawn from Contractees Contra — Refer Schedule 7 | | <u>494.25</u> | <u>120.46</u> | |
| | | 16,007.39 | | 22,783.16 |
| Interest accrued but not due on Loans | | 3,139.20 | | 3,086.92 |
| Unpaid Share Application Money | | — | | 0.28 |
| Unpaid Dividends (Refer Note: B 20) | | 29.13 | | 27.13 |
| Unpaid Matured Fixed Deposits* | | 4.27 | | 39.48 |
| * Includes amount of Rs. 0.10 Lacs (Previous Year – Rs. Nil) to be transferred to Investor Education and Protection Fund | | | | |
| | | <u>49,476.21</u> | | <u>48,810.91</u> |
| PROVISIONS : | | | | |
| Proposed Dividend | | 384.55 | | 316.03 |
| Provision for Tax on Dividend | | 53.94 | | 40.49 |
| Provision for Staff Benefits | | 477.01 | | 298.67 |
| | | <u>915.50</u> | | <u>655.19</u> |
| SCHEDULE 12 | | | | |
| OTHER OPERATING INCOME : | | | | |
| Sundry Balances Written Back (Net) | | 12.00 | | 40.68 |
| Foreign Exchange Gain | | 30.55 | | 76.40 |
| Duty Draw Back Benefits | | 540.06 | | 77.18 |
| Miscellaneous Receipts | | 510.63 | | 212.24 |
| | | <u>1,093.24</u> | | <u>406.50</u> |
| SCHEDULE 12A | | | | |
| OTHER INCOME : | | | | |
| Dividend Income (Tax Deducted at Source Rs. Nil; Previous Year – Rs. Nil) | | 7.90 | | 2.93 |
| Miscellaneous Income | | 17.85 | | 51.57 |
| Profit on Sale of Investments | | — | | 0.64 |
| | | <u>25.75</u> | | <u>55.14</u> |

SCHEDULE 13**EXPENDITURE ON CONTRACTS :**

| | 31.12.2004 | | 31.03.2004 | |
|--|-------------|-------------|-------------|-------------|
| | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs |
| Opening Works-in-progress : | | | | |
| Stores and Construction Material at Sites and Godowns | 9,022.91 | | 6,392.31 | |
| Expenditure on Contracts | 17,848.25 | | 12,000.71 | |
| | | 26,871.16 | | 18,393.02 |
| <i>Add :</i> Purchases of Materials | 33,920.02 | | 35,605.62 | |
| Sub-Contract Expenses | 35,091.64 | | 54,692.41 | |
| Plant Hire Charges | 1,238.71 | | 1,542.63 | |
| Consumption of Spares | 888.12 | | 1,310.70 | |
| Sales Tax | 1,638.80 | | 2,092.55 | |
| Service Tax | 147.60 | | — | |
| Power and Fuel | 3,506.24 | | 3,096.04 | |
| Site Personnel Expenses | 3,259.03 | | 3,552.74 | |
| Sundry Expenses (As per schedule 13A annexed) | 4,808.73 | | 5,662.79 | |
| | | 84,498.89 | | 107,555.48 |
| <i>Less :</i> Closing Stock of Stores & Construction Materials including Materials drawn from Contractees Rs. 494.25 lacs; (Previous Year – Rs. 120.46 lacs) | 11,883.96 | | 9,022.91 | |
| Closing Work-in-progress including estimated profits | 23,554.17 | | 17,848.25 | |
| | | 35,438.13 | | 26,871.16 |
| | | 75,931.92 | | 99,077.34 |

SCHEDULE 13A**SUNDRY EXPENSES INCLUDED UNDER EXPENDITURE ON CONTRACTS :**

| | 31.12.2004 | 31.03.2004 |
|--|-------------|-------------|
| | Rs. in Lacs | Rs. in Lacs |
| Plant Repairs | 473.07 | 655.38 |
| Rent | 333.23 | 400.56 |
| Staff Welfare | 332.58 | 409.53 |
| Insurance | 624.96 | 682.48 |
| Rates and Taxes | 1.90 | 15.07 |
| Travelling Expenses | 681.10 | 758.36 |
| Fees and Consultations | 897.74 | 995.00 |
| Guarantee Bond Commission and Bank Charges | 430.75 | 464.68 |
| Other Site Expenses* | 1,033.40 | 1,281.73 |
| | 4,808.73 | 5,662.79 |

* None of the individual items included in Other Site Expenses exceeds one percent of the total turnover.

**SCHEDULE 14****ESTABLISHMENT EXPENSES :**

| | 31.12.2004 | | 31.03.2004 | |
|---|-------------|-----------------|-------------|-----------------|
| | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs |
| Electricity Charges | | 63.56 | | 70.06 |
| Rent | | 10.00 | | 2.52 |
| Salaries incl. Provision for Commission and Bonus | | 835.81 | | 762.69 |
| Contribution to Employees' Provident Fund, ESIS & Other Funds | | 162.66 | | 209.77 |
| Contribution to Gratuity Fund | | 79.85 | | 204.46 |
| Staff welfare expenses | | 24.89 | | 39.89 |
| Insurance | | 135.26 | | 154.75 |
| Rates and Taxes | | 9.40 | | 11.66 |
| Communication Expenses | | 101.84 | | 126.82 |
| Travelling, Leave Passage and Motor Car Expenses | | 129.43 | | 165.18 |
| Professional Fees | | 299.02 | | 361.27 |
| General Charges | | 127.70 | | 152.25 |
| Repairs & Maintenance | | 95.26 | | 114.35 |
| Auditors Remuneration : | | | | |
| — Audit Fees including Tax Audit Fees & Consolidation | 20.38 | | 14.59 | |
| — Limited Review | 1.64 | | 2.43 | |
| — Certification | 0.64 | | 0.25 | |
| — Managerial Services | 0.54 | | 2.70 | |
| — Reimbursement of Out of Pocket Expenses | 0.20 | | 0.30 | |
| | | 23.40 | | 20.27 |
| Directors' Sitting Fees | | 0.25 | | 0.19 |
| Write off against Leasehold Land | | 0.09 | | 0.12 |
| Bad Debts/Interest written off | | 110.44 | | 105.11 |
| Research and Development Expenses | | — | | 0.65 |
| Donation | | 0.35 | | 3.83 |
| Provision for Loss in Joint Venture | | 1.04 | | 2.09 |
| Loss on Sale of Assets | | 17.23 | | 3.51 |
| | | <u>2,227.48</u> | | <u>2,511.44</u> |

SCHEDULE 15**FINANCIAL COST :****INTEREST PAID ON :**

| | 31.12.2004 | 31.03.2004 |
|---|-----------------|-----------------|
| | Rs. in Lacs | Rs. in Lacs |
| On Fixed Period Loans | 1,616.25 | 1,880.21 |
| Other Loans | 1,567.17 | 1,896.40 |
| Other Finance Charges | 115.94 | 162.86 |
| | <u>3,299.36</u> | <u>3,939.47</u> |
| <i>Less : INTEREST EARNED ON</i> | | |
| Fixed Deposits with Banks (TDS Rs. 8.59 lacs; Previous Year – Rs. 4.59 lacs) | 40.02 | 11.14 |
| Fixed Deposits with Joint Stock Companies (TDS Rs. 58.13 lacs; Previous Year – Rs. 44.13 lacs) | 240.64 | 182.96 |
| Others (TDS Rs. 10.51 lacs; Previous Year – Rs. 11.89 lacs) | 203.61 | 341.04 |
| | <u>484.27</u> | <u>535.14</u> |
| | <u>2,815.09</u> | <u>3,404.33</u> |

SCHEDULE 16

NOTES TO ACCOUNTS

A. ACCOUNTING POLICIES :

1. REVENUE RECOGNITION :

(a) On Construction Contracts :

Long-term contracts including Joint Ventures are progressively evaluated at the end of each accounting period. On contracts under execution which have reasonably progressed, profit is recognised by evaluation of the percentage of work completed at the end of the accounting period, whereas, foreseeable losses are fully provided for, in the respective accounting period.

Additional claims (including for escalation), which in the opinion of the Management are recoverable on the contract, are recognised at the time of evaluating the job.

(b) Insurance claims are accounted for on cash basis.

2. TURNOVER :

Turnover represents work certified as determined by taking into consideration the actual cost incurred and profit evaluated by adopting the percentage of the work completion method of accounting. Where the material is supplied by the client, the market value of such material is considered as part of turnover to reflect the actual value of work done.

3. RESEARCH AND DEVELOPMENT EXPENSES :

All expenditure of revenue nature is charged to the Profit and Loss Account of the period. All expenditure of capital nature is capitalised and depreciation provided thereon, at the rates as applied to other assets of similar nature.

4. EMPLOYEE BENEFITS :

Provision for gratuity liability to eligible employees is actuarially valued, funded and accounted for during the accounting period, in which the same accrues.

The Company's contribution to the recognised Employees' Provident Fund and Superannuation Fund are charged to Profit and Loss Account on accrual basis.

Leave encashable on retirement has been provided on the basis of actuarial valuation.

5. FIXED ASSETS AND DEPRECIATION :

Fixed Assets are valued and stated at cost of acquisition less accumulated depreciation thereon. Revalued assets are stated at the revalued amount. Foreign exchange fluctuation relating to repayment of foreign currency loan utilised for acquisition of Fixed Assets is adjusted in the carrying amount of Fixed Assets.

Depreciation for the accounting period is provided on:

(a) Straight Line Method, for assets purchased after 2-4-1987, at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

(b) Written Down Value Method, for assets acquired on or prior to 2-4-1987, at the rates as specified in Schedule XIV to the Companies Act, 1956.

(c) Depreciation on revalued component of the assets is withdrawn from the revaluation reserve.

6. INVESTMENTS :

Investments are valued and stated at historical cost. Adequate provisions are made for permanent diminution in value of investments.

7. INVENTORIES :

Stores and Construction Materials are valued and stated at lower of cost or net realisable value. The FIFO method of inventory valuation is used to determine cost.

Work-in-Progress on construction contracts reflects value of material inputs and expenses incurred on contracts including estimated profits in evaluated jobs.

8. FOREIGN CURRENCY TRANSLATION :

Fixed Assets acquired in Foreign Currencies are translated at the rate prevailing on the date of remittance of payment for the asset. Transactions remaining unsettled at the Balance Sheet date are converted at year-end/forward contract rate.

Current Assets and Current Liabilities denominated in foreign currency are translated at the rates prevailing at the end of the period, and net gain/loss, if any, is credited/debited to the Profit and Loss account.

9. DEFERRED TAX :

Deferred Tax is recognized on timing differences being the differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets, subject to the consideration of prudence are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient



future taxable income will be available against which such Deferred Tax Assets can be realized. The tax effect is calculated on the accumulated timing difference at the year end based on the tax rates and laws enacted or substantially enacted on Balance Sheet date.

10. SALES TAX:

Sales Tax/Works Contract Tax is accounted on payment basis.

B. OTHER NOTES :

1. PROVIDENT FUND:

The provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952, have been implemented at the work sites where code numbers have been allotted. In respect of the remaining work sites necessary applications have been made for allotment of code numbers.

However, a provision of Rs. 25 lacs is available to cover any liability arising therefrom.

2. 10.75% – Secured Redeemable Non-Convertible Debentures of Rs. 40 crores are secured by hypothecation of specific Plant & Machinery and mortgage of immovable property in Gujarat. The Debentures are due for repayment at the end of 5th, 6th and 7th year from the date of allotment i.e. 29th June, 2002.

8.75% – Secured Redeemable Non-Convertible Debentures of Rs. 29 crores are secured by hypothecation of specific Plant & Machinery and pari passu charge by mortgage of immovable property in Gujarat with 10.75% Secured Redeemable Non-Convertible Debentures of Rs. 40 crores. The Debentures are due for repayment at the end of 8th, 9th and 10th year from the date of allotment. i.e. 30th March, 2003.

7.50% – Redeemable Non-Convertible Debentures of Rs. 15 crores and 7.25% – Redeemable Non-Convertible Debentures of Rs. 6 crores are secured by hypothecation of specific Plant & Machinery and pari passu charge by mortgage of immovable property in Gujarat with 10.75% Secured Redeemable Non-Convertible Debentures of Rs. 40 crores and 8.75% Secured Redeemable Non-Convertible Debentures of Rs. 29 crores. The Debentures are due for repayment at the end of 8th, 9th and 10th year from the date of allotment. i.e. 29th September, 2003.

3. Sundry Debtors include bills outstanding against completed contracts:

Bills under Arbitration outstanding over 3 years Rs. Nil (*Previous Year – Rs. 24.97 lacs*) and outstanding for less than 3 years Rs. Nil (*Previous Year – Rs. Nil*).

4. After completion of jobs in Iraq and Libya, the Company has closed its Project Offices in these countries. Consequently, realisability/mobility of Current Assets amounting to Rs. 16.94 lacs and Plant & Machinery costing Rs. 55.88 lacs (Written Down value Rs. Nil) in Iraq and of Current Assets amounting to Rs. 0.32 lac and Plant & Machinery costing Rs. 143.54 lacs (Written Down value Rs. Nil) in Libya, in the immediate future is uncertain.

5. Issued Share Capital includes 1,45,160 (*Previous Year – 1,45,160*) Equity Shares kept in abeyance.

6. Share Forfeited account includes Rs. 25.64 lacs (*Previous Year – Rs. 25.64 lacs*) of Share Premium collected on application in respect of forfeited shares.

7. Pursuant to the amendment to Schedule VI of the Companies Act, 1956 in March, 1999 regarding disclosure of amount due to creditors which are Small Scale Industries (SSIs) the process of collecting the information regarding the SSI status from creditors by the Company is continuous. However, based on information available, SSI units to whom dues are outstanding for more than 30 days are Anupam Industries Ltd., Airochem Engineers, Cobit Engg. Pvt. Ltd., Hebenkraft, Jayco Safety Product, Karveer Engineering Industry, Manta Metal Works, National Radiator, Protex Engineers Pvt. Ltd., P. N. Saftech P. Ltd., SRMB Udyog Ltd., Shyam Steel Industries, Structural Waterprofing, Truform Techno Pvt. Ltd., Unique Transmission.

8. The Company has made following Purchases & Sales of units of Mutual funds during the period ended 31st December, 2004.

Prudential ICICI Liquid Fund – 10,126,411.368 units purchased at Rs. 1,200 lacs and 10,126,411.368 units sold at Rs. 1,200 lacs.

9. Sundry Creditors include Rs. 223.54 Lacs (*Previous Year – Rs. Nil*) due to Vizag Seaport Pvt. Ltd.

Loans and Advances include Rs. 1,169.12 lacs (*Previous Year – Rs. 143.93 lacs*) due from Vizag Seaport Private Ltd., Rs. 2,693.22 lacs (*Previous Year – Rs. 10.47 lacs*) due from Cochin Bridge Infrastructure Company Limited, Rs. 261.95 lacs (*Previous Year – Rs. 0.08 lacs*) due from Gammon Infrastructure Projects Ltd., and Rs. 231.65 lacs (*Previous Year – Rs. 165.63 lacs*) due from Gammon & Billimoria Ltd., subsidiary Companies.

Advances from clients include Rs. 907.00 lacs (*Previous Year – Rs. 901.52 lacs*) due from Vizag Seaport Private Limited, a subsidiary Company.

Interest payable includes Rs. 0.86 lacs (*Previous Year – Rs. Nil*) due to Gammon Infrastructure Projects Ltd. and Rs. 5.89 lacs (*Previous Year – Rs. Nil*) due to Vizag Seaport Pvt. Ltd., both subsidiary Companies.

Interest receivables includes Rs. 8.24 lacs (*Previous Year – Rs. Nil*) due from Gammon Infrastructure Projects Ltd., Rs. 21.79 lacs (*Previous Year – Rs. Nil*) due from Vizag seaport Pvt. Ltd., Rs. 54.82 lacs (*Previous Year – Rs. Nil*) due from Cochin Bridge Infrastructure Company Ltd. and Rs. 8.21 lacs (*Previous Year – Rs. Nil*) due from Gammon & Billimoria Ltd., subsidiary Companies.

10. Balances in Foreign Bank Accounts are as per ledger.

11. MANAGERIAL REMUNERATION :

| | Period ended December, 2004 Rs. in Lacs | For the Year 2003-04 Rs. in Lacs |
|---|---|---|
| Managerial remuneration for Directors included in the Profit and Loss Account comprises : | | |
| Salaries, contribution to Provident Fund and Other Funds | 49.83 | 70.85 |
| Commission * | 0.00 | 26.65 |
| Perquisites (at monetary value) | 1.80 | 7.67 |
| Total | <u>51.63</u> | <u>105.18</u> |

Computation of remuneration payable to Managing and Whole-time Directors as per Schedule XIII to the Companies Act, 1956

| | | |
|---|----------|----------|
| Profit before taxation as per Profit and Loss Account | 5,158.78 | 5,445.81 |
| <i>Add:</i> Directors' remuneration | 51.63 | 105.18 |
| Directors' fees | 0.25 | 0.20 |
| Depreciation | 1,645.32 | 1,994.26 |
| Loss on sale of assets (net) | 17.23 | 3.51 |
| <i>Less:</i> Depreciation under Section 350 | 1,645.32 | 1,994.26 |
| Loss on sale of assets (net) as per Section 350 | 17.23 | 3.51 |
| Net Profit under Section 349 of the Companies Act, 1956 | 5,210.66 | 5,551.19 |
| Managerial Remuneration at 10% thereof | 521.07 | 555.12 |

*No Commission to the Directors is proposed for the current period.

12. Foreign Exchange Earnings:

| | | |
|---|----------|----------|
| Revenue from overseas Project and receipts from World Bank aided projects in Foreign Currency | 3,653.14 | 4,110.55 |
|---|----------|----------|

13. (a) Remittance of Dividend in Foreign Currency

| For the year | Non-resident shareholders | No. of shares | Amount (Net) Rs. In Lacs |
|-----------------------|------------------------------|---------------|-----------------------------|
| 2003-2004 | 6 | 2,442,559 | 61.06 |
| Previous Year 2002-03 | 7 | 3,697,375 | 92.43 |

(b) Expenditure in Foreign Currency :

| | Period ended December, 2004 Rs. in Lacs | For the Year 2003-04 Rs. in Lacs |
|---|---|---|
| (i) Expenditure at Foreign Sites/Foreign Branches | 459.03 | 626.27 |
| (ii) Other Expenditure : | | |
| Books and Periodicals/Membership and Subscription | 5.03 | 4.37 |
| Travelling | 29.40 | 29.76 |
| Royalty and Technical/Professional fees | 605.76 | 154.82 |
| Computer Maintenance | 2.67 | Nil |
| Tender fees etc. | 14.66 | 8.52 |
| Share Department Expenses | 1.47 | Nil |
| Bank charges | 0.02 | Nil |
| Total | <u>1,118.04</u> | <u>823.74</u> |

(c) C I F Value of Imports :

| | | |
|------------------------------------|-----------------|-----------------|
| Capital goods | 1,105.59 | 783.60 |
| Materials | 1,473.36 | 507.49 |
| Consumables, Components and Spares | 451.34 | 583.61 |
| Total | <u>3,030.29</u> | <u>1,874.70</u> |



14. Deferred Taxation :

The break-up of Deferred Tax Liability and Assets are as follows :

| | Period ended December, 2004 Rs. in Lacs | For the Year 2003-04 Rs. in Lacs |
|---|---|---|
| Deferred Tax Liability | | |
| — On Account of Depreciation | 3,796.74 | 3,318.82 |
| Deferred Tax Assets | | |
| — On Account of Gratuity/Leave Encashment Provision | 81.50 | 99.01 |
| — On Account of Interest on NCD | 56.34 | 21.53 |
| Net Balance | <u>3,658.90</u> | <u>3,198.28</u> |

15. Turnover and Expenditure on Contracts include Rs. 227.53 lacs (*Previous Year – Rs. 1,739.92 lacs*) being effect of market value of materials supplied by the client.

16. Weighted average number of Equity Shares is computed considering 18,25,000 new Equity Shares allotted under the preferential issue on 8th November, 2004 and 9,16,030 new Equity Shares allotted under the Global Depository Receipts, on 22nd December, 2004.

17. Disclosure in accordance with Accounting Standard - 7 (Revised), in respect of contracts entered into on or after April 1, 2003.

| | Period ended December, 2004 Rs. in Lacs | For the Year 2003-04 Rs. in Lacs |
|---|---|---|
| Turnover | 26,424.12 | 8,036.18 |
| Expenditure (Net of inventory adjustments) | 23,590.12 | 7,432.18 |
| Profits/Losses recognized | 2,834.00 | 604.00 |
| Contract Advances (Net) | 7,022.39 | 5,227.70 |
| Gross Amount due from Customers for contract work | 5,240.69 | 1,544.35 |
| Gross Amount due to customers for contract work | NIL | NIL |

18. The Company has deposited customs duty of Rs. 219.88 lacs (*Previous Year – Rs. 219.88 lacs*) under protest in respect of certain machineries imported for the project in Sikkim. The Company contends that the import of machinery is duty free as per the Project Import regulations prevailing then. The Company has preferred an appeal against the levy of Custom Duty. Pending outcome of the appeal, the said amount is carried under Advances recoverable in cash or in kind.

19. In the opinion of the Management, diminution in the value of investment in Associated Transrail Structures Limited is temporary in nature and considering the business prospects of the Company, no provision is required to be made for the same.

20. Unpaid dividend includes Rs. 2.07 lacs (*Previous Year – Rs. Nil*) to be transferred to the Investor Education & Protection Fund, which has since been transferred. Unpaid dividend also includes an amount of Rs. 0.79 lacs (*Previous Year – Rs. 0.79 lacs*) relating to the period before 1995 in respect of which there are disputes restraining the transfer of the dividend to the Investor Education & Protection Fund.

Unpaid Interest includes Rs. 0.04 lacs (*Previous Year – Rs. Nil*) to be transferred to the Investor Education & Protection Fund, which has since been transferred.

Unpaid matured Fixed Deposits includes Rs. 0.10 lacs (*Previous Year – Rs. Nil*) to be transferred to the Investor Education & Protection Fund, which has since been transferred.

21. (a) The Accounting Standard AS 28 – “Impairment of Assets “ issued by the Institute of Chartered Accountants of India has become applicable to the Company from 1st April, 2004.

(b) The Company had revalued some of its assets being immovable properties on 31st March, 1999. In respect of these assets management after carrying out exercise for determining the impairment is of the opinion that no impairment has taken place in case of these assets.

(c) In respect of other assets, which were mainly plant and machinery, the Company, has undertaken the exercise of determining the Net Selling Price with the help of a registered valuer and its value in use. This exercise was undertaken with reference to the position as on 1st April, 2004. Pursuant to the exercise, an amount of Rs. 106.08 lacs has been determined to be the charge in respect of the impairment of the specified assets as on 1st April, 2004 and the said charge has been debited to General Reserve being related to the earlier period. As on the last date of the period ended 31st December, 2004, the Management after carrying out necessary exercise of determining impairment is of the opinion that there is no fresh impairment requiring adjustment in the carrying amount of the assets.

(d) On account of the application of AS-28 from the current accounting period, the General Reserve is lower by Rs. 106.08 lacs by the charge of the impairment loss as aforesaid.

22. In respect of the infrastructure projects undertaken by the Company, the Company has been advised by a senior tax counsel that following the decision of Income Tax Appellate Tribunal of Mumbai, the Company is eligible for deduction u/s 80IA in respect of profits from such projects. Accordingly, the Company has made provision under the Minimum Alternate Tax u/s. 115JB for the nine months period ended 31st December, 2004. The Income Tax provisions already made for the earlier year for such infrastructure projects will be reviewed in the future years based on revised claims to be filed.
23. The Accounts for the current period is for Nine Months and therefore is strictly not comparable with the previous period ending 31st March, 2004 of twelve months.
24. The balance with The Freyssinet Prestressed Concrete Company Limited is as per books of accounts and subject to reconciliation.
25. CONTINGENT LIABILITIES :
- Liability on contracts remaining to be executed on Capital Accounts amounts to Rs. 1,559.65 lacs. (*Previous Year – Rs. 1,307.49 lacs*).
 - Counter Guarantees given to Bankers for Guarantees given by them and Corporate Guarantees, on behalf of subsidiary, erstwhile subsidiary, associate companies stand at Rs. 66,121.18 lacs (*Previous Year – Rs. 34,367.28 lacs*).
 - Corporate Guarantees and Counter Guarantees given to Bankers towards company's share in the joint ventures for guarantees given by them to the Joint Venture Project clients Rs. 29,121.91 lacs (*Previous Year – Rs. 21,081.53 lacs*).
 - Capital commitments towards equity contributions of Joint Venture companies Andhra Expressway Limited – Rs. 381.52 lacs (*Previous Year – Rs. 954.24 lacs*) and Rajahmundry Expressway Limited – Rs. 64.85 lacs (*Previous Year – Rs. 938.90 lacs*).
 - Disputed Sales Tax liability for which the Company has gone into Appeal is Rs. 377.08 lacs (*Previous Year – Rs. 117.97 lacs*).
 - Claims against the Company not acknowledged as debts Rs.1,874.74 lacs (*Previous Year – Rs. 1,912.17 lacs*).
 - Counter claims in arbitration matters referred by the Company – liability unascertainable.
 - Disputed Excise Duty liability of Rs.19.49 lacs (*Previous Year – Rs. 16.24 lacs*).
 - Disputed Customs Duty liability of Rs. 32.47 lacs (*Previous Year – Rs. Nil*).
 - Ex-employees claims, disputes-liability unascertainable.
 - Contingent Liability on partly paid shares Rs. 0.19 lacs (*Previous Year – Rs. 0.19 lacs*).
 - Disputed Income Tax :
Demand for which the Company Appeals are pending before Appellant Authority - Rs. NIL. (*Previous Year – Rs. 502.90 lacs*).
 - There is a disputed demand of UCO Bank pending since 1986, of US\$ 436251 i.e. Rs.171.88 lacs. Against this, UCO Bank has unilaterally adjusted the Company's Fixed Deposit of US\$ 30584 i.e. Rs.12.14 lacs, which adjustment has not been accepted by the Company.
26. The proceeds of Gobal Depository Receipts amounting to Rs. 5,247.56 lacs are lying in an escrow account as at 31st December, 2004, which is shown separately in Cash and Bank balances.
27. Since the principal business of the Company is construction activities quantitative data as required by Part II para ii, 4c, 4d of Schedule VI to the Companies Act, 1956 is not furnished.
28. Cash & Bank balances include Rs. 198.87 lacs (*Previous Year – Rs. 198.87 lacs*) with bank branches in foreign countries relating to certain foreign projects which are not readily available for use by the Company and are subject to exchange control regulation of the respective countries.
29. Details of loans and advances in the nature of loans :
- Disclosure of amounts outstanding at period end as per Clause 32 of the Listing Agreement :

(Rs in Lacs)

| | Amount Outstanding at period end | Maximum Amount Outstanding |
|---|----------------------------------|----------------------------|
| Subsidiaries/Fellow Subsidiaries : | | |
| 1. Gammon Infrastructure Projects Ltd. | 253.84 | 847.72 |
| 2. Vizag Seaport Pvt. Ltd. | 1,068.50 | 2,621.59 |
| 3. Gammon & Billimoria Ltd. | 231.65 | 231.65 |
| 4. Cochin Bridge Infrastructure Company Limited | 2,678.00 | 2,815.45 |
| Associates & Group Companies : | | |
| 1. Equipment Management Company (India) Ltd. | — | 2,453.00 |
| 2. Associated Transrail Structures Ltd. | 151.73 | 429.35 |
| 3. Gammon Housing & Estates Developers Ltd. | — | 40.00 |
| 4. Alliance Agro India Ltd. | 1.65 | 1.65 |
| 5. STFA Pilling India Ltd. | 45.39 | 45.39 |
| 6. Gammon Turnkeys Ltd. | 6.00 | 6.00 |
| 7. Gammon Nirman Ltd. | 755.00 | 755.00 |



30. Related party Disclosure :

(a) Relationships :

| |
|---|
| Entities where control exists: |
| 1. Pacific Energy Pvt. Ltd. |
| 2. Nikhita Estate Developers Pvt. Ltd. |
| 3. Masayor Enterprises Ltd. |
| 4. Prospect Investment Ltd. |
| 5. First Asian Capital Resources Pvt. Ltd. |
| 6. Devyani Estate & Properties Pvt. Ltd. |
| Subsidiaries/Fellow Subsidiaries: |
| 1. Cochin Bridge Infrastructure Company Ltd. |
| 2. Gammon Infrastructure Projects Ltd. |
| 3. Vizag Seaport Pvt. Ltd. |
| 4. Gammon & Billimoria limited |
| Associates & Group Companies: |
| 1. Freyssinet Prestressed Concrete Co. Ltd. |
| 2. Freyssinet (India) Ltd. |
| 3. Equipment Management Company (India) Ltd. |
| 4. Gammon Cooling Towers Ltd. |
| 5. Gammon Estates Ltd. |
| 6. Gammon Information Technologies Ltd. |
| 7. Associated Transrail Structures Ltd. |
| 8. Gammon Housing & Estate Developers Ltd. |
| 9. STFA Piling (India) Ltd. |
| 10. Weltex Cables (India) Ltd. |
| 11. Airscrew (India) Limited |
| 12. Alliance Agro India Ltd. |
| 13. Gammon Overseas Engineers Pvt. Ltd. |
| 14. Gilcon Project Services Ltd. |
| 15. Gammon Billimoria LLC |
| 16. Gammon Nirman Limited (upto 30 th September, 2004) |
| Joint Ventures: |
| 1. Rajahmundry Expressway Ltd. |
| 2. Gammon Progressive |
| 3. Gammon Delco |
| 4. Andhra Expressway Ltd. |
| 5. Gammon Rizzani |
| 6. Gammon – OSE |
| 7. OSE – Gammon |
| 8. Gammon Soma |
| 9. Gammon Atlanta |
| 10. Gammon OAO Stroytransgaz |
| 11. GIL BEB RAY |

| |
|--|
| Joint Ventures: |
| 12. Gammon STG |
| 13. Gammon Sadbhav |
| 14. Gammon Ozaltin |
| 15. Gammon Srinivas |
| 16. Gammon Druk Sherig |
| 17. Gammon Limak |
| 18. Gammon & Sew |
| 19. Ozaltin Gammon |
| 20. Gammon Sadbhav Billimoria Consortium |
| 21. AL Matar Trading & Con. LLC GIL |
| 22. Gammon Burhan Abdul Monem JV |
| 23. Gammon Burhan Fel. J V |
| 24. GIL – Leighton J V |
| 25. GIL – Archirodon |
| 26. GIL- Punjloyd J V |
| 27. Gammon Haustad & Timmermann JV |
| 28. Gammon – AL Matar JV |
| 29. GIL CEC JV |
| 30. Gammon BBJ |
| Key Management Personnel & Relatives |
| 1. Mr. Abhijit Rajan |
| 2. Mr. S.A. Reddi (upto 18 th September, 2004) |
| 3. Dr. N.V. Nayak (upto 31 st October, 2004) |
| 4. Mr. M.S. Bisaria (upto 30 th September, 2004) |
| 5. Mr. Rajul A. Bhansali |
| 6. Late Mr. Jagdish Rajan |
| 7. Mr. Shobhit Rajan |

(b) **Related Party Transactions :**

| Transactions | Subsidiaries | Associates | Key Management Personnel | Entities Where Control Exists | Joint Ventures | Total |
|--|------------------------|------------------------|--------------------------|-------------------------------|--------------------------|--------------------------|
| Subcontracting Income | 1,404.41 (5,558.31) | — (—) | — (—) | — (—) | 19,252.66 (48,759.65) | 20,657.07 (54,317.96) |
| Subcontracting Expenditure | — (—) | 2,382.22 (1,162.03) | — (—) | — (—) | — (—) | 2,382.22 (1,162.03) |
| Purchase of Goods | — (—) | 20.75 (86.11) | — (—) | — (—) | — (—) | 20.75 (86.11) |
| Sale of Goods | — (—) | — (4.33) | — (—) | — (—) | — (—) | — (4.33) |
| Purchase of Fixed Assets incl Cap Advances | — (—) | 18.32 (—) | — (—) | — (—) | — (—) | 18.32 (—) |
| Purchase of Shares/ Advance towards Equity | 472.50 (—) | — (—) | — (—) | — (—) | — (—) | 472.50 (—) |
| Sale of Investments/ Advance consideration for Sale of Investments | — (113.00) | — (—) | — (—) | — (—) | — (—) | — (113.00) |



(b) Related Party Transactions :

| Transactions | Subsidiaries | Associates | Key Management Personnel | Entities Where Control Exists | Joint Ventures | Total |
|--|--------------------------|--------------------------|--------------------------|-------------------------------|--------------------------|--------------------------|
| Rendering of Services | 188.48 (167.49) | 277.97 (7.47) | — (—) | — (—) | — (—) | 466.45 (174.96) |
| Receiving of Services | 23.76 (60.99) | 117.33 (76.74) | — (—) | — (—) | — (—) | 141.09 (137.73) |
| Hire Charges Received | — (—) | — (—) | — (—) | — (—) | — (—) | — (—) |
| Hire Charges Paid | — (—) | 7.16 (15.94) | — (—) | — (—) | — (—) | 7.16 (15.94) |
| Finance provided (including Loans and equity contributions in cash or in kind) | 8,524.61 (5,489.02) | 3,204.00 (3,973.47) | — (—) | — (—) | 1,336.09 (706.86) | 13,064.70 (10,169.35) |
| Finance provided for expenses & on a/c payments | 8.40 (126.56) | 17.52 (81.08) | — (—) | — (—) | 50.14 (44.72) | 76.06 (252.36) |
| Amounts Liquidated towards the above finance | 4,258.53 (4,575.81) | 3,043.44 (4,007.67) | — (—) | — (—) | 642.71 (15.65) | 7,944.68 (8,599.13) |
| Interest Income during the year | 101.87 (94.69) | 108.75 (143.14) | — (—) | — (—) | 20.74 (2.14) | 231.36 (239.97) |
| Finance received (including Loans and equity contributions in cash or in kind) | 1,044.33 (150.00) | — (199.37) | — (—) | — (—) | — (—) | 1,044.33 (349.37) |
| Amounts Liquidated towards the above finance | 1,044.33 (150.00) | — (199.37) | — (—) | — (—) | — (—) | 1,044.33 (349.37) |
| Interest paid during the year | 5.90 (—) | — (—) | — (—) | — (—) | 183.49 (176.98) | 189.39 (176.98) |
| Write Offs of Balances | — (—) | — (1.28) | — (—) | — (—) | — (—) | — (1.28) |
| Contract Advances Received | — (577.17) | 17.70 (—) | — (—) | — (—) | 73.77 (6,326.18) | 91.47 (6,903.35) |
| Contract Advances Given/Refund of Advance | — (1,087.17) | 300.00 (391.35) | — (—) | — (—) | 1,085.26 (7,998.95) | 1,385.26 (9,477.47) |
| Refund received against Contract Advance | — (—) | 411.64 (103.50) | — (—) | — (—) | — (—) | 411.64 (103.50) |
| Deposits | — (—) | 522.00 (405.00) | — (—) | — (—) | — (—) | 522.00 (405.00) |
| Dividend Paid to Shareholders | — (—) | — (—) | 0.28 (0.28) | 148.21 (147.91) | — (—) | 148.49 (148.19) |
| Dividend Income | — (—) | 4.45 (—) | — (—) | — (—) | — (—) | 4.45 (—) |
| Remuneration paid | — (—) | — (—) | 51.63 (105.18) | — (—) | — (—) | 51.63 (105.18) |
| Margin Money | 223.54 (—) | — (—) | — (—) | — (—) | — (—) | 223.54 (—) |
| Guarantees and Collaterals Outstanding | 19,856.32 (15,002.87) | 22,021.57 (14,240.08) | — (—) | — (—) | 51,142.44 (23,218.80) | 93,020.33 (52,461.75) |
| Outstanding Balances Receivable | 4,429.64 (860.46) | 1,948.34 (1404.79) | — (—) | — (—) | 5,562.41 (3,666.41) | 11,940.39 (5,931.67) |
| Outstanding Balances Payable | 913.77 (901.52) | 388.38 (0.01) | 14.73 (22.65) | — (—) | 4,622.89 (7,948.75) | 5,939.77 (8,872.93) |

Note : Figures in brackets are of previous year.

31. Details of Joint Ventures

(a) Details of Joint Ventures entered into by the Company :

| Sr. No. | Name of the Joint Venture | Description of Interest | % of involvement |
|---------|--------------------------------------|---|------------------|
| 1. | Gammon Progressive | Jointly Controlled Operation | 60.00% |
| 2. | Gammon Delco | Jointly Controlled Operation | 50.00% |
| 3. | Gammon Rizzani | Jointly Controlled Operation | 50.00% |
| 4. | Gammon – OSE | Jointly Controlled Operation | 50.00% |
| 5. | OSE – Gammon | Jointly Controlled Operation | 50.00% |
| 6. | Gammon Soma | Jointly Controlled Operation | 80.00% |
| 7. | Gammon Atlanta | Jointly Controlled Operation | 50.00% |
| 8. | Gammon OAO Stroytransgaz | Jointly Controlled Operation | 50.00% |
| 9. | Andhra Expressway Ltd. | Share Holder in jointly controlled entity | 50.00%* |
| 10. | Rajamundhry Expressway Ltd. | Share Holder in jointly controlled entity | 50.00%* |
| 11. | Gammon Sadbhav | Jointly Controlled Operation | 70.00% |
| 12. | Gammon Ozaltin | Jointly Controlled Operation | 51.00% |
| 13. | Gammon Srinivas | Jointly Controlled Operation | 80.00% |
| 14. | Gammon Limak | Jointly Controlled Operation | 97.00% |
| 15. | Gammon & Sew | Jointly Controlled Operation | 70.00% |
| 16. | Gammon Ozaltin | Jointly Controlled Operation | 51.00% |
| 17. | Gammon Sadbhav Billimoria Consortium | Jointly Controlled Operation | 70.00% |
| 18. | AL Matar Trading & Con. LLC GIL | Jointly Controlled Operation | 85.00% |
| 19. | Gammon Burhan Abdul Monem JV | Jointly Controlled Operation | 50.00% |
| 20. | Gammon Burhan Fel. J V | Jointly Controlled Operation | 50.00% |
| 21. | GIL – Leighton J V | Jointly Controlled Operation | 50.00% |
| 22. | GIL – Archidon | Jointly Controlled Operation | 98.50% |
| 23. | GIL- Punjloyd J V | Jointly Controlled Operation | 50.00% |
| 24. | Gammon Haustad & Timmermann JV | Jointly Controlled Operation | 70.00% |
| 25. | Gammon – AL Matar JV | Jointly Controlled Operation | 85.00% |
| 26. | GIL CEC JV | Jointly Controlled Operation | 51.00% |
| 27. | Gammon BBJ | Jointly Controlled Operation | 50.00% |

* Along with wholly owned subsidiary.

(b) Details of share of Assets, Liabilities, Income & Expenditure in Joint Venture (Jointly Controlled Entities) :

| Sr. No. | Name of the Joint Venture | Share of Assets (Rs. in lacs) | Share of Liability (Rs. in lacs) | Share of Income (Rs. in lacs) | Share of Expenditure (Rs. in lacs) |
|---------|-----------------------------|--------------------------------------|-------------------------------------|----------------------------------|---------------------------------------|
| 1. | Andhra Expressway Ltd. | 11,964.03 (P.Y. 9,928.36) | 9,561.32 (P.Y. 8,009.61) | Not applicable | Not applicable |
| 2. | Rajamundhry Expressway Ltd. | 13,033.46 (P.Y. 10,838.80) | 10,228.25 (P.Y. 8,764.37) | Not applicable | Not applicable |



-
32. The Company has pledged the following shares in favour of the lenders to the projects as part of the terms of financial closure of the respective companies :
- i. Rajahmundry Expressway Limited – 6,732,000 (*Previous Year – 6,732,000*) Equity shares of Rs 10/- each.
 - ii. Andhra Expressway Limited – 6,528,000 (*Previous Year – 6,528,000*) Equity shares of Rs 10/- each.
 - iii. Cochin Bridge Infrastructure Company Limited – 3,264,056 (*Previous Year – 3,264,056*) Equity shares of Rs 10/- each.
33. The Company is engaged in only one reportable segment viz., “Construction and Engineering” and therefore Accounting Standard AS-17 on segment reporting is not applicable to the Company.
34. Previous year’s figures are regrouped and rearranged with those of the current year to make them comparable.
-

As per our attached report of even date.

For and on behalf of the Board of Directors

For NATVARLAL VEPARI & CO.
Chartered Accountants

N. JAYENDRAN
Partner
M. No. 40441

Mumbai, Dated: 25th March, 2005.

ABHIJIT RAJAN
Chairman & Managing Director

S. K. GUHA THAKURTA
Director

RAJUL A. BHANSALI
Executive Director

Mumbai, Dated: 25th March, 2005.

C. C. DAYAL
Director

HIMANSHU PARIKH
Director

P. S. GUPCHUP
Company Secretary

CASH FLOW FOR THE YEAR ENDED 31ST DECEMBER, 2004

| | 31.12.2004 | | 31.03.2004 | |
|--|-------------|-------------|-------------|-------------|
| | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs |
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | | | |
| Net Profit before Tax and extraordinary items | | 5,158.79 | | 5,445.80 |
| Adjustments for : | | | | |
| Depreciation | 1,645.40 | | 1,994.26 | |
| Profit/Loss on sale of investments (Net) | — | | (0.64) | |
| Profit/Loss on sale of assets (Net) | 17.23 | | 3.51 | |
| Dividend income | (7.90) | | (2.93) | |
| Interest (Net) | 2,815.09 | | 3,404.33 | |
| Foreign Exchange loss /gain | (22.80) | | 9.51 | |
| Amounts written off | 110.44 | 4,557.46 | 105.11 | 5,513.15 |
| Operating Profit before Working Capital Changes | | 9,716.25 | | 10,958.95 |
| Adjustments for : | | | | |
| Trade and Other Receivables | (6,284.14) | | (2,305.50) | |
| Inventories | (8,193.16) | | (8,443.81) | |
| Trade Payables & Working Capital Finance | 12,216.51 | | 12,122.35 | |
| Loans and Advances | (4,706.66) | (6,967.44) | (3,662.66) | (2,289.62) |
| CASH GENERATED FROM OPERATIONS | | 2,748.81 | | 8,669.33 |
| Direct Taxes paid | | (726.50) | | (2,267.66) |
| NET CASH FROM OPERATING ACTIVITIES | | 2,022.31 | | 6,401.67 |
| B. CASH FLOW FROM INVESTMENT ACTIVITIES | | | | |
| Purchase of Fixed Assets | (4,611.23) | | (3,083.63) | |
| Sale of Fixed Assets | 17.83 | | 93.89 | |
| Share Application Money Pending Allotment | (739.91) | | (706.86) | |
| Purchase of Investments | | | | |
| — Subsidiary, Joint Ventures & Associates | (672.50) | | (847.38) | |
| — Others | (1,200.00) | | (2,123.00) | |
| Sale of Investments | | | | |
| — Subsidiary, Joint Ventures & Associates | 499.00 | | 1,283.50 | |
| — Others | 1,200.00 | | 2,034.96 | |
| Interest received | 434.78 | | 549.67 | |
| Dividend received | 7.90 | (5,064.13) | 2.93 | (2,795.92) |
| Net Cash used after investing activities | | (3,041.82) | | 3,605.75 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Interest paid | (3,351.64) | | (2,537.44) | |
| Proceeds from issue of Share Capital | 14,042.21 | | — | |
| Proceeds from borrowings | (2,829.47) | | (362.95) | |
| Proposed Dividend (including Tax) | (357.33) | 7,503.77 | (356.52) | (3,256.91) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 4,461.95 | | 348.84 |
| Balance as on 31.03.2004 | | 2,807.95 | | 2,459.11 |
| Balance as on 31.12.2004 | | 7,269.90 | | 2,807.95 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 4,461.95 | | 348.84 |

Note: — Figures in brackets denote outflows.

— Cash and Cash Equivalents include Rs. 198.87 lacs as on 31.12.2004 (*Previous Year — Rs. 198.87 lacs*) as on 31.03.2004 with Bank Branch in Foreign countries relating to certain Foreign Projects which are not readily available for use by the Company.

| | 31.12.2004 | 31.03.2004 |
|---------------------------------|------------|------------|
| Per Balance Sheet | 7,280.18 | 2,795.43 |
| Effect of Exchange Rate Charges | (10.28) | 12.52 |
| Balance Restated above | 7,269.90 | 2,807.95 |

As per our attached report of even date.

For and on behalf of the Board of Directors

For NATVARLAL VEPARI & CO.
Chartered Accountants

ABHIJIT RAJAN
Chairman & Managing Director

C. C. DAYAL
Director

N. JAYENDRAN
Partner
M. No. 40441

S. K. GUHA THAKURTA
Director

HIMANSHU PARIKH
Director

RAJUL A. BHANSALI
Executive Director

P. S. GUPCHUP
Company Secretary

Mumbai, Dated: 25th March, 2005.

Mumbai, Dated: 25th March, 2005.

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details :**

| | | | | | | | | | |
|--------------------|------|---|-------|---|------|---|------------|---|---|
| Registration No. | 1 | 1 | - | 9 | 9 | 7 | State Code | 1 | 1 |
| Balance Sheet Date | 3 | 1 | 1 | 2 | 0 | 4 | | | |
| | Date | | Month | | Year | | | | |

II. Capital Raised During the Year (Amount in Rs. Thousands)

| | | | | | | | | | | | | | | |
|--------------|--|--|---|---|--------------------|---|--|--|---|---|---|---|---|---|
| Public Issue | | | | | Right Issue | | | | | | | | | |
| | | | 9 | 1 | 6 | 0 | | | N | I | L | | | |
| Bonus Issue | | | | | Private Placements | | | | | | | | | |
| | | | N | I | L | | | | | 1 | 8 | 2 | 5 | 0 |

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

| | | | | | | | | | | | | | | | | | | |
|-----------------------------|---|---|---|---|-------------------------------|---|---|---|--|---|---|---|---|---|---|---|---|---|
| Total Liabilities | | | | | Total Assets | | | | | | | | | | | | | |
| | 1 | 2 | 3 | 7 | 9 | 3 | 1 | 9 | | 1 | 2 | 3 | 7 | 9 | 3 | 1 | 9 | |
| Sources of Funds | | | | | Reserves & Surplus | | | | | | | | | | | | | |
| Paid-Up Capital | | | | | Unsecured Loans | | | | | | | | | | | | | |
| | | | 1 | 5 | 5 | 7 | 9 | 1 | | | | 3 | 7 | 8 | 7 | 5 | 1 | 7 |
| Secured Loans | | | | | Investments | | | | | | | | | | | | | |
| | | 1 | 5 | 5 | 5 | 8 | 5 | 1 | | | | 8 | 9 | 6 | 2 | 1 | 9 | |
| Deferred Tax Liability | | | | | Misc. Expenditure | | | | | | | | | | | | | |
| | | | 3 | 6 | 5 | 8 | 8 | 8 | | | | N | I | L | | | | |
| Application of Funds | | | | | Dividend Rate % | | | | | | | | | | | | | |
| Net Fixed Assets | | | | | Total Expenditure | | | | | | | | | | | | | |
| | | 3 | 2 | 2 | 4 | 7 | 1 | 3 | | | | 8 | 2 | 6 | 1 | 9 | 8 | 0 |
| Net Current Assets | | | | | Profit After Tax | | | | | | | | | | | | | |
| | | 3 | 2 | 1 | 9 | 2 | 1 | 4 | | | | 4 | 2 | 9 | 0 | 1 | 8 | |
| Accumulated Losses | | | | | Dividend Rate % | | | | | | | | | | | | | |
| | | | N | I | L | | | | | | | 2 | 5 | | | | | |

IV. Performance of Company (Amount in Rs. Thousands)

| | | | | | | | | | | | | | | | | | |
|--------------------------|--|---|---|---|-------------------|---|---|---|--|--|---|---|---|---|---|---|---|
| Turnover | | | | | Total Expenditure | | | | | | | | | | | | |
| | | 8 | 7 | 7 | 7 | 8 | 5 | 9 | | | 8 | 2 | 6 | 1 | 9 | 8 | 0 |
| Profit Before Tax | | | | | Profit After Tax | | | | | | | | | | | | |
| | | | 5 | 1 | 5 | 8 | 7 | 8 | | | | 4 | 2 | 9 | 0 | 1 | 8 |
| Earning Per Share in Rs. | | | | | Dividend Rate % | | | | | | | | | | | | |
| | | | | 2 | 9 | . | 6 | 0 | | | | 2 | 5 | | | | |

V. Generic Names of Three Principal Services of the Company — Construction of :

| | | | | | | | | | | | | | | | | | |
|---------------------|---|---|---|---|---|---|---|----|--|--|--|--|--|--|--|--|--|
| Product Description | B | R | I | D | G | E | S | | | | | | | | | | |
| Product Description | T | U | N | N | E | L | S | | | | | | | | | | |
| Product Description | D | A | M | S | | E | T | C. | | | | | | | | | |

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,
RELATING TO THE SUBSIDIARY COMPANIES**

(Rs. in Lacs)

| Name of Subsidiary | Cochin Bridge Infrastructure Co. Limited | Gammon Infrastructure Projects Limited | Vizag Seaport Private Limited | Gammon and Billimoria Limited |
|--|---|---|--|--|
| 1. The Financial Year of the Subsidiaries ended | 31 st December, 2004 | 31 st December, 2004 | 31 st December, 2004 | 31 st December, 2004 |
| 2. Shares of the Subsidiary Companies held by Gammon India Limited on the above date : | | | | |
| (i) Number | 32,64,056 | 4,04,22,900 | 1,42,75,000 | 50,940 |
| (ii) Extent of Holding | 51.00% | 100.00% | 27.76% | 50.94% |
| 3. The net aggregate amount of Profit/Losses of the Subsidiary Companies so far as they concern the members of Gammon India Limited were : | | | | |
| (i) dealt with in the accounts of Gammon India Limited amounted to: | | | | |
| (a) For subsidiaries' financial year ended on 31 st December, 2004 | — | — | — | — |
| (b) For previous financial years of the subsidiaries' since these became subsidiaries of Gammon India Limited | — | — | — | — |
| (ii) Not dealt with in the accounts of Gammon India Limited amount to : | | | | |
| (a) For subsidiaries' financial year ended on 31 st December, 2004 | 50.31 | 28.20 | (191.68) | (0.25) |
| (b) For previous financial years of the subsidiaries' since these became subsidiaries of Gammon India Limited | (167.31) | 25.64 | — | (0.11) |

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing Director

C. C. DAYAL
Director

S. K. GUHA THAKURTA
Director

HIMANSHU PARIKH
Director

RAJUL A. BHANSALI
Executive Director

P. S. GUPCHUP
Company Secretary

Mumbai, Dated: 25th March, 2005.



DETAILS OF SUBSIDIARIES OF GAMMON INDIA LIMITED
(Pursuant to the Central Government Order under Section 212(8) of the Companies Act, 1956)

Amount in Rs.

| Sr. No. | Particulars | Gammon Infrastructure Projects Limited | Cochin Bridge Infrastructure Co. Ltd. | Gammon & Billimoria Ltd. | Vizag Seaport Pvt. Ltd.**** |
|---------|---|--|---------------------------------------|--------------------------|-----------------------------|
| (a) | Capital | 40,42,29,000 | 6,40,00,700 | 10,00,000 | 51,42,75,000 |
| (b) | Reserves | 53,84,350 | —* | —** | —*** |
| (c) | Total Assets | 43,97,73,460 | 32,99,00,986 | 4,76,02,704 | 2,31,68,25,128 |
| (d) | Total Liabilities | 3,01,60,110 | 27,78,80,520 | 4,66,73,352 | 1,64,28,25,102 |
| (e) | Investment (except in case of investment subsidiaries)* | 16,06,57,800 | — | — | — |
| (f) | Turnover | 1,26,00,000 | 4,25,05,651 | — | 1,78,49,362 |
| (g) | Profit/(Loss) before Taxation | 43,45,743 | 1,03,81,570 | (75,540) | (4,39,36,494) |
| (h) | Provision For Taxation Including Deffred Tax | (15,55,452) | (52,29,486) | 26,439 | (2,51,13,689) |
| (i) | Profit/(Loss) after Taxation | 27,90,291 | 51,52,084 | (49,101) | (6,90,50,183) |
| (j) | Proposed Dividend | — | — | — | — |
| | * Details of Investment | | | | |
| | (I) Joint Ventures | | | | |
| | Andhra Expressway Limited | 7,97,20,000 | — | — | — |
| | Rajahmundry Expressway Limited | 7,76,80,000 | — | — | — |
| | (II) Others | | | | |
| | (a) Canara Bank | 26,88,000 | — | — | — |
| | (b) Vijaya Bank | 76,800 | — | — | — |
| | (c) Tata Consultancy Services | 4,93,000 | — | — | — |

* Profit & Loss A/c Debit Balance as on 31/12/2004 Rs. 70,648/-

** Profit & Loss A/c Debit Balance as on 31/12/2004 Rs. 1,19,80,234/-

*** Profit & Loss A/c Debit Balance as on 31/12/2004 Rs. 6,90,50,183/-

**** Share Application Money pending allotment received during the year amounts to Rs. 22,87,75,209/-

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF GAMMON INDIA LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have examined the attached Consolidated Balance Sheet of **GAMMON INDIA LIMITED** and its subsidiaries, associates and joint ventures (Gammon Group) as at 31st December, 2004, the Consolidated Profit and Loss Account for the nine month period then ended and the Consolidated Cash Flow Statement for the nine month period then ended. These financial statements are the responsibility of the Gammon India Limited's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principle used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of subsidiaries including step down subsidiaries, joint ventures other than those mentioned in subsequent paras whose financial statements reflect total assets of Rs. 34,459.01 lacs as at 31st December, 2004 and total revenue of Rs. 2,506.40 lacs for the nine month period ended 31st December, 2004. These financial statements have been audited by other auditors whose report(s) have been furnished to us, and our opinion on the attached financial statement in so far as it relates to the amounts included therein in respect of the subsidiaries, joint ventures is based solely on the reports of the said other auditors.

The financial statements of two joint ventures M/s Rajahmundry Expressway Limited and Andhra Expressway Limited whose financial statements reflect total assets of Rs. 51,675.39 lacs as at 31st December, 2004 and total revenue of Rs. 3,248.58 lacs for the nine month period ended 31st December, 2004 have not been audited and have been certified by the respective Company's Management and furnished to us, and our opinion, insofar they relate to the amounts included in the attached financial statements in respect of these joint ventures has been based solely on the certified financial statements.

We further report that in case of associates the financial statements whose financial statements reflect the group's share of Profit/Loss (net) of Rs. 116.33 lacs have not been audited and have been certified by the respective Associate Company's Management and furnished to us, and our opinion, insofar they relate to the amounts included in the attached financial statements in respect of these associates have been based solely on the certified financial statements.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirement of Accounting Standard (AS) 21- Consolidated Financial Statements, Accounting Standard (AS) 23 - Accounting for investments in associates in the consolidated financial statements and Accounting Standard (AS) 27 - Financial reporting of Interest in Joint Ventures issued by the Institute of Chartered Accountants of India and on the basis of the separate audited and un-audited financial statements of Gammon India Limited and its subsidiaries including step down subsidiaries, associates and joint ventures included in the consolidated financial statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of Gammon India Limited and its aforesaid subsidiaries, associates and joint ventures, we are of the opinion that the Consolidated Balance Sheet, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement read with and subject to the notes particularly *Note No. B-27 regarding change in method of providing amortization of the project bridge in Cochin Bridge Infrastructure Company Limited*, thereon gives a true and fair view:

- (a) In the case of the Consolidated Balance Sheet of the consolidated state of affairs of Gammon Group as at 31st December, 2004;
- (b) In the case of the Consolidated Profit and Loss Account of the consolidated results of operations of Gammon Group for the nine month period then ended and
- (c) In the case of the Consolidated Cash Flow of the consolidated results of operations of Gammon Group for the nine month period then ended.

For NATVARLAL VEPARI & CO.
Chartered Accountants

P. N. VEPARI
Partner
M. No. 4954

Mumbai, Dated : 19th May, 2005.

**CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER, 2004**

| | Schedule No. | 31 st DECEMBER, 2004 | | 31 st MARCH, 2004 | |
|---|--------------|---------------------------------|------------------|------------------------------|------------------|
| | | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs |
| SOURCES OF FUNDS : | | | | | |
| Shareholders' Funds | | | | | |
| Capital | 1 | 1,644.41 | | 1,295.68 | |
| Reserves & Surplus | 2 | 34,658.21 | | 18,880.10 | |
| | | | 36,302.62 | | 20,175.78 |
| Loan Funds | | | | | |
| Secured Loans | 3 | 36,345.68 | | 30,270.11 | |
| Unsecured Loans | 4 | 20,130.19 | | 13,342.47 | |
| | | | 56,475.87 | | 43,612.58 |
| Deferred Tax Liability | | | 3,659.21 | | 3,055.52 |
| TOTAL | | | 96,437.70 | | 66,843.88 |
| APPLICATION OF FUNDS : | | | | | |
| Fixed Assets | 5 | | | | |
| — Gross Block | | 73,827.61 | | 43,753.50 | |
| — Less : Depreciation & Impairment | | 14,906.79 | | 12,833.95 | |
| — Net Block | | 58,920.82 | | 30,919.55 | |
| — Add : Capital Work-in-progress | | 3,782.62 | | 21,742.12 | |
| | | | 62,703.44 | | 52,661.67 |
| Investments | 6 | | 1,776.08 | | 3,116.21 |
| Current Assets, Loans and Advances | | | | | |
| Interest Accrued Receivable | | 204.48 | | 209.02 | |
| Inventories | 7 | 35,213.80 | | 26,750.70 | |
| Sundry Debtors | 8 | 25,883.86 | | 17,144.09 | |
| Cash & Bank Balances | 9 | 7,549.42 | | 2,931.26 | |
| Loans & Advances | 10 | 14,971.91 | | 13,282.04 | |
| | | 83,823.47 | | 60,317.11 | |
| Less : Current Liabilities and Provisions : | 10A | | | | |
| Current Liabilities | | 51,023.35 | | 48,595.92 | |
| Provisions | | 933.72 | | 655.19 | |
| | | 51,957.07 | | 49,251.11 | |
| | | | 31,866.40 | | 11,066.00 |
| Miscellaneous Expenses | 11 | | 91.78 | | — |
| TOTAL | | | 96,437.70 | | 66,843.88 |
| Notes to Accounts | 16 | | | | |

Schedules 1 to 16 annexed hereto form part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account.

As per our attached report of even date.

For and on behalf of the Board of Directors

For NATVARLAL VEPARI & CO.,
Chartered Accountants

ABHIJIT RAJAN
Chairman & Managing Director

C. C. DAYAL
Director

P.N. VEPARI
Partner
M. No. 4954

S. K. GUHA THAKURTA
Director

HIMANSHU PARIKH
Director

P. S. GUPCHUP
Company Secretary

Mumbai, Dated: 19th May, 2005.

Mumbai, Dated: 19th May, 2005.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE NINE MONTH PERIOD
ENDED 31st DECEMBER, 2004**

| | Schedule No. | April '04-December '04 Rs. in Lacs | Rs. in Lacs | April '03-March '04 Rs. in Lacs | Rs. in Lacs |
|--|-----------------|---------------------------------------|-------------------|------------------------------------|-------------------|
| INCOME : | | | | | |
| Turnover | | | | | |
| — Construction Activities | | 85,045.84 | | 105,636.93 | |
| — Infrastructure Projects | 12 | 1,807.94 | | 375.22 | |
| Other Operating Income | 12A | 1,411.69 | | 382.96 | |
| Other Income | 12B | 8.95 | | 82.87 | |
| | | | <u>88,274.42</u> | | <u>106,477.98</u> |
| EXPENDITURE : | | | | | |
| Expenditure on Contracts | 13 | 75,701.90 | | 94,000.46 | |
| Operational Expenses – Infrastructure Projects | | 36.37 | | 9.31 | |
| Establishment Expenses | 14 | 2,528.67 | | 2,632.62 | |
| Financial Costs | 15 | 3,553.43 | | 3,760.51 | |
| Depreciation | | 2,152.98 | | 2,178.70 | |
| | | | <u>83,973.35</u> | | <u>102,581.60</u> |
| PROFIT BEFORE TAX | | | <u>4,301.07</u> | | <u>3,896.38</u> |
| Provision for Taxation : | | | | | |
| — Current | | 492.48 | | 1,501.00 | |
| — Deferred | | 603.70 | | 394.16 | |
| | | | <u>1,096.18</u> | | <u>1,895.16</u> |
| PROFIT AFTER TAX | | | <u>3,204.89</u> | | <u>2,001.22</u> |
| <i>Add/(Less)</i> | | | | | |
| Provision for Taxation of earlier years net of Written Back of excess provision | | (475.61) | | (484.05) | |
| Depreciation Written Back | | 150.92 | | — | |
| Share of Profits in Associates | | 113.58 | | 217.92 | |
| Transferred to Minority Interest | | 103.99 | | 0.63 | |
| Profit/(Loss) on disposal of Subsidiaries/Associates | | (135.94) | | 252.10 | |
| Prior Period Adjustments in respect of | | | | | |
| — Share of Profits in Associates/Joint Ventures (Refer Note No. B-3) | | (323.80) | | (131.12) | |
| — Share of Profits in Subsidiaries (Refer Note No. B-1 a) | | (74.65) | | — | |
| Preliminary/Deferred Revenue Expenses & Goodwill W/Off | | 100.44 | | (68.67) | |
| | | | <u>(541.07)</u> | | <u>(213.19)</u> |
| NET PROFIT FOR THE YEAR | | | <u>2,663.82</u> | | <u>1,788.03</u> |
| Profit Brought Forward from last year | | | 1,476.68 | | 2,049.17 |
| PROFIT AVAILABLE FOR APPROPRIATION | | | <u>4,140.50</u> | | <u>3,837.20</u> |
| Amount Transferred to General Reserve | | (1,606.08) | | (900.00) | |
| Debenture Redemption Reserve | | (1,072.00) | | (1,072.00) | |
| Foreign Projects Reserve | | — | | (32.00) | |
| Proposed Dividend | | (384.55) | | (316.03) | |
| Provision for Tax on Dividend | | (54.75) | | (40.49) | |
| | | | <u>(3,117.38)</u> | | <u>(2,360.52)</u> |
| Balance carried to Balance Sheet | | | <u>1,023.12</u> | | <u>1,476.68</u> |
| Weighted Average No. of Equity Shares O/s | | | <u>12,887,658</u> | | <u>12,495,984</u> |
| Nominal Value of Equity Shares | | | 10 | | 10 |
| Earnings Per Share | | | | | |
| Basic | | | 20.67 | | 14.31 |
| Diluted | | | 20.44 | | 14.14 |
| W.e.f. 28 th February, 2005 after stock split (Refer Note B-18) | | | | | |
| Weighted Average No. of Equity Shares O/s | | | <u>64,438,290</u> | | <u>62,479,920</u> |
| Nominal Value of Equity Shares | | | 2 | | 2 |
| Basic | | | 4.13 | | 2.86 |
| Diluted | | | 4.09 | | 2.83 |

Notes to Accounts

16

Schedules 1 to 16 annexed hereto form part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account.

As per our attached report of even date.

For and on behalf of the Board of Directors

For NATVARLAL VEPARI & CO.
Chartered Accountants

ABHIJIT RAJAN
Chairman & Managing Director

C. C. DAYAL
Director

P. N. VEPARI
Partner
M. No. 4954

S. K. GUHA THAKURTA
Director

HIMANSHU PARIKH
Director

P. S. GUPCHUP
Company Secretary

Mumbai, Dated: 19th May, 2005.

Mumbai, Dated: 19th May, 2005.



**SCHEDULES 1 TO 16 ATTACHED TO AND FORMING PART OF THE
CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER, 2004 AND CONSOLIDATED
PROFIT AND LOSS ACCOUNT FOR THE NINE MONTH PERIOD ENDED 31st DECEMBER, 2004**

| | 31.12.2004 | | 31.03.2004 | |
|--|------------------|------------------|-----------------|------------------|
| | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs |
| SCHEDULE 1 | | | | |
| SHARE CAPITAL : | | | | |
| AUTHORISED : | | | | |
| 5,00,00,000 Equity Shares of Rs. 10/- each. | | <u>5,000.00</u> | | <u>5,000.00</u> |
| ISSUED : | | | | |
| 1,55,53,122 (Previous Year 1,28,12,092) Equity Shares of Rs. 10/- each | | <u>1,555.31</u> | | <u>1,281.21</u> |
| SUBSCRIBED AND PAID-UP : | | | | |
| 1,54,07,962 (Previous Year 1,26,66,932) Equity Shares of Rs. 10/- each | 1,540.79 | | 1,266.69 | |
| Less : Forfeiture of 1,70,948 Equity Shares | <u>17.09</u> | | <u>17.09</u> | |
| | | 1,523.70 | | 1,249.60 |
| Of the above : | | | | |
| (52,800 Shares are issued for consideration other than Cash | | | | |
| 11,61,340 Shares are issued as fully paid Bonus Shares by | | | | |
| Capitalisation of Rs. 70.68 lacs from Reserves and Rs. 45.45 lacs | | | | |
| from Share Premium Account) | | | | |
| SHARE FORFEITURE ACCOUNT : | | | | |
| Money received in respect of 1,70,948 Rights Shares forfeited | | 34.21 | | 34.21 |
| Minority Interest | | | | |
| Opening Balance | 11.87 | | 7.59 | |
| Add : Transferred during the current Year | | | | |
| — Share Capital A/c | 58.35 | | 4.91 | |
| — Loan A/c | 226.81 | | — | |
| Less : Share of Profit/(Loss) during the Year | (206.35) | | — | |
| Less : Transferred from Foreign Fluctuation Reserve during the Year | | | | |
| (Refer Note No. B-34) | <u>(4.18)</u> | | <u>(0.63)</u> | |
| | | <u>86.50</u> | | <u>11.87</u> |
| | | <u>1,644.41</u> | | <u>1,295.68</u> |
| SCHEDULE 2 | | | | |
| RESERVES AND SURPLUS: | | | | |
| FOREIGN PROJECTS RESERVE ACCOUNT : | | | | |
| As per last Balance Sheet | 32.00 | | 100.00 | |
| Add : Transferred from Profit and Loss A/c | — | | 32.00 | |
| Less : Transferred to General Reserve A/c | <u>—</u> | 32.00 | <u>100.00</u> | 32.00 |
| GENERAL RESERVE ACCOUNT : | | | | |
| As per last Balance Sheet | 6,000.00 | | 5,000.00 | |
| Add : Transferred from Foreign Project Reserve | — | | 100.00 | |
| Add : Transferred from Profit and Loss A/c | 1,606.08 | | 900.00 | |
| | <u>7,606.08</u> | | <u>6,000.00</u> | |
| Less : Impairment Charge of Earlier Year (Refer Note No. B - 25 c) | 106.08 | 7,500.00 | — | 6,000.00 |
| SECURITIES PREMIUM ACCOUNT : | | | | |
| As per last Balance Sheet | 2,415.82 | | 2,415.82 | |
| On issue of 18,25,000 Equity Shares @ Rs. 495/- per share | 9,033.75 | | — | |
| On issue of 9,16,030 Equity Shares @ Rs. 565/- per share | 5,175.57 | | — | |
| | <u>16,625.14</u> | | <u>2,415.82</u> | |
| Less : Share Issue Expenses | 441.22 | 16,183.92 | — | 2,415.82 |
| REVALUATION RESERVE ACCOUNT : | | | | |
| As per last Balance Sheet | 7,021.59 | | 7,172.88 | |
| Less : Depreciation on Revalued Assets | <u>108.42</u> | 6,913.17 | <u>151.29</u> | 7,021.59 |
| DEBENTURE REDEMPTION RESERVE ACCOUNT : | | | | |
| As per last Balance Sheet | 1,934.00 | | 862.00 | |
| Add : Transferred from Profit and Loss A/c | <u>1,072.00</u> | 3,006.00 | <u>1,072.00</u> | 1,934.00 |
| PROFIT AND LOSS ACCOUNT | | <u>1,023.12</u> | | <u>1,476.69</u> |
| | | <u>34,658.21</u> | | <u>18,880.10</u> |

**SCHEDULE 3
SECURED LOANS :**

| | 31.12.2004 Rs. in Lacs | 31.03.2004 Rs. in Lacs |
|--|---------------------------|---------------------------|
| Non-Convertible Debentures placed with Banks and Financial Institutions. Refer Note : B-6 I | 9,000.00 | 11,850.00 |
| From Canara Bank Led Consortium : | | |
| Short term loan secured by a charge over Gammon India Limited's Assets in India, including Equitable Mortgage of the immovable property (excluding Leasehold Property, Plant & Machinery hypothecated to the Bankers and Financial Institutions under various Asset Financing Schemes) | 6,524.84 | 4.23 |
| Short Term Loan & Bank Overdrafts of Gammon & Billimoria LLC secured by a charge on the trade accounts receivables of the Company | 1,012.13 | — |
| Loans (Secured by hypothecation of assets purchased under the scheme): | | |
| Canara Bank | — | 2,384.17 |
| Ford Credit Kotak Mahindra Ltd. | 27.92 | 32.14 |
| Kotak Mahindra Primus Ltd. | 5.76 | 7.85 |
| ICICI Bank Ltd. | 1.54 | 1.55 |
| Gammon & Billimoria LLC Car Loan | 33.75 | — |
| [Out of the above loans Rs. 28.66 lacs are due for repayment within one year (Previous Year – Rs. 814.31 lacs)] | | |
| Term Loan From Banks of Joint Ventures (Refer Note No. B-6 II) | 19,739.74 | 15,990.17 |
| | <u>36,345.68</u> | <u>30,270.11</u> |

**SCHEDULE 4
UNSECURED LOANS :**

| | 31.12.2004 Rs. in Lacs | 31.03.2004 Rs. in Lacs |
|---|---------------------------|---------------------------|
| Fixed Deposits (Amounts due within one year Rs. 659.51 lacs; Previous Year – Rs. 514.36 lacs) | 751.00 | 1,190.00 |
| Other Short Term Loans from Banks : | | |
| — Commercial Paper | 4,500.00 | 9,200.00 |
| — Other Loans | 9,500.00 | 2,796.08 |
| | 14,000.00 | 11,996.08 |
| Term Loan from Banks of Joint Ventures | 5,379.19 | — |
| Other Loans | — | 156.39 |
| [Commercial Paper maximum outstanding Rs. 9,500 lacs; (Previous Year – Rs. 9,300 lacs)] | | |
| | <u>20,130.19</u> | <u>13,342.47</u> |

**SCHEDULE 5
FIXED ASSETS :**

| PARTICULARS | (Rs. in Lacs) | | | | | | | | | | |
|------------------------|---------------------|------------------|--------------------------------------|---------------------|---------------------|-----------------|--------------------------------------|-----------------|---------------------|---------------------|---------------------|
| | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | | |
| | AS AT 01.04.2004 | ADDI- TIONS | DEDUC- TIONS/ ADJUST- MENTS | AS AT 31.12.2004 | AS AT 01.04.2004 | FOR THE YEAR | DEDUC- TIONS/ ADJUST- MENTS | IMPAIR- MENT | AS AT 31.12.2004 | AS AT 31.12.2004 | AS AT 31.03.2004 |
| LEASEHOLD LAND | 3.93 | 0.39 | 0.09 | 4.23 | — | — | — | — | — | 4.23 | 3.93 |
| FREEHOLD PROPERTY | 8,664.18 | 0.30 | — | 8,664.48 | 1,009.85 | 118.39 | — | — | 1,128.24 | 7,536.24 | 7,654.33 |
| PLANT AND MACHINERY | 27,523.80 | 4,589.59 | 75.02 | 32,038.37 | 9,051.79 | 1,287.72 | 49.29 | 106.08 | 10,396.30 | 21,642.07 | 18,472.01 |
| MOTOR VEHICLES | 4,481.05 | 499.97 | 105.24 | 4,875.78 | 2,021.63 | 314.93 | 98.32 | — | 2,238.24 | 2,637.54 | 2,459.42 |
| OFFICE EQUIPMENTS | 768.31 | 495.44 | 0.11 | 1,263.64 | 289.14 | 80.42 | (0.04) | — | 369.60 | 894.04 | 479.17 |
| ROAD & PROJECT BRIDGES | 2,312.23 | 22,279.20 | — | 24,591.43 | 461.54 | 425.57 | 150.92 | — | 736.19 | 23,855.24 | 1,850.69 |
| PROJECT BERTH | — | 2,389.68 | — | 2,389.68 | — | 38.22 | — | — | 38.22 | 2,351.46 | — |
| TOTAL | 43,753.50 | 30,254.57 | 180.46 | 73,827.61 | 12,833.95 | 2,265.25 | 298.49 | 106.08 | 14,906.79 | 58,920.82 | 30,919.55 |
| PREVIOUS YEAR | 40,582.80 | 3,514.74 | 344.04 | 43,753.50 | 10,741.07 | 2,330.58 | 237.70 | — | 12,833.95 | 30,919.57 | |

ADD: CAPITAL WORK IN
PROGRESS INCLUDING
CAPITAL ADVANCES

| | |
|------------------|------------------|
| 3,782.62 | 21,742.12 |
| <u>62,703.44</u> | <u>52,661.67</u> |

NOTES :

- Total of Gross Block of Fixed Assets includes cost of Fixed Assets at Foreign Sites Rs. 773.68 lacs (Previous Year – Rs. 359.26 lacs).
- Freehold Property includes cost of Freehold Land Rs. 341.64 lacs (Previous Year – Rs. 341.34 lacs).
- Leasehold Land is at cost less amount written off.
- The Company has revalued on 31st March, 1999 all its Freehold Property except three properties existing as on 31st March, 1999 by Approved valuers. The consequent increase in the value of Fixed Assets amounted to Rs. 7,860.00 lacs and has been credited to the Revaluation Reserve A/c.
- Depreciation for the nine month period amounts to Rs. 2,261.40 lacs (Previous Year – Rs. 2,329.99 lacs) from which has been deducted a sum of Rs. 108.42 lacs (Previous Year – Rs. 151.29 lacs) being the Depreciation in respect of Revaluation of Fixed Assets which has been drawn from the Revaluation Reserve A/c.
- Exchange Difference Capitalised/(Decapitalised) during the period Rs. 7.10 Lacs (Previous Year – Rs. 18.29 lacs).
- As per the AS 28 the Company has conducted review of assets. (Refer Note B - 24)

**SCHEDULE 6****INVESTMENTS :****INVESTMENTS (AT BOOK VALUE)**

| | 31.12.2004 Rs. in Lacs | 31.03.2004 Rs. in Lacs |
|---|---------------------------|---------------------------|
| 1. INVESTMENT IN GOVERNMENT SECURITIES : | 138.94 | 138.94 |
| 2. INVESTMENT IN SHARES & DEBENTURES : | | |
| (a) TRADE INVESTMENTS: (FOREIGN) | 17.56 | 17.56 |
| (b) TRADE INVESTMENTS: (INDIAN) | | |
| Associates Accounted As per AS 23 | 599.44 | 1,141.55 |
| Others | 1.09 | 1.09 |
| Vizag Seaport Pvt. Ltd. | 879.02 | 1,772.28 |
| (c) Other Investments (Fully paid-up unless otherwise stated) | | |
| Ordinary Shares: (Un Quoted) | 0.22 | 0.22 |
| Ordinary Shares: (Quoted) | 68.66 | 63.73 |
| 3. INVESTMENT IN PARTNERSHIP – CAPITAL CONTRIBUTION | 0.25 | 0.25 |
| Gammon Shah (Fully Provided) | | |
| 4. Share Application Money Pending Allotment | 90.31 | — |
| GRAND TOTAL | <u>1,795.49</u> | <u>3,135.62</u> |
| Less : Provision | 19.41 | 19.41 |
| | <u>1,776.08</u> | <u>3,116.21</u> |

SUMMARY OF INVESTMENTS :

Unquoted :

| | | |
|---|-----------------|-----------------|
| Aggregate Book Value of Foreign Investments | 17.56 | 17.56 |
| Aggregate Book Value of Indian Investments (including Share Application Money) | 1,401.61 | 2,777.26 |
| | <u>1,419.17</u> | <u>2,794.82</u> |

Quoted :

| | | |
|------------------------------------|-----------------|-----------------|
| Aggregate Value of Investments | 376.32 | 340.80 |
| GRAND TOTAL | <u>1,795.49</u> | <u>3,135.62</u> |
| Market Value of Quoted Investments | <u>419.46</u> | <u>342.32</u> |

SCHEDULE 7**INVENTORIES :**

Stores and Construction Materials at or below Costs as verified and valued by Site Auditors

| | 31.12.2004 Rs. in Lacs | | 31.03.2004 Rs. in Lacs | |
|--|---------------------------|------------------|---------------------------|------------------|
| Less : Value of Materials drawn from Contractees | 11,883.96 | | 9,022.91 | |
| Contra – Refer Schedule 10A | 494.25 | 11,389.71 | 120.46 | 8,902.45 |
| Expenditure on Contracts including Estimated Profits | 23,834.97 | | | 17,848.25 |
| Less : Transferred to Foreign Fluctuation Reserve | 10.88 | 23,824.09 | | 17,848.25 |
| | | <u>35,213.80</u> | | <u>26,750.70</u> |

SCHEDULE 8**SUNDRY DEBTORS :**

(Unsecured, Considered Good. Refer Note No. B-10)

Outstanding for over six months (including Retention Money

| | 31.12.2004 Rs. in Lacs | 31.03.2004 Rs. in Lacs |
|--|---------------------------|---------------------------|
| Rs. 4,907.07 lacs; Previous Year – Rs. 3,094.45 lacs) | 7,402.64 | 5,547.12 |
| Other Debts [including Retention Money Rs. 565.37 lacs (Previous Year – Rs. 2,068.15 lacs)] | 18,481.22 | 11,596.97 |
| | <u>25,883.86</u> | <u>17,144.09</u> |

SCHEDULE 9**CASH AND BANK BALANCES :**Cash on Hand [Including at Foreign Site Rs. 9.41 lacs
(Previous Year – Rs. 2.75 lacs)]31.12.2004
Rs. in Lacs31.03.2004
Rs. in Lacs

92.29

35.46

Funds-in-Transit and in hand

413.04

1,435.15

With Scheduled Banks :

(a) On Current Accounts

1,283.90

891.65

(b) Unpaid Dividend Bank Account

29.09

27.13

(c) On Fixed Deposit Account

86.38

305.81

With Non-Scheduled Banks :

(a) On Current Accounts

5,518.82

226.61

(b) On Call Deposits

1.60

1.60

(c) On Fixed Deposits

7.85

7.85

(d) On Margin Money

116.45

—

7,549.422,931.26**SCHEDULE 10****LOANS AND ADVANCES :**

(Unsecured, considered good, unless otherwise stated)

Advances recoverable in cash or in kind or
for value to be received

8,901.24

6,985.43

Less : Provision made

96.2196.21

8,805.03

6,889.22

Prepaid Taxes (Net of Provisions) :

Advance Taxes Paid

5,782.60

5,052.83

Less : Provision for Taxation

3,530.482,564.16

2,252.12

2,488.67

Tender Deposits

384.30

738.50

Other Deposits

2,245.23

1,906.53

Deposits with Joint Stock Companies :

— Considered Good

1,285.23

1,259.12

— Considered doubtful (including interest)

640.17

640.17

Less : Provision made

(640.17)(640.17)

1,285.23

1,259.12

14,971.9113,282.04



| | 31.12.2004 | | 31.03.2004 | |
|---|-------------|------------------|-------------|------------------|
| | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs |
| SCHEDULE 10A | | | | |
| CURRENT LIABILITIES : | | | | |
| Sundry Creditors | | 31,524.30 | | 23,612.56 |
| Other Liabilities | | | | |
| Advances from Clients | 15,942.36 | | 21,686.28 | |
| Less : Value of Materials drawn from Contractees Contra – Refer Schedule 7 | 494.25 | | 120.46 | |
| | | 15,448.11 | | 21,565.82 |
| Share Application Money (Refer Note No. B-3) | | 879.02 | | 263.73 |
| Interest accrued but not due on Loans | | 3,138.52 | | 3,086.92 |
| Unpaid Share Application Money | | — | | 0.28 |
| Unpaid Dividends (Refer Note: B-24) | | 29.13 | | 27.13 |
| Unpaid Matured Fixed Deposits* | | 4.27 | | 39.48 |
| * Include amount of Rs. 0.10 lacs (Previous Year Rs. Nil) to be transferred to Investor Education and Protection Fund | | | | |
| | | <u>51,023.35</u> | | <u>48,595.92</u> |
| PROVISIONS : | | | | |
| Proposed Dividend | | 384.55 | | 316.03 |
| Provision for Tax on Dividend | | 53.93 | | 40.49 |
| Provision for Staff Benefits | | 495.24 | | 298.67 |
| | | <u>933.72</u> | | <u>655.19</u> |
| SCHEDULE 11 | | | | |
| MISCELLANEOUS EXPENSES : | | | | |
| Preliminary Expenses | | 23.77 | | — |
| Deferred Revenue Expenses | | 63.65 | | — |
| Foreign Fluctuation Reserve | 8.54 | | — | |
| Less: Transferred to Minority Interest | 4.18 | 4.36 | — | — |
| | | <u>91.78</u> | | <u>—</u> |
| SCHEDULE 12 | | | | |
| INCOME FROM INFRASTRUCTURE PROJECTS : | | | | |
| Toll Proceeds | | 271.06 | | 375.22 |
| Annuity Income | | 659.77 | | — |
| Annuity Bonus | | 808.53 | | — |
| Project Berth Revenue | | 68.58 | | — |
| | | <u>1,807.94</u> | | <u>375.22</u> |

| | 31.12.2004 Rs. in Lacs | 31.03.2004 Rs. in Lacs |
|---|---------------------------|---------------------------|
| SCHEDULE 12A | | |
| OTHER OPERATING INCOME : | | |
| Sundry Balances Written Back (Net) | 12.00 | 40.68 |
| Foreign Exchange Gain | 30.55 | 76.40 |
| Duty Draw-back Benefits | 540.06 | 77.18 |
| Miscellaneous Receipts | 519.08 | 188.70 |
| Liquidated Damages | 310.00 | — |
| | <u>1,411.69</u> | <u>382.96</u> |
| SCHEDULE 12B | | |
| OTHER INCOME : | | |
| Dividend Income | 5.44 | 10.10 |
| Miscellaneous Income | 3.51 | 32.58 |
| Profit on Sale of Investments | — | 40.19 |
| | <u>8.95</u> | <u>82.87</u> |
| SCHEDULE 13 | | |
| EXPENDITURE ON CONTRACTS : | | |
| Opening Works-in-progress : | | |
| Stores and Construction Material at Sites and Godowns | 9,022.91 | 6,392.69 |
| Expenditure on Contracts | 17,848.25 | 12,022.68 |
| | 26,871.16 | 18,415.37 |
| <i>Add :</i> Purchases of Materials | 34,537.36 | 35,013.24 |
| Sub Contract Expenses | 33,543.98 | 50,434.28 |
| Plant Hire Charges | 1,331.15 | 1,530.40 |
| Consumption of Spares | 888.12 | 1,310.70 |
| Sales Tax | 1,633.47 | 1,965.03 |
| Service Tax | 147.60 | — |
| Power and Fuel | 3,534.21 | 3,077.17 |
| Site Personnel Expenses | 3,957.73 | 3,533.43 |
| Sundry Expenses (As per Schedule 13A annexed) | 4,976.06 | 5,592.00 |
| | 84,549.68 | 102,456.25 |
| <i>Less :</i> Closing Stock of Stores & Construction Materials including Materials drawn from Contractees Rs. 494.25 lacs (Previous Year – Rs. 120.46 lacs) | 11,883.96 | 9,022.91 |
| Closing Work-in-progress including Estimated Profits | 23,834.98 | 17,848.25 |
| | <u>35,718.94</u> | <u>26,871.16</u> |
| | <u>75,701.90</u> | <u>94,000.46</u> |
| SCHEDULE 13A | | |
| SUNDRY EXPENSES INCLUDED UNDER EXPENDITURE ON CONTRACT : | | |
| Plant Repairs | 464.01 | 642.65 |
| Rent | 355.03 | 398.18 |
| Staff Welfare | 377.85 | 408.44 |
| Insurance | 627.23 | 673.68 |
| Rates and Taxes | 1.87 | 15.03 |
| Travelling Expenses | 731.20 | 744.81 |
| Fees and Consultations | 922.94 | 982.52 |
| Guarantee Bond Commission and Bank Charges | 461.28 | 460.45 |
| Other Site Expenses* | 1,034.65 | 1,266.24 |
| | <u>4,976.06</u> | <u>5,592.00</u> |

* None of the individual items included in Other Site Expenses exceeds one percent of the total turnover.

**SCHEDULE 14****ESTABLISHMENT EXPENSES :**

| | 31.12.2004 | | 31.03.2004 | |
|---|-------------|-----------------|-------------|-----------------|
| | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs | Rs. in Lacs |
| Electricity Charges | | 66.65 | | 73.00 |
| Rent | | 10.20 | | 2.88 |
| Salaries incl. Provision for Commission and Bonus | | 995.58 | | 821.05 |
| Contribution to Employees' Provident Fund, ESIS & Other Funds | | 163.49 | | 211.32 |
| Contribution to Gratuity Fund | | 79.85 | | 204.46 |
| Staff Welfare Expenses | | 29.23 | | 42.69 |
| Insurance | | 158.56 | | 154.79 |
| Rates and Taxes | | 20.61 | | 16.13 |
| Communication Expenses | | 112.77 | | 140.39 |
| Travelling, Leave Passage and Motor Car Expenses | | 141.60 | | 170.86 |
| Professional Fees | | 308.78 | | 327.75 |
| General Charges | | 164.62 | | 165.33 |
| Repairs & Maintenance | | 95.87 | | 114.39 |
| Auditors Remuneration : | | | | |
| — Audit Fees including Tax Audit Fees & Consolidation | 20.38 | | 14.59 | |
| — Limited Review | 1.64 | | 2.43 | |
| — Certification | 0.64 | | 0.25 | |
| — Managerial Services | 0.54 | | 2.70 | |
| — Reimbursement of Out of Pocket Expenses | 0.20 | | 0.30 | |
| | | 23.40 | | 20.27 |
| Directors' Sitting Fees | | 0.25 | | 0.19 |
| Write off against Leasehold Land | | 0.09 | | 0.12 |
| Bad Debts/Interest written off | | 110.44 | | 105.11 |
| Research and Development Expenses | | — | | 0.65 |
| Donation | | 0.35 | | 3.83 |
| Provision for Loss in Joint Venture | | 1.04 | | 2.09 |
| Loss on Sale of Assets | | 17.23 | | 3.51 |
| Preliminary/Deffered Revenue Expenses | | 28.06 | | 51.81 |
| | | <u>2,528.67</u> | | <u>2,632.62</u> |

SCHEDULE 15**FINANCIAL COST :****INTEREST PAID ON :**

| | 31.12.2004 | 31.03.2004 |
|---|-----------------|-----------------|
| | Rs. in Lacs | Rs. in Lacs |
| On Fixed Period Loans | 2,284.56 | 2,265.26 |
| Other Loans | 1,574.93 | 1,899.93 |
| Other Finance Charges | 145.80 | 163.06 |
| | <u>4,005.29</u> | <u>4,328.25</u> |
| <i>Less : INTEREST EARNED ON</i> | | |
| Fixed Deposits with Banks | 40.02 | 11.14 |
| Fixed Deposits with Joint Stock Companies | 165.57 | 132.19 |
| Others | 246.27 | 424.41 |
| | <u>451.86</u> | <u>567.74</u> |
| | <u>3,553.43</u> | <u>3,760.51</u> |

SCHEDULE 16

NOTES TO ACCOUNTS

A. ACCOUNTING POLICIES :

1. PRINCIPLES OF CONSOLIDATION :

The Consolidated Financial Statement relates to GAMMON INDIA LTD ("The Company") and its majority owned Subsidiary Companies and Joint Ventures in the form of Jointly controlled entities. The Consolidated financial statements have been prepared on the following basis:

- (a) The Financial Statements of the Company and its subsidiary Companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.
- (b) The Consolidated Financial Statements have been prepared using uniform policies for like transaction and other events in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements.
- (c) The excess of cost of investment over share of equity of the subsidiary/Joint Venture is recognised as goodwill and excess of share of equity of subsidiaries is recognised as capital reserve.
- (d) The Interests in Joint Ventures which are in the nature of jointly controlled entities have been consolidated by using the proportionate consolidation method as per the Accounting Standard – 27 on Financial reporting of Interests in Joint Venture issued by the Institute of Chartered Accountants of India.
- (e) Investment in Associates Companies are accounted under the equity method as per the Accounting Standard 23 – Accounting for Investment in Associates in Consolidated Financial Statements issued by The Institute of Chartered Accountants of India. The Company's share of pre-acquisition losses/gains is reflected as goodwill/capital reserve in the carrying value of the Investments.

2. REVENUE RECOGNITION :

A. On Construction Contracts:

Long-term contracts including Joint Ventures Projects are progressively evaluated at the end of each accounting period. On contracts under execution which have reasonably progressed, profit is recognised by evaluation of the percentage of work completed at the end of the accounting period, whereas, foreseeable losses are fully provided for, in the respective accounting period.

Additional claims (including for escalation), which in the opinion of the Management are recoverable on the contract, are recognised at the time of evaluating the job.

B. Insurance claims are accounted for on cash basis.

C. On Infrastructure Development Business :

The fee collections from the users of facility are accounted when the amount is due and recovered.

Annuity income is accounted as and when the same is accrued.

Bonus for completion of project before schedule date is accounted on accrual basis as per the terms of Concession Agreement.

Revenue by way of Berth Hire Charges, Wharfage, Handling and other charges etc., are recognized as income upon raising of bills on its clients immediately upon clearing / unberthing of ship/vessel.

3. TURNOVER FROM CONSTRUCTION CONTRACTS :

Turnover represents work certified as determined by taking into consideration the actual cost incurred and profit evaluated by adopting the percentage of the work completion method of accounting. Where the material is supplied by the client, the market value of such material is considered as part of turnover to reflect the value of work done.

4. RESEARCH AND DEVELOPMENT EXPENSES :

All expenditure of revenue nature is charged to the Profit and Loss Account of the period. All expenditure of capital nature is capitalised and depreciation provided thereon, at the rates as applied to other assets of similar nature.

5. EMPLOYEE BENEFITS :

Provision for gratuity liability to eligible employees is actuarially valued, funded and accounted for during the accounting period, in which the same accrues.

The Company's contribution to the recognised Employees' Provident Fund and Superannuation Fund are charged to Profit and Loss Account on accrual basis.

Leave encashable on retirement has been provided on the basis of actuarial valuation.



In case of Gammon & Billimoria (L.L.C) provision for employee terminal benefits has been made under the U.A.E. Labour Law based on employees' salaries and number of years of service. The terminal benefits are paid to employees' on their termination or leaving employment. Accordingly, the Company does not expect settlement against terminal benefit obligation in the near future.

6. FIXED ASSETS AND DEPRECIATION :

Fixed Assets are valued and stated at cost of acquisition less accumulated depreciation thereon. Revalued assets are stated at the revalued amount. Foreign exchange fluctuation relating to repayment of foreign currency loan utilised for acquisition of Fixed Assets is adjusted in the carrying amount of Fixed Assets. Expenditure including interest on borrowing costs incurred up to the date of commencement of commercial operations are capitalized as part of Fixed Assets, till the commencement of commercial operations the same have been included under Project Expenditure.

Depreciation for the accounting period is provided on:

- (a) Straight Line Method, for assets purchased after 2-4-1987, at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.
- (b) Written Down Value Method, for assets acquired on or prior to 2-4-1987, at the rates as specified in Schedule XIV to the Companies Act, 1956.
- (c) Depreciation on revalued component of the assets is withdrawn from the revaluation reserve.
- (d) The Infrastructure Projects Assets are amortized over a period of the rights given under the various Concession Agreements to which they relate.
- (e) The assets lying in the books of Gammon & Billimoria (L.L.C.) are depreciated in equal annual installments over the estimated useful lives of the assets. The estimated useful lives of the assets for calculating depreciation are as follows:

| | |
|----------------------|-----------|
| Plant & Machinery | 6 Years |
| Furniture & fixtures | 4-6 Years |
| Office Equipment | 3-4 Years |
| Motor Vehicle | 6 Years |

7. INVESTMENTS :

Investments are valued and stated at historical cost. Adequate provision is made for permanent diminution in the value of investments.

8. INVENTORIES :

Stores and Construction Materials are valued and stated at lower of cost or net realisable value. The FIFO method of inventory valuation is used to determine cost.

Work-in-Progress on construction contracts reflects value of material inputs and expenses incurred on contracts including estimated profit in evaluated jobs.

9. FOREIGN CURRENCY TRANSLATION :

Fixed Assets acquired in Foreign Currencies are translated at the rate prevailing on the date of remittance of payment for the asset. Transactions remaining unsettled at the Balance Sheet date are converted at year-end/forward contract rate.

Current Assets and Current Liabilities denominated in foreign currency are translated at the rates prevailing at the end of the period, and net gain/loss, if any, is credited/debited to the Profit and Loss Account.

In case of non-integral foreign operations, the assets & liabilities both monetary and non-monetary are translated at the closing rate & the income and expense items are translated at the average rate for the period. The resultant exchange difference is accumulated in the Foreign Currency Translation Reserve and disclosed in the Balance Sheet.

10. DEFERRED TAX:

Deferred Tax is recognized on timing differences being the differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets, subject to the consideration of prudence are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized. The tax effect is calculated on the accumulated timing difference at the year end based on the tax rates and laws enacted or substantially enacted on Balance Sheet date.

11. SALES TAX :

Sales Tax/Works Contract Tax is accounted on payment basis.

12. DEFERRED REVENUE EXPENSES :

Preliminary Expenses are amortized equally over a period of ten years and Deferred Revenue Expenditure relating to Share issue are amortized equally over a period of five years, subject to availability of sufficient profits.

B. OTHER NOTES :

1. (a) The following Subsidiary Companies have been consolidated in the Financial Statements applying AS- 21 :

| Name of the Subsidiary | Proportionate of Ownership either directly or through subsidiaries | |
|---|--|---------------|
| | Current Year | Previous Year |
| Cochin Bridge Infrastructure Co. Ltd. | 97.66% | 97.66% |
| Gammon Infrastructure Projects and Investments Ltd. | 100% | 100% |
| Gammon & Billimoria Limited | 51% | 51% |

Gammon & Billimoria Limited, holds 49% of the equity of Gammon & Billimoria (LLC), a limited liability company registered in Dubai hereafter referred as G&B LLC. Since the Management and Operational control of G&B LLC is with Gammon & Billimoria Limited, G&B LLC is being consolidated as a subsidiary under Accounting Standard AS- 21.

The loss incurred by the G&B LLC has been allocated to the other shareholder only to the extent of his equity. The loss incurred by G&B LLC has been allocated to the shareholders of G&B Ltd in proportion to their shareholding. The losses pertaining to the earlier period have been recognized as a prior period adjustment in the profit and loss account.

- (b) The following Jointly Controlled Entities have been considered applying AS-27 on Financial reporting of Interests in Joint Venture on the basis of unaudited financial statements certified by its Management.

| Name of the Jointly Controlled Entity | Proportion of Ownership Interest (%) | |
|---------------------------------------|--------------------------------------|---------------|
| | Current Year | Previous year |
| Rajamundry Expressway Ltd. | 50% | 50% |
| Andhra Expressway Ltd. | 50% | 50% |
| Vizag Seaport Pvt. Ltd.* | 38.42% | 28% |

* Refer Note B-3.

- (c) The following Associates have been accounted on one line basis applying the Equity Method provided in Accounting Standard-23 – Accounting for Investment in Associates in Consolidated Financial Statements issued by The Institute of Chartered Accountants of India. The same has been consolidated on the basis of unaudited financial statements certified by its Management.

The particulars of Investments in Associates are as under:

| (Rs. in Lacs) | | | | | | |
|--|---------------|-----------------------------|-----------------------------|---|---|---|
| Name of the Company | % Shares Held | Original Cost of Investment | Goodwill/ (Capital Reserve) | Adjusted/ Accumulated Profit/(Loss) at the year end 31-03-2004 post acquisition | Profit for the Current Year ended on 31-12-2004 | Carrying Amount of Investments as on 31-12-2004 |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| | | | | | | (3) + (5) + (6) |
| Shah Gammon Ltd. | 41.75% | 0.89 | — | (0.89) | — | — |
| The Freyssinet Prestressed Concrete Co. Ltd. | 36.64% | 43.93 | — | 209.75 | 38.10 | 291.78 |
| STFA Piling (India) Limited | 50.00% | 21.73 | — | (21.73) | — | — |
| Associated Transrail Structures Limited | 28.87% | 168.57 | 70.71 | 90.02 | 49.07 | 307.66 |
| Total | | 235.12 | 70.71 | 277.15 | 87.17 | 599.44 |

During the period the Company sold its entire holdings in Equipment Management Company (India) Ltd. on 25th September, 2004. The results till the date of sale has been considered in the consolidated accounts. Subsequent to sale, Equipment Management Company (India) Ltd. ceased to be an Associate Company.



2. Significant accounting policies and notes to these consolidated financial statements are intended to serve as a means of informative disclosure and a guide to better understanding the consolidated position of the companies. Recognising this purpose, the Company has disclosed only such policies and notes from the individual financial statements, which fairly presents the needed disclosures. Further, in the opinion of the Management, the accounting policies and notes could be better viewed when referred from the individual financial statements.

3. Hitherto, the accounts of Vizag Seaport Pvt. Ltd. (VSPL), a company in which the group holds 55% equity stake, was being consolidated in accordance with AS-27 with 28% interest. The existing holding subsidiary relationship of Vizag Seaport Private Limited is temporary in nature in view of the proposed issue of shares to other partners under the share agreements entered into with said partners. Therefore VSPL is being consolidated as a joint venture under Accounting standard AS-27 with 38.42% interest which would be the group's ultimate holding in the Company.

The change in the percentage of consolidation has resulted in lower profit amounting to Rs. 334.83 lacs being recognized in the Consolidated Profit and Loss Account as prior period adjustments.

Share Application money, under Current Liabilities represents the groups' share in the share Application money received from other investors and pending allotment as at the Balance Sheet date.

4. (a) Under the Concession Agreement dated 27th October, 1999, read along with Supplementary Agreement executed between Cochin Bridge Infrastructure Company Limited, Government of Kerala, Greater Cochin Development Authority and Gammon India Limited dated January 6th, 2001; the entire project has been assigned to the Company as a Concessionaire for the purpose of developing, operating and maintaining the infrastructure facility on BOT basis.

Subsequently a Supplementary Concession Agreement is being worked out as per the Government of Kerala's Order Nos. G.O. (M.S.) No. 11/2005/PWD dated 24th January, 2005 and G.O. (M.S.) No. 16/2005/PWD dated 1st March, 2005 between the Government of Kerala, Greater Cochin Development Authority and the Company.

(b) Andhra Expressway Limited has entered into a Concession Agreement dated 30th October, 2001 with National Highways Authority of India for a period of 17 years 6 months ending on 29th November, 2019, during which, the Company has been authorised to construct, operate and maintain the national highway from km 253/0 to km 300/0 in Vijaywada – Visakhapatnam section on NH-5 in the state of Andhra Pradesh on Build, Operate and Transfer basis under the Annuity scheme. The cost of such construction has been capitalized and shall be amortised over the remaining period of Concession Agreement starting from the date on which the commercial operations commenced i.e October 30, 2004.

The Company has made application for renewal of approval granted under section 10(23G) by Central Board of Direct Taxes, New Delhi and the said renewal is awaited.

(c) Rajahmundry Expressway Limited has entered into a Concession Agreement dated 30th October, 2001 with National Highways Authority of India for a period of 17 years 6 months ending on 29th November, 2019, during which, the Company has been authorised to construct, operate and maintain the national highway from km 200/0 to km 253/0 in Vijaywada – Visakhapatnam section on NH-5 in the state of Andhra Pradesh on Build, Operate and Transfer under the Annuity scheme. The cost of such construction has been capitalized and shall be amortised over the remaining period of Concession Agreement starting from the date on which the commercial operations commenced i.e 21st September, 2004.

The Company has made application for renewal of approval granted under Section 10(23G) by Central Board of Direct Taxes, New Delhi and the said renewal is awaited.

(d) Under a License Agreement dated November 28th 2001, executed between the Vizag Seaport Pvt. Ltd. and Visakhapatnam Port Trust, the Company was granted a License for Construction, Operation, Management and Maintenance of two multi-purpose Berths EQ-8 and EQ-9 in the northern arm of the inner harbour at Visakhapatnam Port for handling cargo on Built-Operate and Transfer (BOT) basis for a period of 30 years from the date of the said License Agreement. Pursuant to the said License Agreement the Company commenced commercial operations on Berth EQ-8 with effect from 25th July, 2004. However, the other Berth EQ-9 is yet to commence commercial operations and thus all expenses incurred on construction thereof have been reflected in capital Work-in-Progress pending capitalization.

Pursuant to the contract undertaken by the Company, Lease Rent & Lease Premium amounting to Rs. 56,04,323/- and Lease Deposit of Rs. 50,12,345/- to Visakhapatnam Port Trust has been paid by the Company during the year for which Lease Agreement is yet to be executed.

The Company has made an application to Central Board of Direct Taxes, New Delhi for according approval under Section 10(23G) of the Income-Tax Act 1961, and the said approval is awaited.

5. PROVIDENT FUND:

The provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952, have been implemented at the work sites where code numbers have been allotted. In respect of the remaining work sites necessary applications have been made for allotment of code numbers.

However, a provision of Rs. 25 lacs (*Previous Year Rs. 25 Lacs*) is available to cover any liability arising there from.

6. (I) Non-Convertible Debentures:

10.75% – Secured Redeemable Non-Convertible Debentures of Rs. 40 crores are secured by hypothecation of specific Plant & Machinery and mortgage of immovable property in Gujarat. The Debentures are due for repayment at the end of 5th, 6th and 7th year from the date of allotment i.e. 29th June, 2002.

8.75% – Secured Redeemable Non-Convertible Debentures of Rs. 29 crores are secured by hypothecation of specific Plant & Machinery and pari passu charge by mortgage of immovable property in Gujarat with 10.75% Secured Redeemable Non-Convertible Debentures of Rs. 40 crores. The Debentures are due for repayment at the end of 8th, 9th and 10th year from the date of allotment. i.e. 30th March, 2003.

7.50% – Redeemable Non Convertible Debentures of Rs.15 crores and 7.25% - Redeemable Non-Convertible Debentures of Rs. 6 crores are secured by hypothecation of specific Plant & Machinery and pari passu charge by mortgage of immovable property in Gujarat with 10.75% Secured Redeemable Non-Convertible Debentures of Rs. 40 crores and 8.75% Secured Redeemable Non-Convertible Debentures of Rs. 29 crores. The Debentures are due for repayment at the end of 8th, 9th and 10th year from the date of allotment. i.e. 29th September, 2003.

13.10% – Non-Convertible Debentures of Rs. 30 crores of Cochin Bridge Infrastructure Company Limited were redeemed prematurely during the period under review and the charge of the asset was relinquished.

(II) Term loans from Banks for Infrastructure road projects are secured by :

- Legal Mortgage over immovable properties, both present and future
- Hypothecation/charge over :
 - (a) The Joint Venture Company's other properties, present or future, both tangible and intangible, whether immovable or movable.
 - (b) All the rights, title, interest, benefits, claims and demands whatsoever of Company, in, to, under and/in respect of project documents including all Guarantees and Bonds issued/to be issued in terms thereof including the Contractor Warrants, Liquidated damages, Performance Guarantees and Bonds.
 - (c) All the rights, title, interest, benefits, claims and demands whatsoever of Company, in, to, under and/in respect of insurance related to or in any manner connected with the Project both present and future and all rights, claims and benefits to all monies receivable thereunder and all other claims there under.
 - (d) All the rights, title, interest, benefits, claims and demands whatsoever of Company, in, to, under and/in respect of Project Accounts and all banks, all amount lying therein or to be credited therein, all proceeds, investment made out of the amounts received and/or lying in the accounts including all assets, securities and records, documents and instruments which represents all amounts in the Accounts.
 - (e) All amounts owing/payable/ to and/or received by, the Company and/or by any person on behalf of the Company including without limitation any payment from NHAI and/or any other person under the project documents or otherwise.
- Floating Charge on all other Assets of the Company, both present and future, other than assets described above.

(III) The short-term loans taken from Bank by the infrastructure port project is guaranteed by Gammon India Limited.

7. Details of Joint Ventures entered into by the Company :

| Sr. No. | Name of the Joint Venture | Description of Interest | % of involvement |
|---------|-------------------------------|---|------------------|
| 1. | Gammon Progressive | Jointly Controlled Operation | 60.00% |
| 2. | Gammon Delco | Jointly Controlled Operation | 50.00% |
| 3. | Gammon Rizzani | Jointly Controlled Operation | 50.00% |
| 4. | Gammon – OSE | Jointly Controlled Operation | 50.00% |
| 5. | OSE – Gammon | Jointly Controlled Operation | 50.00% |
| 6. | Gammon Soma | Jointly Controlled Operation | 80.00% |
| 7. | Gammon Atlanta | Jointly Controlled Operation | 50.00% |
| 8. | Gammon OAO Stroytransgaz | Jointly Controlled Operation | 50.00% |
| 9. | Andhra Expressway Ltd. | Share Holder in jointly controlled entity | 50.00%* |
| 10. | Rajamundhry Expressway Ltd. | Share Holder in jointly controlled entity | 50.00%* |
| 11. | Vizag Seaport Private Limited | Share Holder in jointly controlled entity | 38.42%** |



| Sr. No. | Name of the Joint Venture | Description of Interest | % of involvement |
|---------|--------------------------------------|------------------------------|------------------|
| 12. | Gammon Sadbhav | Jointly Controlled Operation | 70.00% |
| 13. | Gammon Ozaltin | Jointly Controlled Operation | 51.00% |
| 14. | Gammon Srinivas | Jointly Controlled Operation | 80.00% |
| 15. | Gammon Limak | Jointly Controlled Operation | 97.00% |
| 16. | Gammon & Sew | Jointly Controlled Operation | 70.00% |
| 17. | Gammon Ozaltin | Jointly Controlled Operation | 51.00% |
| 18. | Gammon Sadbhav Billimoria Consortium | Jointly Controlled Operation | 70.00% |
| 19. | AL Matar Trading & Con. LLC GIL | Jointly Controlled Operation | 85.00% |
| 20. | Gammon Burhan Abdul Monem JV | Jointly Controlled Operation | 50.00% |
| 21. | Gammon Burhan Fel. J V | Jointly Controlled Operation | 50.00% |
| 22. | GIL – Leighton J V | Jointly Controlled Operation | 50.00% |
| 23. | GIL – Archidon | Jointly Controlled Operation | 98.50% |
| 24. | GIL- Punjloyd J V | Jointly Controlled Operation | 50.00% |
| 25. | Gammon Haustad & Timmermann JV | Jointly Controlled Operation | 70.00% |
| 26. | Gammon – AL Matar JV | Jointly Controlled Operation | 85.00% |
| 27. | GIL CEC JV | Jointly Controlled Operation | 51.00% |
| 28. | Gammon BBJ | Jointly Controlled Operation | 50.00% |

*Along with wholly owned subsidiary.

** Refer Note B-3.

8. The figures of the previous year are not comparable with that of the current year on account of the following reasons:
- Accounts for the current period are for Nine Months as against Twelve Months in previous year.
 - Accounting for the accounts of Vizag Seaport Pvt. Ltd as an joint venture @38.42 % instead of 28% (Refer note B-3)
 - Accounts of Gammon & Billimoria (L.L.C.) being consolidated as a subsidiary from current year.
9. On account of acquisition of shares in Gammon & Billimoria (L.L.C.) by Gammon & Billimoria Limited a subsidiary of Gammon India Limited, the effect on the financial position on reporting date is as under:

| Particulars | Amount Rs. In Lacs |
|---------------------------------|--------------------|
| Asset Increase/(Decrease) | 2,345.73 |
| Liabilities Increase/(Decrease) | 2,212.84 |
| Revenue Profit/(Loss) | (271.06) |

10. Sundry Debtors include bills outstanding against completed contracts:
- Bills under Arbitration outstanding over 3 years Rs. Nil (*Previous Year Rs. 24.97 lacs*) and outstanding for less than 3 years Rs. Nil (*Previous Year Rs. Nil*).
11. After completion of jobs in Iraq and Libya, the Company has closed its Project Offices in these countries. Consequently, realisability/mobility of Current Assets amounting to Rs.16.94 lacs and Plant & Machinery costing Rs.55.88 lacs (Written-Down value Rs. Nil) in Iraq and of Current Assets amounting to Rs.0.32 lac and Plant & Machinery costing Rs.143.54 lacs (Written-Down value Rs. Nil) in Libya, in the immediate future is uncertain.
12. Issued Share Capital includes 1,45,160 Equity Shares kept in abeyance.
13. Share Forfeited account includes Rs. 25.64 lacs of Share Premium collected on application in respect of forfeited shares.
14. Remuneration to Auditor of the subsidiaries is grouped with general charges.
15. Balances in Foreign Bank Accounts are as per ledger.
16. Deferred Taxation :
- Credit for deferred tax assets are not provided in cases where the Management is of the opinion that the same are not likely to be recovered in future following the prudent accounting practice.

(b) The break up of the deferred tax liability and assets are as follows :

| Particulars | As at 31-12-2004 (Rs. in Lacs) | As at 31-03-2004 (Rs. in Lacs) |
|---|--------------------------------------|--------------------------------------|
| Deferred Tax Liability | | |
| — On Account of Depreciation | 3,963.78 | 3,318.99 |
| Deferred Tax Assets | | |
| — On Account of Gratuity/Leave Encashment Provision | 81.50 | 99.01 |
| — On Account of Interest on NCD | 56.35 | 21.53 |
| — On Account of Unabsorbed Depreciation | — | 51.93 |
| — On Account of Unabsorbed Losses | 166.70 | 91.00 |
| Net Balance | 3,659.23 | 3,055.52 |

17. Turnover and Expenditure on Contracts include Rs. 227.53 lacs (*Previous Year – Rs. 1,739.92 lacs*) being the effect of Market value of material supplied by the client.
18. Weighted average number of Equity Shares is computed considering 18,25,000 new Equity Shares allotted under the preferential issue on 8th November, 2004 and 9,16,030 new Equity Shares allotted under the Global Depository Receipts, on 22nd December, 2004.
19. Cochin Bridge Infrastructure Company Ltd. has extended a Term Loan of Rs. 8,00,00,000/- to Vizag Seaport Private Limited, which is convertible at par into Equity Shares of Rs. 10/- each on 1st April, 2008.
20. Disclosure in accordance with Accounting Standard - 7 (Revised), in respect of contracts entered into on or after April 1, 2003

Rs. in Lacs

| Particulars | Period Ended December, 04 | For The Year 03-04 |
|---|------------------------------|-----------------------|
| Turnover | 28,179.25 | 8,036.18 |
| Expenditure (Net of inventory adjustments) | 25,345.25 | 7,432.18 |
| Profits/Losses recognized | 2,834.00 | 604.00 |
| Contract Advances (Net) | 7,022.39 | 5,227.70 |
| Gross Amount due from customers for contract work | 6,304.05 | 1,544.35 |
| Gross Amount due to customers for contract work | NIL | NIL |

21. The Company has deposited customs duty of Rs. 219.88 lacs (*Previous Year – Rs. 219.88 lacs*) under protest in respect of certain machineries imported for the project in Sikkim. The Company contends that the import of machinery is duty free as per the Project Import Regulations prevailing then. The Company has preferred an appeal against the levy of custom duty. Pending outcome of the appeal, the said amount is carried under advances recoverable in cash or in kind.
22. The Company has pledged the following shares in favour of the lenders to the projects as part of the terms of financial closure of the respective companies
- Rajahmundry Expressway Limited – 67,32,000 (*Previous Year – 67,32,000*) Equity shares of Rs. 10/- each.
 - Andhra Expressway Limited – 65,28,000 (*Previous Year – 65,28,000*) Equity shares of Rs. 10/- each.
 - Cochin Bridge Infrastructure Company Limited – 32,64,056 (*Previous Year – 32,64,056*) Equity shares of Rs. 10/- each. (Since Vacated)
23. The deferred revenue expenditure relating to Share issue and preliminary expenses which had been written off in the previous year in the consolidated accounts have been reinstated after amortizing the charge for the current years. As a consequence, the Consolidated Profit & Loss Account is higher by Rs.105.12 lacs.
24. Unpaid dividend includes Rs. 2.07 lacs (*Previous year – Rs. Nil*) to be transferred to the Investor Education & Protection Fund, which has since been transferred. Unpaid dividend also includes an amount of Rs. 0.79 lacs (*Previous year Rs. 0.79 lacs*) relating to the period before 1995 in respect of which there are disputes restraining the transfer of the dividend to the Investor Education & Protection Fund.



Unpaid Interest includes Rs. 0.04 lacs (*Previous Year Rs. Nil*) to be transferred to the Investor Education & Protection Fund, which has since been transferred.

Unpaid matured Fixed Deposits includes Rs. 0.10 lacs (*Previous Year Rs. Nil*) to be transferred to the Investor Education & Protection Fund, which has since been transferred.

25. (a) The Accounting Standard AS 28 – “Impairment of Assets” issued by the Institute of Chartered Accountants of India has become applicable to the Company from 1st April, 2004.
- (b) The Company had revalued some of its assets being immovable properties on 31st March, 1999. In respect of these assets management after carrying out exercise for determining the impairment is of the opinion that no impairment has taken place in case of these assets.
- (c) In respect of construction & engineering assets, which were mainly plant and machinery, the Company, has undertaken the exercise of determining the Net Selling Price with the help of a registered valuer and its value in use. This exercise was undertaken with reference to the position as on 1st April, 2004. Pursuant to the exercise, an amount of Rs. 106.08 lacs has been determined to be the charge in respect of the impairment of the specified assets as on 1st April, 2004 and the said charge has been debited to General Reserve being related to the earlier period. As on the last date of the period ended 31st December, 2004, the Management after carrying out necessary exercise of determining impairment is of the opinion that there is no fresh impairment requiring adjustment in the carrying amount of the assets.
- (d) On account of the application of AS – 28 from the current accounting period, the General Reserve is lower by Rs. 106.08 lacs by the charge of the impairment loss as aforesaid.

26. In respect of the infrastructure projects undertaken by the Gammon India Limited, the Company has been advised by a senior tax counsel that following the decision of Income Tax Appellate Tribunal of Mumbai, the Company is eligible for deduction u/s 80IA in respect of profits from such projects. Accordingly, the Company has made provision under the Minimum Alternate Tax u/s 115JB for the nine months period ended 31st December, 2004. The Income Tax provisions already made for the earlier year for such infrastructure projects will be reviewed in the future years based on revised claims to be filed.

Rajahmundry Expressway Limited and Andhra Expressway Limited are eligible for a 10-year tax holiday under Section 80 IA of the Income Tax Act, 1961. The deferred tax liability would get reversed during the tax holiday period and hence has not been recognized in the accounts in accordance with Accounting Standard AS – 22, Accounting for taxes on Income.

27. In view of the extension in the Concession Period of Cochin Bridge Infrastructure Company Limited, the amortisation of Project Bridge is over longer period resulting in write back of depreciation of Rs. 1,67,53,617/- for the earlier years. The charge of amortisation to the Current Profit & Loss account is less to the extent of Rs. 50,45,713/- as compared to the value under the old Concession Agreement.
28. In the absence of latest audited accounts of the following Associate companies, the same have not been consolidated under AS 23 - Accounting for Investment in Associates in Consolidated Financial Statements. However, full provision has been made against the same and the group has no further financial commitment towards the Associate companies.
- Gammon Mideast Limited
 - Promet Berhad
 - Bhagirathi Bridge Construction Co. Ltd.

29. The Andhra Expressways Limited has accrued an income of Rs. 620 lacs as shortfall in Bonus from Punj Lloyd for delaying the completion of EPC Works against the stipulated date of September 20, 2004.

30. The balance with The Freyssinet Prestressed Concrete Company Limited is as per books of accounts & subject to reconciliation.

31. The outstanding inter company balances between Gammon India Limited and M/s. Rajahmundry Expressway Limited have been adjusted in the gross block of the infrastructure project pending final settlement.

32. The proceeds of Global Depository Receipts amounting to Rs. 5,247.56 lacs are lying in an escrow account as at 31st December, 2004.

33. Cash & Bank balances include Rs.198.87 lacs (*Previous Year Rs.198.87 lacs*) with bank branches in foreign countries relating to certain foreign projects which are not readily available for use by the Company and are subject to exchange control regulation of the respective countries.

34. The details of foreign fluctuation reserves created as per AS-11 in respect of Gammon & Billimoria (L.L.C.) is as follows:

| Particulars | Amount Rs. Lacs |
|--|-----------------|
| Opening Balance as on 01.04.2004 | Nil |
| Add: Transferred during the Year | 2.34 |
| Less: Transferred to Work-in-Progress | 10.88 |
| Sub Total | (8.54) |
| Less: Transferred to Minority Interest | 4.18 |
| Closing Balance as on 31.12.2004 | (4.36) |

35. CONTINGENT LIABILITIES NOT PROVIDED FOR:

- (a) Liability on contracts remaining to be executed on Capital Accounts amounts to Rs. 3,545.03 lacs. (Previous Year Rs. 8,277.52 lacs).
- (b) Counter Guarantees given to Bankers for Guarantees given by them and Corporate Guarantees, on behalf of subsidiary, erstwhile subsidiary, associate companies stand at Rs 69,392.27 lacs (Previous Year Rs. 49,088.81 lacs).
- (c) Capital commitments towards equity contributions of Joint Venture companies Andhra Expressway Limited – Rs. 381.52 lacs (Previous Year Rs. 954.24 lacs) and Rajahmundry Expressway Limited – Rs. 64.85 lacs (Previous Year Rs. 938.90 lacs).
- (d) Disputed Sales Tax liability for which the Company has gone into Appeal is Rs. 377.08 lacs (Previous Year Rs. 117.97 lacs).
- (e) Claims against the Company not acknowledged as debts Rs. 1,874.74 lacs (Previous year Rs. 1,912.17 lacs).
- (f) Counter claims in arbitration matters referred by the Company – liability unascertainable.
- (g) Disputed Excise Duty liability of Rs. 19.49 lacs. (Previous Year Rs. 16.24 lacs)
- (h) Disputed Customs Duty liability of Rs. 32.47 lacs. (Previous Year Rs. Nil)
- (i) Ex-employees claims, disputes-liability unascertainable.
- (j) Contingent Liability on partly paid shares Rs. 0.19 lacs (Previous Year Rs. 0.19 lacs)
- (k) Disputed Income Tax – Demand for which the Company appeals are pending before Appellant Authority – Rs. NIL. (Previous Year Rs. 502.90 lacs).
- (l) There is a disputed demand of UCO Bank pending since 1986, of US\$ 43,6251 i.e. Rs. 171.88 lacs. Against this, UCO Bank has unilaterally adjusted the Company's Fixed Deposit of US\$ 30,584 i.e. Rs. 12.14 lacs, which adjustment has not been accepted by the Company.

36. SEGMENT REPORTING :

(Rs. in Lacs)

| Particulars | Construction Activities | Infra-structure Development | Others | Eliminations | Total |
|-----------------------|-------------------------|-----------------------------|----------------|--------------------|--------------------------------------|
| External Revenue | 86,069 (1,06,003) | 2,118 (375) | 78 (17) | — (—) | 88,265 (1,06,395) |
| Inter Segment Revenue | 3,438 (6,375) | — (—) | 48 (56) | — (—) | 3,486 (6,431) |
| Total Revenue | 89,507 (1,12,378) | 2,118 (375) | 126 (73) | — (—) | 91,751 (1,12,826) |
| Segment Result | 4,929 (5,341) | 738 (-146) | 43 (13) | -1,420 (-1,312) | 4,290 (3,896) |
| Segment Assets | 1,14,785 (90,246) | 33,056 (24,377) | 555 (1,615) | — (—) | 1,48,396 (1,16,238) |
| Segment Liabilities | 82,268 (73,265) | 26,149 (22,631) | 15 (166) | — (—) | 1,08,432 (96,062) |
| Capital Expenditure | 5,182 (2,740) | 6,932 (13,166) | — (—) | — (—) | 12,114 (15,906) |
| Depreciation | 1,674 (1,994) | 478 (183) | — (—) | — (—) | 2,152 (2,177) |
| Non-Cash Expenses | — (—) | 16.99 (—) | 11.07 (—) | — (—) | 28.06 (—) |

Note : Figures in brackets are of previous year.

37. Disclosures as required by Accounting Standard AS-18 on Related Party Disclosures

- (a) Relationships:

Entities where control exists:

| | |
|----|---|
| 1. | Pacific Energy Pvt. Ltd. |
| 2. | Nikita Estate Developers Pvt. Ltd. |
| 3. | Masayor Enterprises Ltd. |
| 4. | Prospect Investment Ltd. |
| 5. | First Asian Capital Resources Pvt. Ltd. |
| 6. | Devyani Estate & Properties Pvt. Ltd. |

**Associates & Group Companies:**

| |
|---|
| 1. Freyssinet Prestressed Concrete Co. Ltd. |
| 2. Freyssinet (India) Ltd. |
| 3. Equipment Management Company (India) Ltd. |
| 4. Gammon Cooling Towers Ltd. |
| 5. Gammon Estates Ltd. |
| 6. Gammon Information Technologies Ltd. |
| 7. Associated Transrail Structures Ltd. |
| 8. Gammon Housing & Estate Developers Ltd. |
| 9. STFA Piling (India) Ltd. |
| 10. Weltex Cables (India) Ltd. |
| 11. Airscrew (India) Limited |
| 12. Alliance Agro India Ltd. |
| 13. Gammon Overseas Engineers Pvt. Ltd. |
| 14. Gilcon Project Services Ltd. |
| 15. Gammon Billimoria LLC |
| 16. Gammon Nirman Limited (upto 30 th September, 2004) |

Joint Venture:

| |
|--|
| 1. Gammon Progressive |
| 2. Gammon Rizzani |
| 3. Gammon – OSE |
| 4. OSE – Gammon |
| 5. Gammon Soma |
| 6. Gammon Atlanta |
| 7. Gammon OAO Stroytransgaz |
| 8. GIL BEB RAY |
| 9. Gammon STG |
| 10. Gammon Sadbhav |
| 11. Gammon Ozaltin |
| 12. Gammon Srinivas |
| 13. Gammon Druk Sherig |
| 14. Gammon Limak |
| 15. Gammon & Sew |
| 16. Ozaltin Gammon |
| 17. Gammon Sadbhav Billimoria Consortium |
| 18. AL Matar Trading & Con. LLC GIL |
| 19. Gammon Burhan Abdul Monem JV |
| 20. Gammon Burhan Fel. J V |
| 21. GIL – Leighton J V |
| 22. GIL – Archirodon |
| 23. GIL- Punjloyd J V |
| 24. Gammon Haustad & Timmermann JV |
| 25. Gammon – AL Matar JV |
| 26. GIL CEC JV |
| 27. Gammon BBJ |

Key Management Personnel & Relatives

| |
|--|
| 1. Mr. Abhijit Rajan |
| 2. Mr. S.A. Reddi (upto 18 th September, 2004) |
| 3. Dr. N.V. Nayak (upto 31 st October, 2004) |
| 4. Mr. M.S. Bisaria (upto 30 th September, 2004) |
| 5. Mr. Rajul A. Bhansali |
| 6. Late Mr. Jagdish Rajan |
| 7. Mr. Shobhit Rajan |
| 8. Mr. P. K. Umrigar |
| 9. Mr. H.V. Parikh (Upto 1 st August, 2004) |
| 10. Mr. R. Kishore |

(b) Related Party Transactions :
(Rs. in Lacs)

| Transactions | Associates | Key Management Personnel | Entities Where Control Exists | Joint Ventures | Total |
|--|------------------------|--------------------------|-------------------------------|--------------------------|--------------------------|
| Sub-contracting Income | — (—) | — (—) | — (—) | 13,594.10 (39,219.68) | 13,594.10 (39,219.66) |
| Sub-contracting Expenditure | 2,382.22 (1,162.03) | — (—) | — (—) | — (—) | 2,382.22 (1,162.03) |
| Purchase of Goods | 20.75 (86.11) | — (—) | — (—) | — (—) | 20.75 (86.11) |
| Sale of Goods | — (4.33) | — (—) | — (—) | — (—) | — (4.33) |
| Purchase of Fixed Assets incl. Cap Advances | 18.32 (—) | — (—) | — (—) | — (—) | 18.32 (—) |
| Rendering of Services | 277.97 (7.47) | — (—) | — (—) | — (—) | 277.97 (7.47) |
| Receiving of Services | 117.33 (76.74) | — (—) | — (—) | — (—) | 117.33 (76.74) |
| Hire Charges Paid | 7.16 (15.94) | — (—) | — (—) | — (—) | 7.16 (15.94) |
| Finance provided (including Loans and equity Contributions in cash or in kind) | 4,204.00 (4,973.47) | — (—) | — (—) | 600.00 (325.55) | 4,804.00 (5,299.02) |
| Finance provided for expenses & on a/c payments | 17.52 (81.08) | — (—) | — (—) | 7.42 (2.66) | 24.94 (83.74) |
| Amounts Liquidated towards the above finance | 3,043.44 (4,007.67) | — (—) | — (—) | 600.00 (0.12) | 3,643.44 (4,007.78) |
| Interest Income during the year | 141.68 (146.29) | — (—) | — (—) | 20.74 (8.84) | 162.42 (155.13) |
| Finance received (including Loans and equity contributions in cash or in kind) | — (199.37) | — (—) | — (—) | — (—) | — (199.37) |
| Amounts Liquidated towards the above finance | — (199.37) | — (—) | — (—) | — (—) | — (199.37) |



(b) Related Party Transactions (Contd.):

(Rs. in Lacs)

| Transactions | Associates | Key Management Personnel | Entities Where Control Exists | Joint Ventures | Total |
|--|--------------------------|--------------------------|-------------------------------|--------------------------|--------------------------|
| Interest paid during the year | — (—) | — (—) | — (—) | 183.49 (176.98) | 183.49 (176.98) |
| Write Off of Balances | — (1.28) | — (—) | — (—) | — (—) | — (1.28) |
| Contract Advances Received | 17.70 (—) | — (—) | — (—) | 43.86 (6,326.18) | 61.56 (6,326.18) |
| Contract Advances Given/Refund of Advance | 300.00 (391.35) | — (—) | — (—) | 815.34 (6,864.18) | 1,115.34 (7,255.33) |
| Refund received against contract advance | 411.64 (103.50) | — (—) | — (—) | — (—) | 411.64 (103.50) |
| Deposit | 522.00 (405.00) | — (—) | — (—) | — (—) | 522.00 (405.00) |
| Dividend Paid to Shareholders | — (—) | 0.28 (0.28) | 148.21 (147.91) | — (—) | 148.49 (148.19) |
| Dividend Income | 4.45 (—) | — (—) | — (—) | — (—) | 4.45 (—) |
| Remuneration | — (—) | 99.19 (143.22) | — (—) | — (—) | 99.19 (143.22) |
| Guarantees and Collaterals Given Outstanding | 22,021.57 (14,240.08) | — (—) | — (—) | 48,362.44 (22,736.80) | 70,384.01 (36,978.88) |
| Outstanding Balances Receivable | 1,962.86 (2,407.94) | — (—) | — (—) | 5,562.40 (3,965.44) | 7,525.26 (6,373.38) |
| Outstanding Balances Payable | — (—) | 18.48 (22.65) | — (—) | 4,162.10 (4,745.00) | 4,180.58 (4,767.65) |

38. Previous year figures are regrouped and rearranged wherever necessary to make them comparable with that of current year.

As per our attached report of even date.

For NATVARLAL VEPARI & CO.
Chartered Accountants

P. N. VEPARI
Partner
M. No. 4954

Mumbai, Dated: 19th May, 2005.

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing Director

S. K. GUHA THAKURTA
Director

P. S. GUPCHUP
Company Secretary

C. C. DAYAL
Director

HIMANSHU PARIKH
Director

Mumbai, Dated: 19th May, 2005.

CONSOLIDATED CASH FLOW FOR THE YEAR ENDED 31st DECEMBER, 2004

| | April-Dec '04 | | 2003-2004 | |
|---|---------------|-------------|-------------|-------------|
| | Rs. In Lacs | Rs. In Lacs | Rs. In Lacs | Rs. In Lacs |
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | | | |
| Net Profit before Tax and extraordinary items | | 4,301.07 | | 3,896.38 |
| Adjustments for : | | | | |
| Depreciation & Amortisation | 2,153.07 | | 2,178.70 | |
| Profit/Loss on sale of investments (Net) | (—) | | (40.19) | |
| Profit/Loss on sale of assets (Net) | 17.23 | | 3.51 | |
| Dividend income | (5.44) | | (10.10) | |
| Interest (Net) | 3,553.43 | | 3,760.51 | |
| Foreign Exchange loss/gain | (22.80) | | 9.51 | |
| Preliminary expenses written off | 28.06 | | 51.81 | |
| Amounts written off | 110.44 | 5,833.99 | 105.11 | 6,058.86 |
| Operating Profit before Working Capital Changes | | 10,135.06 | | 9,955.24 |
| Adjustments for : | | | | |
| Trade and Other Receivables | (8,850.21) | | (2,309.73) | |
| Current Assets & WIP | (8,463.10) | | (8,421.46) | |
| Trade Payables & Working Capital Finance | 11,337.37 | | 15,685.70 | |
| Loans and Advances | (1,926.42) | | (3,964.23) | |
| Preliminary Expenses/Goodwill | (128.70) | (8,031.06) | (59.75) | 930.53 |
| CASH GENERATED FROM OPERATIONS | | 2,104.00 | | 10,885.77 |
| Direct Taxes paid | | (731.54) | | (2,238.37) |
| Cash flow before extraordinary items | | 1,372.46 | | 8,647.40 |
| Loss on Disposal of Associates | (135.94) | | 252.10 | |
| Share of Profit/(Loss) from Associates | 95.11 | | 205.91 | |
| Prior Period Adjustments Relating to Preliminary Expenses | 105.12 | | — | |
| Prior Period Adjustments Relating to Subsidiaries | (71.08) | | — | |
| Prior Period Adjustments Relating to Joint Ventures | (305.11) | (311.90) | (119.10) | 338.91 |
| CASH FROM OPERATIONS | | 1,060.56 | | 8,986.31 |
| B. CASH FLOW FROM INVESTMENT ACTIVITIES : | | | | |
| Purchase of Fixed Assets | (12,297.28) | | (16,249.56) | |
| Sale of Fixed Assets | 17.83 | | 102.83 | |
| Purchase of Investments | (1,204.93) | | (2,124.55) | |
| Sale of Investments | 1,200.00 | | 2,096.80 | |
| Change in Investment in Associates | 542.09 | | (205.91) | |
| Change in Investment in Joint Venture | 893.26 | | 629.07 | |
| Share Application Money Pending Allotment | (90.31) | | — | |
| Interest received | 456.40 | | 596.51 | |
| Dividend received | 5.44 | (10,477.50) | 10.10 | (15,144.71) |
| Net Cash Used After Investing Activities | | (9,416.94) | | (6,158.40) |
| C. CASH FLOW FROM FINANCING ACTIVITIES : | | | | |
| Interest paid | (3,953.69) | | (2,926.40) | |
| Proceeds from issue of Share Capital | 14,042.20 | | — | |
| Minority Interest Contribution | 182.80 | | 4.91 | |
| Proceeds from borrowings | 3,483.03 | | 9,416.83 | |
| Proposed Dividend (including Tax) | (357.33) | | (356.52) | |
| Share Application Money Pending Allotment | 615.29 | 14,012.30 | 263.73 | 6,402.55 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 4,595.36 | | 244.15 |
| Balance as on 31.03.2003 | | 2,943.78 | | 2,699.63 |
| Balance as on 31.03.2004 | | 7,539.14 | | 2,943.78 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 4,595.36 | | 244.15 |

Note :

- Figures in brackets denote outflows.
- Cash and Cash Equivalents include Rs. 198.87 lacs as on 31.12.2004 and Rs. 198.87 lacs as on 31.3.2004 with Bank Branch in Foreign countries relating to certain Foreign Projects which are not readily available for use by the Company.

| | As at 31 December, 2004 | As at 31 March, 2004 |
|---------------------------------|----------------------------|-------------------------|
| Per Balance Sheet | 7,549.42 | 2,931.26 |
| Effect of Exchange Rate Charges | (10.28) | 12.52 |
| Balance Restated above | <u>7,539.14</u> | <u>2,943.78</u> |

As per our attached report of even date.

For NATVARLAL VEPARI & CO.
Chartered Accountants

P. N. VEPARI
Partner
M. No. 4954

Mumbai, Dated: 19th May, 2005

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing Director
S. K. GUHA THAKURTA
Director
P. S. GUPCHUP
Company Secretary

C. C. DAYAL
Director
HIMANSHU PARIKH
Director

Mumbai, Dated: 19th May, 2005.